Candover

Report and accounts 2002

Registered in England and Wales:

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For the latest information
www.candover.com

About Candover

Candover* organises and invests principally in large buyouts. Our primary objectives are to achieve above average capital gains from our investments and to earn satisfactory income for our shareholders. We do this by working in partnership with management teams to acquire companies in the UK and continental Europe and build substantial businesses with excellent prospects.

*References in this report and accounts to 'Candover' mean Candover Investments plc and/or, where appropriate, one or more of its subsidiaries.

Highlights

+6%

Net revenue return before tax up from £14.4m in 2001 to £15.3m in 2002

+12%

Total dividend up 12% from 32p in 2001 to 36p in 2002. Final dividend up 9% to 24p

-8%

Net assets per share down from 1127p in 2001 to 1040p in 2002. Fall in FTSE All-Share Index over same period: 25%

Candover at a glance

Candover has had a busy and successful year, and has made a promising start to 2003. In addition to the final closing of the €2.7 billion Candover 2001 Fund, six significant realisations were achieved and two new investments were made during the year. Additionally, four more investments have been completed since the year end.

Chairman's statement

Given the uncertainty in the world economies, the decline in stock markets and the consequential adverse impact in terms of asset allocation to private equity amongst institutional investors globally, we were satisfied to have raised our eighth, and largest, fund to date.

Despite the six realisations, Candover's net assets per share decreased by 7.7% over the full year. The valuation of our investee companies is principally related to comparable listed multiples and, with the continued decline in the financial markets during 2002 and 2003 to date, a decrease in the value of our net assets has been unavoidable. However, I am pleased to announce that this decrease is significantly less than the decline in the relevant market indices over the same period and, where appropriate, the further decline in the markets since the year end has been factored into our valuations at 31st December, 2002.

Realisations during the year, which generated proceeds of £50.0 million for Candover, included PII, Regional Independent Media, Detica, Diamant Boart, Inveresk and SPA. Given the challenging exit environment, this was a satisfactory outcome. Candover committed £16.3 million to two new investments, namely the €393.0 million buyout of Swissport, a global airport ground handling business, and the €709.0 million formation of Wellington Re (now renamed Aspen Insurance), a new reinsurance group. In my statement contained in the preliminary announcement on 10th March, 2003 I reported that, since the year end, £27.3 million had been invested in two further transactions, namely the €600.0 million buyout of Kluwer Academic Publishers, a publisher of academic journals and books, and the €1.0 billion buyout and delisting of Ontex, the European leader in hygienic disposables. It was also reported that a further £30.8 million had been committed to the €1.9 billion buyout of Gala Group, a leading UK gaming company. Since that statement, I can now report that the buyout of Gala Group completed on 17th March, 2003, and a further investment has been made in the €141.0 million buyin of Wellstream, a leading global manufacturer of flexible pipe applications for the offshore deepwater oil and gas sector, which completed on 12th March, 2003, and in which Candover invested £5.5 million.

Results for 2002

As at 31st December, 2002, the net assets attributable to the ordinary shares were £226.9 million compared to £250.2 million at 31st December, 2001. Net assets per share were 1040p compared with 1127p at 31st December, 2001 (and 1072p at 30th June, 2002). This decrease in net assets per share over the 12 months to 31st December, 2002 of 7.7% compares with a decrease of 25.0% in the FTSE All-Share Index over the same period. The decrease in net assets per share over the six months to 31st December, 2002 was 3.0% compared to a decrease in the FTSE All-Share Index over the same period of 16.3%.

The reduction in net assets for the year of £23.3 million was after taking into account the buyback and cancellation of 515,000 shares at a cost to the company of £5.2 million, a net realised loss on investments of £6.6 million, and after a net reduction of £11.7 million on the revaluation of our investments.

The value ascribed to Candover's share of the carried interest in the 1994 Fund was reduced from £30.4 million (137p per share) to £28.0 million (128p per share), reflecting the reduction in the value of the portfolio of that fund during the year.

Profits before tax for the year were £15.3 million compared with £14.4 million for the 12 months to 31st December, 2001. The increase in profits was mainly due to higher income from fixed asset investments and from funds under management. The valuation of fixed asset investments at 31st December, 2002 was £146.3 million (2001: £188.8 million). This valuation of £146.3 million was calculated having taken into account realisations, net of new investments in the year, amounting to £30.8 million, and after a net decrease of £11.7 million in the valuation of our investments referred to above. This net decrease in the valuation of our investments was after taking into account downward adjustments of £33.7 million and upward adjustments of £22.0 million. The upward movement was principally accounted for by Inveresk, while the most significant downward adjustment was a full provision of £7.3 million against the investment in Blue Eagle, an externally managed fund. At the year end, cash and liquid assets totalled £78.2 million (2001: £57.0 million). Listed shares at the year end totalled £22.1 million (2001: £4.9 million), representing 9.7% of our net assets (2001: 2%). Inveresk accounted for £19.7 million of that £22.1 million.

Dividends

At the half year the board decided to increase the interim dividend by 20% from 10p per share to 12p per share. The board has decided to pay a final dividend of 24p per share (22p per share in 2001) making a dividend payable for the year of 36p per share against 32p in the previous year, an increase of 12.5%. Payment of the dividend will be made on 22nd May, 2003 to shareholders on the register at 2nd May, 2003.

The Candover 2001 Fund

As was referred to at the half year, the final closing of the 2001 Fund occurred in June with commitments from 110 investor groups worldwide. The Fund raised a total of €2.7 billion, exceeding its target of €2.5 billion. Given the uncertainty in the world economies, the decline in stock markets and the consequential adverse impact in terms of asset allocation to private equity amongst institutional investors globally, we were satisfied to have raised our eighth, and largest, fund to date.

Board and staff

In December, Colin Buffin and Marek Gumienny, Managing Directors of Candover, resigned from the board. This move was in line with current trends in corporate governance as applied to investment trusts which suggest a separation of managers from trustees. Colin and Marek will continue as Managing Directors of Candover Services, the principal operating company in the Candover Group, and of Candover Partners, the manager of the various investment funds.

Also in December, it was announced that Nicolas Lethbridge would be appointed to the board as a non-executive director with effect from 1st January, 2003. Nicolas is a member of the international management committee at Babcock & Brown, a global investment bank that specialises in the acquisition, management and arrangement of asset and project financings worldwide. He was previously a director of J. Henry Schroder Wagg, where he carried out a number of privatisations and project financing assignments.

Joe Scott Plummer has advised us of his intention to retire from the board at the conclusion of the next Annual General Meeting to be held on 14th May, 2003. Joe has served on the Candover board for over 17 years and his wise counsel will be sorely missed. I know that the board and those members of the Candover staff who have been fortunate enough to have worked with him over the years, would want to join me in offering Joe best wishes for the future.

Again in December, we were very pleased to be able to announce that Cyrille Chevrillon had agreed to join us as a Managing Director of Candover Partners. We have worked closely with Cyrille for over five years and jointly completed the buyouts of MC International and Picard Surgelés with Chevrillon Associés, a leading French investment company, which was founded by Cyrille in 1992.

During the year we were also joined by a further five new investment executives, Brian Mercer, Kurt Kinzius, Sebastien Canderlé, Jens-Dino Steinborn and John Arney. Since the year end we have recruited an investor relations director, Piers Dennison, to oversee our relationships with existing and potential limited partners in the Candover Funds.

As usual, I would like to thank all the staff for their hard work and to welcome the above new members.

Prospects

2002 continued to be a challenging year for the European private equity industry. Economic uncertainty and falling stock markets contributed to a further slowdown in the value of European buyouts, which fell by 40% to €37.6 billion compared to €62.4 billion in 2001. The UK market alone fell by 25%. Fund raising activity in the UK also slowed, with just under €10.0 billion raised compared to €18.0 billion in 2001.

The biggest short-term concern for our industry continues to be the poor state of the equity markets and the decline in M&A activity, which together make exits more difficult to achieve. Additionally, the continued decline in the financial markets depresses private equity valuations.

Given this background, therefore, Candover's achievements last year and during the first few months of this year are encouraging. We have raised our largest fund to date, achieved a number of significant realisations, and invested in six sizeable transactions. We have also made important progress in our positioning as a major European buyout group, having made investments in Switzerland, Belgium and the Netherlands.

We continue to believe that the current environment will offer attractive investment opportunities during the year ahead across Europe and that we are well placed to continue to attract high quality deal flow.

Our investee companies are in the main trading in line with expectations and we shall continue to monitor their progress carefully. Exit opportunities will be pursued as appropriate, but will, to some extent, be dependent on a recovery in the financial markets.

S W Curran
28th March, 2003

Despite the fall in buyout activity generally across Europe, Candover enjoyed good deal flow during 2002. This resulted in two investments being made during the year and a further four investments being made since the year end.

Operational review

In total, Candover invested £25.8 million in two new transactions and four follow-on investments during the year. The 2001 Fund invested £128.5 million alongside Candover in these new transactions (Candover's share £16.3 million). By the end of March 2003, Candover will have invested a further £63.6 million in four transactions: the €600.0 million buyout of Kluwer Academic Publishers, a publisher of academic journals and books; the €1.0 billion buyout of Ontex, the European leader in hygienic disposables; the €1.9 billion acquisition of Gala Group, a leading UK gaming company; and the €141.0 million buyin of Wellstream, a leading global manufacturer of flexible pipe applications for the offshore deepwater oil and gas sector. The 2001 Fund will have invested £497.1 million in these four transactions.

New investments

Swissport As reported in the 2001 Report and Accounts and at the half year, in February 2002 Candover and the 2001 Fund completed the buyout of Swissport, a global airport ground handling business, acquired from Swissair Group AG for a total consideration of €393.0 million. The 2001 Fund invested £66.9 million and Candover invested £8.5 million.

Aspen Insurance (formerly Wellington Re) As reported at the half year in June, Candover co-led an equity syndicate that committed £448.0 million to the formation of Aspen Insurance, a new reinsurance group and one of the largest independent reinsurance vehicles in the UK market. Candover invested £7.8 million and the 2001 Fund invested £61.6 million.

Kluwer Academic Publishers In October, it was announced that Candover and Cinven had reached an agreement in principle to co-lead the €600.0 million buyout of Kluwer Academic Publishers (KAP) from its Dutch parent, multinational information services company, Wolters Kluwer. The transaction completed in January 2003, with Candover investing £10.3 million and the 2001 Fund investing £80.0 million. KAP is a leading international publisher of information for scientists in academic and corporate research functions. The company publishes 700 scientific and technical journal titles and around 1,200 new book titles a year, as well as managing an active backlist of 13,000 books. The quality of the business and its position in a niche sector with high barriers to entry make KAP an attractive investment for Candover and the 2001 Fund. Academic publishing enjoys sustainable growth throughout the economic cycle and the development of on-line delivery platforms is an exciting dynamic for the industry.

Ontex In November, Candover announced that it was buying a majority shareholding in Ontex, a listed Belgian company, and a leading European producer of hygiene products for the babycare, feminine hygiene and adult care markets. The purchase, which was subject to various competition authority approvals, completed in January 2003. A public offer for the remaining shares was launched in February and it was announced in early March that this had been successful. The offer formally concludes at the end of March. Candover will have invested £17.0 million and the 2001 Fund £132.8 million in Ontex, which was founded in 1979 and has an impressive track record of both acquisitive and organic growth, and today is operational in 13 countries throughout Europe. The markets in which the group operates continue to offer exciting growth opportunities and our backing will assist in enabling the company to make further acquisitions to consolidate its position as a pan-European market leader and to fulfil its global ambitions.

Gala Group In February 2003, it was announced that Candover and Cinven had agreed to finance the buyout of Gala, the leading UK provider of high volume, low ticket gambling (bingo and casinos) for an enterprise value of €1.9 billion. The company controls 165 bingo halls and 27 casinos throughout the UK. The industry in which Gala operates has historically generated top-line growth, which is expected to benefit additionally from a proposed further deregulation of the UK gaming industry. The acquisition of Gala was completed on 17th March, 2003. Candover invested £30.8 million and the 2001 Fund invested £241.3 million in Gala.

Wellstream On 12th March, 2003 Candover announced the €141.0 million acquisition of Wellstream, a leading global manufacturer of flexible pipe applications for the offshore deepwater oil and gas sector. Candover invested £5.5 million and the 2001 Fund £43.0 million in Wellstream. Wellstream's pipe technology facilitates the transportation of oil and gas from subsea wells.

Other investments

Four follow-on investments were made, primarily further participations in a mezzanine fund and a mid-market French buyout fund.

