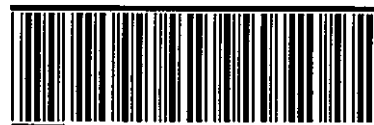




REPORT AND ACCOUNTS

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CANDOVER INVESTMENTS plc

Report and Accounts

For the year ended 31st December, 1995

Candover organises and invests in large management buy-outs and buy-ins, and provides development capital to unquoted companies. Candover's primary objective is to achieve above average growth in its net assets through capital gains from its investments and to earn a satisfactory income for its shareholders.

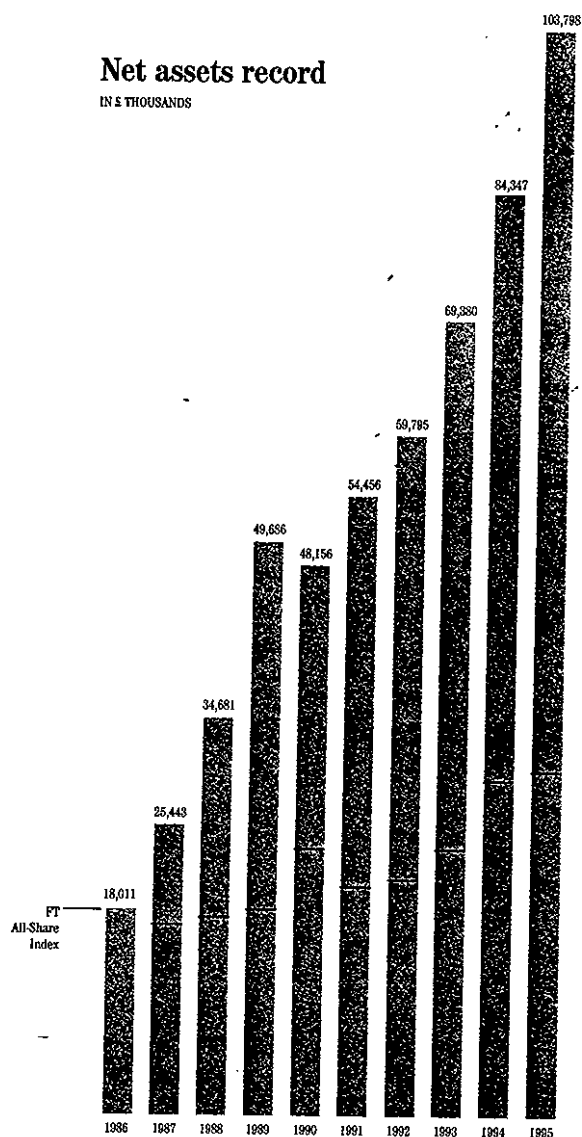
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TEN-YEAR RECORD

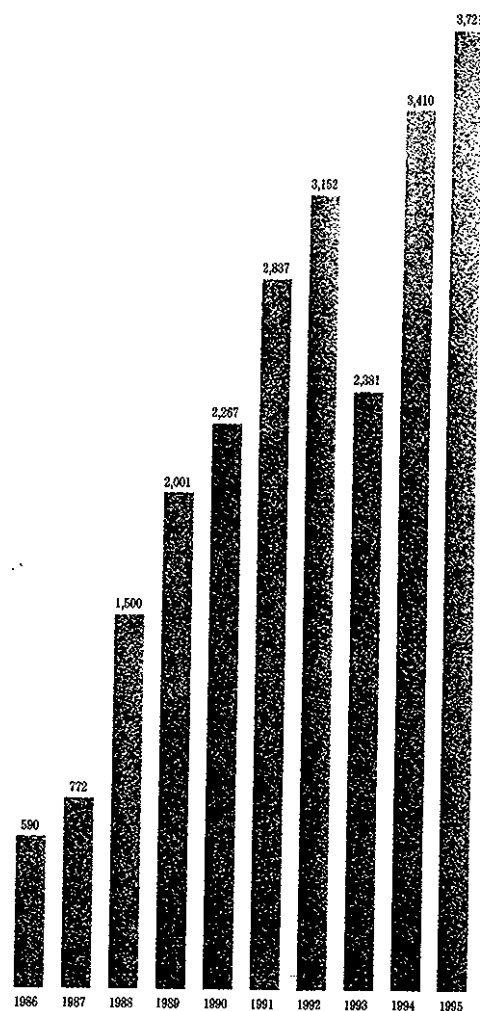
Net assets record

IN £ THOUSANDS



Profit after taxation

IN £ THOUSANDS

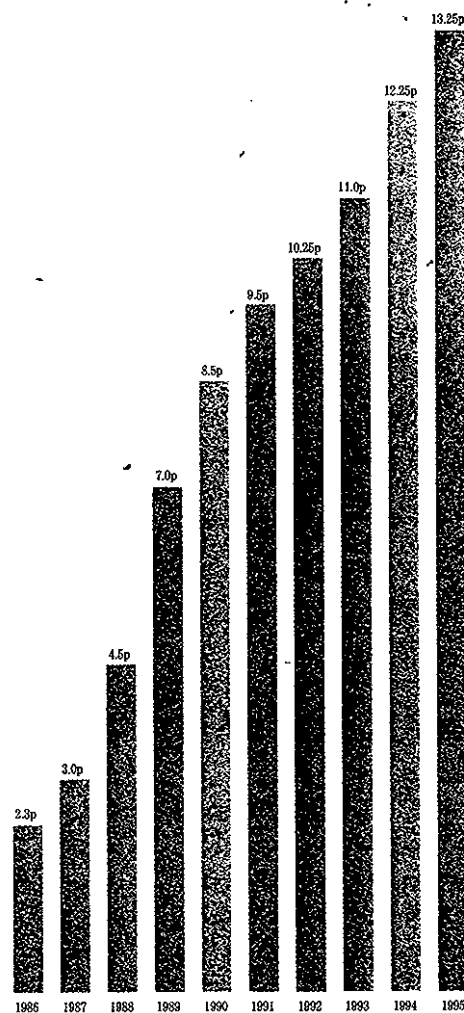


Where appropriate, figures have been adjusted for the 1989 capitalisation issue.

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total Net Assets £'000	18,011	25,443	34,681	49,686	48,156	54,456	59,795	69,380	84,347	103,798
Net Assets per share	84p	117p	159p	224p	217p	244p	267p	310p	377p	464p
Profit on Ordinary Activities before Taxation £'000	895	1,212	2,132	2,985	3,702	3,955	4,099	3,300	4,855	5,222
Profit after Taxation £'000	590	772	1,500	2,001	2,267	2,837	3,152	2,381	3,410	3,721

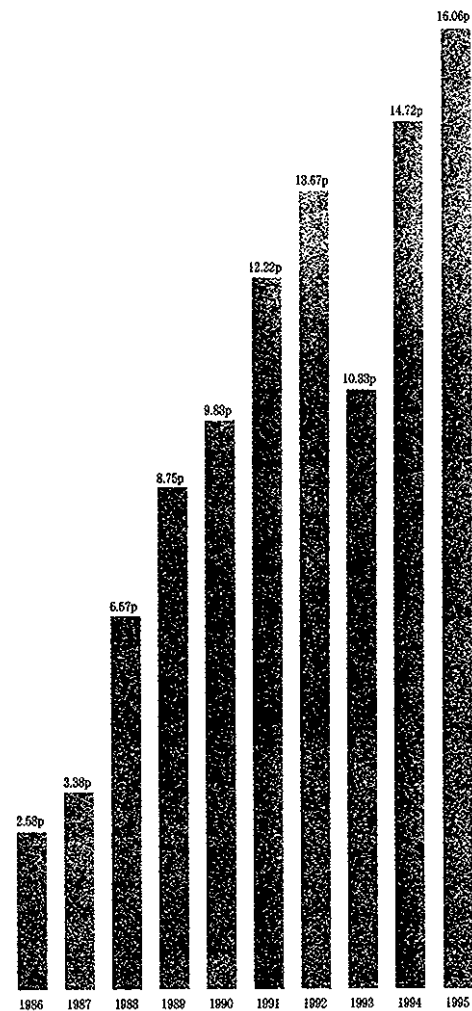
TEN-YEAR RECORD - CONTINUED

Net Dividend per share



Earnings per share

FULLY DILUTED



	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Net Dividend per share	2.30p	3.00p	4.50p	7.00p	8.50p	9.50p	10.25p	11.00p	12.25p	13.25p
Earnings per share:										
Basic	2.75p	3.58p	6.90p	9.03p	10.20p	12.69p	14.09p	10.64p	15.24p	16.63p
Fully diluted	2.58p	3.38p	6.57p	8.75p	9.83p	12.22p	13.67p	10.33p	14.72p	16.06p

THE BOARD OF DIRECTORS

From right to left

S.W. Curran
C.R.E. Brooke
J.M. Ralsman
R.A.P. King
G.D. Fairservice
P.J. Scott Plummer
A.P. Hichens
J.G. West
D.R. Wilson



C.R.E. Brooke MA CHAIRMAN

Mr Brooke was Chief Executive of Candover from its formation in 1980 and was appointed Chairman on 1st January, 1991. With effect from February 1996 he became non-executive Chairman. In 1966 he was appointed Deputy Managing Director of the Industrial Reorganisation Corporation and from 1969 to 1971 he was Managing Director of Scientia SA which was involved in investments in small and medium sized advanced technology businesses in Europe. He was a director of Pearson Group for eight years and in June 1979 was appointed Group Managing Director of EMI, leaving the company in February 1980 after its merger with Thorn. He is also a non-executive director of Slough Estates plc, Lowndes Lambert Group Holdings plc, Tarmac plc, Wembley plc and various unquoted companies including Chairman of Innisfree Management Ltd. In December 1995 he was appointed Chairman of the Audit Commission. Mr Brooke is 65.

S.W. Curran FCCA CHIEF EXECUTIVE

Mr Curran was appointed Chief Executive on 1st January, 1991 having previously been Deputy Chief Executive and a director of Candover since July 1982. Prior to joining Candover in May 1981, he was a managing consultant with Coopers & Lybrand Associates and then an Investment Manager with what is now CINven. He is a non-executive director of Greggs plc and a number of unquoted companies. Mr Curran is 53.

G.D. Fairservice Bsc MBA DEPUTY CHIEF EXECUTIVE

Mr Fairservice joined Candover in March 1984, was appointed to the board in July 1986 and was made Deputy Chief Executive on 1st January, 1991. Before joining Candover, Mr Fairservice was eight years with ICFC (3i) followed by two years with the British Technology Group (now BTG plc). He is a non-executive director of Kenwood Appliances plc, BTG plc, Stoves plc, VERO Group plc and several unquoted companies. Mr Fairservice is 49.

THE BOARD OF DIRECTORS - CONTINUED

A.P. Hichens MBA *

DEPUTY CHAIRMAN, NON-EXECUTIVE

Mr Hichens joined the Board of Candover in December 1989 and was appointed Deputy Chairman of the company with effect from 1st January 1991. He is Chairman of Caradon plc, and Deputy Chairman of Courtaulds Textiles plc and Lasmo plc. He is also a non-executive director of Greenfriar Investment Company Plc, The British Coal Corporation, Global Stone Corporation, London Insurance Market Investment Trust Plc and The Fleming Income & Capital Investment Trust Plc. He was previously a managing director and chief financial officer of Consolidated Gold Fields.

Mr Hichens is 59.

R.A.P. King *

NON-EXECUTIVE

Mr King was appointed to the Candover Board in July 1981 and is Chairman of KBW Limited, a computer software company which he founded in 1992. Prior to that he was Chairman of Majestic Films International, which he founded in 1988.

Mr King is 61.

P.J. Scott Plummer FCA §

NON-EXECUTIVE

Mr Scott Plummer was appointed to the Candover Board in December 1985. With effect from 1st April, 1996 he was appointed Chief Executive of Martin Currie Ltd having previously been Managing Director. He is also a director of its subsidiary, Martin Currie Investment Management Ltd, the managers of The Scottish Eastern Investment Trust Plc, on which Board he also serves. He was previously a partner of Cazenove & Co from 1974 to 1980 and has had many years experience in the investment field.

Mr Scott Plummer is 52.

J.G. West FCA *§

NON-EXECUTIVE

Mr West, who was appointed to the Candover Board in December 1985, is a former Managing Director of Lazard Brothers and Chief Executive of Lazard Investors. He was previously Managing Director of Globe Investment Trust Plc. He is Chairman of Gartmore Micro Index Trust plc, and a non-executive director of Abtrust New Dawn Investment Trust plc, High Income Trust plc, British Assets Trust plc, Bensons Crisps plc and various unquoted companies including Chairman of Principal Healthcare Finance Ltd.

Mr West is 48.

J.M. Raisman CBE *

NON-EXECUTIVE

Mr Raisman was appointed to the Board of Candover in July 1990. Until March 1985 he was the Chairman and Chief Executive of Shell UK Limited and retired in October 1991 from the post of Deputy Chairman of British Telecom plc. He was non-executive director of Glaxo Holdings plc until October 1990 and non-executive director of Vickers plc until December 1990. He is Chairman of British Biotech plc and a non-executive director of Lloyds TSB plc and Tandem Computers Ltd. He is also Chairman of the Council for Industry and Higher Education and Deputy Chairman of the National Commission on Education.

Mr Raisman is 67.

D.R. Wilson FCA §

NON-EXECUTIVE

Mr Wilson joined the Board of Candover in May 1994. With effect from 1st April, 1996 he was appointed Chief Executive of Slough Estates plc one of the UK's largest investment property companies where he is responsible for finance. He had previously been Group Managing Director and prior to joining Slough in 1986 he held senior appointments at Cadbury Schweppes PLC and Wilkinson Match Limited. He qualified as a chartered accountant with Deloitte Haskins & Sells in London and Geneva.

Mr Wilson is 51.

* Member of the Remuneration Committee

§ Member of the Audit Committee

THE EXECUTIVE TEAM



P.G. Symonds FCA
INVESTMENT EXECUTIVE

Mr Symonds joined Candover in January 1983 and was appointed a director of Candover Partners Limited on 7 February 1995. After qualifying as a Chartered Accountant in 1976 with Peat, Marwick, Mitchell & Co he spent seven years in various aspects of professional practice. In addition to his duties as an investment executive with responsibility

for a number of Candover's investee companies, Mr Symonds also has responsibility for various accounting and administrative functions in Candover. Mr Symonds is 44.



C.J. Buffin ACA
INVESTMENT EXECUTIVE

Mr Buffin joined Candover in September 1985 and was appointed a director of Candover Partners Limited on 7 February 1995. After qualifying as a Chartered Accountant in 1984 with Deloitte Haskins & Sells he spent two years in the Investigations and Corporate Finance Departments. Mr Buffin has been responsible for a number of transactions

some of which have led to Stock Exchange listings, including the buy-outs of Motor World Group PLC and Midland Independent Newspapers plc (of which he is a non-executive director) and other more recent deals including the £626m buy-out of Eversholt Leasing Limited completed in February 1996. Mr Buffin is 38.