Realisations

Net realised gains over cost achieved by Candover and its managed funds amounted to £95.6 million, of which Candover's share was £13.4 million. In calculating these gains, residual unrealised shareholdings in listed companies (see below) have not been included. As was reported at the half year, in March, PII was sold to GE Power Systems, with gains over cost for Candover of £1.2 million and £10.0 million for the 1997 Fund. In April, Regional Independent Media was sold to Johnston Press plc with gains over cost for Candover of £5.2 million and £39.9 million for the 1997 Fund, while in June, Diamant Boart, was sold to Electrolux AB. This resulted in gains over cost of £2.9 million for Candover and £24.2 million for the 1997 Fund. Finally, SPA was sold to Provident Financial in December, realising gains over cost of £0.8 million for Candover and £2.8 million for the 1994 Fund (excluding any deferred consideration that may become payable dependent on SPA's performance in 2003).

In addition to these sales, two stock market listings occurred during the period, as was reported at the half year. In April, Detica Group plc listed on the London Stock Exchange at £4.00 per share. Candover and the 1994 Fund sold 50% of their stake in the company with realised gains over cost of £2.7 million for Candover and £10.6 million for the 1994 Fund. Candover's residual shareholding of 725,350 shares is valued at £2.2 million and the 1994 Fund's shareholding at £8.5 million (compared to a cost of £25,000 and £97,000 respectively) after applying a discount of 15% to the 31st December, 2002 mid-market price of £3.58 per share to reflect selling restrictions. The mid-market price at the close of business on 27th March, 2003 was £2.59.

In June, Inveresk listed on NASDAQ at $13.00 per share. At the listing, Inveresk repaid the loan stock, representing a significant proportion of the cost of the original investment and this resulted in £70.8 million being realised in cash, £8.3 million for Candover and £62.5 million for the 1997 Fund. Candover's residual shareholding of 1,959,425 shares is valued at £19.7 million and the 1997 Fund's shareholding at £164.1 million (compared to a cost of £75,000 and £624,000 respectively) after applying a discount of 25% to the 31st December, 2002 mid-market price of $21.57 per share to reflect selling restrictions. The mid-market price at the close of business on 27th March, 2003 was $14.35.

Outlook

Although some investee companies are experiencing difficult trading conditions, the overall performance of the portfolio is in line with expectations. We are continuing to monitor the performance of all investee companies closely and will consider exit strategies for the maturing 1997 Fund portfolio as appropriate.

The current depressed conditions in financial markets should provide us with interesting opportunities to invest the Candover 2001 Fund not only in the UK, but increasingly on the Continent.

C J Buffin
M S Gumienny
28th March, 2003

In addition to investing on its own account, Candover invests under a co-investment agreement with third party managed funds that are managed by the Candover Group subsidiaries, principally Candover Partners.

Status of funds

The Candover 1987 Fund was constituted on 29th May, 1987 with funds of £30.0 million and was due to terminate on 29th May, 1997. By resolution of the investors, the Fund was extended on a number of occasions and finally terminated on 29th November, 2002. Following the final distribution, £37.2 million had been returned to investors.

The status of the funds that have not been terminated is as follows:

The Candover 1991 Fund had total commitments of £37.5 million including a £5.0 million co-investment from Candover at its final closing on 30th April, 1992. The investment period of this Fund terminated on 30th April, 1998 and the Fund itself was due to terminate on 30th April, 2000. Following investor consent, this was extended until 30th April, 2002 and subsequently for a further two year period until 30th April, 2004 to enable the one remaining investment in Baxi Group to be realised. The Fund drew down £26.0 million for investment and to date has returned £53.3 million.

The Candover 1994 Fund had a final closing on 28th February, 1995 with total commitments of £307.5 million including £70.0 million from Candover. The investment period of the Fund was formally terminated on 16th December, 1997. The Fund had a termination date of 18th May, 2002 and this has since been extended until 18th May, 2004 following investor consent. During 2002, the Fund made capital gains from the sale of SPA and the listing and partial sale of shares in Detica Group plc. The Fund called down £176.4 million for investment in 13 transactions and had returned £341.3 million by the year end.

The Candover 1997 Fund had a final closing on 22nd January, 1998 with total third party commitments amounting to £750.0 million and a further £100.0 million provided by Candover. During the year the Fund sold its investments in PHI, Regional Independent Media, Diamant Boart and successfully listed Inveresk on the NASDAQ exchange. The investment period for the Fund terminated on 13th June, 2001, although the capacity to make follow-on investments remains. The Fund called down £684.3 million for investment in 15 transactions and had returned £381.6 million by the year end.

The Candover 2001 Fund had a final closing on 13th June, 2002. Total commitments were €2.7 billion, including a €300.0 million commitment from Candover and a €18.7 million commitment from the Candover 2001 Fund Employee Benefit Trust. During the year to 31st December, 2002, the Fund invested €204.9 million in two transactions and since the year end a further €748.5 million has been invested in four transactions in KAP, Ontex, Wellstream and Gala.

Candover's investment approach

Candover is an independent company investing principally in large buyouts. Private equity investment has shown good quality returns in recent years, and Candover's performance has consistently ranked it among the leaders. Our success is underpinned by an emphasis on quality management – both our own and in investee companies.

Candover works with ambitious, entrepreneurial people whose vision matches our own: vendors, advisers and, of course, management teams. In recent years, two-thirds of deals have involved incumbent managers; others are headed by teams that we have introduced. Candover's approach is to work in close partnership with management teams and to ensure that they can perform at their best. To that end, managers always have an equity stake with the potential to produce substantial rewards.

There is no set Candover formula – we treat every business as unique – but there is a clear guiding philosophy. We look for the fundamentals: a good team and good growth prospects. Once we have identified an opportunity, we pursue it rigorously. The scale of Candover's resources means that we can support portfolio companies' growth plans with follow-on funds as appropriate, and increasingly our strategy is to focus on companies that can be built rapidly through add-on acquisitions. When the time is right – and with management's support – we seek an exit that rewards all participants fully for their time, capital and risk.

Review of 20 largest investments

Inveresk Research Group Inc.

Contract research organisation for the pharmaceutical industry

http://www.candover.com/deals/case-studies-article.jsp?id=327

Candover's investment as at 31st December	2002	2001
Cost of investment	£75,000	£8,403,000
Directors' valuation	**$31,699,000 (£19,690,000)**	£11,657,000
Effective equity interest (fully diluted)	5.5%	7.9%
Earnings per share	$(0.89)	$(0.22)
% of Candover's net assets	8.7	4.6

Basis of valuation: Discounted quoted market price

Inveresk Research Group is one of the world's leading contract research organisations for the pharmaceutical industry.

Inveresk was acquired in September 1999 from SGS of Switzerland for £57.5 million. An additional investment by Candover and the 1997 Fund was made in April 2001 enabling Inveresk to complete the $112.0 million acquisition of ClinTrials Research Inc., a NASDAQ-listed clinical research group. On 28th June, 2002, Inveresk successfully completed its listing on the NASDAQ exchange at an initial offer price of $13.00 per share. The shares have been valued at a 25% discount to the year end mid-market price of $21.57 per share. At the listing Inveresk repaid the loan stock representing a significant proportion of the cost of the investment.

Profit before goodwill amortisation, interest and tax for the year ended 31st December, 2002 was $45.6 million on turnover of $222.5 million (2001: Profit before goodwill amortisation, interest and tax was $30.5 million on turnover of $180.6 million).

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: Services

Baxi Group Limited

Construction, heating and home products

Candover's investment as at 31st December	2002	2001
Cost of investment	£10,741,000	£10,741,000
Directors' valuation	**£10,741,000**	£10,741,000
Effective equity interest (fully diluted)	2.7%	2.7%
% of Candover's net assets	4.7	4.3

Basis of valuation: Cost

In November 2000, Newmond plc merged with Baxi Holdings plc to create Baxi, one of Europe's leading suppliers of heating products.

Newmond was created in 1996 when Candover led the £360.0 million management buyout of 15 businesses from Williams Holdings plc. Non-core businesses were disposed of over time and Newmond focused on heating and home comfort products. During 2000, Candover invested a further £1.3 million (1994 Fund: £4.7 million) in order to enable the merger between Newmond and Baxi Holdings, a leading manufacturer in the domestic boiler field, operating under the Baxi, Potterton, Chappee, Ideal Standard and Brötje brands. The merger of Baxi Holdings with Newmond created a leading European player in the heating and home comforts markets with potential for further expansion.

Profit before goodwill amortisation, acquisition reorganisation costs, interest and tax for the year ended 31st December, 2002 was £73.9 million on turnover of £627.8 million (2001: Profit before goodwill amortisation, interest and tax was £69.7 million on turnover of £577.9 million).

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: *General industrials*

Review of 20 largest investments

Picard Surgelés S.A.

Frozen food retailer

http://www.candover.com/deals/case-studies-article.jsp?id=328

Candover's investment as at 31st December	2002	2001
Cost of investment	€16,155,000 (£10,325,000)	€16,155,000 (£10,325,000)
Directors' valuation	**€16,155,000 (£10,530,000)***	€16,155,000 (£9,883,000)*
Effective equity interest (fully diluted)	3.6%	3.6%
% of Candover's net assets	4.6	3.9

Basis of valuation: Cost

In February 2001, Candover led one of the largest management buyouts to be undertaken in France, investing in Picard, a leading frozen food retailer. The buyout was a high profile auction but we were quickly able to develop a competitive angle that was instrumental in our winning the deal. We knew the business well via an earlier investment in the French company, MC International, which is a main provider of installation and maintenance services to Picard.

Picard sells its high quality products through an unrivalled network of 503 stores around France. The company has a powerful and well respected brand commanding excellent customer loyalty among high and middle income customers. Picard is run by an experienced and highly regarded management team who have identified substantial opportunities for growth within the French market.

Profit before goodwill amortisation, acquisition reorganisation costs, interest and tax for the year ended 31st March, 2002 was €64.7 million on turnover of €631.0 million (no comparable results were available for the prior period).

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

*Exchange gain since investment £205,000 (2001: Exchange loss £442,000).

Sector: Services

Clondalkin Group Holdings Limited

Specialist packaging converter

http://www.candover.com/deals/case-studies-article.jsp?id=309

Candover's investment as at 31st December	2002	2001
Cost of investment	€12,507,000 (£7,987,000)	€12,507,000 (£7,987,000)
Directors' valuation	**€15,934,000 (£10,386,000)**	€12,507,000 (£7,651,000)
Effective equity interest (fully diluted)	6.3%	6.3%
% of Candover's net assets	4.6	3.1

Basis of valuation: Multiple of earnings

The outstanding results delivered over a ten year period, combined with the clear strategic and operational focus of the Clondalkin management team, were key reasons for backing this €530.0 million delisting from the Dublin and London Stock Exchanges in 1999.

Clondalkin converts specialist value added packaging products with 39 operations in Ireland, Britain, the Netherlands, Belgium, Germany, Switzerland and the US, employing more than 4,000 people. Clondalkin's delisting in December 1999 was followed by a €125.0 million bond issue in January 2000. In April 2001, Candover and the 1997 Fund invested an additional €16.4 million in order that Clondalkin could fund the acquisition of European Packaging Holdings BV, a Netherlands based packaging and folding cartons business.

In the year ended 31st December, 2001, profit before goodwill amortisation, interest, exceptional items and tax amounted to €57.1 million on turnover of €710.8 million (2000: profit before goodwill amortisation, interest, exceptional items and tax amounted to €50.5 million on turnover of €639.4 million).

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: General industrials

Pandrol Limited/ Airtechnology Limited

Specialist engineering group

http://www.candover.com/deals/case-studies-article.jsp?id=312

Candover's investment as at 31st December	2002	2001
Cost of investment	£8,553,000	£8,553,000
Directors' valuation	**£9,371,000**	£8,553,000
Effective equity interest (fully diluted)	8.8%	8.8%
% of Candover's net assets	4.1	3.4

Basis of valuation: Pandrol: Cost; Airtechnology: Sale price

Candover's involvement in the engineering sector goes back nearly 20 years, and our wealth of experience was used to good effect in this £194.0 million management buyout from Charter plc, which completed in December 1999.

The deal structure involved Candover making separate investments in three specialist engineering businesses: Pandrol, the world leader in rail fastening systems, with manufacturing plants in 12 countries; UK Aerospace and Defence, now renamed Airtechnology, a designer and manufacturer of specialist fans and environmental control systems for the aerospace, defence and rail traction markets; and Nederman, a European leader in equipment to improve workspace environments. Nederman was subsequently sold in late December 1999 for cash proceeds of £38.0 million, from which Candover and the 1997 Fund received £7.0 million. Further repayments of £4.0 million and £4.4 million were received in August 2000 and May 2001. Since the end of the year, Airtechnology has been sold from which Candover and the 1997 Fund received a capital repayment of £8.0 million. In addition, in February, 2003, as a consequence of the disposal, Candover and the 1997 Fund received loan stock interest income of £13.0 million.

In the year ended 31st December, 2001 Pandrol reported a profit before goodwill amortisation, interest and tax of £15.3 million on turnover of £108.3 million. Airtechnology reported a profit before goodwill amortisation, interest, exceptional items and tax of £6.4 million on turnover of £27.8 million (2000: Pandrol – profit before goodwill amortisation, interest and tax of £15.0 million on turnover of £99.4 million; Airtechnology – profit before goodwill amortisation, interest, exceptional items and tax of £5.4 million on turnover of £27.5 million).

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: General industrials

SWT (Lux) S.A. (Swissport)

Global airport ground handling agent

http://www.candover.com/deals/case-studies-article.jsp?id=326

Candover's investment as at 31st December	2002
Cost of investment	€12,973,000 (£8,456,000)
Directors' valuation	**€13,908,000* (£9,065,000)***
Effective equity interest (fully diluted)	5.5%
% of Candover's net assets	4.0

Basis of valuation: Cost

In February 2002, Candover backed the management of Swissport, the global airport ground handling business, in a buyout from Swissair Group AG. Swissport is the second largest airport ground handling agent in the world and operates in 28 countries at 150 airports, servicing over 650 airlines worldwide.

We supported the Swissport management team through a difficult sale process as the aviation industry struggled to cope with the after effects of September 11th, 2001. Matters were further complicated by the bankruptcy of Swissair, Swissport's parent company and largest customer. Swissport has recently won the IATA global ground handling award for the third year running and is performing well in what is still a difficult market. In October 2002, it acquired Cargo Service Center, the largest independent cargo handler.

No audited accounts are available for the year ended 31st December, 2002.

No dividends were received by Candover for the year ended 31st December, 2002.

*This investment was made in Swiss francs and Euros. Exchange gain since investment: £609,000 (€935,000).

Sector: Services

Review of 20 largest investments

ICG Mezzanine Fund 2000

Investment fund

Candover's investment as at 31st December	2002	2001
Cost of investment	€13,317,000 (£8,452,000)	€6,075,000 (£3,908,000)
Directors' valuation	**€13,317,000 (£8,680,000)***	€5,900,000 (£3,610,000)*
Effective equity interest (fully diluted)	n/a	n/a
% of Candover's net assets	3.8	1.4

Basis of valuation: Cost

Candover committed €15.0 million to the €475.0 million ICG Mezzanine Fund 2000.

The Fund has been active in providing mezzanine finance throughout Europe.

Transactions for which the ICG Mezzanine Fund 2000 provided financing include the acquisitions of Tetley by Tata Tea, Baxi by Newmond and the buyouts of Picard and Swissport.

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

*Exchange gain since investment: £228,000 (2001: Exchange loss £192,000).

Sector: Financials

Aspen Insurance Holdings Limited (formerly Wellington Re)

Reinsurance

http://www.candover.com/deals/case-studies-article.jsp?id=305

Candover's investment as at 31st December	2002
Cost of investment	£7,830,000
Directors' valuation	**£7,830,000**
Effective equity interest (fully diluted)	1.2%
% of Candover's net assets	3.5

Basis of valuation: Cost

In 2002, Candover co-led an equity syndicate which committed £448.0 million to the formation of Aspen Insurance, a new reinsurance group which is one of the largest independent reinsurance vehicles in the UK market. A further £121.0 million was raised in November resulting in a total equity commitment of £569.0 million.

Aspen Insurance's key business lines comprise mainly property and casualty reinsurance, with the largest proportion of its business likely to come from US property. It also writes UK insurance risks.

No audited accounts are available for the year ended 31st December, 2002.

No dividends were received by Candover for the year ended 31st December, 2002.

Sector: Financials

Bourne Leisure Holdings Limited

Leisure parks

http://www.candover.com/deals/case-studies-article.jsp?id=320

Candover's investment as at 31st December	2002	2001
Cost of investment	£4,983,000	£6,522,000
Directors' valuation	**£4,983,000**	£6,522,000
Effective equity interest (fully diluted)	4.1%	4.1%
% of Candover's net assets	2.2	2.6

Basis of valuation: Cost

Management is a key investment criterion for Candover, and the management team at Bourne Leisure worked with us on the project for over a year before we completed this investment. In Bourne's team, we identified a management style and superior business practices that we believed could be applied to the Rank Holidays Division for substantial benefit to the enlarged group.

Candover backed Bourne Leisure, the largest privately owned caravan park operator in the UK, in October 2000 in its acquisition of Rank Holidays Division, the largest operator of holiday centres in the UK. The deal created a £1.1 billion group, servicing over 2.5 million holidaymakers a year through leading holiday brands such as British Holidays, Haven, Butlins and Warner. Following the sale of Oasis in 2001, Bourne was able to make a partial repayment of our investment and further repayments were made in 2002.

Profit before goodwill amortisation, exceptional items, interest and tax for the year ended 31st December, 2001 was £67.4 million on turnover of £595.8 million (no comparatives are available for the prior year).

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: Services

Earls Court & Olympia Holdings Limited

Exhibition services

http://www.candover.com/deals/case-studies-article.jsp?id=314

Candover's investment as at 31st December	2002	2001
Cost of investment	£3,966,000	£3,970,000
Directors' valuation	**£3,966,000**	£3,970,000
Effective equity interest (fully diluted)	5.3%	5.4%
% of Candover's net assets	1.7	1.6

Basis of valuation: Cost

In October 1999, Candover announced its backing for Andrew and Jack Morris in the management buyin of Earls Court & Olympia (ECO) from Peninsular & Oriental (P&O) for £183.0 million. The Morrises had previously shown their ability to manage exhibition venues through their success in growing the Business Design Centre in Islington.

ECO, which incorporates two of the UK's foremost exhibition venues, was put up for sale in 1999 in order to allow P&O to focus on its core businesses. Under its new management, ECO is benefiting from an increased emphasis on sales, marketing and customer service as well as a substantial refurbishment programme. The business has been refocused to concentrate its activities on venue management and event organising and is also seeking supplementary sources of revenue.

Profit before goodwill amortisation, interest, exceptional items and tax for the year ended 31st December, 2001 was £11.1 million on turnover of £51.8 million (2000: Profit before goodwill amortisation, interest, exceptional items and tax was £14.1 million on turnover of £75.4 million).

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: Services

Review of 20 largest investments

HLF Insurance Holdings Limited

Insurance broker

http://www.candover.com/deals/case-studies-article.jsp?id=304

Candover's investment as at 31st December	2002	2001
Cost of investment	£5,534,000	£5,466,000
Directors' valuation	**£3,584,000**	£5,466,000
Effective equity interest (fully diluted)	2.6%	2.6%
% of Candover's net assets	1.6	2.2

Basis of valuation: Multiple of earnings

HLF Insurance Holdings Limited is the world's seventh largest insurance brokerage business. It was created in early 2000 by the merger between Erycinus, which owned the business of CE Heath plc when it delisted in 1997, and Lambert Fenchurch Group plc, both of which had been Candover-backed investments.

HLF Insurance Holdings Limited was formed to make an offer for both Erycinus and Lambert Fenchurch and the offer was declared unconditional in December 1999 and completed in 2000. The integration of the two businesses into a successful worldwide insurance group has continued, with retention of key staff a priority. During 2001, Candover made an additional investment of £1.8 million to fund working capital requirements.

For the year ended 31st March, 2002, profit before goodwill amortisation, interest, exceptional items and tax was £37.0 million on turnover of £278.9 million (no comparatives are available for the prior period).

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: Financials

Acertec Holdings Limited

Engineering group

http://www.candover.com/deals/case-studies-article.jsp?id=307

Candover's investment as at 31st December	2002	2001
Cost of investment	£7,043,000	£7,043,000
Directors' valuation	**£3,521,000**	£5,276,000
Effective equity interest (fully diluted)	7.9%	7.9%
% of Candover's net assets	1.6	2.1

Basis of valuation: Multiple of earnings

***In June 1999, Candover played the role of 'white knight' when it led the £135.0 million public-to-private buyout of Hall Engineering (Holdings) plc,* backing incumbent management in fighting off a hostile bid from TT Group. Now renamed Acertec Holdings Limited, it enjoys strong market positions in all of its businesses.**

Acertec consists of four principal businesses: Carrington Wire which, following the acquisition of two competitors, is now the leading manufacturer of wire in the UK; BRC Reinforcement, which is a leading UK supplier of reinforcement products to the construction industry; Stadco, Acertec's automotive pressings business, which is one of the leading UK suppliers of body-in-white pressings and assemblies to the car industry; and in the Far East, BRC Asia, which is the market leader in the supply of prefabricated steel reinforcement systems to the Singapore housing market, and which was listed on the Singapore Stock Exchange in July 2000.

Profits before goodwill amortisation, interest and tax for the year ended 31st December, 2001 were £8.0 million on turnover of £165.2 million (2000: profits before goodwill amortisation, interest and tax were £11.5 million on turnover of £176.4 million).

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: General industrials

Ciclad 3

Investment company for French buyouts

Candover's investment as at 31st December	2002	2001
Cost of investment	€6,524,000 (£4,030,000)	€5,475,000 (£3,350,000)
Directors' valuation	**€5,184,000 (£3,379,000)**	€4,590,000 (£2,808,000)
Effective equity interest (fully diluted)	n/a	n/a
% of Candover's net assets	1.5	1.1

Basis of valuation: Multiple of earnings

In April 2000, Candover committed €15.0 million to Ciclad 3, an investment company specialising in French buyouts.

A successor of Ciclad 2, Ciclad 3, with €81.0 million commitments, started its investment period in April 2000. Ciclad 3 has invested in 14 companies, one of which has been sold.

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: Financials

Camden Motor Group Limited

Motor dealership

http://www.candover.com/deals/case-studies-article.jsp?id=323

Candover's investment as at 31st December	2002	2001
Cost of investment	£12,000	£493,000
Directors' valuation	**£2,957,000**	£4,633,000
Effective equity interest (fully diluted)	13.6%	13.6%
% of Candover's net assets	1.3	1.8

Basis of valuation: Multiple of earnings

Camden is one of the UK's top 10 motor retailers and operates a multi-franchise network covering Ford, Vauxhall, Peugeot, Renault and Nissan. It was a buyout from Barclays Bank in November 1996, in which Candover invested £2.3 million. Since the buyout, Candover invested further monies to allow Camden to support the development of a company (SPA) specialising in the sub-prime auto finance market. SPA was demerged from Camden Motors in December 2001 and has now been sold. The sale of SPA enabled Camden to repay preference shares.

Profits before goodwill amortisation, interest and tax for the year ended 31st December, 2001 were £8.7 million on turnover of £768.4 million (2000: profits before goodwill amortisation, interest and tax of £5.4 million on turnover of £539.7 million).

Candover received dividends of £335,184 in the year ended 31st December, 2002 (2001: £131,383).

Sector: Services

Review of 20 largest investments

ICG Mezzanine Fund

Investment fund

Candover's investment as at 31st December	2002	2001
Cost of investment	£2,497,000	£3,064,000
Directors' valuation	**£2,497,000**	£3,064,000
Effective equity interest (fully diluted)	n/a	n/a
% of Candover's net assets	1.1	1.2

Basis of valuation: Cost

Candover committed £5.0 million to the £57.5 million ICG Mezzanine Fund. The Fund has been active in providing mezzanine finance throughout Europe.

The investment period has terminated and £52.3 million of the £57.5 million total commitment has been invested in 23 companies. Currently, 12 investments remain in the portfolio.

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: Financials

Detica Group plc

Information technology solutions

http://www.candover.com/deals/case-studies-article.jsp?id=319

Candover's investment as at 31st December	2002	2001
Cost of investment	£25,000	£1,445,000
Directors' valuation	**£2,207,000**	£5,360,000
Effective equity interest (fully diluted)	3.3%	8.0%
% of Candover's net assets	1.0	2.1

Basis of valuation: Discounted quoted market price

In June 1997, Candover backed Tom Black, Managing Director of Detica (formerly The Smith Group), to acquire the business from its founder. On 30th April, 2002, Detica was listed on the London Stock Exchange. At the listing Candover sold 50% of its stake in the company.

Detica is a leading specialist IT consultancy business which assists its clients in implementing leading-edge technology solutions and strategies, principally in the customer relationship management and information security sectors.

In the year ended 31st March, 2002, profits before goodwill amortisation, interest, tax and exceptional flotation expenses were £5.9 million on turnover of £32.8 million (2001: profits before goodwill amortisation, interest and tax of £4.7 million on turnover of £26.6 million).

For the year ended 31st December, 2002 Candover received dividends totalling £241,105 (2001: £181,187).

Sector: Services

Extraprise Group, Inc.

Support services

Candover's investment as at 31st December	2002	2001
Cost of investment	US$7,500,000 (£5,298,000)	US$7,500,000 (£5,298,000)
Directors' valuation	**US$1,875,000 (£1,164,000)**	US$1,875,000 (£1,288,000)
Effective equity interest (fully diluted)	7.7%	4.1%
% of Candover's net assets	0.5	0.5

Basis of valuation: Multiple of earnings

In September 2000, Candover invested US$7.5 million (£5.3 million) in Extraprise, a US-based IT consultancy. Founded in 1997 in the USA, Extraprise has expanded rapidly, both through organic growth and through acquisition, and has built a strong position in its market, chiefly focusing on customer relationship management technologies.