M.S. Gumienny ACA
INVESTMENT EXECUTIVE

Mr Gumienny joined Candover in January 1987 and was appointed a director of Candover Partners Limited on 7 February 1995. After qualifying as a Chartered Accountant with Price Waterhouse he spent 15 months on secondment in the Price Waterhouse Training Department before transferring to Price Waterhouse Bahrain for 12 months. Mr Gumienny has been involved

in a number of deals including Lowndes Lambert Group Holdings Limited, Gaymer Group Europe Limited, Fishers International plc, Economic Insurance Company Ltd and Shepperton Studios Limited, the buy-outs of which he led. Mr Gumienny is a non-executive director of Fishers International plc, Economic Insurance Company Limited, European Rail Catering Company Limited, Provend Services Limited and Shepperton Studios Limited. Mr Gumienny is 37.



S.N.A. Leefe ACA
INVESTMENT EXECUTIVE

Mr Leefe joined Candover in January 1992 after qualifying with Arthur Andersen & Co in 1990 where he gained experience in a number of areas including Corporate Recovery. Mr Leefe has been involved in a number of deals including the buy-outs of Druid Systems Limited, Bibby & Baron Group Limited, Marllyn Holdings Limited and Vero Group plc which obtained a

Stock Exchange listing in November 1995. Mr Leefe is a director of Druid Systems Limited and Marllyn Holdings Limited. Mr Leefe is 30.

THE EXECUTIVE TEAM - CONTINUED



M.N. Calderbank MBA
INVESTMENT EXECUTIVE

Mr Calderbank joined Candover in October 1995 from the management consultancy firm of McKinsey & Co., where he had been working as a consultant on a number of corporate projects. Prior to that he had achieved an MBA from the Harvard Business School in 1993.
Mr Calderbank is 29.



P.R. Neal ACIS
COMPANY SECRETARY

Mr Neal joined Candover in October 1990 as Company Secretary. He has been Company Secretary or Assistant Company Secretary to a number of companies in shipping, insurance and stockbroking and prior to joining Candover was Assistant Company Secretary of the The Great Universal Stores plc. Mr Neal qualified as a Chartered Secretary in 1981. In addition to his duties

as Company Secretary Mr Neal manages many of the administrative functions of the company as well as being the company's compliance officer.
Mr Neal is 47.



T. Tan ACA CPA
FINANCIAL CONTROLLER

Ms Tan joined Candover in September 1990 after qualifying as a Chartered Accountant in 1979 with Grant Thornton. She spent three years in the United States where she qualified as a Certified Public Accountant before returning to the Audit Department in London. Ms Tan manages the accounts of Candover and the various Candover funds.
Ms Tan is 42.

CHAIRMAN'S STATEMENT



Roger Brooke

Once again I am able to report a strong increase in both net asset value and profits for Candover for 1995.

The principal reason for this was the large programme of successful realisations which took place during the year - ten in total, including six stock market flotations. As a result, of the fourteen investments made in the Candover 1989 Fund only four remain in the portfolio and all are considering realisations during 1996. Assuming that these proceed as planned, it now seems likely that the institutions which participated in the Fund will make a substantial profit on their investment with us. When it is remembered that the early years of the 1989 Fund were severely affected by the recession, which proved much deeper and longer lasting than had been generally expected, this is a strong performance which does great credit to the managers we decided to back.

We made a steady start during the year in investing the £307.5 million successor fund, the Candover 1994 Fund, and we continued to draw down the Candover 1991 Fund for investment in smaller transactions. In total during the year Candover and these Funds invested £36 million in seven buy-outs and buy-ins, together with a number of small follow-on investments in existing portfolio companies. Since the year end Candover and the Candover 1994 Fund have invested £22.7 million (Candover's share of which was £5.1m) in the £626 million buy-out of Eversholt, a railway rolling stock leasing company. This was the largest transaction ever undertaken by Candover.

RESULTS FOR 1995

The total net assets attributable to the ordinary shares at 31st December, 1995, after including current asset investments at market or directors' valuations, less attributable taxation, were £103,798,000 as against £84,347,000 at 31st December, 1994, an increase of 23 per cent. Net assets per share were 464p at 31st December, 1995 compared with 377p for the previous year. At 30th June, 1995 the net asset value per share was 419p.

The increase for the year of 23 per cent compared with a rise of 18.5 per cent in the FT-All Share Index during the period.

Profits before tax rose 7.6 per cent to £5,222,000 as compared with £4,855,000 in 1994. After tax profits rose 9.1 per cent to £3,721,000 (1994 : £3,410,000). The main reasons for this improvement were increased fee and dividend income.

The valuation of fixed asset investments was £54,170,000 (1994 : £57,566,000) after taking into account downward adjustments of £2,126,000 made to reflect the under performance of some companies as well as an increase of £7,234,000 over the year in the market value of the shares which we still hold in those of our investee companies which have obtained stock exchange listings. At the year end our cash and realisable assets totalled £51,549,000, a rise of £25,133,000 over the year. Additionally, listed shares at the year end totalled £21,662,000, equivalent to 21 per cent of our net assets. Candover's undrawn commitment to funds managed by Candover Partners Ltd, its wholly owned subsidiary, totalled £64.3 million.

It is perhaps worth recording that the authoritative independent research firm, Micropal, reported that over the ten years from 1 January, 1986 to 1 January, 1996, and assuming that all net income was reinvested, the value of an investment in Candover shares rose more than any other Investment Trust listed in the FT All-Share Index.

CHAIRMAN'S STATEMENT - CONTINUED

Over the same ten years Candover's compound net asset position rose by 21.5% per annum compared with 10.2% for the FT All-Share Index.

..... **DIVIDENDS**

At the half year your Board decided to increase the dividend from 4.15p per share to 4.5p per share. In the light of the further profit improvement the Board has decided to recommend an increase in the final dividend from 8.1p per share to 8.75p per share, giving a total dividend for the year of 13.25p per share, as against 12.25p in 1994. This is an overall increase of 8.2%. Payment of the dividend will be made on 16th May, 1996 to holders on the Register at 23rd April, 1996.

..... **BOARD AND STAFF**

During the year we recruited one new member of the executive team, Martin Calderbank whom we welcome. The year was extremely busy, particularly in view of the heavy realisation programme and we are lucky indeed to have such a strong, experienced and loyal staff.

I reported at the Annual General Meeting last year of my intention to take on a greater number of outside activities. On 1st February, 1996 I became non-executive Chairman of Candover, although as founder of the company I shall continue to allot a substantial part of my time to Candover's activities and remain of course fully committed to the Company's continued success.

..... **FUTURE PROSPECTS**

Last year I expected that our rate of new investment would rise in 1995. Because experience has taught us to maintain a highly selective approach to investment, and because the outlook for short term economic growth both in the UK and in most major European economies appeared unclear, the result was a lower volume of investment than I had anticipated. At present there is still a healthy flow of promising investment opportunities and although the market remains competitive I am confident that we shall continue to find good quality investments both for ourselves and the funds we manage. Despite the short term political uncertainties the outlook for enterprising companies and managers, particularly in the UK, is generally good.

The last two years have also been especially good for Candover in terms of both asset value and profit growth thanks in good measure to the remarkable number of our investee companies achieving Stock Exchange listings or successful trade sales. This process should continue in 1996, albeit at a more modest pace. I remain optimistic about the company's future.



Roger Brooke
Chairman

9th April, 1996

CHIEF EXECUTIVE'S REPORT

ACTIVITIES IN 1995



Stephen Curran

During the year, four substantial investments were made by Candover in conjunction with the 1994 Fund. The first was in Shepperton Studios, one of Europe's leading production centres for feature and television films, as well as television commercials. Shepperton, under the leadership of Ridley and Tony Scott and Denis Carrigan, has made a good start and has already substantially upgraded the studio's facilities. The second investment was in Albion Automotive Limited, a company based in Glasgow manufacturing components for commercial vehicles. This company too has progressed well since the investment was made in July. The third investment was the management buy-out of European Rail Catering Company Limited, a company which provides specialist food and drink products and services for the passenger train operating companies in Britain, and the fourth was in BIP, a company producing specialist plastic products.

The total invested in these four transactions by Candover and the 1994 Fund together was £28 million.

In addition, we financed two smaller transactions, the buy-out of Bibby & Baron, a company manufacturing bags principally for the retail industry, and the management buy-in of Marlyn Holdings Limited, a company supplying high quality food products on a door-to-door basis direct to the consumer. The total investment by Candover and the 1991 Fund in each of these transactions was £2.2 million. Candover also invested additional small amounts in four of its existing portfolio companies.

Since the beginning of 1996, Candover and the 1994 Fund have together invested £23 million in the largest transaction to date arranged by Candover in our fifteen year history - the £626 million purchase of Eversholt Leasing, one of the three rolling stock companies sold by the Government as part of the privatisation of British Rail. Candover was joined in this by a strong group of European investors and banks in what we believe will prove a stable and profitable business with good opportunities for further development.

REALISATIONS

As mentioned in the Chairman's Report, we continued in 1995 the strong programme of realisations which had begun in the previous year. Five companies obtained listings on the London Stock Exchange - Expro, Stoves, BTG, McBride and Vero - and one on the Dublin Stock Exchange - Fishers International. In addition, four companies were sold - Gardner Merchant, Pavilion Services, Atco-Qualcast and Golden Key Homes. All the companies floated realised substantial gains for Candover and our various funds and the companies sold to trade buyers also achieved large capital gains both for Candover and the relevant funds.

The single largest gain was made by Vero Electronics, which had recorded a remarkable increase in sales and profits since the buy-out in 1994. Both Stoves and Atco-Qualcast were also highly successful investments, and as with Vero, this reflected the outstanding performance of the management teams.

In total, at their respective listing prices, the companies floated in 1995 realised gains of £9 million for Candover and £45 million for the various Funds involved. The companies sold produced gains of £3 million for Candover and £38 million for the Funds involved.

CHIEF EXECUTIVE'S REPORT - CONTINUED

These increases in value were the principal reason why our net assets rose as strongly as they did during the year.

OVERSEAS ACTIVITIES

In Germany we established an agreement with Legal & General Ventures to join us as a partner in building up our German buy-out and buy-in business. One investment was made in February 1995, that of Wohlfarth, a specialist transport business. Candover's investment in Wohlfarth was £0.3 million with the 1991 Fund investing £1.8 million. In France the new fund raised by Ciclad Investissements has started operations with a commitment from Candover of FF 20 million. In Italy the Cambria Fund has made one new investment and two further investments in companies already in its portfolio. No further investments were organised by Lombard Investments, Inc in the period. We remain optimistic that our investments in companies identified by Lombard will produce further significant capital gains.

FUNDS

The Hoare Candover Exempt Fund

The Electra Candover Direct Investment Plan

The Candover 1987 Fund

The process of realising the remaining investments in these Funds continues. The flotation of Stoves and Fishers produced some welcome gains for the 1987 Fund and we expect that there will be further realisations in 1996 whether through flotation or sale.

THE CANDOVER 1989 FUND

At the year end only four investments remain in the Fund and one, Blue Arrow Personnel Services, has recently announced that it is being purchased by The Corporate Services Group plc. The other companies remaining in the Fund portfolio could well be realised through sale or flotation in 1996.

THE CANDOVER 1991 FUND

As a result of the investments made during 1995 and since the year end reported above, £21 million has been invested out of a total committed amount of £32.5 million (excluding the £5 million co-investment commitment by Candover). During the year the flotation and sale of Expro, Pavilion and McBride produced total gains of £2 million for the Fund with good prospects for further successful realisations in 1996.

THE CANDOVER 1994 FUND

I have described above the first investments by this Fund. The total invested to date by the Fund is £39 million and the early progress of the portfolio is satisfactory.



Stephen Curran
Chief Executive

9th April, 1996

REVIEW OF TWENTY LARGEST INVESTMENTS

STOVES PLC

	<i>Candover's Investment as at 31st December</i>	1995	1994
<i>Manufacturer</i>	Cost of Investment	£35,000	£485,000
<i>of cookers</i>	Directors' Valuation	£5,457,000	£3,262,000
	Equity Interest	8.4%	13.4%
	% of Candover's Net Assets	5.3%	3.9%
	Earnings per Share	14.2p	7.1p
	Dividend Cover	n/a *	n/a *
	Basis of valuation : Quoted Market Price		

* The calculation of the dividend cover is not appropriate as the dividend paid in 1995 included accrued dividends paid to investors in the company prior to the listing. No dividends were paid in 1994.

Stoves plc, in which Candover and the 1987 Fund invested £1.3 million is an independent cooker manufacturer based in Prescot, Merseyside.

On 21st June, 1995 Stoves listed on the London Stock Exchange at 163p per share valuing Candover's investment at £5 million.

During the year Candover sold into and following the listing 704,000 shares producing a profit over cost of £1,360,000.

In the financial year ended 31st May, 1995 prior to the listing, Stoves achieved profits before interest and tax of £3.5 million on sales of £48.9 million, as compared with profits of £2.1 million on sales of £41.8 million over the previous year.

Recently reported figures for the half year to 2nd December, 1995 showed profits before interest and tax of £1.5 million on sales of £27.9 million compared with profits of £1.5 million on sales of £22.5 million for the same period in the previous year. The static profits were a result of the hot summer in the first quarter which was offset by a strong recovery in the second quarter.

Gross dividends received by Candover during the year ended 31st December, 1995 were £132,543 (1994: Nil).

JARVIS HOTELS LIMITED

	<i>Candover's Investment as at 31st December</i>	1995	1994
<i>Hotel owners</i>	Cost of Investment	£3,624,000	£3,624,000
<i>and</i>	Directors' Valuation	£4,600,000	£3,986,000
<i>managers</i>	Effective Equity Interest (fully diluted)	3.2%	3.2%
	% of Candover's Net Assets	4.4%	4.7%
	Basis of valuation : Multiple of earnings		

Jarvis Hotels Limited owns and manages a nationwide portfolio of 61 hotels under the Jarvis name offering conference training and leisure facilities. It also provides management services to one other hotel on behalf of its owners.

In the year to 26th March, 1995, profits before interest and tax amounted to £18.7 million on sales of £89.8 million (1994: £11.4 million on sales of £63.3 million). Profits to date in the current financial year are ahead of the previous equivalent period on a like for like basis.