Extraprise has three main business streams: Technical, which deploys teams of consultants to help clients implement new software packages; Strategic Consulting, which offers high value-added consultancy; and Creative Services, which helps clients with marketing, branding and web design.

In the year ended 31st March, 2002, the loss before goodwill amortisation, write-off of intangibles, restructuring charge, interest and tax was $12.8 million on turnover of $32.1 million (2001: loss before goodwill amortisation, interest and tax of $15.6 million on turnover of $44.2 million).

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: Services

First Leisure Limited

Nightclub and bar operator

http://www.candover.com/deals/case-studies-article.jsp?id=321

Candover's investment as at 31st December	2002	2001
Cost of investment	£4,126,000	£4,766,000
Directors' valuation	**£1,031,000**	£5,734,000
Effective equity interest (fully diluted)	5.7%	5.7%
% of Candover's net assets	0.5	2.3

Basis of valuation: Multiple of earnings

Candover's £210.5 million acquisition of the nightclubs and bars division of First Leisure Limited was announced in November 1999 and completed in January 2000.

At acquisition, the nightclubs and bars division comprised 40 large capacity nightclubs and 25 themed or late-night bars, including the Brannigans chain, which was subsequently sold in June 2000 to Mustard Entertainment. In July 2001, the company completed the sale and leaseback of a number of its sites.

The current strategy is focused on the disposal of out-of-town sites and developing the profitable large format venues. Trading has been affected by a sector decline in the late night entertainment industry. This has also made it difficult to dispose of some of the remaining out-of-town sites.

During 2001, £11.1 million was repaid to Candover and the 1997 Fund to partially redeem loan stock. A further £4.9 million of loan stock was repaid in 2002.

Profit before goodwill amortisation, interest and tax for the year ended 31st October, 2001 was £12.0 million on turnover of £91.1 million (Profit before goodwill, amortisation, interest and tax for the period 1st February, 2000 to 31st October, 2000 was £15.1 million on turnover of £69.7 million).

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: Services

Review of 20 largest investments

Geocapital Partners

Equity capital provider to high growth IT companies

Candover's investment as at 31st December	2002	2001
Cost of investment	US$3,596,000 (£2,309,000)	US$3,346,000 (£2,133,000)
Directors' valuation	**US$1,221,000 (£759,000)**	US$3,346,000 (£2,299,000)
Effective equity interest (fully diluted)	n/a	n/a
% of Candover's net assets	0.3	0.9

Basis of valuation: Multiple of earnings

Candover committed US$5.0 million to the US$75.0 million Geocapital fund which provides equity capital to high growth companies in the software and information services industry.

To date, Geocapital has drawn down US$4.8 million and invested in 15 transactions. One exit resulting in a cash return to Candover has been made, namely the sale of Geneva Technology to Convergys.

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: Financials

Ciclad 2

Investment company for French buyouts

Candover's investment as at 31st December	2002	2001
Cost of investment	€Nil (£Nil)	€100,000 (£86,000)
Directors' valuation	**€811,000 (£528,000)**	€1,652,000 (£1,011,000)
Effective equity interest (fully diluted)	n/a	n/a
% of Candover's net assets	0.2	0.4

Basis of valuation: Multiple of earnings

In April 1995, Candover committed FF20.0 million (€3.0 million) to Ciclad 2, an investment company specialising in small management buyouts in France.

Ciclad 2 terminated its investment period in 2000. 143% of called down capital has been reimbursed and 13 investments remain in the portfolio.

No dividends were received by Candover for the year ended 31st December, 2002 (2001: £Nil).

Sector: Financials

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 are set out below:

Investments are stated at amounts considered by the directors to be a fair assessment of their value, subject to 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, profits 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 remain and the predictability of future profits. Such profits 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 usually related to comparable quoted companies and are normally discounted by 25 per cent.

The discount used may be lower where, for example, 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 that 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 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.

The board of directors

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1. S W Curran FCCA†

Chairman

Mr Curran was appointed Chairman in May 1999 having previously been Chief Executive since 1991 and, before that, 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, Jarvis Hotels plc and a number of unquoted companies. Mr Curran is 60.

2. G D Fairservice BSc MBA

Deputy Chairman

Mr Fairservice joined Candover in March 1984, was appointed to the board in July 1986, was made Deputy Chief Executive in January 1991 and then Deputy Chairman in May 1999. Before joining Candover, Mr Fairservice spent eight years with ICFC (3i) followed by two years with the British Technology Group (now BTG plc). Mr Fairservice is 55.

3. P J Scott Plummer FCA*§†

Non-executive

Mr Scott Plummer was appointed to the Candover board in December 1985 and has recently indicated his intention to retire from the Candover board on 14th May, 2003. He was appointed Chairman of Martin Currie Limited in April 1999 and is also Chairman of its subsidiary, Martin Currie Investment Management Limited. He was previously a partner of Cazenove & Co from 1974 to 1980 and has had many years of experience in the investment field. He is a non-executive director of The Merchants Trust plc. Mr Scott Plummer is 59.

4. G E Grimstone*§

Non-executive

Mr Grimstone was appointed to the Candover board in July 1999. Formerly an Assistant Secretary at HM Treasury responsible for the UK's privatisation policy, Mr Grimstone latterly held a number of senior appointments in the Schroders group, including Vice Chairman of worldwide investment banking activities. He is a director of Bridgewell Limited and Wilmington Capital Limited, and a non-executive director of Dairy Crest Group plc, Aggregate Industries plc, F & C Smaller Companies plc, RAF Strike Command and the Tote. Mr Grimstone is 53.

5. D R Wilson FCA*§

Non-executive

Mr Wilson was appointed to the board of Candover in May 1994. Until December 2002 he served as Chief Executive of Slough Estates plc, one of the UK's largest investment property companies, where he had previously been Group Managing Director and, before that, Finance Director. Prior to joining Slough Estates in 1986 he held senior appointments at Cadbury Schweppes PLC and Wilkinson Match Limited. He is a non-executive director of Westbury plc. Mr Wilson is 58.

6. A P Hichens MA 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 D.S. Smith plc and is a member of the Takeover Panel. He is also a non-executive director of J P Morgan Fleming Income & Capital Investment Trust Plc and a director of WaterRower (UK) Limited. He was previously a Managing Director and Chief Financial Officer of Consolidated Gold Fields. Mr Hichens is 66.

7. 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 Fledgling Trust plc, Aberdeen Convertible Income Trust plc, Jupiter Financial Trust plc and Intrinsic Value plc and a non-executive director of Aberdeen New Dawn Investment Trust plc, British Assets Trust plc, Global Natural Energy plc and various unquoted companies. Mr West is 55.

8. N A Lethbridge

Non-executive

Mr Lethbridge was appointed to the Candover board in January 2003. Mr Lethbridge is senior partner in London of Babcock & Brown, a global investment bank specialising in the acquisition, management and arrangement of asset and project financing worldwide. Previously, Mr Lethbridge was a director of J. Henry Schroder Wagg, where he carried out numerous privatisation and project financing assignments. He also worked with the Saudi International Bank and earlier spent nine years with the World Bank in Washington DC. Mr Lethbridge is 53.

Senior management

C J Buffin MA ACA

Managing Director

Mr Buffin was appointed joint Managing Director of Candover Investments plc in March 1998 and resigned in December 2002. He is a joint Managing Director of Candover Services, the principal operating company in the Candover Group, and of Candover Partners, the manager of various investment funds. He joined Candover in September 1985 from Deloitte Haskins & Sells, where he spent two years in the investigations and corporate finance departments after qualifying as a chartered accountant. Mr Buffin has been responsible for a number of transactions which have led to Stock Exchange listings or trade sales. Mr Buffin led the buyout of Regional Independent Media Group plc in February 1998 and the acquisition of German-based PVC producer Vestolit in December 1999. He is a non-executive director of a number of unquoted companies in the Candover portfolio. Mr Buffin is 45.

M S Gumienny ACA

Managing Director

Mr Gumienny was appointed joint Managing Director of Candover Investments plc in March 1998 and resigned in December 2002. He is a joint Managing Director of Candover Services, the principal operating company in the Candover Group, and of Candover Partners, the manager of various investment funds. Prior to joining Candover in January 1987 he qualified as a chartered accountant with Price Waterhouse. Transactions led by Mr Gumienny include the acquisition of Bourne Leisure Holdings Limited, the buyout of Swissport from Swissair Group AG, the formation of Aspen Insurance, the buyout of Ontex NV and the buyout of Gala Group. He is a non-executive director of a number of unquoted companies in the Candover portfolio. Mr Gumienny is 44.

* Member of the remuneration committee

§ Member of the audit committee

† Member of the nominations committee

Report of the directors

The directors present their report together with the audited financial statements for the year ended 31st December, 2002.

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 25.

Candover is engaged principally in the identification, implementation and monitoring of large buyouts and buyins. Candover Investments plc makes an investment either under a co-investment agreement with 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, principally Candover Partners Limited, which is regulated by the Financial Services Authority. Candover participates in the profit made in certain of these funds subject to an overall minimum return having first been generated for investors in the funds. This minimum return varies from fund to fund. Subject to the minimum return having first been achieved, Candover will participate in 5 per cent of any profit made in the 2001 Fund.

These funds and the investment activities of each fund are set out under the 'Status of funds' on page 9.

Results and review of business

The Group profit for the financial year after taxation was £11,458,000 compared to £10,232,000 for the year ended 31st December, 2001. Revenue was £38,019,000 as against £29,923,000 for the previous year. Administrative expenses charged to revenue were £22,754,000 compared to £15,508,000 for the previous year. The changes in fixed asset investments are described together with a review of the Group's activities in the Chairman's statement and Operational review on pages 4 and 7 respectively.

Dividend and proposed transfer to reserves

The directors recommend the payment of a final dividend of £5,235,000, equal to 24p per ordinary share (2001: £4,887,000, equal to 22p per share) giving a total dividend for the year of £7,821,000, equal to 36p per ordinary share (2001: £7,135,000, equal to 32p per share). Payment of the dividend will be made on 22nd May, 2003 to shareholders on the register at the close of business on 2nd May, 2003. The dividend details are shown in note 6 on page 47.

After payment of the dividend, there is a profit of £3,637,000 in respect of the year ended 31st December, 2002 which the directors propose to carry to reserves (2001: profit of £3,097,000 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.

S W Curran	J G West*
A P Hichens*	D R Wilson*
G D Fairservice	P J Scott Plummer*
G E Grimstone*	

*Non-executive

Messrs C J Buffin and M S Gumienny resigned from the board on 12th December, 2002. Mr N A Lethbridge was appointed a non-executive director on 1st January, 2003 and will be subject to election at the forthcoming Annual General Meeting of the Company. Mr P J Scott Plummer has indicated his intention to retire from the board on 14th May, 2003 following the Annual General Meeting.

In accordance with the Articles of Association, Messrs G D Fairservice and G E Grimstone will retire by rotation and, being eligible, will offer themselves for re-election. Of those seeking re-election, Mr G D Fairservice has a service contract, and Mr G E Grimstone has a letter of appointment, and the terms of these contracts are contained in directors' remuneration report on page 35.

The biographical details of the serving directors and those seeking election or re-election appear on page 23.

Notifiable interests in the Company's shares

The notification to the Company of interests in excess of 3 per cent of the issued share capital of the Company at 17th March, 2003 is contained in note 16 to the accounts on page 54.

Directors' interests

The statements in respect of directors' interests in the share capital of the Company are contained in note 16 to the accounts on page 54. Other matters requiring disclosure by the directors are contained in directors' remuneration report on pages 30 to 36.

Political and charitable donations

During the year there were charitable donations of £23,625 (2001: £4,487). There were no political donations made during the year (2001: £Nil).

Share buyback

During the year the Company bought in 515,000 shares of 25p nominal value for a total consideration of £5,208,000 pursuant to the authorities granted on 8th May, 2001 and 7th May, 2002. With the share price having dropped below the estimated net assets per share, the directors believed that it was in shareholders' best interests to buy in these shares for cancellation. The return per share calculations are based upon the number of shares in issue as at 31st December, 2002, after taking into account the cancelled shares.

Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday 14th May, 2003 at 12 noon at The Stationers' Hall, Ave Maria Lane, London EC4M 7DD; the notice of meeting appears on page 59.

In addition to the ordinary business of the meeting, which on this occasion includes a resolution to approve the directors' remuneration report, certain special business will be put to shareholders.

Resolution 8, if passed, authorises the Company to purchase up to 3,275,717 of its shares. This authority will expire at the next Annual General Meeting of the Company, or on 14th August, 2004 if the next Annual General Meeting has not been held by then. This resolution also sets out the highest and lowest price at which the shares can be bought. If the Company buys any shares under this authority, they will be cancelled. The resolution follows the rules set down by the Companies Act 1985 and the UK Listing Authority.

The directors are committed to managing the Company's capital efficiently and will keep under review the possibility of buying back the Company's shares. However, they will only do this if they believe that it is in shareholders' best interests.

The directors consider the passing of Resolution 8 to be in the best interests of the Company and its shareholders as a whole.

Supplier payment policy

The negotiates payment terms with its suppliers on an individual basis, with the normal arrangements being within 30 to 50 days from receipt of invoice. Trade creditor days of the Company for the year ended 31st December, 2002 were 37 days based on the ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

ISA status

Your board has considered the ISA status of Candover's shares and for the time being considers that a decision to ensure Candover remains eligible for inclusion in an ISA will impose constraints on Candover's investment criteria that will not be in the overall interests of shareholders.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985 and an appropriate resolution will be put to shareholders at the Annual General Meeting.

Tax status

The board of the Inland Revenue has approved the Company's status as an investment trust, under section 842 of the Income and Corporation Taxes Act 1988, for the year ended 31st December, 2001. In the opinion of the directors, the Company's affairs since that date have been conducted so as to enable it to continue to be treated as an investment trust.

By Order of the board

P R Neal
Company Secretary
20 Old Bailey
London EC4M 7LN
28th March, 2003

Corporate governance

The following statement sets out the Company's application of the Combined Code. In the opinion of the board, the Company has complied with the principles of good governance and the Combined Code in all respects throughout the year.

The board

Corporate governance of Candover is achieved through the board, which at the end of the year, following the resignation of Messrs C J Buffin and M S Gumienny in December 2002, comprised seven directors, of whom two were executive and five were non-executive. Since the year end, Mr N A Lethbridge was appointed a director on 1st January, 2003 and Mr P J Scott Plummer has announced his intention to retire from the board on 14th May, 2003. Brief biographical details of the directors appear on page 23 and the interests of the directors in the share capital of the Company are shown in note 16 on page 54.

The board meets at least four times a year and there is a formal schedule of matters reserved for decision by the board.

Chairman

The executive responsibilities of the Chairman, Mr S W Curran, who is responsible for the strategic direction of the Group, are separated from those of Messrs C J Buffin and M S Gumienny, the joint Managing Directors of the principal operating company in the group, Candover Services Limited (CSL), who are responsible for the day-to-day operational management of the Company.

Board committees

The board is supported in its decisions by the following committees:

The audit committee

The audit committee comprises four non-executive directors, under the chairmanship of Mr D R Wilson and the members of this committee are shown on page 23.

The audit committee carries out a number of duties and 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

The remuneration committee, chaired by Mr G E Grimstone following the resignation of Mr A P Hichens as Chairman of the committee on 2nd July, 2002, comprises five non-executive directors, the members of which are shown on page 23. This committee supports the board in determining the level of the remuneration of the Chairman and executive directors and other related matters and the full report of the committee is set out in the directors' remuneration report on pages 30 to 36.

The nominations committee

In considering non-executive board appointments, the board is supported by a nominations committee whose remit is to identify appropriate candidates. All such appointments, together with the appointment of any executive directors, are subject to final approval of the full board before ratification at a general meeting of shareholders.

The nominations committee, which is chaired by Mr A P Hichens, comprises three directors, the majority of whom are non-executive, and the present members of the committee are shown on page 23.

The nominations committee met on 3rd December, 2002 and identified Mr N A Lethbridge as a potential new board appointee.

Board balance

The board maintained the appropriate balance between non-executive and executive directors throughout the year with the proportion of non-executive directors increasing at the end of the year, following the resignation of Messrs C J Buffin and M S Gumienny. All the non-executive directors have a long and distinguished record of service on the board of more than ten years, except Mr D R Wilson, who has served for eight years, Mr G E Grimstone, who has served for three years and Mr N A Lethbridge, who was appointed to the board with effect from 1st January, 2003. In the view of the board, no non-executive director has any relationships that could materially interfere with their independent judgement and are furthermore considered to be of sufficient calibre and experience to carry significant weight in reaching independent decisions.

During the year, Mr A P Hichens was the senior independent director on the board.

Supply of information

The Chairman ensures that all directors are properly briefed on issues arising at board meetings. The Candover management provides the board with appropriate and timely information in order that the board may reach proper decisions. They can, if necessary, obtain independent professional advice at the Company's expense.

Directors' training

During the year, the board reviewed the requirement of the Combined Code to provide suitable training on the appointment of new directors, but considered such training to be inappropriate in view of the considerable experience of board members. However, directors are offered the opportunity to attend outside courses at the Company's expense where such training is deemed to be of benefit.

Re-election of directors

The principle set out in the Combined Code is that all directors should be required to submit themselves for re-election at regular intervals and at least every three years, and in any case as soon as practicable after their initial appointment to the board. The Combined Code further requires that the non-executive directors are appointed for specific terms. At Candover, both executive and non-executive directors are re-elected, subject to retirement by rotation, in accordance with the Company's Articles of Association with all directors being required to submit themselves for re-election at least every three years. The details of directors' contracts including non-executive letters of appointment are set out in the directors' remuneration report on page 35.

Relations with shareholders

Dialogue with institutional shareholders

The board is willing to enter into a dialogue with institutional shareholders based on a mutual understanding of objectives, bearing in mind the duties regarding equal treatment of shareholders and the dissemination of price sensitive information.

Constructive use of the Annual General Meeting

The board uses the Annual General Meeting to communicate with private investors and encourages their participation by ensuring that senior board members attend, including the Chairmen of the audit, remuneration and nominations committees (Messrs D R Wilson, G E Grimstone and A P Hichens respectively) to answer shareholders' questions, and adequate notice is given of the meeting.

Voting policy

As Candover's investee companies are principally unlisted companies in which Candover, together with the third party funds managed by Candover, is a significant shareholder, Candover would usually be a party to all issues requiring shareholder approval and would always vote on such issues.

It is the Company's policy with regard to all its investments either made by the Company alone or alongside third party funds to vote in a prudent and diligent manner after careful review of each investee company's proxy statement on an individual basis. Candover's voting decision is based exclusively on its reasonable judgement of what will best serve the financial interests of Candover's shareholders and third party investors and will not subordinate the economic interests of its shareholders and third party investors to any other entity or interested party in determining such a vote.

Accountability and audit

Financial reporting

The directors are required to explain their responsibility for the financial statements and this statement is given on page 29. The auditors review the Company's compliance with the seven provisions of the Combined Code specified by the Financial Services Authority for their review, and are also required to report on their audit of the financial statements and this report is shown on page 37.

Going concern

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

After making enquiries, and on the basis of the strength of its balance sheet, the directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The board is therefore of the opinion that the going concern basis should continue to be adopted in the preparation of the financial statements.

Corporate governance

Internal controls

Under the terms of the Combined Code the board is required to review the effectiveness of Candover's internal controls including its financial, operational and compliance controls and risk management. The board continues to apply the procedures necessary to comply with the requirements of the Turnbull Committee guidelines 'Internal Control – Guidance for Directors on the Combined Code'.

Candover's system of internal controls includes, inter alia, the overall control environment, the procedures for identification and evaluation of business risk, the control procedures themselves and the review of these internal controls by the audit committee on behalf of the board. Each of these elements that make up the Company's system of internal controls is explained in further detail below:

Control environment – Candover is dependent upon the quality and integrity of the Company's management and staff and highly qualified and able staff have been selected at all levels. The long service record of most Candover executives helps to ensure that knowledge and experience is retained within the Company and passed on to new employees, thereby providing continuity and renewal. New executives are recruited when appropriate in order to aid the Company's development and growth within the UK and in continental Europe.

Appropriate members of staff are aware of the internal controls and are also accountable for collectively operating the system of internal controls.

The management are supported by the board with more than one half being made up of non-executive directors who, in conjunction with the Company's auditors, Grant Thornton, and the auditors of the managed funds, KPMG, carry out an external review of the Company's financial controls and also those of the Funds which the Candover Group manages. Messrs KPMG and Grant Thornton carry out their review only to the extent necessary to give their audit opinions.

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. An investment report is then prepared and, in the case of an investment by one of the managed funds, is sent to the board of Candover Partners Limited for their decision as to whether or not to proceed; and in the case of other investments, a report is sent to the board of Candover Investments plc or an appropriate sub-committee of the board.

The responsibility for identification of other business risks is delegated to the executive directors and the Managing Directors of CSL who would always advise the full board of any material risks.

Control procedures – The main areas of control relate to the investments that Candover makes and the financial controls that 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 and Managing Directors of CSL, who in turn ensure the completion of the required procedures. These key procedures involve:

- Analysis of potential investments leading, where appropriate, to the preparation of a full investment report.
- Regular monitoring of completed investments by executives, who make progress reports to the appropriate board.
- A comprehensive system for reporting financial results to the board at least four, and if appropriate more, times per year giving actual results compared to 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 financial controls is subject to review by the audit committee twice a year and by Candover's external auditors to the extent necessary for expressing their audit opinion.

Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's system is designed to assist the directors in obtaining reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

Audit committee and auditors

The board has delegated authority for reviewing the effectiveness of the Group's internal controls to its audit committee. The audit committee receives monitoring reports on a six monthly basis from the Company secretariat with regard to the operational aspects of internal controls over the areas of key risk identified, which include FSA regulatory matters. The Chairman of the audit committee reports on the review of internal controls and any matters arising to the full board at the following board meeting. Using the above process, the effectiveness of the Company's internal controls has been reviewed in respect of the year ended 31st December, 2002.

As required by the Combined Code, the board has reviewed the need for an internal audit function. Due to the size of Candover, it does not consider an internal audit function appropriate, although this is a matter under continuing review. However, a number of internal checks are carried out in accordance with the requirements of the FSA, the regulatory authority that regulates two of the Company's main subsidiaries, as well as those checks required to be made to enable the board to report in compliance with the Internal Controls Guidelines, the efficiency of which is continuously reviewed.

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 have been adequately disclosed, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed with the exception of the departures that 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
28th March, 2003

Directors' remuneration report

This report sets out the directors' remuneration for the year ended 31st December, 2002.

Remuneration committee – composition and operation

The remuneration committee consists entirely of non-executive directors who are as follows: Messrs G E Grimstone, A P Hichens, P J Scott Plummer, J G West and D R Wilson. Mr G E Grimstone succeeded Mr A P Hichens as Chairman of the remuneration committee on 2nd July, 2002.

The remuneration committee, which usually meets twice a year and more often if necessary, supports the board by determining the level of remuneration of the Chairman and executive directors as well as the Managing Directors of Candover Services Limited (CSL) and Candover Partners Limited (CPL). The Chairman and the Managing Directors of CSL and CPL also consult the committee about the proposals relating to the Group's senior executives' remuneration.

No member of the remuneration committee has any personal financial interests or conflicts of interest (other than as shareholders). In this regard, the remuneration committee gives full consideration to the provisions of the Combined Code on Corporate Governance.

Professional advice

During the period the remuneration committee received, at the Company's expense, professional advice from Grant Thornton, the Company's auditors and tax advisers, and Ashurst Morris Crisp, the Company's lawyers.

In considering the appropriateness of the incentives and performance-related elements detailed below, which form a significant proportion of the executive directors' remuneration, Candover participates in the annual Towers Perrin remuneration survey of the private equity industry, the results of which are reviewed by the remuneration committee. Mr S W Curran also attends committee meetings, except when the committee discusses his remuneration.

Remuneration policy

The Company's policy in regard to directors' remuneration is to ensure that the Company has competitive remuneration packages in order to recruit, retain and motivate top quality people in the overall interest of shareholders. The remuneration policy detailed below is that applied in the year ended 31st December, 2002 and is the policy for the next and subsequent financial years; but it will be kept under review by the remuneration committee.

The Company's policy on the duration of contracts with directors is that, in line with the recommendation of the Combined Code, directors' notice periods should be set at not more than one year. Mr S W Curran's contract has therefore been amended in line with this policy since the year end and the details of this and the other directors' contracts are set out on page 35.

The elements of the executive directors' remuneration package are shown below and comprise both performance and non-performance related elements:

a) Basic annual salary;
b) Annual performance related bonuses;
c) Share option incentives;
d) Pensions and other benefits; and
e) Employee benefit trusts.

The position in relation to each of the above elements is set out below.

The remuneration committee also periodically reviews other incentive arrangements that have been made available to directors and executives and that are customary in the private equity industry. Details of these arrangements are also set out below.

Basic salaries

Executive directors' basic salaries paid in 2002 were reviewed in December 2001 for implementation on 1st January, 2002. After considering the relative salary levels within the industry, the estimated increase in net assets and the profits for the year ended 31st December, 2001, the committee approved an 8.9% overall increase in executive directors' salaries.

Annual performance related bonuses

The policy is to offer the executive directors the opportunity to earn performance related bonuses. These annual performance related bonuses, which are usually paid in two instalments, are determined by the remuneration committee after due consideration at each half year stage of inter alia the profit and net asset performance as well as other operational achievements of the Company, such as the closing of the 2001 Fund, and progress on investments and realisations. The performance of each individual executive director is then determined under the appraisal system operated by the Company.