Gross dividends received by Candover in the year ended 31st December, 1995 totalled £43,631 (1994: £Nil).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

VERO GROUP PLC			
	<i>Candover's Investment as at 31st December</i>	1995	* 1994
<i>Manufacturer of specialist</i>	Cost of Investment	£38,000	£703,000
<i>racks, enclosures and related</i>	Directors' Valuation	£4,450,000	£1,778,000
<i>products for the electronics and</i>	Equity Interest	2.7%	2.5%
<i>telecommunications industries</i>	% of Candover's Net Assets	4.3%	1.9%
	Earnings per Share	12.8p	n/a
	Basis of valuation : Quoted Market Price		
* The figures for 1994 have been adjusted to include Candover's investment through the Candover 1989 UK Limited Partnership.			

VERO Group plc, which manufactures a range of specialist racks, enclosures and related products was a buy-out from BICC plc in April 1994, in which Candover and the Candover 1989 Fund invested a total of £8.1 million.

On 17th November, 1995 VERO listed on the London Stock Exchange at a price of 220p per share. At the listing price Candover received cash and shares worth £3,334,000 (cost: £628,000) from its direct investment. A further £348,000 (cost: £75,000) was received from its investment in the Candover 1989 UK Limited Partnership and £3,142,000 from the Candover 1989 Fund carried interest arrangements.

A total of 412,000 shares were sold in the listing producing a net profit over cost of £877,000.

The results for the year ended 31st December, 1995 showed profits before interest, tax and exceptional items, of £12.9 million on turnover of £97.2 million as against proforma profits of £8.3 million on turnover of £78.7 million for the previous year. Sales growth was achieved in all the key markets and with firm control of overheads, operating profits before the exceptional item grew by 55%. Major expansion of the Uxbridge plant has been implemented to cope with increased demand.

No dividends were received by Candover in the year to 31st December, 1995 (1994: £Nil).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

BTG PLC			
	<i>Candover's Investment as at 31st December</i>	1995	1994
Technology transfer	Cost of Investment	£243,000	£243,000
	Directors' Valuation	£3,522,000	£243,000
	Equity Interest	1.8%	1.7%
	% of Candover's Net Assets	3.4%	0.3%
	Earnings per Share	n/a	n/a
	Dividend Cover	n/a	n/a
	Basis of valuation : Quoted Market Price		

BTG plc is one of the world's leading specialist technology transfer companies. Candover invested £250,000 in March 1992 in the buy-out of this company from the Government. BTG identifies commercially promising technology from a broad range of academic and corporate sources which it protects by applying for patents and then licenses these products throughout the world.

Included among the technologies presently in its portfolio is 'Torotrak', which is an infinitely variable transmission system for motor vehicles; 'Factor IX Protein' which can be used in the treatment of Haemophiliacs and which is now in phase III clinical trials; 'Tomudex' a drug for the treatment of colorectal cancer which was recently launched in the UK market by Zeneca and 'Supertag' which is a low cost tagging system which could ultimately replace bar codes.

On 6th July, 1995 BTG listed on the London Stock Exchange at a price of 225p per share valuing Candover's investment at £708,000. Since then the share price has grown substantially.

In the six months to 30th September, 1995 BTG showed a loss before interest and tax of £2.0 million on turnover of £8.8 million as against a profit of £0.3 million on turnover of £11.8 million for the same period in the previous year. This decline in revenues and profits, which was largely due to the loss of revenues following the expiry of patents on 'Pyrethrin' a synthetic agricultural product, had been anticipated at the time of the flotation and was described in the prospectus.

No dividends were received by Candover in the year ended 31st December, 1995 (1994: £21,419).

LOMBARD/NOGALES RADIO PARTNERS LIMITED PARTNERSHIP			
	<i>Candover's Investment as at 31st December</i>	1995	1994
Radio fund	Cost of Investment	US\$5,327,000	US\$5,330,000
		(£3,451,000)	(£3,452,000)
	Directors' Valuation	US\$5,327,000	US\$5,330,000
		(£3,431,000)	(£3,407,000)
	Effective Equity Interest	16.5%	17.9%
	% of Candover's Net Assets	3.3%	4.0%
	Basis of valuation : Cost		

Lombard/Nogales Radio Partners Limited Partnership is a Fund established in July 1994 which closed with total commitments of US\$40.5 million, of which Candover's total commitment was US\$6.7 million. The Fund has invested US\$29.2 million in 8 radio stations in four markets on the West Coast of the United States of America, and is managed by Lombard Investments, Inc. of California, USA.

No dividends were received by Candover during the year ended 31st December, 1995 (1994: £Nil).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION

	<i>Candover's Investment as at 31st December</i>	1995	1994
Railroad operations	Cost of Investment	US\$363,000	US\$363,000
		(£191,000)	(£191,000)
	Directors' Valuation	US\$5,275,000	US\$5,403,000
		(£3,398,000)	(£3,454,000)
	Effective Equity Interest (fully diluted)	14.4%	13.6%
	% of Candover's Net Assets	3.3%	4.1%
	Basis of valuation : Multiple of Earnings		

DM&E Railroad operates a 915 mile railroad in the mid-Western States of America. Candover and the Hoare Candover Exempt Fund made an investment in this company in September 1986 in a transaction organised by Lombard Investments, Inc.

Profits before interest, tax and other income for the year ended 31st December, 1995 were US\$8.5 million on sales of US\$45.7 million as against US\$8.2 million (excluding an extraordinary gain of \$4.7 million following early debt repayment) on sales of US\$44 million for the previous year.

No dividends were received in the year ended 31st December, 1995 (1994: £Nil).

KELLER GROUP PLC

	<i>Candover's Investment as at 31st December</i>	1995	1994
Specialist contractors	Cost of Investment	£14,000	£19,000
in building foundations	Directors' Valuation	£2,793,000*	£1,363,000
	Equity Interest	3.5%	2.8%
	% of Candover's Net Assets	2.7%	1.6%
	Earnings per Share	11.7p	10.3p
	Dividend Cover	2.2x	2.7x
	Basis of valuation : Quoted Market Price		

* This figure reflects an increased shareholding following the release in February 1995 of a further 1,370,000 shares in Keller arising from the Candover 1989 Fund carried interest arrangements, and is after share sales during the year.

Keller which listed in May 1994 is a leading international specialist contractor providing a range of services in the area of building foundation support, speciality grouting, underpinning, ground retention, groundwater control and seismic protection.

During the year Candover sold 600,000 shares in Keller which produced a profit over cost of £743,000.

Profits before interest and tax as shown in Keller's audited accounts for the year ended 31st December, 1995 were £11.5 million on sales of £218.9 million, as against profits of £10.2 million on sales of £195.6 million for 1994.

Keller's continued growth in profits arose almost entirely from organic development. Its continuing strength is based on serving a growing range of key national markets with its extensive range of ground engineering services combined with its proven ability to operate on specific contracts worldwide.

Candover received gross dividends of £156,600 in the year to 31st December, 1995 (1994: £7,405).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

BLUE ARROW PERSONNEL SERVICES LIMITED

	<i>Candover's Investment as at 31st December</i>	1995	1994
<i>Personnel selection and</i>	Cost of Investment	£1,657,000	£1,731,000
<i>recruitment services</i>	Directors' Valuation	£2,020,000	£2,045,000
	Effective Equity Interest (fully diluted)	4.8%	4.9%
	% of Candover's Net Assets	1.9%	2.4%
	Basis of valuation : Multiple of Earnings		

Blue Arrow in which Candover and the 1989 Fund originally invested £22.1 million operates a nationwide chain of 80 offices offering selection and recruitment services in the provision of temporary and permanent staff.

On 15th March, 1996 it was announced that Blue Arrow is to be sold to The Corporate Services Group Plc for a total consideration of \$53 million including the payment of dividends. Completion of the transaction is expected to occur in April at which time Candover will receive cash and shares for its direct investment, its investment in the Candover 1989 UK Limited Partnership and from the Candover 1989 Fund carried interest arrangements, valuing its investment at a significant profit to the 31st December, 1995 valuation.

Blue Arrow's profits before interest and tax for the year ended 31st December, 1995 were £7.2 million on sales of £116.6 million as against £3.5 million on sales of £78.2 million for the previous year.

No dividends were received by Candover in the year ended 31st December, 1995 (1994: £154,856).

BIP GROUP LIMITED

	<i>Candover's Investment as at 31st December</i>	1995
<i>Chemicals</i>	Cost of Investment	£1,901,000
	Directors' Valuation	£1,901,000
	Effective Equity Interest (fully diluted)	6.2%
	% of Candover's Net Assets	1.8%
	Basis of valuation : Cost	

The Company was a buy-out from T&N in which Candover and the Candover 1994 Fund invested £8.5 million in October 1995.

BIP Group Limited produces a wide range of moulding materials and speciality resins which are marketed to a wide range of customers with diverse end-user applications, including "metal paint", paper and textiles.

No audited figures are available for the period following completion of the transaction.

No dividends were received by Candover during the year ended 31st December, 1995.

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

MIDLAND INDEPENDENT NEWSPAPERS PLC

	<i>Candover's Investment as at 31st December</i>	1995	1994
<i>Regional daily and weekly newspaper group</i>	Cost of Investment	£23,000	£62,000
	Directors' Valuation	£1,632,000*	£1,470,000
	Effective Equity Interest	0.9%	0.9%
	% of Candover's Net Assets	1.6%	1.7%
	Earnings per Share (pro forma)	7.91p	7.59p
	Dividend Cover	2.3x	2.3x
	Basis of valuation : Quoted Market Price		

* This figure reflects an increased shareholding following the release in February 1995 of a further 1,222,931 shares in Midland arising from the Candover 1989 Fund carried interest arrangements, and is after share sales during the year.

Midland Independent Newspapers, which listed in March 1994, is one of the major regional newspaper publishers in the UK, and the leading newspaper publisher in the Midlands. It publishes a range of newspaper titles which includes, The Birmingham Post, The Birmingham Evening Mail, The Sunday Mercury and The Coventry Evening Telegraph in a portfolio of 5 paid for and 40 free titles. Further diversification was achieved with the purchase during the year of Inside Communications Limited which is involved in specialist, controlled-distribution magazines and related trade exhibitions.

During the year Candover sold 832,600 shares in Midland realising a profit over cost of £915,000.

Midland's results for the year ended 31st December, 1995 showed an operating profit before interest, tax and other income of £19.1 million (including £1.3 million from acquisitions) on sales of £98.3 compared with profits of £17.8 million on sales of £89.5 million for the previous year. Whilst costs increased following the rapid rise of newsprint prices, recruitment advertising revenues remained strong. Increased revenue was achieved from recent acquisitions but gearing increased to 44% following these acquisitions.

Gross dividends received in the year to 31st December, 1995 totalled £67,593 (1994: £35,179).

EUROPEAN RAIL CATERING COMPANY LIMITED

	<i>Candover's Investment as at 31st December</i>	1995
<i>Railway catering services</i>	Cost of Investment	£1,565,000
	Directors' Valuation	£1,565,000
	Effective Equity Interest (fully diluted)	10.5%
	% of Candover's Net Assets	1.5%
	Basis of valuation : Cost	

The European Rail Catering Company was the subject of a buy-out of the on-board catering services of British Rail in a deal led by Candover in October 1995, in which Candover and the Candover 1994 Fund invested £7 million.

No audited figures are available for the period following completion of the transaction.

No dividends were received by Candover during the year ended 31st December, 1995.

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

SHEPPERTON STUDIOS LIMITED

	<i>Candover's Investment as at 31st December</i>	1995
Film studios	Cost of Investment	£1,456,000
	Directors' Valuation	£1,456,000
	Effective Equity Interest (fully diluted)	10.0%
	% of Candover's Net Assets	1.4%
	Basis of valuation : Cost	

Shepperton Studios, in which Candover and the Candover 1994 Fund invested £6.4 million in February 1995 is a major film and TV studio complex. Films currently in the course of production include "101 Dalmatians", "Hamlet" and "Evita" together with production work for a range of film and TV advertisements.

No audited figures are available for the period following completion of the transaction .

Gross dividends totalling £44,802 were received by Candover during the year ended 31st December, 1995.

ALBION AUTO INDUSTRIES LIMITED

	<i>Candover's Investment as at 31st December</i>	1995
Automotive components manufacturer	Cost of Investment	£1,453,000
	Directors' Valuation	£1,453,000
	Effective Equity Interest (fully diluted)	5.3%
	% of Candover's Net Assets	1.4%
	Basis of valuation : Cost	

Albion Auto Industries is a manufacturer of automotive components, specialising in axles and crank shafts and was the subject of a buy-out from the creditor banks of Leyland DAF financed by Candover in July 1995 in which Candover and the Candover 1994 Fund invested £6.5 million.

No audited figures are available for the period following completion of the transaction.

No dividends were received by Candover during the year ended 31st December, 1995.

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

ECONOMIC INSURANCE HOLDINGS LIMITED

	<i>Candover's Investment as at 31st December</i>	1995	1994
<i>Composite insurance</i>	Cost of Investment	£463,000	£463,000
<i>company</i>	Directors' Valuation	£1,178,000	£673,000
	Effective Equity Interest (fully diluted)	3.6%	3.6%
	% of Candover's Net Assets	1.1%	0.8%
	Basis of valuation : Multiple of Earnings		

Economic Insurance is a composite insurer which was the subject of a buy-out from the Hafnia Insurance Group in December 1993 in which Candover and the Candover 1989 Fund invested \$5.9 million.

In the year to 31st December, 1995 Economic Insurance Company Limited achieved a profit before loan interest and tax of \$2.8 million on net premium written of £60.6 million compared with £6.6 million on net premium written of £42.6 million for 1994. Net Assets at 31st December, 1995 were £24.4 million compared with £21.2 million for the previous year.

Gross dividends received by Candover during the year ended 31st December, 1995 totalled £28,971 (1994: £Nil).

MATTHEW CLARK PLC

	<i>Candover's Investment as at 31st December</i>	1995	1994
<i>Drinks production,</i>	Cost of Investment	£606,000	£1,531,000
<i>distribution and</i>	Directors' Valuation	£1,106,000*	£1,638,000
<i>marketing</i>	Equity Interest	%	0.7%
	% of Candover's Net Assets	1.1%	1.9%
	Earnings per Share (excluding exceptional items)	42p	31.8p
	Dividend Cover	2x	1.77x
	Basis of valuation : Quoted Market Price		

* This figure reflects an increased shareholding following the release in February 1995 of a further 107,751 shares in Matthew Clark arising from the Candover 1989 Fund carried interest arrangements, and is after share sales during the year.

Matthew Clark Plc, following the acquisition of Taunton Cider plc on 8th November, 1995, holds approximately 44% of the UK Cider market and has a broad portfolio of other alcoholic drinks. On 6th December, 1995 Matthew Clark also acquired Griersons, a wine and spirit wholesaler, from Forte plc.

Candover's investment in Matthew Clark arose from the sale of Gaymer Group Europe Limited to Matthew Clark in October 1994 in exchange for Matthew Clark shares. A total of 414,000 shares were acquired from Candover's direct investment in Gaymer, its investment in the Candover 1989 UK Limited Partnership and the Candover 1989 Fund carried interest arrangements.

During the year 250,000 shares were sold at a net profit over cost to Candover of £1,571,000.

In the six months to 31st October, 1995 Matthew Clark reported profits before interest and tax of £16.0 million on turnover of £173.8 million as against £7.2 million on turnover of £125.4 million for the same period in the previous year. These figures included the acquisition of Gaymer, but not the acquisition of Taunton Cider or Griersons. The profit before interest, tax and exceptional items for the full year to 30th April 1995 was £22.2 million on turnover of £299.3 million.

Gross dividends of £92,405 were received by Candover during the year ended 31st December, 1995 (£1994: £Nil).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

THE CAMBRIA 1990 LIMITED PARTNERSHIP

	<i>Candover's Investment as at 31st December</i>	1995	1994
<i>Italian buy-out fund</i>	Cost of Investment	ITL 4,594 million	ITL 2,815 million
		(£1,869,000)	(£1,184,000)
	Directors' Valuation	ITL 2,710 million	ITL Nil
		(£1,100,000)	£ Nil
	Effective Equity Interest (fully diluted)	42.5%	42.5%
	% of Candover's Net Assets	1.0%	0.0%
	Basis of valuation : Cost less provision		

The Cambria 1990 Limited Partnership is a UK limited partnership ("the Cambria Fund") established in January 1991 for the purposes of identifying and arranging management buy-outs and buy-ins in Italy. Candover's original commitment to this partnership, which presently has total commitments of ITL 10,850 million, was ITL 5,430 million (£2.2 million) invested both directly and via a feeder fund, the Candover 1990 Exempt Trust. To date a total of ITL 4,594 million (£1.9 million) of Candover's commitment has been invested.

The Cambria Fund to date has invested ITL 7,921 million in 5 companies, one of which has been realised at an overall gain of ITL 322 million (£131,000).

No dividends were received by Candover during the year ended 31st December, 1995 (1994: £ Nil).

HEIDEMANN VERWALTUNGS GMBH

	<i>Candover's Investment as at 31st December</i>	1995	1994
<i>Automotive components manufacturer</i>	Cost of Investment	DM3,231,000	DM3,231,000
		(£1,099,000)	(£1,099,000)
	Directors' Valuation	DM2,346,000	DM1,760,000
		(£1,056,000)	(£726,000)
	Effective Equity Interest (fully diluted)	9.5%	9.5%
	% of Candover's Net Assets	1.0%	0.9%
	Basis of valuation : Multiple of Earnings		

Heidemann, located in Einbeck, near Hanover, is engaged in the manufacture of special automotive systems and components and electroplating.

Profits before interest and tax for the year ended 31 January, 1995 were DM 8.5 million on sales of DM 137 million, compared with profits for the previous year of DM 8.4 million on sales of DM 134 million and after including extraordinary profits of DM 0.5 million.

No dividends were received by Candover in the year ended 31st December, 1995 (1994: £Nil).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

EXPRO INTERNATIONAL GROUP PLC			
	<i>Candover's Investment as at 31st December</i>	1995	* 1994
<i>Oil and gas</i>	Cost of Investment	£26,000	\$654,000
<i>field services</i>	Directors' Valuation	£1,018,000	\$988,000
	Equity Interest	0.7%	0.9%
	% of Candover's Net Assets	1.0%	1.1%
	Basis of valuation : Quoted Market Price		
* The figures for 1994 have been adjusted to include Candover's investment through the Candover 1989 UK Limited Partnership.			

Expro was the subject of a management buy-out from Flextech plc in July 1992 in which Candover, the Candover 1989 Fund and the Candover 1991 Fund invested £7 million. Expro provides a wide range of services to international oil and gas exploration and production companies in the North Sea, Africa, former Soviet Union, Asia Pacific and the Americas.

On 28th March, 1995 Expro listed on the London Stock Exchange at 175p per share. At the listing price Candover received cash and shares worth £1,100,000 from its direct investment (cost: £596,000), a further £112,000 (cost: £58,000) from its investment in the Candover 1989 UK Limited Partnership and a further £606,000 from the Candover 1989 Fund carried interest arrangements.

During the year 100,000 shares were sold producing a net profit on cost of £245,000.

In the financial year ended 31st March, 1995 Expro produced profits before interest and tax of £12.2 million on turnover of £70.0 million as against £10.4 million on turnover of £65.4 million for 1994.

Profits before interest and tax for the six months to 30th September, 1995 were £6.3 million on sales of £37.3 million (1994: £6.7 million on sales of £36.3 million). Although operating profits were 7% down on the previous year this was due mainly to increased investment in new products and markets.

Gross dividends of £10,785 were received by Candover in the year ended 31st December, 1995 (1994: £7,176).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

ALUPAC HOLDING, INC.			
	<i>Candover's Investment as at 31st December</i>	1995	1994
Packaging materials	Cost of Investment	US\$204,000	US\$404,000
		(£121,000)	(£240,000)
	Directors' Valuation	US\$1,189,000	US\$973,000
		(£766,000)	(£622,000)
	Effective Equity Interest (fully diluted)	15.9%	15.9%
	% of Candover's Net Assets	0.7%	0.7%
Basis of valuation : Multiple of Earnings			

Alupac is a manufacturer of packaging materials based in Belpre and Caldwell, Ohio, USA in which Candover alone invested £240,000 in a transaction organised by Lombard Investments, Inc.

Profits before interest and tax for the year ended 31st December, 1994 were US\$2.5 million on sales of US\$50.2 million compared with US\$2.4 million on sales of US\$34.4 million for 1993.

No dividends were received by Candover during the year ended 31st December, 1995 (1994: £Nil).

HERMES GROUP LIMITED			
	<i>Candover's Investment as at 31st December</i>	1995	1994
Leasing company	Cost of Investment	£809,000	£796,000
	Directors' Valuation	£523,000	£274,000
	Effective Equity Interest (fully diluted)	9.3%	9.3%
	% of Candover's Net Assets	0.5%	0.3%
	Basis of valuation : Multiple of Earnings		

Hermes Group Limited which provides small ticket leasing facilities for motor vehicles and machine tools was the subject of an original investment by Candover and the Candover 1987 Fund in May 1990.

Audited accounts to 31st March, 1995 showed profits after interest but before tax of £407,000 on turnover of £3,553,000 as against £442,000 on turnover of £3,724,000 for the previous year.

Gross dividends of £15,829 were received by Candover during the year ended 31st December, 1995 (1994: £17,183).

VALUATION POLICY

..... PRINCIPLES OF VALUATION OF UNLISTED INVESTMENTS

In valuing unlisted investments the directors follow a number of general principles which are based upon the British Venture Capital Association guidelines for valuing unquoted development stage investments and these general principles are set out below:

Investments are stated at amounts considered by the directors to be a fair assessment of their value, subject to the overriding requirements of prudence. All investments are valued according to one of the following bases:

- cost (less any provision required);
- open market valuation;
- earnings multiple; or
- net assets.

Investments are normally valued at cost until the availability of the first set of audited accounts post completion of the investment. Provisions against cost, however, will be made as soon as appropriate in the light of adverse circumstances - for example, where an investment performs significantly below expectations. In exceptional circumstances upward adjustments to cost may be made within one year.

Investments held for more than one year are valued on one of the bases described above and generally the earnings multiple basis of valuation will be used unless this is inappropriate as in the case of certain asset-based businesses. When valuing on an earnings basis, the profit before interest and tax of the current year will normally be used, depending on whether or not more than six months of the accounting period remains and provided this can be predicted with reasonable certainty. Such earnings will be adjusted to a maintainable basis, taxed at the full corporation tax rate, and multiplied by a discounted price/earnings multiple. Price/earnings multiples utilised are related to comparable quoted companies and normally discounted by 25%. The discount used may be lower where a realisation is planned within 12 months and higher if the timing of a realisation is long-term or not currently being contemplated.

Where a company has incurred losses, or if comparable quoted companies are not primarily valued on an earnings basis, then the valuation may be calculated with regard to the underlying net assets and any other relevant information, such as the pricing for subsequent investments by a third party in a new financing round which is deemed to be at arm's length. In cases where an exit is actively being sought then any offers from potential purchasers would be relevant in assessing the valuation of an investment and are a factor taken into account in arriving at the valuation.

When investments have obtained an exit (either by listing or trade sale) after the valuation date but before finalisation of Candover's relevant accounts (interim or final), the valuation is based on the exit valuation subject to an appropriate discount to take account of the time period between valuation and exit dates.

In arriving at the value of an investment, the percentage ownership is calculated after taking into account any dilution through outstanding warrants, options and performance related mechanisms.

REPORT OF THE DIRECTORS

The directors present their report together with the financial statements for the year ended 31st December, 1995.

PRINCIPAL ACTIVITIES

Candover Investments plc is an investment company within the meaning of Part VIII of the Companies Act 1985 as well as an Investment Trust under section 842 of the Income and Corporation Taxes Act 1988, the tax status of which is shown on page 28.

Candover is engaged in the identification, implementation and monitoring of large management buy-outs and buy-ins. Candover Investments plc makes an investment either under a co-investment agreement with the third party managed Funds or on its own account. The third party managed funds, established with commitments from a wide range of international institutional investors, are managed by the Candover Group subsidiaries, Candover Partners Limited and Candover Services Limited, both of which are regulated by IMRO. These Funds are as follows:

The Candover 1994 Fund - This Fund closed on 28th February, 1995 with total commitments of £307.5 million including £70 million from Candover under a Co-Investment Agreement. £39.2 million has been invested by the Fund to date.

The Candover 1991 Fund - Total commitments by institutional investors were £32.5 million, in addition to which Candover committed £5 million under a co-investment agreement. By 31st December, 1995, £21 million had been invested in 15 companies and a total of £13.8 million has been realised.

The Candover 1989 Fund - Total commitments of £299 million were made by institutional investors together with £20 million from Candover under a co-investment agreement, for investment in transactions requiring equity in excess of £5 million. By the end of the investment period, which terminated on 11th May, 1994, £235 million had been drawn down. At 31st December, 1995 £304 million had been returned to investors with four investments remaining.

The Candover 1987 Fund - with £30 million available for investment in smaller transactions, commitments have now been fully drawn down with only limited funds being available for follow-on investments if required.

The Electra Candover Direct Investment Plan - established in November 1985 with total commitments of £260 million to invest in transactions requiring equity in excess of £10 million. Investors in the Plan were released from their commitments in February 1989 when £213 million had been invested. £319 million has been realised with one investment remaining.

The Hoare Candover Exempt Fund - In March 1984 a total investment of £7.5 million was raised with the assistance of Hoare Govett Limited. The Fund was fully invested by 1986 with a total of £8.2 million having been invested through the reinvestment of some realised funds. By 31st December, 1995 a total of £14.4 million had been realised, with two

REPORT OF THE DIRECTORS - CONTINUED

investments remaining. In February 1993 the Fund was extended for two years and on 1st March, 1995 at an Extraordinary General Meeting of Unitholders it was resolved to terminate the Fund on 30th June 1995, and to transfer the management of the remaining assets of the Fund to Candover Services Limited until a final distribution can be achieved.

RESULTS AND REVIEW OF BUSINESS

The group profit for the financial year after taxation was £3,721,000 compared with £3,410,000 for the year ended 31st December, 1994. Income increased from £10,711,000 to £11,386,000. Administrative expenses were £6,152,000 compared with £5,853,000 in 1994. There were no significant changes in tangible fixed assets during the year and the changes in its fixed asset investments are described together with a review of the group's activities in the Chairman's Statement and Chief Executive's Report on pages 8 to 11.

DIVIDEND AND PROPOSED TRANSFER TO RESERVES

The directors recommend the payment of a final dividend of £1,958,000 equal to 8.75p per ordinary share (1994: £1,813,000 equal to 8.1p) giving a total dividend for the year of £2,965,000 equal to 13.25p (1994: £2,742,000 equal to 12.25p). Payment of the dividend will be made on 16th May, 1996 to holders on the register at the close of business on 23rd April, 1996. The dividend details are shown in Note 7 on page 48.

After payment of the dividend, there is a profit of £756,000 in respect of the year ended 31st December, 1995 which the directors propose to carry to reserves. (1994: profit of £668,000 carried to reserves).

DIRECTORS

The directors listed below served on the Board throughout the year and were in office at the end of the year.

C.R.E. Brooke	A.P. Hichens*	J.M. Raisman*
S.W. Curran	D.R. Wilson*	P.J. Scott Plummer*
G.D. Fairservice	R.A.P. King*	J.G. West*

**non-executive*

In accordance with the Articles of Association Messrs C.R.E. Brooke, S.W. Curran and R.A.P. King will retire by rotation and, being eligible, will offer themselves for re-election.

Of those seeking re-election Mr Brooke and Mr Curran have service contracts and reference is made to these in the Remuneration Committee Report on page 34.

The biographical details of the serving directors appear on pages 4 and 5.

REPORT OF THE DIRECTORS - CONTINUED

DIRECTORS INTERESTS

The statements in respect of directors' interests in the share capital, contracts or any other matter requiring disclosure are now contained in the Remuneration Committee Report on pages 31 to 34 and in Note 3 to of Financial Statements on pages 46 to 48.

DIRECTORS AND OFFICERS INSURANCE

During the year a contract of insurance existed as referred to in section 310(3)(a) of the Companies Act 1985 as amended for the purpose of indemnifying the directors and officers against liabilities that may arise in the performance of their duties. This contract is due to be renewed in 1996.

NOTIFIABLE INTERESTS IN THE COMPANY'S SHARES

The company has been advised of the following notifiable interests in excess of 3 per cent of the issued share capital of the company at 9th April, 1996.

	Number	%
Electra Investment Trust plc	2,000,000	8.9
The Scottish Eastern Investment Trust plc	1,875,000	8.4
The Prudential Assurance Co Ltd	1,497,086	6.7
BP Pension Trustees Limited	1,345,743	6.1
Royal Life Insurance Limited	1,272,700	5.6
Merchant Investors Assurance	1,182,500	5.3
London and Manchester Group of Companies	986,000	4.4
British Airways Pension Fund	984,666	4.4
	11,143,695	49.8

POLITICAL AND CHARITABLE DONATIONS

During the year £21,938 (1994: £14,797) was given for charitable purposes. There were no political donations made during the year (1994 : £5,000 to the Conservative Party).

POST BALANCE SHEET EVENTS

Since the year end Bibby and Barron Group Limited has been sold and Blue Arrow Personnel Services Group Limited has announced that it is to be sold to The Corporate Services Group Plc. In addition an investment has been completed in Eversholt Leasing Limited. Details are shown in note 27.