During the year ended 31st December, 2002 Messrs S W Curran, G D Fairservice, C J Buffin and M S Gumienny received bonus payments, the amounts of which are shown under 'performance related pay' in the table of directors' emoluments below.

It is Candover's policy to provide certain other benefits which form part of the usual employment package for the recruitment of staff. These include death in service and health insurance arrangements which are complementary to the pension arrangements and are provided to all executive directors and members of staff. The executive directors and other eligible executives are also provided with a company car or equivalent cash benefit. Other small benefits in kind may also be provided during the year to executive directors as well as to other members of staff.

Total emoluments received by directors during the year ended 31st December, 2002 were as follows:

	Salaries/ directors' fees	Performance related pay	Loyalty bonus	Taxable benefits	Insurance costs	**Total emoluments excluding pension contributions 2002**	Total emoluments excluding pension contributions 2001
	£	£	£	£	£	**£**	£
S W Curran	345,000	680,000	–	19,511	8,749	**1,053,260**	978,217
G D Fairservice	265,000	255,000	–	16,298	7,950	**544,248**	820,823
C J Buffin	415,000	1,000,000	–	1,356	10,144	**1,426,500**	975,140
M S Gumienny	415,000	1,000,000	–	1,396	10,739	**1,427,135**	979,691
Management remuneration	**1,440,000**	**2,935,000**	–	**38,561**	**37,582**	**4,451,143**	3,753,871
A P Hichens*	40,000	–	–	–	–	**40,000**	40,000
P J Scott Plummer*	26,250	–	–	–	–	**26,250**	25,000
J G West*	26,250	–	–	–	–	**26,250**	25,000
D R Wilson*	30,000	–	–	–	–	**30,000**	25,000
G E Grimstone*	30,000	–	–	–	–	**30,000**	25,000
Directors' fees	**152,500**	–	–	–	–	**152,500**	140,000
Totals	**1,592,500**	**2,935,000**	–	**38,561**	**37,582**	**4,603,643**	3,893,871
2001 comparatives	1,434,892	1,332,000	1,066,668	35,241	25,070	3,893,871	

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. Amounts paid to third parties on behalf of non-executive directors are shown on page 36.

The performance related pay comprises the discretionary bonus and payments under the Employee Benefit Trust (EBT) referred to on page 33.

Directors' remuneration report

Directors' share options

Candover continues to operate an approved share option scheme, although this is no longer considered to be a significant element of directors' incentivisation at Candover, and no new options were granted to executive directors during the year. Whether or not this changes in future years will be dependent upon legislation and other developments.

There are two share option schemes at Candover, the Candover executive share option scheme, which was closed to new grants of options in July 1994, and the Candover (1994) executive share option scheme approved by shareholders on 3rd May, 1994, which will become closed to new grants in July 2004.

Under the terms of the Candover (1994) executive share option scheme, the exercise of options issued under the scheme is subject to performance criteria, which require Candover's net asset growth over a three-year period to exceed the growth of the FTSE All-Share Index over the same three-year period. The performance criteria were selected as they were considered to best reflect the long term nature of Candover's investment returns and the fact that there were very few public listed companies in Candover's peer group against which performance could be measured.

In the year ended 31st December, 2002, no new options were granted to directors. Mr C J Buffin exercised certain options during the year and the directors' interests in share options are disclosed in the schedule below:

	1st January 2002	Exercised during year	*Share price at exercise date*	*Deemed gain on exercise*	***31st* December 2002**
	No.	No.	p	£	**No.**
C J Buffin	25,000	25,000	1127.5	223,125	**Nil**
	20,000	20,000	1127.5	157,500	**Nil**

As at 31st December, 2002 none of the executive directors held any share options.

The details of the total number of share options granted and remaining exercisable are shown in note 16 on page 53, together with the schedule of directors' interests in shares on page 54.

Pension schemes 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 are payable as a percentage of basic salary only and these are adjusted at the appropriate time to reflect increases in salary. There is no pension promise under the Candover scheme.

Every three years the scheme is subject to actuarial review and a review was last completed on the executive pension scheme for the three years to 31st December, 1999 with the next review being due for the three years to 31st December, 2002. Present contribution rates that were set in 1998 are related to the age of the individual and are not expected to change. The actual contributions paid during the year in respect of the directors is shown below.

	2002	2001
	£	£
S W Curran	**148,000**	141,000
G D Fairservice	**116,000**	106,000
C J Buffin	**142,500**	75,000
M S Gumienny	**142,500**	75,000
Total	**549,000**	397,000

Some of the directors, with the approval of the remuneration committee, have established funded unapproved retirement benefit schemes (FURBS). During the year, £10,000 was paid into each of Messrs S W Curran's and G D Fairservice's FURBS by Candover and these amounts are included as part of their pension contributions as shown above.

Employee benefit trusts

A staff employee benefit trust (EBT) was established during 2001 to assist Candover in recruiting, retaining and motivating present and future officers and employees. Payments received during the year by Messrs S W Curran, G D Fairservice, C J Buffin and M S Gumienny under the EBT arrangement are included under 'performance related pay' in the table of directors' emoluments shown on page 31.

The 2001 Fund Employee Benefit Trust (2001 Fund EBT), which was established as part of the arrangements constituting the 2001 Fund, co-invests alongside the Company and the 2001 Fund under a co-investment agreement dated 13th June, 2001. Messrs S W Curran, G D Fairservice, C J Buffin and M S Gumienny, together with executives and employees, are potential beneficiaries of the 2001 Fund EBT. During the year ended 31st December, 2002, Candover paid £1,817,631 into the 2001 Fund EBT, and the trustees of the 2001 Fund EBT have invested a total of £741,141 in two investments during the year and retain a cash amount of £1,093,944 for further investments. Since the year end this money has been invested.

Other incentive arrangements

Investors in third-party funds managed by CPL expect executives who manage those funds to participate in various incentive arrangements that are customary in the private equity industry. These arrangements are reviewed by the remuneration committee periodically but not on an annual basis. Although Candover has received advice that these arrangements do not give rise to emoluments of office or employment, they have been included in this report for the purpose of completeness.

Messrs S W Curran, G D Fairservice, C J Buffin and M S Gumienny, together with certain other Candover executives had, during the year, a beneficial interest in the carried interest arrangements in the Limited Partnerships comprising the 1991 Fund, the 1994 Fund, the 1997 Fund and the 2001 Fund ('the Funds'). In order to align the executive directors' and other executives' participation in the above carried interest with those of the third-party investors in those Funds, certain performance conditions are applied whereby any gains achieved through the carried interest associated with these Funds are conditional upon a certain minimum return being generated for investors in these Funds. The attainment of this minimum return is subject to independent verification by KPMG in their capacity as auditors to the Funds. These carried interest gains are paid by the Funds out of profits made by those Funds and are not a charge on the profits of Candover.

During the year, interests in the Candover 2001 Fund Carried Interest Limited Partnership were subscribed for at fair value by certain directors and life interest trusts, of which executive directors and their respective families are the main beneficiaries. The amounts invested are set out below with the details of the other investments made by directors.

Under a co-investment scheme Messrs S W Curran, G D Fairservice, C J Buffin and M S Gumienny, who were all directors of the Company during the year, together with certain other executives, were permitted during the year to make an investment in the ordinary equity of companies in which Candover has also made an investment in the equity and loan capital. Under the Listing Rules, 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 the investments made by the executive directors under these co-investment and carried interest arrangements during the year were as follows:

Carried interest arrangements:

	Class of share	Equity investments in companies subscribed in year £	% of class held by the directors
Candover 2001 Fund Carried Interest Limited Partnership	Limited Partnership Interests	11,293	25.3

Co-investment arrangements:

	Class of share	Equity investments in companies subscribed in year £	% of class held by the directors
SWT LUX S.A. (Swissport)	preferred ordinary shares of €1.25 each	10,834	0.63
Aspen Insurance Holdings Limited (formerly Wellington Re)	ordinary shares of 1p each	169,983	0.03

Directors' remuneration report

Comparative performance

Set out below is a graph showing the Company's total shareholder return performance assuming an original investment of £1,000 and with dividends reinvested for the five years to 31st December, 2002. This is compared against the return performance achieved by the FTSE All-Share Total Return Index and the FTSE 250 Total Return Index. The Company is currently a member of the FTSE 250 Index having recently satisfied various criteria for inclusion in that index. As the ability of the Company to satisfy these criteria may vary from year to year, it has been considered appropriate to measure the Company's performance against both of these indices.

The above graph shows that a Candover shareholder investing £1,000 on 31st December, 1997 would have an investment worth £1,717.50 as at 31st December, 2002.

Directors' service contracts

Messrs S W Curran, G D Fairservice, C J Buffin and M S Gumienny have contracts of employment the details of which are as follows:

	Date of contract	Notice period	Unexpired term
S W Curran	6th December, 1984 and 17th December, 1997	Two years' notice required from either party*	Open ended
G D Fairservice	22nd January, 1985 and 17th December, 1997	One year's notice required from the director. Six months' notice required from the Company	Open ended
C J Buffin	25th July, 1985 and 17th December, 1997	One year's notice required from the director. Three months' notice required from the Company	Open ended
M S Gumienny	8th January, 1987 and 17th December, 1997	One year's notice required from the director. Three months' notice required from the Company	Open ended

*Mr Curran entered into a revised contract on 10th February, 2003 in which his notice period was reduced from two years from either party to one year's notice being required from the director and six months' notice being required from the Company.

With effect from 12th December, 2002, Messrs C J Buffin and M S Gumienny resigned as directors of the Company, but they both remain as Managing Directors of CSL and CPL.

The non-executive directors generally do not have written contracts except for Messrs G E Grimstone and N A Lethbridge, who have letters of appointment, the terms of which are as follows:

	Date of contract	Notice period	Unexpired term
G E Grimstone	1st July, 1999	Terminable at the will of the parties	Initially a one year contract with reappointment renewed annually on 1st June of each year
N A Lethbridge	18th December, 2002	Terminable at the will of the parties	Initially a one year contract with reappointment renewed annually on 1st December of each year

None of the directors' service contracts specify compensation payable in the event of early termination. Apart from the terms set out in the above table, and the details of remuneration paid and other entitlements of directors as set out in this report, the contracts for services of each director contain no further provisions which should be borne in mind when estimating the liability of the Company in the event of early termination.

Directors' remuneration report

Non-executive directors' fees

The policy during the year with regard to fees to be paid to non-executive directors serving on the board was for the level of these fees to be formally recommended by the Chairman. These recommended fees were then put to a meeting of the board for approval with non-executive directors abstaining from any vote. An increase in non-executive directors' fees was approved by the board on 2nd July, 2002.

The policy in respect of 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 to Candover for the benefit of Candover or the fund investors, whichever is appropriate.

The above policies relating to non-executive directors' fees in respect of the Company's non-executive directors and those Candover directors and executives who sit on investee company boards remain the intended policies for the next financial year and subsequent years but will be kept under review by the Company's board.

Termination payments and payments to third parties

No payments were made to a director of the Company for termination of employment.

Payments to third parties for directors' services during the year were made in the cases of Mr D R Wilson, for whom £10,625 was paid to Slough Estates, and Mr J G West, for whom £21,836 was paid to Jimmy West Associates Limited. These amounts are included in the directors' fees shown in the directors' emoluments schedule on page 31.

Audited parts of the directors' remuneration report

The following sections of the report have been audited: the table of directors' remuneration, the table of directors' share options, the table of directors' pension contributions and the paragraph immediately beneath that table.

The directors' remuneration report as set out above will be put to shareholders for approval by ordinary resolution at the Annual General Meeting to be held on 14th May, 2003.

Signed on behalf of the board

G E Grimstone
Chairman of the remuneration committee
28th March, 2003

Report of the independent auditors

To the members of Candover Investments plc

We have audited the financial statements of Candover Investments plc for the year ended 31st December, 2002 which comprise the principal accounting policies, the Group statement of total return, the balance sheets, the Group cash flow statement and notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the Chairman's statement, operational review, the valuation policy, the review of the 20 largest investments and other information as listed in the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's 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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

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, 2002 and of the return of the Group for the year then ended;
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

Grant Thornton
Registered Auditors
Chartered Accountants
London
28th March, 2003

Notes

1. The maintenance and integrity of the Candover Investments plc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards except for the policies relating to accounting for managed funds 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 except for the accounting policy relating to deferred tax, are set out below.

In preparing the financial statements for the current year, the Group has adopted FRS 18 'Accounting Policies' and FRS 19 'Deferred Tax'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described on page 39. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement. However, there was no unprovided deferred tax liability under the previous basis.

Consequently, the adoption of FRS 18 and FRS 19 has not had any impact on the financial statements of the Group.

Investment trust SORP

The Company has continued to comply with the recommendations of the Statement of Recommended Practice (SORP) – Financial Statements of Investment Trust Companies 1995.