ANNUAL GENERAL MEETING

The Annual General Meeting of the company will be held on 13th May, 1996 at 11.30am at the Howard Hotel, Temple Place, London WC2; the Notice of Meeting appears on page 60.

In addition to the Ordinary business of the meeting, as usual, a Special Resolution will be put to shareholders to permit the renewal of the authority of the Directors to issue new shares for cash, without following the statutory pre-emptive procedures, so long as such issue does not exceed £279,764 (being 5% of the issued share capital of the Company) or as long as the issue is a rights issue or pursuant to a scrip dividend offer or any pre-emptive invitation.

The Company will have regard to the Investor Protection Committees' ("IPC") guidelines in relation to any exercise of this authority. These guidelines require prior consultation with the IPC before making any issue under the 5% element of the authority which exceeds 7.5% in any rolling 3 year period. This authority will expire at the next Annual General Meeting or on 13th August 1997, whichever is earlier.

PEP STATUS

Your Board have again considered the PEP Status of Candover's shares and for the time being consider that a decision to ensure Candover remains eligible for inclusion in a PEP will impose constraints on Candover's investment criteria which will not be in the overall interests of shareholders. This policy will continue to be reviewed from time to time.

CREST

This is to give you notice, in accordance with the Uncertificated Securities Regulations 1995 ('the Regulations'), that on 1st March, 1996, the Company resolved by a resolution of its directors that title to the ordinary shares of 25p each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system. The resolution of the directors became effective immediately.

The above notice is the notice that the Company is obliged to give to its members, under the Regulations, of the passing of a 'directors' resolution (as defined in the Regulations) in relation to its ordinary shares. The directors' resolution will enable the Company's ordinary shares to be admitted to CREST in due course. The shares have not become transferable by means of the CREST system merely by virtue of the passing of the directors' resolution; the permission of the Operator of the system, CRESTCo Limited, must also be given before the shares can become so transferable, and this is anticipated to occur sometime in early 1997.

The effect of the directors' resolution is to disapply, in relation to the ordinary shares, those provisions of the Company's Articles of Association that are inconsistent with the holding and transfer of those shares in CREST and any provision of the Regulations, as and when the shares concerned enter the CREST system.

REPORT OF THE DIRECTORS - CONTINUED

Shareholders should also note that, under the Regulations, they have the right by ordinary resolution:-

a) if the directors' resolution referred to above is effective in accordance with its terms but the permission of the Operator of the system, CRESTCo Limited, has not yet been given to the shares concerned becoming transferable by means of the CREST system, to resolve that the directors' resolution shall cease to have effect; and

b) once the directors' resolution referred to above is effective in accordance with its terms and permission of the Operator of the system, CRESTCo Limited, has been given to the shares concerned becoming transferable by means of the CREST system, to resolve that the directors of the Company shall take the necessary steps to ensure that title to the shares concerned shall cease to be transferable by means of the CREST system and that the directors' resolution shall cease to have effect.

..... **AUDITORS**

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

..... **TAX STATUS**

The Board of the Inland Revenue has approved the company as an investment trust, under section 842 of the Income and Corporation Taxes Act 1988, for the year ended 31st December, 1994.

In the opinion of the directors, the company's affairs since that date have been conducted so as to enable it to continue to seek approval as an investment trust.

By Order of the Board

P.R. Neal

Secretary



20 Old Bailey
London EC4M 7LN
9th April, 1996

- The Nomination Committee chaired by Mr C.R.E. Brooke meets as and when necessary for the purpose of selecting non-executive directors. All such appointments, together with the appointment of any executive director are subject to the final approval of the full board before ratification at a general meeting of shareholders. The Committee did not meet in 1995.

As required by the Cadbury Code Candover clearly separates the responsibilities of the Chairman, Mr Roger Brooke from those of the Chief Executive Mr Stephen Curran and the membership of the Audit and Remuneration Committees consists solely of non-executive directors.

A list of members of the Board and the Committees is shown on pages 4 and 5.

..... **Going Concern**

Under the Cadbury Code the directors are required to satisfy themselves that it is reasonable to presume that the Group is a going concern.

After making due enquires, and with the continued growth in Net Assets and profitability of the Group, the directors are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Board are therefore of the opinion that the going concern basis should be continued in the preparation of the financial statements.

..... **Internal Financial Control**

The directors are responsible for the company's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material mis-statement or loss, the company's system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. Key procedures that have been established and are designed to provide effective internal financial control are described under the following headings:-

Control Environment As always this is dependent upon the quality and integrity of the Company's management and staff. At Candover highly qualified and able staff have been selected at all levels and with the long service record of most executives there is a continuity and enhancement of experience.

This is then supported by the Board with a majority of non-executive directors together with external review by two sets of auditors reviewing both the company's financial controls and also those of the funds which the Candover group manages.

Identification and Evaluation of Business Risk The key business risk at Candover remains the identification and evaluation of our investments and this is achieved by a comprehensive study of potential investments by executives in co-operation with outside resources provided by market research specialists, lawyers and accountants. A detailed investment report is then prepared and sent to the full board for their decision as to whether or not to proceed. Further due diligence is then carried out before completion of an investment.

CORPORATE GOVERNANCE

General

The requirements placed upon the board of directors to review and report to shareholders on the management and controls governing the operations of listed companies has grown over the last few years.

In December 1992 the Cadbury Committee produced a report on the "Financial Aspects of Corporate Governance", together with the Code of Best Practice ("The Cadbury Code"), and followed this in November 1994 with guidance notes for directors of listed companies on "Going Concern and Financial Reporting" and further guidance notes in December 1994 on "Internal Control and Financial Reporting".

Subsequently on 17 July, 1995 a study group chaired by Sir Richard Greenbury produced a report ("The Greenbury Report") which contained a number of suggested improvements in the reporting by companies of the remuneration of Directors, some of which have now been incorporated into the Stock Exchange Listing Rules.

In considering all of these issues your board has reviewed all of the following aspects of good corporate governance and the review of these issues is covered below with suitable cross referencing where appropriate.

The Company has complied throughout the year with the Cadbury Code with the exception of paragraph 4.3 of the Cadbury Code as there were only two non-executive directors on the audit committee. This was considered appropriate for a company of Candover's size at the time and is in line with the recommendations of the City Groups for Smaller Companies for companies of similar size. However, the Board has reviewed this position, and with effect from 1st March, 1996 Mr J.G. West accepted an invitation to join the Audit Committee.

The Board of Directors

Corporate Governance of Candover is achieved through the Board which consists of two executive directors and seven non-executive directors. The Board meets monthly and there is a formal schedule of matters reserved for decision by the Board which includes the review of strategy, business planning, the level of commitment to the various Candover Funds of which Candover Partners Limited acts as General Partner, and major acquisitions and disposals which are not part of the investment process of the Candover Funds.

The work of the Board is supported by standing committees which include:

- The Audit Committee chaired by Mr D.R. Wilson, which seeks to ensure that appropriate accounting and financial policies and procedures are implemented, that systems of internal control and external audit are in place, and that the auditors recommendations are considered and appropriate actions are taken.
- The Remuneration Committee chaired by Mr A.P. Hitchens, which determines the level of remuneration of the Chairman, Executive Directors and Senior Executives and advises in respect of staff remuneration policy. The report of the Remuneration Committee is on pages 31 to 34.

CORPORATE GOVERNANCE - CONTINUED

The responsibility for identification of other business risks is delegated to the Executive Directors who would always advise the Board of any material risks.

Control Procedures The main areas of control relate to the investments which Candover makes and the financial controls which enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

The Board delegates responsibility for the effectiveness of such controls to the Executive Directors who in turn ensure the completion of the required procedures. These key procedures involve:-

- Analysis of potential investments leading to a full report to the Board.
- Regular monitoring of completed investments by executives who make regular progress reports to the board.
- A comprehensive system for reporting financial results to the Board on a monthly basis giving actual results compared against budget. Towards the end of each financial year detailed budgets for the following year are prepared and are reviewed by the Board.
- A review of these controls is subject to review by the Audit Committee and by Candover's external auditors to the extent necessary for expressing their audit opinion.

The Board has reviewed the effectiveness of the system of internal financial control for the financial year ended 31 December, 1995 and up until the date of signing these accounts. This involved considering the present needs of the business and a report prepared for the board by the external auditors setting out the main business risks and the detailed controls.

REPORT OF THE REMUNERATION COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 1995

.....Committee Membership.....

The members of the Committee are shown on page 5. None of the Committee has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-directorships nor any day-to-day involvement in running the business. The Committee consults the Chairman and Chief Executive about the Committee's proposals and has access to professional advice from inside and outside the company.

Objectives of the Committee

The aim of the Committee is to ensure that the company has competitive remuneration and incentive packages in place in order to recruit, retain and motivate top quality people in the overall interest of shareholders.

The main elements of that package include the following:-

- a) *Basic Annual Salary.*
- b) *Annual performance related payments which include an annual bonus and Profit Related Pay.*
- c) *Share Options incentives.*
- d) *Pensions and other benefits.*
- e) *Other incentive arrangements.*

In considering the appropriateness of the above incentives Candover participates in an annual survey of the Venture Capital Industry the results of which are reviewed by the Committee in the light of Candover's relative performance.

Salaries

Salaries of the Executive Directors and other executives to be paid in 1995 were reviewed in December 1994 for implementation on 1 January, 1995. Following such review and being cognisant of the relative salary levels within the industry, the 22 percent increase of Net Assets and 43 percent increase of after tax profits in the year ended 31 December, 1994 the Committee approved an overall increase in salaries of 8.5 percent for 1995. The salaries for the three executive directors increased by 6.9%.

With effect from 1 February, 1996 the Chairman's salary was substantially reduced to reflect the change of his role to non-executive Chairman.

Annual Bonuses

The Annual Bonuses which are paid in two instalments, are determined by the Committee after due consideration of the profit and net asset performance of the Company at each half year stage, with adjustments as necessary for individual performance.

A Profit Related Pay ("PRP") Scheme is also provided which receives 2.5% of the Company's net profit into the scheme for distribution to all employees. Based on an adjusted profit in accordance with PRP rules of £5,204,450, a total of £130,111 has been paid to staff for the year ended 31st December, 1995.

During the year ended 31st December, 1995 Messrs S.W. Curran and G.D. Fairservice received annual bonuses and PRP together totalling 35% of basic salary. Mr C.R.E. Brooke's PRP and bonus equalled approximately 16% of basic pay.

Share Options

On 3rd May, 1994 a new share option scheme was approved by shareholders at the Annual General Meeting in order to replace the old scheme expiring in July 1994. Under the terms of the new Candover (1994) Executive Share Option Scheme the exercise of options issued under the scheme are subject to performance criteria which requires Candover's net asset growth over a three year period to exceed the growth of the FT-SE All Share Index over the same three year period. This is reviewed on a rolling half yearly basis.

In the year ended 31st December, 1995 no options were granted or exercised.

The details of the share options granted and remaining exercisable are shown in Note 17 on page 55.

Pensions and other Benefits

Candover operates a non-contributory money purchase pension scheme and there were no changes to this arrangement. Contributions in respect of individuals were however adjusted following an actuarial review of the scheme and the actual amount of these contributions is shown in the table of directors remuneration in note 3 on page 46.

As a part of the negotiation of Mr Brooke's revised terms of employment on becoming non-executive Chairman it was agreed to pay a lump sum amount of £240,000 into Mr Brooke's pension scheme being an amount equal to three years of his revised level of pension contributions at a discounted rate. This amount has been accrued in Candover's accounts for 1995, but not added to the table of emoluments for that year, being a benefit in 1996.

There have been no significant changes to company car or health insurance arrangements other than to reflect increases in company car scale benefits as issued by the Inland Revenue.

Incentive Arrangements and Co-Investment Scheme

The Committee recognises that, in order to remain competitive in the venture capital industry, various incentive arrangements which are customary in that industry must be made available to directors and executives. These arrangements are reviewed by the Committee periodically but not on an annual basis. Although it is not clear at present whether such arrangements constitute a "long term incentive scheme" requiring disclosure in accordance with the Stock Exchange Listing Rules, the Remuneration Committee has determined that it would be appropriate to refer to these arrangements as part of its report to shareholders.

Messrs C.R.E. Brooke, S.W. Curran and G.D. Fairservice, together with certain other executives of the company have a beneficial interest in the Limited Partnerships of the Candover 1989 Fund, the Candover 1991 Fund and the Candover 1994 Fund. The participation of these directors and executives in such arrangements was approved by shareholders at an Extraordinary General Meeting of the Company held on 4th May, 1989. Any gains achieved through the incentive arrangements associated with these three Funds are conditional upon a certain minimum return being generated for investors in these Funds.

CORPORATE GOVERNANCE - CONTINUED

It was announced on 7th February, 1995 that the Candover 1989 Fund had achieved an internal rate of return for its investors in excess of the prescribed rate of 12 per cent. Accordingly, during the year, £18.3 million in cash and shares in respect of the Candover 1989 Fund was transferred to the Candover Executive Trust, units in which were subscribed for by certain discretionary and life interest trusts of which these directors, a number of other executives and their respective families are the main beneficiaries. Because of the nature of the trusts, it is not possible to allocate this to specific beneficiaries.

Under a Co-investment scheme Messrs C.R.E. Brooke, S.W. Curran and G.D. Fairservice, together with certain other executives are permitted to make an investment in the ordinary equity of companies in which Candover has also made an investment in all the equity and loan capital. The amount of these investments are considered to be "de minimis" and as in previous years the amounts invested by directors during the year are shown under Note 3 on page 47.

During the year there were no changes to the above arrangements.

..... Directors Service Contracts

During the year Mr C.R.E. Brooke and Mr S.W. Curran were on a two year rolling service contract and Mr G.D. Fairservice was on a six month rolling service contract. Mr Brooke and Mr Curran are seeking re-election on 13th May, 1996.

With effect from 1st February, 1996 Mr C.R.E. Brooke's contract was cancelled and a new fixed term three year contract came into effect with a provision for either side to cancel the contract at each annual review date. This new contract was agreed in order to reflect Mr Brooke's change of role to non-executive director.

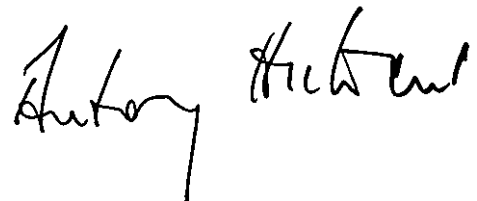
There is presently no intention to reduce Mr Curran's two year contract to an annual contract but this will be kept under review.

..... Directors' Fees

The policy with regard to the level of fees to be paid to non-executive directors serving on the board has in the past been formally recorded by the Remuneration Committee, following a recommendation from the Chairman and Chief Executive as to the appropriate level to be paid. In future a more formal process will be established to ensure that these fees are put to a meeting of the full board for such approval.

The policy in regard to non-executive directors fees payable by investee companies of Candover for the services of Candover directors and executives who sit on these boards as official appointees of either Candover or of the funds managed by Candover is that these fees are always paid either to Candover or to the Candover managed funds for the benefit of the fund investors, whichever is appropriate.

Mr A.P. Hichens



**DIRECTORS' RESPONSIBILITIES FOR THE
FINANCIAL STATEMENTS**

The directors are required by UK Company Law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the profit or loss of the Group for that period.

The directors are required to confirm that suitable accounting policies have been adopted and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed with the exception of the departures which are disclosed and explained under the Accounting Policies.

The directors are also responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board

P.R. Neal

Company Secretary

9th April, 1996



**REPORT BY THE AUDITORS TO CANDOVER INVESTMENTS plc
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 29 on the Company's compliance with paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which are not disclosed.

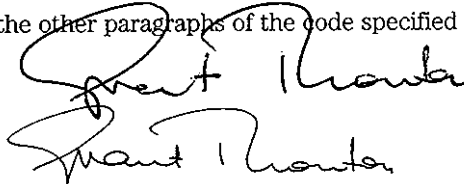
We carried out our review in accordance with bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures nor on the ability of the Group to continue in operational existence.

Opinion

With respect to the directors' statement on internal control on pages 30 and 31, and going concern on page 30, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Group, and examination of relevant documents, in our opinion the directors' statement on page 29 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Grant Thornton
Registered Auditors
Chartered Accountants



London
9th April, 1996

REPORT OF THE AUDITORS

TO THE MEMBERS OF CANDOVER INVESTMENTS plc

We have audited the financial statements on pages 38 to 58, which have been prepared under the accounting policies set out on pages 38 and 39.

..... **Respective responsibilities of Directors and Auditors**

As described on page 35 the directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

..... **Basis of Opinion**

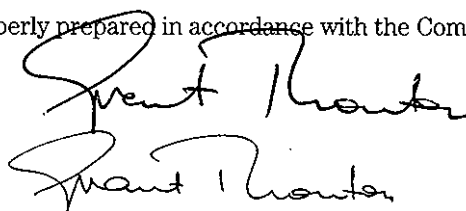
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

..... **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December, 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton
Registered Auditors
Chartered Accountants



London
9th April, 1996

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards except for the policies relating to accounting for managed funds and certain associated undertakings as described below. The financial statements are prepared under the historical cost convention except that investments are stated at valuation. The principal accounting policies of the Group, which have remained unchanged from the previous year are set out below:

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Company and of its subsidiary undertakings (see note 11). The financial statements of each undertaking in the Group have been prepared to 31st December, 1995. The results of subsidiary undertakings have been included from the date of acquisition.

ASSOCIATED UNDERTAKINGS

An associated undertaking is defined as an entity, not being a subsidiary undertaking, in which the Group has a substantial and long-term interest and over whose financial and operating policy decisions the Group is in a position to exercise significant influence. Where such entities are an integral part of the Group's investment management operations, the Group's share of profits is included in the Group profit and loss account, and the investment is carried in the Group balance sheet at an amount equivalent to the Group's share of net assets. The company balance sheet shows the investment in such undertakings at cost, and particulars of entities accounted for as associated undertakings are set out in note 12.

The Group has certain other investments in companies which fall within the definition of associated undertakings contained in the Companies Act 1985 (as amended) but which are not accounted for as associated undertakings, and accordingly, the Group does not equity account its share of the net assets and results of such investments. In the opinion of the directors it would not show a true and fair view for such investments to be equity accounted while the remainder are held at valuation, since all such investments are held for capital appreciation. Furthermore, the directors consider it is inappropriate to include in the consolidated profit and loss account the Group's share of an investee company's undistributed profits when those profits cannot be realised as income unless distributed, and if realised by sale of the company will be taken to non-distributable capital reserves. The effect if such investments were equity accounted is set out in note 10.

MANAGED FUNDS

Where the constitution of a managed fund involves it being a subsidiary undertaking under the Companies Act 1985 (as amended) but the Group has no substantial beneficial interest in the income, assets or liabilities, the total net assets of the fund are consolidated within fixed asset investments and the third party interests deducted immediately after. The income has now been consolidated gross in the Group profit and loss account and the third party interests deducted immediately after in accordance with regulation 7 of the Partnership and Unlimited Companies (Accounts) Regulation 1993. In previous years the income was not consolidated. Accordingly prior year figures have been restated. The third party interests have not been presented separately from the assets and income of the Fund, since in the opinion of the directors, it would be misleading to do so and the overriding duty to give to shareholders a true and fair view of the income and state of affairs of the Group requires its exclusion. Details of these managed funds are set out in note 11.

INCOME

Income arises from investment management and other financial services provided and investment transactions undertaken during the year. It also includes income from investments and interest receivable.

DEFERRED EXPENDITURE

Placement fees incurred in the establishment of the Candover 1991 Fund and the Candover 1994 Fund have been carried forward in current assets and are being written off over five years.

ACCOUNTING POLICIES - CONTINUED

DEPRECIATION

Depreciation is calculated to write down the cost less residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The periods generally applicable are:

Plant and equipment	2-5 years
Motor vehicles	3-4 years

INVESTMENTS

Listed fixed asset investments are valued at middle market quotations derived from the London Stock Exchange Daily Official List. Unquoted investments are included at directors' valuation, the principles of which are set out on page 23.

Profits and losses on realisation of fixed asset investments are dealt with through the realised net appreciation reserve. Fixed asset investments are not held for immediate resale and any profits on realisation are not available for distribution. The excess of the market value of fixed asset investments over cost to the Group is shown as an unrealised surplus.

Investments held as current assets are held at the lower of cost and net realisable value to the relevant group undertaking. Profits and losses on realisations of current asset investments held by subsidiary undertakings are dealt with through the profit and loss account. Profits and losses on realisations of current asset investments held by the Company are dealt with through the realised net appreciation reserve.

Shares in subsidiary undertakings are held at cost less provisions.

DEFERRED TAXATION

Deferred taxation is the taxation attributable to timing differences between profits or losses computed for taxation purposes and results as stated in the financial statements. Provision for deferred taxation is made to the extent that it is probable that a liability will crystallise. Deferred tax is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse. Unprovided deferred tax is disclosed as a contingent liability.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Balance sheets and profit and loss accounts of overseas companies are also translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation into sterling of foreign currency resources to be used for further investment, they are taken to the realised and unrealised net appreciation reserves as appropriate. All other exchange differences are dealt with through the profit and loss account.

PENSION COSTS

The Group contributes towards a number of funded defined contribution pension schemes designed to provide retirement benefits for its directors and employees. The assets of the schemes are held separately from the Group in independently administered funds. The pension cost charge represents contributions by the Group to the schemes in respect of the accounting period.

OPERATING LEASES

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st December, 1995

		1995	1994
	Notes	£'000	as restated £'000
Income	1	6,747	5,996
Managed Funds			
Net income	11	11,979	10,340
Less: Third party interests in Managed Funds		(7,340)	(5,625)
Net income from Managed Funds	1	4,639	4,715
	1	11,386	10,711
Administrative expenses	2	(6,152)	(5,853)
Operating income		5,234	4,858
Share of profits of associated undertakings	12	3	10
		5,237	4,868
Interest payable and similar charges	4	(15)	(13)
Profit on ordinary activities before taxation		5,222	4,855
Taxation on profit on ordinary activities			
Group	5	(1,500)	(1,443)
Associated undertakings	12	(1)	(2)
		(1,501)	(1,445)
Profit for the financial year	6	3,721	3,410
Dividends	7	(2,965)	(2,742)
Transfer to distributable reserves	18	756	668
Earnings per share	8		
Basic		16.63p	15.24p
Fully diluted		16.06p	14.72p

The accounting policies on pages 38 to 39 and notes on pages 45 to 58 form part of these financial statements.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st December, 1995

	Notes	1995 £'000	1994 £'000
Capital profit on investments			
Realised gains and losses	18	9,352	598
Unrealised gains and losses	18	9,541	13,661
Exchange differences	18	(30)	(2)
Capital surplus for the year		18,863	14,257
Revenue profit available for distribution		3,721	3,410
Total recognised gains and losses for the year		22,584	17,667
Distributable profits			
Revenue profit available for distribution		3,721	3,410
Dividends	7	(2,965)	(2,742)
Transfer to distributable reserves	18	756	668
Non-distributable profits			
Transfer to non-distributable reserves	18	18,863	14,257
		19,619	14,925

The accounting
policies on pages 38
to 39 and notes on
pages 45 to 58 form
part of these
financial statements.

GROUP BALANCE SHEET

at 31st December, 1995

The accounting policies on pages 38 to 39 and notes on pages 45 to 58 form part of these financial statements.

	Notes	1995 £'000	1994 £'000
Fixed assets			
Tangible	9	136	179
Investments			
Managed Funds	11	149,800	214,200
Less: Third party interests in Managed Funds		(147,675)	(197,624)
Net investment in Managed Funds	10	2,125	16,576
Investee Companies	10	52,045	40,990
		54,170	57,566
Associated undertakings	12	92	80
		54,262	57,646
Current assets			
Debtors	13	5,180	6,682
Investments	14	51,455	26,192
Cash at bank		94	224
		56,729	33,098
Creditors: amounts falling due within one year	15	(5,614)	(5,893)
Net current assets		51,115	27,205
Total assets less current liabilities		105,513	85,030
Provisions for liabilities and charges	16	(1,980)	(1,099)
		103,533	83,931
Capital and reserves			
Called up share capital	17	5,595	5,595
Share premium account	18	126	126
Realised net appreciation reserve	18	72,315	50,427
Unrealised net appreciation reserve	18	20,839	23,864
Profit and loss account	18	4,658	3,902
Shareholders' Funds	19	103,533	83,914
Minority interests		-	17
		103,533	83,931

The financial statements were approved by the Directors on 9th April, 1996

C.R.E. Brooke
Chairman

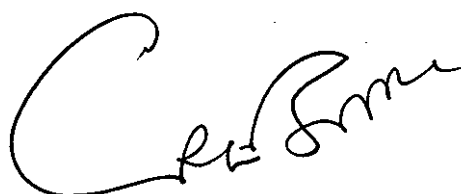
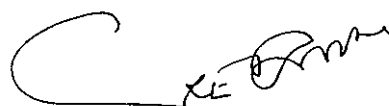
S.W. Curran
Chief Executive

BALANCE SHEET

at 31st December, 1995

	Notes	1995 £'000	1994 £'000
Fixed Assets			
Investments	10	59,047	62,408
Associated undertakings	12	1	1
		<u>59,048</u>	<u>62,409</u>
Current assets			
Debtors	13	1,352	2,520
Investments	14	43,871	19,066
Cash at bank		-	2
		<u>45,223</u>	<u>21,588</u>
Creditors: amounts falling due within one year	15	(3,755)	(3,256)
Net current assets		<u>41,468</u>	<u>18,332</u>
Total assets less current liabilities		<u>100,516</u>	<u>80,741</u>
Provisions for liabilities and charges	16	(67)	(69)
		<u>100,449</u>	<u>80,672</u>
Capital and reserves			
Called up share capital	17	5,595	5,595
Share premium account	18	126	126
Realised net appreciation reserve	18	72,404	50,296
Unrealised net appreciation reserve	18	20,617	23,612
Profit and loss account	18	1,707	1,043
		<u>100,449</u>	<u>80,672</u>

The accounting policies on pages 38 to 39 and notes on pages 45 to 58 form part of these financial statements.

C.R.E. Brooke
Chairman



S.W. Curran
Chief Executive

The financial statements were approved by the Directors on 9th April, 1996

GROUP CASH FLOW STATEMENT*for the year ended 31st December, 1995*

The accounting policies on pages 38 to 39 and notes on pages 45 to 58 form part of these financial statements.

	Notes	1995 £'000	1994 £'000
Operating activities			
Cash received from investments		5,426	3,705
Cash received from investment, management and other financial services		6,617	6,522
Expenses paid		(6,409)	(6,213)
Net cash inflow from operating activities	23	5,634	4,014
Returns on investments and servicing of finance			
Interest paid		(15)	(13)
Dividends paid		(2,820)	(2,507)
Net cash outflow from returns on investments and servicing of finance		(2,835)	(2,520)
Taxation			
UK corporation tax paid		(186)	(969)
Investing activities			
Purchase of tangible fixed assets		(47)	(103)
Purchase of investments		(8,197)	(6,366)
Sales of investments		30,757	9,728
Sale of tangible fixed assets		7	14
Net cash inflow from investing activities		22,520	3,278
Increase in cash and cash equivalents	24	25,133	3,798

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December, 1995

1

INCOME			
	1995	1994	
	£'000	£'000	£'000
Financial services	612	582	
Investment dealing	414	505	
Investment management fees	5,224	5,278	
	6,250	6,365	
Investment income:			
Income from fixed asset investments	2,334	2,774	
Income from Treasury bills and other fixed interest securities	2,231	1,116	
Other income receivable, arising on short-term deposits and loans	571	456	
	5,136	4,346	
	11,386	10,711	

Of the income from fixed asset investments of £2,334,000 (1994: £2,774,000), £104,000 (1994: £126,000) arose from managed funds. Of the income from investment management of £5,224,000 (1994: £5,278,000), £4,535,000 (1994: £4,589,000) also arose from these funds.

Of the income from fixed asset investments £368,000 arose from listed investments (1994: £111,000). Income from financial services originating from outside the United Kingdom was £173,000 (1994: £29,000). All income arose from the single activity of originating and investing in management buy-outs and buy-ins and providing capital to unquoted companies. All income is attributable to continuing activities.

2

ADMINISTRATIVE EXPENSES			
<i>Administrative expenses include the following:</i>			
	1995	1994	
	£'000	£'000	
Staff costs	3,010	2,629	
Depreciation	82	88	
Auditors' remuneration - audit work	44	40	
- non-audit work	84	58	
Operating lease rentals - building	534	534	
- other	18	25	
<i>Staff costs during the year were:</i>			
Salaries	2,126	2,084	
Social Security costs	198	179	
Pension, insurance and other costs	686	366	
	3,010	2,629	

The average number of employees of the group in the UK during the year was 18 (1994: 18). There were no employees of overseas subsidiary undertakings in the group at the end of the year (1994: 3).

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

3

DIRECTORS REMUNERATION, EMOLUMENTS AND INTERESTS

The remuneration policy in respect of the Executive Directors is set out in the report of the Remuneration Committee on pages 31 to 34.

Listed below is the detailed information required to be shown in respect of directors remuneration and benefits.