Management expenses

Management expenses have been allocated 80 per cent to capital and 20 per cent to revenue.

Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings (see note 10 on page 50). The financial statements of each undertaking in the Group have been prepared to 31st December, 2002. 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 exercises 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 revenue 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 11 on page 51.

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, as they are held for capital appreciation. Furthermore, the Group's share of an investee company's undistributed profits, when those profits cannot be realised as income unless distributed, has not been included in the consolidated revenue reserves.

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 managed fund are consolidated within fixed asset investments and the third party interests deducted immediately thereafter. The income is consolidated gross in the Group revenue and the third-party interests deducted immediately thereafter in accordance with Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993. The managed fund has not been accounted for under the method of full consolidation, since in the opinion of the directors, it would be misleading to do so and the overriding duty to give 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 10 on page 50.

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.

Placement fees
Prepaid placement fees incurred in the establishment of managed funds are carried as current assets recoverable from future management fees receivable and are written off over five years from the commencement date of the fund to which the placement fees relate.

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 and leasehold improvements 8 years.

Investments
Listed fixed asset investments are valued at mid-market quotations derived from the London Stock Exchange Daily Official List. Unlisted fixed asset investments are included at directors' valuation, the principles of which are set out on page 21.

Gains and losses on realisation of fixed asset investments are dealt with through the realised capital reserve. Fixed asset investments are not held for immediate resale and any gains on realisations are not available for distribution as a dividend. The difference between the market value of fixed asset investments over cost to the Group is shown as an unrealised gain or loss.

Investments held as current assets are held at the lower of cost and net realisable value to the relevant Group undertaking. Gains and losses on realisations of current asset investments held by subsidiary undertakings are dealt with through the revenue reserve. Gains and losses on realisations of current asset investments held by the Company are dealt with through the realised capital reserve. Shares in subsidiary undertakings other than managed funds are held at cost.

Liquid resources
Liquid resources comprise listed fixed interest securities repayable on demand.

Deferred tax
Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies
Monetary 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 capital reserves as appropriate. All other exchange differences are dealt with through the revenue reserve.

Pension costs
The Group contributes towards a number of funded defined contribution pension and funded unapproved retirement benefit 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 payable by the Group to the schemes in respect of the accounting period.

Operating leases
Payments made under operating leases are charged to the revenue account on a straight-line basis over the period of the lease.

Group statement of total return incorporating the revenue account

for the year ended 31st December, 2002

	Notes	2002 Revenue £000	2002 Capital £000	2002 Total £000	2001 Revenue £000	2001 Capital £000	2001 Total £000
Gains/(losses) on investments							
Realised gains and losses	17	–	(6,768)	(6,768)	–	(881)	(881)
Unrealised gains and losses	17	–	(11,602)	(11,602)	–	11,039	11,039
		–	(18,370)	(18,370)	–	10,158	10,158
Income – managed funds							
Net income	10	43,131	–	43,131	6,017	–	6,017
Less: third-party interests in managed funds		(43,121)	–	(43,121)	(6,008)	–	(6,008)
Add: management fees		24,253	–	24,253	17,198	–	17,198
Net income from managed funds		24,263	–	24,263	17,207	–	17,207
Income – own funds		13,756	–	13,756	12,716	–	12,716
Total income	1	38,019	–	38,019	29,923	–	29,923
Administrative expenses	2	(22,754)	(5,297)	(28,051)	(15,508)	(4,206)	(19,714)
Net return before finance costs and taxation		15,265	(23,667)	(8,402)	14,415	5,952	20,367
Interest payable and similar charges	3	(8)	–	(8)	(7)	–	(7)
Return on ordinary activities before taxation		15,257	(23,667)	(8,410)	14,408	5,952	20,360
Tax on ordinary activities	4	(3,799)	1,589	(2,210)	(4,176)	1,262	(2,914)
Return on ordinary activities after taxation for the financial year		11,458	(22,078)	(10,620)	10,232	7,214	17,446
Dividends	6	(7,821)	–	(7,821)	(7,135)	–	(7,135)
Transfer to/(from) reserves	17	3,637	(22,078)	(18,441)	3,097	7,214	10,311
Return per ordinary share:							
Basic	7	51.87p	(99.95p)	(48.08p)	45.64p	32.18p	77.82p
Fully diluted	7	51.79p	(99.79p)	(48.00p)	45.43p	32.03p	77.46p

The accounting policies on pages 38 and 39 and notes on pages 44 to 57 form part of these financial statements.

Group balance sheet

at 31st December, 2002

			2002		2001
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible	8		**1,335**		1,487
Investments					
Managed funds	10	**726,446**		788,188	
Less: third-party interests in managed funds		**(697,858)**		(756,960)	
Net investment in managed funds	9	**28,588**		31,228	
Other fixed asset investments	9	**117,714**		157,559	
		146,302		188,787	
Associated undertakings	11	**74**		74	
			146,376		188,861
Current assets					
Debtors	12	**24,280**		20,773	
Investments	13	**34,877**		46,448	
Cash at bank		**43,328**		10,555	
		102,485		77,776	
Creditors: amounts falling due within one year	14	**(18,193)**		(16,122)	
Net current assets			**84,292**		61,654
Total assets less current liabilities			**232,003**		252,002
Provisions for liabilities and charges	15		**(5,116)**		(1,805)
			226,887		250,197
Capital and reserves					
Called up share capital	16		**5,453**		5,553
Share premium	17		**1,306**		971
Capital redemption reserve	17		**290**		161
Capital reserve – realised	17		**177,641**		173,206
Capital reserve – unrealised	17		**23,075**		54,821
Revenue reserve	17		**19,122**		15,485
Shareholders' funds	18		**226,887**		250,197

The accounting policies on pages 38 and 39 and notes on pages 44 to 57 form part of these financial statements.

The financial statements were approved by the directors on 28th March, 2003.

S W Curran
Chairman

G D Fairservice
Deputy Chairman

Balance sheet

at 31st December, 2002

	Notes	2002 £000	2002 £000	2001 £000	2001 £000
Fixed assets					
Investments	9		**151,009**		193,424
Associated undertakings	11		1		1
			151,010		193,425
Current assets					
Debtors	12	**10,707**		9,185	
Investments	13	**34,766**		46,341	
Cash at bank		**29,154**		5,140	
		74,627		60,666	
Creditors: amounts falling due within one year	14	**(10,921)**		(13,209)	
Net current assets			**63,706**		47,457
Total assets less current liabilities			**214,716**		240,882
Provisions for liabilities and charges	15		**–**		–
			214,716		240,882
Capital and reserves					
Called up share capital	16		**5,453**		5,553
Share premium account	17		**1,306**		971
Capital redemption reserve	17		**290**		161
Capital reserve – realised	17		**179,162**		174,727
Capital reserve – unrealised	17		**22,672**		54,418
Revenue reserve	17		**5,833**		5,052
Shareholders' funds			**214,716**		240,882

The accounting policies on pages 38 and 39 and notes on pages 44 to 57 form part of these financial statements.

The financial statements were approved by the directors on 28th March, 2003.

S W Curran
Chairman

G D Fairservice
Deputy Chairman

Group cash flow statement

for the year ended 31st December, 2002

	Notes	£000	2002 £000	£000	2001 £000
Net cash inflow from operating activities	22		**11,068**		1,019
Returns on investments and servicing of finance					
Interest paid			**(8)**		(7)
Taxation					
UK corporation tax paid			**(1,308)**		(507)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(327)**		(370)	
Purchase of investments		**(25,847)**		(26,178)	
Sale of investments		**49,958**		36,471	
Sale of tangible fixed assets		**77**		27	
Net cash inflow from capital expenditure and financial investment			**23,861**		9,950
Equity dividends paid			**(7,542)**		(6,743)
Management of liquid resources	23		**11,571**		(3,521)
Financing					
Buyback of shares			**(5,233)**		(6,329)
Issue of shares			**364**		–
Increase/(decrease) in cash	23		**32,773**		(6,138)

The accounting policies on pages 38 and 39 and notes on pages 44 to 57 form part of these financial statements.

Notes to the financial statements

for the year ended 31st December, 2002

Note 1 Income

		2002		2001
	£000	£000	£000	£000
Financial services		126		92
Investment management fees		24,253		17,198
		24,379		17,290
Investment income				
Income from fixed asset investments	10,812		9,173	
Income from Treasury bills and other fixed interest securities	1,836		2,198	
Other income receivable arising on cash deposits	992		1,262	
		13,640		12,633
		38,019		29,923

Of the income from fixed asset investments of £10,812,000 (2001: £9,173,000), £10,000 (2001: £9,000) arose from managed funds. Investment management fees of £24,253,000 (2001: £17,198,000) arose from these funds.

Of the income from fixed asset investments, £40,000 arose from listed investments (2001: £168,000). Income from financial services originating from outside the United Kingdom was £2,000 (2001: £5,000).

All income arose from the single activity of originating and investing in management buyouts and buyins and providing capital to unquoted companies.

All income is attributable to continuing activities.

Note 2 Administrative expenses

		2002 £000	2001 £000
Management expenses	Revenue	**1,324**	1,052
	Capital	**5,297**	4,206
Other administrative expenses		**21,430**	14,456
Total administrative expenses		**28,051**	19,714

Staff costs		**16,709**	12,501
Depreciation		**443**	440
Auditors' remuneration	Audit work	**86**	83
	Non-audit work – tax advice	**240**	236
	FSA compliance	**11**	24
Operating lease rentals	Building	**858**	858

Staff costs		
Salaries	**10,838**	6,432
Social security costs	**1,265**	709
Pension, insurance and other costs	**4,606**	5,360
	16,709	12,501

The average number of employees of the Group in the UK during the year was 43 (2001: 36).

Notes to the financial statements

for the year ended 31st December, 2002

Note 3 Interest payable and similar charges

	2002 £000	2001 £000
On bank loans, overdrafts and other loans repayable within five years otherwise than by instalments	8	7

Note 4 Taxation on profit on ordinary activities

The analysis of the charge is as follows:

	2002 £000	2001 £000
Current tax		
UK corporation tax on profits for the year	1,590	5,978
Adjustments in respect of previous years	(1,101)	(25)
Total current tax	489	5,953
Deferred tax		
Origination and reversal of timing differences	3,310	(1,777)
Total deferred tax	3,310	(1,777)
Tax on profit on ordinary activities	3,799	4,176
UK corporation tax at 30% (2001: 30%) charged to capital	(1,589)	(1,262)
	2,210	2,914

The rate of tax for the year based on the UK standard rate of corporation tax is 30% (2001: 30%). The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2002 £000	2001 £000
Profit on ordinary activities before tax	15,257	14,408
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	4,577	4,322
Effects of:		
Contributions to Employee Benefit Trust not relieved in current year	618	–
Other short-term timing differences	(44)	51
Movement on non recourse loan	(6,596)	1,742
Losses not utilised in current year	2,801	–
Expenses not deductible for tax purposes	446	95
Adjustments to tax charge in respect of previous years	(1,102)	(25)
Dividends not taxable	(211)	(232)
Current tax charge for the year	489	5,953

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, 2001. In the opinion of the directors, the Company's affairs since that date have been conducted so as to enable it to continue to be treated as an investment trust.

Note 5 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 £8,602,000 (2001: £7,756,000) which is dealt with in the financial statements of the holding company.

Note 6 Dividends

	2002 £000	2001 £000
Paid interim of 12p (2001: 10p)	2,586	2,248
Proposed final of 24p (2001: 22p)	5,235	4,887
	7,821	7,135

Note 7 Returns per share

The calculation of returns per share is based on the following:

	2002 £000	2001 £000
Revenue return	11,458	10,232
Capital return	(22,078)	7,214

	Number 000	Number 000
Weighted average number of shares – basic	22,089	22,417
– diluted	22,124	22,524

The difference between the basic and diluted weighted average number of shares is the dilutive effect of share options.

Notes to the financial statements

for the year ended 31st December, 2002

Note 8 Tangible fixed assets

	Leasehold improvements	Plant and equipment	Motor vehicles	**Total**
	£000	£000	£000	**£000**
Group				
Cost				
At 1st January, 2002	1,390	740	307	**2,437**
Additions	–	265	62	**327**
Disposals	–	(74)	(112)	**(186)**
At 31st December, 2002	1,390	931	257	**2,578**
Depreciation				
At 1st January, 2002	250	488	212	**950**
Provided in the year	182	191	70	**443**
Disposals	–	(39)	(111)	**(150)**
At 31st December, 2002	432	640	171	1,243
Net book value at 31st December, 2002	**958**	**291**	**86**	1,335
Net book value at 31st December, 2001	1,140	252	95	1,487

Note 9 Fixed asset investments

	Managed funds	Investee companies	**Total**
	£000	£000	**£000**
Group			
Valuation at 1st January, 2002	31,228	157,559	**188,787**
Additions at cost	7	25,840	**25,847**
Disposals	(28)	(56,573)	**(56,601)**
Appreciation	(2,619)	(9,112)	**(11,731)**
Valuation at 31st December, 2002	**28,588**	**117,714**	146,302
Reconciliation			
Cost of investments	560	123,047	**123,607**
Net unrealised appreciation of investments	28,028	(5,333)	**22,695**
	28,588	**117,714**	146,302

	Shares in subsidiary undertakings	Managed funds	Investee companies	**Total**
	£000	£000	£000	**£000**
Company				
Cost or valuation at 1st January, 2002	4,637	31,228	157,559	**193,424**
Additions at cost	70	7	25,840	**25,917**
Disposals	–	(28)	(56,573)	**(56,601)**
Appreciation	–	(2,619)	(9,112)	(11,731)
Cost or valuation at 31st December, 2002	**4,707**	**28,588**	**117,714**	**151,009**
Reconciliation				
Cost of investments	4,707	560	123,047	**128,314**
Net unrealised appreciation of investments	–	28,028	(5,333)	**22,695**
	4,707	**28,588**	**117,714**	151,009

At 31st December, 2002, cumulative downward adjustments of £35,473,000 (2001: £13,525,000) had been made against investments with original costs of £44,280,000 (2001: £58,800,000).