Directors Emoluments

Total Emoluments received by directors during the year ended 31st December, 1995 were as follows:

Name	Salaries / Directors Fees	Performance Related Pay	Taxable Benefits	Insurance Costs	Total Emoluments excluding Pension Contributions 1995	Pension Contribution 1995	Aggregate Emoluments 1995	Total Emoluments Excluding Pension Contributions 1994	Pension Contribution 1994	Aggregate Emoluments 1994
	£	£	£	£	£	£	£	£	£	£
C.R.E. Brooke	220,000	36,126	9,188	15,231	280,545	88,000	368,545	328,496	77,000	405,496
S.W. Curran	242,778	86,418	11,853	7,875	348,924	72,833	421,757	315,659	52,250	367,909
G.D. Fairservice	200,000	70,000	4,851	5,644	280,495	50,000	330,495	257,312	35,860	293,172
Management Remuneration	662,778	192,544	25,892	28,750	909,964	210,833	1,120,797	901,467	165,110	1,066,577
A.P. Hichens *	30,000	-	-	-	30,000	-	30,000	27,500	-	27,500
R.A.P. King *	19,500	-	-	-	19,500	-	19,500	17,000	-	17,000
P.J. Scott Plummer *	19,500	-	-	-	19,500	-	19,500	17,000	-	17,000
J.M. Raisman CBE *	19,500	-	-	-	19,500	-	19,500	17,000	-	17,000
J.G. West *	19,500	-	-	-	19,500	-	19,500	17,000	-	17,000
D.R. Wilson *	19,500	-	-	-	19,500	-	19,500	13,125	-	13,125
G.A. Elliott	-	-	-	-	-	-	-	5,167	-	5,167
P.G. Wreford	-	-	-	-	-	-	-	5,167	-	5,167
Directors' Fees	127,500	-	-	-	127,500	-	127,500	118,959	-	118,959
TOTALS	790,278	192,544	25,892	28,750	1,037,464	210,833	1,248,297	1,020,426	165,110	1,185,536
1994 COMPARATIVES	727,259	219,687	44,449	29,032	1,020,427	165,110	1,185,536	-	-	-

The non-executive directors (*) only receive fees, which in some cases are paid directly to their primary employing company, and do not receive any other remuneration. Messrs G.A. Elliott and P.G. Wreford retired from the board in 1994.

The performance related pay is comprised of pay arising from the profit related scheme and a discretionary bonus.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Directors Interests in Shares

The interests of the directors in the ordinary shares of the company are detailed below.

Ordinary shares of 25p each 31st December 1995			Share Options 31st December 1995		1st January 1995	Exercise Price	Date from which receivable	Expiry Date
Beneficial								
C.R.E. Brooke	501,552	501,552	12,795	12,795	113.89p	28/10/90	28/10/97	
S.W. Curran	638,108	638,108	12,795	12,795	113.89p	28/10/90	28/10/97	
G.D. Fairservice	162,500	162,500	12,795	12,795	113.89p	28/10/90	28/10/97	
G.D. Fairservice			87,205	87,205	235.00p	20/10/95	20/10/02	
G.D. Fairservice			100,000	100,000				
A.P. Hichens	15,000	15,000	Nil	Nil				
P.J. Scott Plummer	12,000	12,000	Nil	Nil				
J.G. West	1,500	1,500	Nil	Nil				
R.A.P. King	Nil	Nil	Nil	Nil				
J.M. Raisman	Nil	Nil	Nil	Nil				
D.R. Wilson	Nil	Nil	Nil	Nil				

There was no change to directors' interests in shares during the year but between 31st December, 1995 and 9th April, 1996 1,200 shares were sold by a connected person of Mr S.W. Curran, in which he is also deemed to hold a beneficial interest.

There were no options granted or exercised during the year or, since the balance sheet date.

Co-investment by Directors

During the year, Messrs C.R.E. Brooke, S.W. Curran and G.D. Fairservice, who are all directors of the company have invested in the ordinary equity of companies in which Candover has also made an investment in all the equity and loan capital. Under the Stock Exchange yellow book these interests are covered under the rules governing "Transactions with Related Parties" ("the rules"). In view of the insignificant level of these transactions by the above named directors, under the rules, the fair and reasonable opinion of the company's auditors is not required.

Details of these investments are as follows:

	Class of Share	Equity investments in companies:	
		Subscribed in year	% (of class) held by the directors
		£	%
Bibby and Baron Group Limited	Cumulative Participating Preferred		
	Ordinary Shares of 10p each	595.0	0.15
Shepperton Studios Limited	'A' Ordinary shares of 5p each	2.1	0.61
European Rail Catering Company Ltd	Cumulative Participating Preferred		
	Ordinary Shares of £1 each	1,020.0	0.51
Albion Auto Industries Limited	Cumulative Participating Preferred		
	Ordinary shares of £1 each	1,495.0	0.52
BIP Group Limited	'A' Ordinary shares of 10p each	3,091.0	0.02
Marlyn Foods Limited	Cumulative Participating Preferred		
	Ordinary Shares of £1 each	460.0	0.15
Ciclad Investissments II Fund	'B' Shares	468.2	0.33
	'C' Shares	72.7	0.21

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Note 3 continued

During the year a subsidiary company advanced funds under the Candover staff co-investment scheme and season ticket loan scheme to an officer of the company. The amount of £3,240 remained payable at 31st December, 1995 (1994: £3,180).

4**INTEREST PAYABLE AND SIMILAR CHARGES**

	1995	1994
	£'000	£'000
On bank loans, overdrafts and other loans		
- repayable within 5 years otherwise than by instalments	15	13

5**TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

The taxation charge is based on profit for the year and is made up as follows:

	1995	1994
	£'000	£'000
United Kingdom corporation tax at 33 per cent (1994: 33 per cent)	302	947
Deferred tax (see note 16)	881	117
Tax attributable to franked investment income	323	376
Adjustment relating to prior years:		
United Kingdom corporation tax	(6)	34
Deferred tax (see note 16)	-	(31)
	1,500	1,443

The Board of the Inland Revenue has approved the company as an investment trust, under section 842 of the Income and Corporation Taxes Act 1988, for the year ended 31st December, 1994. In the opinion of the directors, the Company's affairs since that date have been conducted so as to enable it to continue to seek approval as an investment trust.

6**PROFIT FOR THE FINANCIAL YEAR**

As permitted by section 230 of the Companies Act 1985, the Company has not included its own profit and loss account in these financial statements. The Group profit for the year includes £3,629,000 (1994: £3,452,000) which is dealt with in the financial statements of the holding company.

7**DIVIDENDS**

	1995	1994
	£'000	£'000
Paid interim of 4.5p (1994: 4.15p)	1,007	929
Proposed final of 8.75p (1994: 8.10p)	1,958	1,813
	2,965	2,742

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

EARNINGS PER SHARE

8

The calculation of basic earnings per ordinary share is based on profit for the financial year of £3,721,000 (1994: £3,410,000) and a weighted average number of shares of 22,381,095 (1994: 22,381,095). The calculation of fully diluted earnings per share takes account of the share options and is based on profit for the financial year of £3,721,000 (1994: £3,410,000) and a weighted average number of shares of 23,172,255 (1994: 23,172,255).

TANGIBLE FIXED ASSETS

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	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1st January, 1995	462	247	709
Additions	47	-	47
Disposals	(97)	(13)	(110)
At 31st December, 1995	412	234	646
Depreciation			
At 1st January, 1995	372	158	530
Provided in the year	46	36	82
Disposals	(89)	(13)	(102)
At 31st December, 1995	329	181	510
Net book value at 31st December, 1995	83	53	136
Net book value at 31st December, 1994	90	89	179

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

10

FIXED ASSET INVESTMENTS

Group	Investments		
	Managed Funds	Investee Companies	Total
	£'000	£'000	£'000
Valuation at 1st January, 1995	16,576	40,990	57,566
Additions at cost	127	8,303	8,430
Disposals	(15,439)	(5,672)	(21,111)
Appreciation	861	8,424	9,285
Valuation at 31st December, 1995	2,125	52,045	54,170
Reconciliation			
Cost of investments	959	32,270	33,229
Net unrealised appreciation of investments	1,166	19,775	20,941
	2,125	52,045	54,170

Company	Investments		
	Shares in subsidiary undertakings	Managed Funds	Investee Companies
	£'000	£'000	£'000
Cost or valuation at 1st January, 1995	4,842	16,576	40,990
Additions at cost	35	127	8,303
Disposals	-	(15,439)	(5,672)
Appreciation	-	861	8,424
Cost or valuation at 31st December, 1995	4,877	2,125	52,045
Reconciliation			
Cost of investments	4,877	959	32,270
Net unrealised appreciation of investments	-	1,166	19,775
	4,877	2,125	52,045

At 31st December, 1995 cumulative downward adjustments of £7,623,000 (1994: £9,094,000) had been made against investments with original costs of £14,477,000 (1994: £11,455,000)

Investments at valuation include:

	1995 £'000	1994 £'000
UK		
Listed	21,355	6,282
Unquoted at directors' valuation	20,707	40,977
Europe		
Unquoted at directors' valuation	3,853	2,157
US		
Listed	307	262
Unquoted at directors' valuation	7,048	7,888
	54,170	57,566

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Note 10 continued

At 31st December, 1995 the Company held shares in excess of 10 per cent of a class of shares in a number of investee undertakings but did not have more than 20 per cent of the total allotted share capital in any of these investee undertakings. However in the opinion of the directors the listing of these undertakings would result in particulars of excessive length and the financial results of such undertakings do not principally affect the figures shown in these accounts. The list of these undertakings will therefore be enclosed with the Company's next annual return as permitted under section 231(5) Companies Act 1985.

At 31st December, 1995, the Company had an interest of more than 20 per cent in the nominal value of the total allotted share capital of the following companies:

Companies	Class of shares held	Percentage of class held
Lombard Investments, Inc	Preferred	100.00
<i>(State of California)</i>		
VCI Candover Management BV	Ordinary	30.00
<i>(incorporated in the Netherlands)</i>	Loan Capital	30.00

For the reasons set out in the Accounting Policies these investments have not been included as associated undertakings. Based on the latest audited accounts received by the company in respect of each investment, if equity accounting had been applied in these financial statements, the Group profit after tax would have been increased by approximately £76,000 (1994: £142,000) and the Group net assets decreased by £140,000 (1994: increase of £227,000).

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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SUBSIDIARY UNDERTAKINGS

At 31st December 1995, the principal subsidiary undertakings included in the consolidation were:

	Nature of business	Issued share capital
Candover Services Limited *	Arrangement of investment syndications	\$4,400,000 Ordinary
Candover Realisations Limited **	Investment dealing company	£100 Ordinary
Candover (Trustees) Limited *	Nominee company	£100 Ordinary
Candover Nominees Limited *	Nominee company	£100 Ordinary
Candover Partners Limited ***	General Partner of the Candover 1989 Fund, the Candover 1991 Fund and the Candover 1994 Fund	£1,050,000 Ordinary
Candover Investments (Nassau) Inc *	Investment holding company	US\$500,000 Common Stock
Deutsche Candover GmbH *	Arrangement of management buy-out and buy-in investments in Germany	DM 200,000 Ordinary

* Wholly owned directly by the holding company

** Wholly owned by a subsidiary undertaking

*** 81% owned by a subsidiary undertaking and 19% owned directly by the holding company

During the year the Company acquired the minority interest in Deutsche Candover GmbH. All of the preceding companies are incorporated in Great Britain and are registered and operational in England and Wales with the exception of Deutsche Candover GmbH which is incorporated and is operational in the Federal Republic of Germany and Candover Investments (Nassau) Inc which is incorporated and is operational in the Bahamas.

Interests in the Candover 1989, 1991 and 1994 Funds ("Managed Funds")

Candover Partners Limited is the General Partner of the limited partnerships comprising the Candover 1989 Fund, the Candover 1991 Fund and the Candover 1994 Fund. In view of the excessive length the name and address of each partnership will be enclosed with the Company's next annual return as permitted under section 231(5) Companies Act 1985. In addition advantage has been taken of the exemption conferred by regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 and accordingly accounts in accordance with the Companies Act 1985 have not been prepared for each of the limited partnerships.

The Company is a Special Limited Partner in the Candover 1989 and Candover 1991 Funds and is a unitholder in an unauthorised unit trust which is a Special Limited Partner in the Candover 1994 Fund. In each case the Special Limited Partner is entitled to participate in profits after a minimum rate of return has been achieved by the Limited Partners. This profit entitlement is referred to as the carried interest.

Candover also holds a direct interest in one of the Candover 1989 Limited Partnerships which at 31st December, 1995 was valued at £1.0 million (cost £0.8 million) and in all the Candover 1994 Limited Partnerships which at 31st December, 1995 was valued at £0.1 million (cost £0.1 million).

For the reasons set out in the Accounting Policies, the limited partnerships comprising the Candover 1989, the Candover 1991 and the Candover 1994 Funds have not been accounted for under the method of full consolidation. At 31st December, 1995, the net assets of the Funds were £149.8 million (1994: £203.7 million) and the net income for the year ended was £11.9 million (1994 £10.3 million). The net assets and net income can be summarised as follows:

	1995 £'m	1994 £'m
Investments	143.6	194.0
Debtors	2.3	5.3
Cash	3.9	5.4
Creditors	-	(1.0)
	149.8	203.7
Blocked account	-	10.5
	149.8	214.2
Income from fixed asset investments	13.4	12.6
Interest receivable	0.5	0.3
Other income	0.2	0.2
	14.1	13.1
Expenses	(0.2)	(0.1)
Tax	(2.0)	(2.7)
	11.9	10.3

Amounts held in the blocked account as at 31st December, 1994 represented Candover's carried interest entitlement on realisations made by the Candover 1989 Fund and were released to the company following the achievement of the prescribed rate of return on the funds invested by the Limited Partners.

As at 31st December, 1995 Candover's investment as a Special Limited Partner in the Candover 1989 Fund was valued at £0.9 million (1994: £14.7 million).

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

ASSOCIATED UNDERTAKINGS

	Nature of business	Issued share capital/ capital account	Percentage held
Hoare Candover Limited	Management of the Hoare Candover Exempt Fund	£1,000 Ordinary	50%
LGV Candover	Identifying investment opportunities in Germany	DM250,000	49%

Hoare Candover Limited is incorporated and operational in Great Britain and registered in England and Wales; Candover's interest in Hoare Candover Limited and LGV Candover are owned by the holding company and by a subsidiary undertaking respectively.

LGV Candover is incorporated and is operational in the Federal Republic of Germany.

	Group share of net assets £'000	Company share at cost £'000
Cost at 1st January, 1995	54	1
Share of post-acquisition reserves at 1st January, 1995	36	-
Increase	2	-
	<u>92</u>	<u>1</u>

DEBTORS

	1995 £'000	Group 1994 £'000	1995 £'000	Company 1994 £'000
<i>Amounts falling due within one year:</i>				
Trade debtors	489	695	-	-
Amounts owed by subsidiary undertakings	-	-	27	27
Amounts owed by associated undertakings	8	-	-	-
Other debtors	1,491	2,630	1,020	1,975
Prepayments and accrued income	1,576	1,833	305	518
	<u>3,564</u>	<u>5,158</u>	<u>1,352</u>	<u>2,520</u>
<i>Amounts falling due after more than one year:</i>				
Prepayments and accrued income	1,616	1,524	-	-
	<u>5,180</u>	<u>6,682</u>	<u>1,352</u>	<u>2,520</u>
Total debtors	<u>5,180</u>	<u>6,682</u>	<u>1,352</u>	<u>2,520</u>

CURRENT ASSET INVESTMENTS

	1995 £'000	Group 1994 £'000	1995 £'000	Company 1994 £'000
Short term deposits and fixed interest securities	51,455	26,192	43,871	19,066

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Trade creditors	289	192	8	1
Amounts owed to group undertakings	-	-	582	603
Current taxation	628	612	925	563
Social security and other taxation	31	54	-	-
Proposed dividends	1,951	1,813	1,951	1,813
Other creditors	1,281	1,564	190	178
Accruals and deferred income	1,434	1,658	99	98
	<u>5,614</u>	<u>5,893</u>	<u>3,755</u>	<u>3,256</u>

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PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Deferred taxation:				
At 1st January	1,099	1,013	69	110
Increase/(decrease) in year	881	86	(2)	(41)
At 31st December	<u>1,980</u>	<u>1,099</u>	<u>67</u>	<u>69</u>
Deferred taxation provided for in the financial statements is set out below:				
Accelerated capital allowances	(70)	(76)	-	-
Other timing differences	2,050	1,175	67	69
	<u>1,980</u>	<u>1,099</u>	<u>67</u>	<u>69</u>

There was no unprovided deferred taxation in the financial statements at 31st December, 1995 (1994 £Nil).

17

SHARE CAPITAL

	1995		1994	
	Number	£'000	Number	£'000
Authorised:				
Ordinary shares of 25p each	29,000,000	7,250	29,000,000	7,250
Allotted, called up and fully paid:				
Ordinary shares of 25p each at 1st January and at 31st December	22,381,095	5,595	22,381,095	5,595

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Note 17 continued

No options were granted or exercised during the year. At 31st December, 1995 the following options remained exercisable at the following prices and dates.

No. of options	Exercise Price	Exercisable between
115,155	113.89p	28th October, 1990 - 28th October, 1997
49,230	137.44p	6th October, 1991 - 6th October, 1998
75,000	208.00p	13th March, 1993 - 13th March, 2000
40,000	282.67p	29th April, 1994 - 29th April, 2001
20,000	236.67p	19th October, 1995 - 19th October, 2002
182,205	235.00p	20th October, 1995 - 20th October, 2002
160,000	340.00p	17th June, 1997 - 17th June, 2004
641,590		

As at 31st December, 1995 there remained 149,570 options available to be granted under the New Candover (1994) Executive share option scheme (1994: 149,570 options available). On 5th January, 1996 10,000 options exercisable at 340p lapsed.

The performance criteria for the exercise of any options issued under the terms of Candover (1994) executive share option scheme are referred to in the Remuneration Committee report on page 33.

RESERVES

	Non-distributable reserves			Distributable reserves
	Share premium account	Realised net appreciation reserve	Unrealised net appreciation reserve	Profit and loss account
	£'000	£'000	£'000	£'000
Group				
At 1st January, 1995	126	50,427	23,864	3,902
Surplus on investments revaluation	-	-	9,541	-
Investments realised in year	-	21,888	(12,536)	-
Exchange differences	-	-	(30)	-
Retained profit for the year	-	-	-	756
At 31st December, 1995	126	72,315	20,839	4,658
Company				
At 1st January, 1995	126	50,296	23,612	1,043
Surplus on investments revaluation	-	-	9,541	-
Investments realised in year	-	22,108	(12,536)	-
Retained profit for the year	-	-	-	664
At 31st December, 1995	126	72,404	20,617	1,707

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995	1994
	£'000	£'000
Profit for the financial year	3,721	3,410
Dividends	(2,865)	(2,742)
	756	668
Capital surplus for the year	18,863	14,257
Net addition to shareholders' funds	19,619	14,925
Shareholders' funds at 1st January	83,914	68,989
Shareholders' funds at 31st December	103,533	83,914

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

20

CAPITAL COMMITMENTS

The directors have authorised commitments of \$70 million and £5 million which will be invested pro rata and in parallel with the Candover 1994 Fund and the Candover 1991 Fund respectively. At 31st December, 1995 the outstanding commitment was \$62.5 million (1994: \$68.9 million) and £1.8 million (1994: £2.7 million) respectively.

At 31st December, 1995 the outstanding commitment to the Lombard/Nogales Radio Partners LP was \$0.9 million (£0.6 million) ((1994: \$1.4 million (£0.9 million)). At 31st December, 1995 the outstanding commitment to the Cambria Fund was ITL 591 million (£0.2 million) (1994: ITL 2,370 million (£0.9 million)).

During the year the Company committed FF20 million (£2.6 million) to the Ciclad 2 Fund. At 31st December, 1995 the outstanding commitment was FF19 million (£2.5 million).

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PENSION COMMITMENTS

The Group contributed towards a number of funded defined contribution pension schemes designed to provide retirement benefits for its directors and employees. The assets of the schemes are held separately from the group in independently administered funds. The pension cost charge represents contributions by the group to the schemes in respect of the accounting period and amounted to £569,000 (1994: £242,000). Of this amount £240,000 remains payable to the schemes at 31st December, 1995 (1994: £Nil).

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LEASE COMMITMENTS

Operating lease payments amounting to \$552,000 (1994: \$564,000) are due within one year. The leases to which these amounts relate expire as follows:

	1995		1994	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Commitments expiring in less than one year	-	18	-	30
2 - 5 years	-	-	-	-
More than 5 years	534	-	534	-
	<u>534</u>	<u>18</u>	<u>534</u>	<u>30</u>

An agreement to lease was entered into during January 1991 whereby a proportion of the premises had been sublet for a period of three years at a rental of £64,000 per annum.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

RECONCILIATION OF OPERATING INCOME TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995	1994
	£'000	£'000
Operating income	5,234	4,858
Decrease/(increase) in debtors	767	(1,942)
Increase/(decrease) in creditors	(201)	1,242
Tax on franked investment income included within income from UK companies	(248)	(220)
Depreciation	82	88
Profit on disposal of tangible fixed assets	-	(12)
Net cash inflow from operating activities	5,634	4,014

ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1995	1994
	£'000	£'000
Balance at 1st January	26,416	22,618
Net cash inflow	25,133	3,798
Balance at 31st December	51,549	26,416

CASH AND CASH EQUIVALENTS

	Current asset investments £'000	Cash at bank and in hand	Total £'000
Balance at 31 December, 1993	22,064	554	22,618
Change	4,128	(330)	3,798
Balance at 31 December, 1994	26,192	224	26,416
Change	25,263	(130)	25,133
Balance at 31 December, 1995	51,455	94	51,549

LITIGATION

The Company, its subsidiary Candover Partners Limited and certain of the Partnerships which comprise the Candover 1989 Fund have received a claim from a US corporation in respect of negotiations on a transaction in Germany. The Board has taken appropriate legal advice and consider that the claim is without merit and it is not expected to result in any material liability falling on the Company, Candover Partners Limited or the Partnerships concerned.

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POST BALANCE SHEET EVENTS

Since the year end, the following events have occurred:

- On 2nd February, 1996 an investment in Eversholt Leasing Limited was completed in which Candover and the Candover 1994 Fund invested. Candover's share of the investment was £5.1 million.
 - On 1st March, 1996 Bibby and Baron Group Limited was sold to British Polythene Industries plc (BPI). From this sale Candover received cash and shares totalling £0.4 million (cost : £0.3 million).
 - On 15th March, 1996 contracts were exchanged to sell Blue Arrow Holdings Limited to The Corporate Services Group plc. The sale is expected to complete in April 1996 from which Candover will receive cash and shares valuing Candover's investment significantly higher than as at 31st December, 1995.
-

DISTRIBUTION OF FIXED ASSET INVESTMENTS

as at 31st December, 1995

Sector	UK	Europe	Americas	1995	1994
	%	%	%	Total	Total
Mineral Extraction					
Oil Exploration & Production	1.9	-	-	1.9	1.6
	1.9	-	-	1.9	1.6
General Industrials					
Building and Construction	5.2	-	-	5.2	2.4
Building Materials & Merchants	0.6	-	-	0.6	0.7
Chemicals	4.3	0.5	-	4.8	2.5
Electronics & Electrical Equipment	8.2	0.3	-	8.5	3.6
Engineering - General	1.4	-	1.4	2.8	10.9
Engineering - Vehicles	3.2	2.0	-	5.2	2.0
	22.9	2.8	1.4	27.1	22.1
Consumer Goods					
Alcoholic Beverages	2.0	-	-	2.0	2.8
Health Care	-	-	-	-	0.3
Household Goods	10.6	-	-	10.6	0.0
	12.6	-	-	12.6	3.1
Services					
Distributors	0.4	-	-	0.4	0.4
Leisure & Hotels	8.5	-	-	8.5	6.9
Media	6.6	-	6.3	12.9	3.5
Retailers - Food	4.4	-	-	4.4	4.6
Retailers - General	0.2	-	-	0.2	0.7
Support Services	11.8	-	0.6	12.4	6.4
Transport	-	0.5	6.3	6.8	9.5
Other Services & Businesses	-	-	-	-	2.5
	31.9	0.5	13.2	45.6	34.5
Financials					
Insurance	2.7	-	-	2.7	1.7
Other Financial	5.8	3.7	0.6	10.1	37.0
	8.5	3.7	0.6	12.8	38.7
Totals %	77.8	7.0	15.2	100.0	100.0
Totals £'000	42,062	3,853	8,255	54,170	57,566

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Candover Investments plc will be held at The Howard Hotel, Temple Place, London WC2 on **Monday 13th May, 1996 at 11.30am** for the following purposes:

- 1 To receive the Report of the Directors and the audited financial statements for the year ended 31st December, 1995.
- 2 To declare a final dividend of 8.75p per share on the ordinary shares in respect of the year ended 31st December, 1995.
- 3 To re-elect Mr C.R.E. Brooke who retires by rotation.
- 4 To re-elect Mr S.W. Curran who retires by rotation.
- 5 To re-elect Mr R.A.P. King who retires by rotation.
- 6 To re-appoint Messrs Grant Thornton, Chartered Accountants, as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

7 Special Business

To consider and, if thought fit, to pass the following resolutions as Special Resolutions:

"That the Directors be and are hereby given power pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) pursuant to the authority conferred by resolution Number 4(a) passed at the Annual General Meeting of the Company held on 11th May, 1993 as if Section 89(1) of the said Act did not apply to any such allotment, provided that this power shall be limited:

(i) to the allotment of equity securities for the purpose of or in connection with a rights issue or scrip dividend offer pursuant to the Articles of Association of the Company or any pre-emptive invitation in favour of the holders of ordinary shares (notwithstanding that by reason of such exclusions or other arrangements as the Directors may deem necessary or desirable by virtue of overseas regulations or to deal with problems arising in any overseas territory or in connection with fractional entitlements or record dates or otherwise howsoever, the equity securities to be allotted are not offered to all of such holders in proportion to the number of ordinary shares held by each of them); and

(ii) to the allotment of equity securities (otherwise than pursuant to sub-paragraph (i) above) up to an aggregate nominal amount equal to £279,764; and shall expire at the conclusion of the next Annual General Meeting of the Company to be held after the conclusion of the meeting at which this resolution is passed or at the close of business on 13th August, 1997 (whichever is the earlier) save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."

P.R. Neal
Company Secretary
 9th April, 1996

Notes

- 1 Every member entitled to attend and vote at the above Meeting may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. Forms of proxy must be lodged not less than 48 hours before the Meeting.
- 2 The following documents will be available for inspection at the registered office during business hours on any weekday (excluding

Saturdays and public holidays) from the date of this Notice until the date of the Annual General Meeting and at the venue of the Meeting from 11.15am on 13th May, 1996 until the conclusion of the Meeting; (i) copies of the service contracts of the Directors; (ii) the Company's Articles of Association; (iii) The register of Directors' interests in the share capital of the Company.

FORM OF PROXY

For use at the Annual General Meeting of Candover Investments plc
to be held on **13th May, 1996**

If you wish to vote at the Annual General Meeting but are unable to attend in person you may appoint a proxy to act on your behalf by completing this form:

I / We

of

being (a) member(s) of Candover Investments plc, hereby appoint the Chairman of the Meeting or (see note 2) as my / our proxy to vote for me / us on my / our behalf at the Annual General Meeting to be held at **11.30am on 13th May, 1996** and at any adjournment thereof.

I / We direct my / our proxy to vote on the resolutions set out in the notice convening the meeting as indicated with an 'X' in the appropriate space below.

ORDINARY RESOLUTIONS		FOR	AGAINST
Resolution 1	To receive the report of the Directors and the audited financial statements for the year ended 31st December, 1995.		
Resolution 2	To declare a final dividend of 8.75p per ordinary share for the year ended 31st December, 1995.		
Resolution 3	To re-elect Mr C.R.E. Brooke		
Resolution 4	To re-elect Mr S.W. Curran		
Resolution 5	To re-elect Mr R.A.P. King *		
Resolution 6	To re-appoint the auditors and to authorise the directors to fix their remuneration		

* Member of the Remuneration Committee

SPECIAL RESOLUTIONS		FOR	AGAINST
Resolution 7	To grant to directors the power pursuant to Section 95 Companies Act 1985 to disapply the provision of Section 89(1) Companies Act 1985 with regard to the allotment of certain equity securities.		

Date

Signature

see notes 3 & 4

Notes

- 1 If no indication is given, the proxy holder will vote or abstain from voting at his or her discretion.
- 2 A member may appoint a proxy other than the chairman of the meeting by inserting the name and address of such proxy (who need not be a member) in the space provided above. The appointment of a proxy will not preclude a member from attending and voting in person should he/she subsequently decide to do so.

- 3 In the case of a joint holder, the signature of any one holder will be sufficient.
- 4 In the case of a corporation, the proxy should be executed under its common seal, or signed as a deed, or under the hand of some officer, duly authorised in writing in that behalf.
- 5 This form, to be valid must be lodged at the office of the registrars of the company not later than 48 hours before the time of the Meeting.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB 122



Independent Registrars Group
Registrars for Candover Investments plc
Proxy Department
PO Box 25
Beckenham
Kent BR3 4BR

FIRST FOLD

THIRD FOLD

Tuck inside facing flaps