Investments at valuation include:

	2002 £000	2001 £000
Group and Company		
UK		
Listed	**2,343**	4,891
Unquoted at directors' valuation	**79,673**	134,358
Europe		
Unquoted at directors' valuation	**42,588**	41,549
US		
Listed	**19,690**	–
Unquoted at directors' valuation	**2,008**	7,989
	146,302	188,787

Equity shares	**86,942**	93,266
Fixed income securities	**58,196**	94,233
Convertible securities	**1,164**	1,288
	146,302	188,787

At 31st December, 2002, 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 materially 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) of the Companies Act 1985.

At 31st December, 2002, the Company had an interest of more than 20 per cent in the nominal value of the total allotted share capital of the following company:

Company	*Class of shares held*	*Percentage of class held*
Lombard Investments, Inc (State of California, USA)	Preferred	100.0

For the reasons set out in the accounting policies, this investment has not been included as an associated undertaking.

Notes to the financial statements

for the year ended 31st December, 2002

Note 10 Subsidiary undertakings

At 31st December, 2002, the principal subsidiary undertakings included in the consolidation were:

	Nature of business	Issued share capital
Candover Services Limited *	Administration and management company	£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 1991, 1994, 1997 and 2001 Funds*	£2,050,000 ordinary
Candover France S.A.**	Identifying investment opportunities in France	€38,500 ordinary
Candover France S.A.S. **	Identifying investment opportunities in France	€37,000 ordinary
Deutsche Candover (Managing Limited Partner) GmbH *	Managing Limited Partner of Candover 2001 GmbH & Co KG	€25,000 ordinary
Deutsche Candover (General Partner) GmbH *	General Partner of Candover 2001 GmbH & Co KG	€25,000 ordinary
Candover Deutschland GmbH *	Identifying investment opportunities in Germany	€100,000 ordinary

*Wholly owned directly by the holding company

**Wholly owned by a subsidiary undertaking

***90 per cent owned by a subsidiary undertaking and 10 per cent owned directly by the holding company

All of these companies are incorporated in Great Britain and are registered and operational in England and Wales with the exception of Candover France S.A. and Candover France S.A.S., which are incorporated and operational in France, and Deutsche Candover (Managing Limited Partner) GmbH, Deutsche Candover (General Partner) GmbH and Candover Deutschland GmbH, which are incorporated and operational in Germany.

During the year the Company subscribed for 100% of the share capital of Candover Deutschland GmbH.

Interests in the Candover 1991, 1994, 1997 and 2001 Funds ('managed funds')

Candover Partners Limited is the General Partner of the limited partnerships comprising the Candover 1991, 1994, 1997 and 2001 Funds. 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) of the 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 1991 Fund and Candover 2001 Fund and is a unit holder in the unauthorised unit trusts that are Special Limited Partners in the Candover 1994 and 1997 Funds. 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.

The Company also holds a direct interest in all the Candover 1994 limited partnerships, which at 31st December, 2002 were valued at £233,000 (cost £352,000).

For the reasons set out in the accounting policies, the limited partnerships comprising the Candover 1991, 1994, 1997 and 2001 Funds have not been accounted for under the method of full consolidation. At 31st December, 2002, the net assets of the Funds were £726.4 million (2001: £788.1 million) and the net income for the year was £43.1 million (2001: £6.0 million). The net assets and net income can be summarised as follows:

	2002 £m	2001 £m
Investments	**686.3**	776.2
Debtors	**0.2**	3.5
Cash	**61.4**	14.1
Creditors	**(21.5)**	(5.7)
	726.4	788.1
Income from fixed asset investments	**54.7**	6.7
Interest receivable	**0.3**	0.6
	55.0	7.3
Expenses	**(1.4)**	(0.3)
Tax	**(10.5)**	(1.0)
	43.1	6.0

As at 31st December, 2002, Candover's investments as a Special Limited Partner in the Candover 1991 and 2001 Funds were valued at £206,000 and £18,000 respectively (2001: £206,000 and £8,000 respectively). Candover's investments in the unauthorised unit trusts, which are Special Limited Partners in the Candover 1994 and 1997 Funds, were valued at £28,000,000 and £131,000 respectively (2001: £30,400,000 and £131,000 respectively).

Note 11 Associated undertakings

	Nature of business	Issued share capital	Percentage held
Hoare Candover Limited	Former manager of the Hoare Candover Exempt Fund	£1,000 ordinary	50.0
Chevrillon Philippe Candover S.A.	Identifying investment opportunities in France	€76,225 ordinary	50.0

Subsequent to the year end Chevrillon Philippe Candover S.A. was liquidated.

Hoare Candover Limited is incorporated and operational in Great Britain and registered in England and Wales. Candover's interest in Hoare Candover Limited is owned by the holding company whilst its interest in Chevrillon Philippe Candover S.A. was owned by a subsidiary undertaking. Chevrillon Philippe Candover S.A. was incorporated and operational in France.

	Group share of net assets £000	Company share at cost £000
Cost at 1st January, 2002	74	1
Addition	–	–
Share of post-acquisition reserves at 1st January, 2002	–	–
Total	74	1

Notes to the financial statements

for the year ended 31st December, 2002

Note 12 Debtors

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Amounts falling due within one year				
Trade debtors	**180**	278	**24**	144
Amounts owed by associated undertaking	**–**	8	**–**	–
Other debtors	**4,431**	3,168	**151**	131
Prepayments and accrued income	**12,744**	12,657	**10,532**	8,910
	17,355	16,111	**10,707**	9,185
Amounts falling due after more than one year				
Prepayments and accrued income	**6,925**	4,662	**–**	–
Total debtors	**24,280**	20,773	**10,707**	9,185

Note 13 *Current asset investments*

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Listed fixed interest securities	**34,877**	46,448	**34,766**	46,341

Note 14 Creditors: amounts falling due within one year

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Trade creditors	**940**	1,101	**24**	7
Amounts owed to Group undertakings	**–**	–	**5,502**	5,884
Current taxation	**–**	2,389	**–**	2,132
Social security and other taxes	**2,384**	144	**–**	–
Proposed dividends	**5,235**	4,956	**5,235**	4,956
Other creditors	**4,819**	4,501	**71**	53
Accruals and deferred income	**4,815**	3,031	**89**	177
	18,193	16,122	**10,921**	13,209

Note 15 Provision for deferred tax

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Accelerated capital allowances	**16**	–	–	–
Other timing differences	**6,006**	–	–	–
Tax losses carried forward	**(2,801)**	(1,742)	–	–
Provision for deferred tax	**3,221**	(1,742)	–	–
Provision at 1st January, 2002	**1,805**	3,582	–	–
Deferred tax charge in profit and loss account for the year				
Prior year	**90**	(35)	–	–
Current year	**3,221**	(1,742)	–	–
Provision at 31st December, 2002	**5,116**	1,805	–	–

Note 16 Share capital

	2002 Number	2002 £000	2001 Number	2001 £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	22,212,685	**5,553**	22,857,685	5,714
Issued in year	115,000	**29**	–	–
Cancelled in year	(515,000)	**(129)**	(645,000)	(161)
Ordinary shares of 25p each at 31st December	21,812,685	**5,453**	22,212,685	5,553

515,000 shares were bought in during the year by the Company under authorities granted on 8th May, 2001 and 7th May, 2002 and were subsequently cancelled.

No options were granted, but 155,000 options were exercised although 40,000 shares were not allotted and issued until after the year end. At 31st December, 2002, the following options remained exercisable at the following prices and dates:

No. of options	Exercise price	Exercisable between
3,930	762.00p	8th September, 2001 and 8th September, 2008

As at 31st December, 2002, there remained 936,704 options available to be granted under the Candover (1994) executive share option scheme (2001: 754,499).

The performance criteria for the exercise of any options issued under the terms of the Candover (1994) executive share option scheme are referred to in the directors' remuneration report on page 32.

Notes to the financial statements
for the year ended 31st December, 2002

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 17th March, 2003.

	Number	%
BP Pension Trustees Limited	1,345,743	6.2
NIB Capital N.V.	980,000	4.5
British Airways Pension Fund	931,616	4.3
Prudential plc	915,814	4.2
Martin Currie	775,000	3.6
Schroder Investment Management Limited	767,711	3.5
Electra Investment Trust plc	750,000	3.4
Legal & General Group plc	689,973	3.2
Total	**7,155,857**	**32.9**

Directors' interests in shares
The interests of the directors in the ordinary shares of the Company are detailed below.

Beneficial	Ordinary shares of 25p each 1st January, 2002	Ordinary shares acquired during the year	**Ordinary shares of 25p each 31st December, 2002**
S W Curran	649,703	Nil	**649,703**
G D Fairservice	198,750	Nil	**198,750**
C J Buffin*	85,500	45,000	**130,500**
M S Gumienny*	191,100	30,000	**221,100**
A P Hichens	40,000	Nil	**40,000**
P J Scott Plummer	14,000	Nil	**14,000**
J G West	1,500	Nil	**1,500**
G E Grimstone	5,000	Nil	**5,000**
D R Wilson	Nil	Nil	**Nil**
Total	**1,185,553**	**75,000**	**1,260,553**

*Resigned as a director of the Company on 12th December, 2002.

Note 17 Reserves

	Share premium account £000	Capital redemption reserve £000	Realised capital reserve £000	Unrealised capital reserve £000	Revenue reserve £000
Group					
At 1st January, 2002	971	161	173,206	54,821	15,485
Increase	335	–	–	–	–
Buyback of share capital	–	129	(5,233)	–	–
Deficit on revaluation of investments	–	–	–	(11,602)	–
Realised loss on investments	–	–	13,376	(20,144)	–
Net revenue	–	–	–	–	3,637
Costs net of tax	–	–	(3,708)	–	–
At 31st December, 2002	**1,306**	**290**	**177,641**	**23,075**	**19,122**
Company					
At 1st January, 2002	971	161	174,727	54,418	5,052
Increase	335	–	–	–	–
Buyback of share capital	–	129	(5,233)	–	–
Deficit on revaluation of investments	–	–	–	(11,602)	–
Realised loss on investments	–	–	13,376	(20,144)	–
Net revenue	–	–	–	–	781
Costs net of tax	–	–	(3,708)	–	–
At 31st December, 2002	**1,306**	**290**	**179,162**	**22,672**	**5,833**

Note 18 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Net revenue	**11,458**	10,232
Dividends	**(7,821)**	(7,135)
	3,637	3,097
Buyback of share capital	**(5,233)**	(6,329)
Issue of share capital	**364**	–
Capital (deficit)/surplus for the year	**(22,078)**	7,214
Net (reduction)/addition to shareholders' funds	**(23,310)**	3,982
Shareholders' funds at 1st January	**250,197**	246,215
Shareholders' funds at 31st December	**226,887**	250,197

Notes to the financial statements
for the year ended 31st December, 2002

Note 19 Capital commitments
The directors have authorised commitments of €300.0 million and £100.0 million, which will be invested pro rata and in parallel with the Candover 2001 Fund and Candover 1997 Fund respectively. At 31st December, 2002, the outstanding commitments were €242.0 million (2001: €300.0 million) and £9.0 million (2001: £9.0 million) respectively. At 31st December, 2002, the outstanding commitments to other investment funds were £4.2 million (2001: £10.9 million). In addition, the Company has guaranteed a further investment of £3.4 million to Swissport.

Note 20 Pension commitments
The Group contributed towards a number of funded defined contribution pension and funded unapproved retirement benefit schemes designed to provide retirement benefits for its directors and employees. The assets of the scheme 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 £1,160,000 (2001: £932,000). At 31st December, 2002, there were no amounts payable to the schemes (2001: £Nil).

Note 21 Lease commitments
Operating lease payments relating to land and buildings amounting to £858,000 (2001: £858,000) are due within one year. The lease to which these amounts relate expires in more than five years.

Note 22 Reconciliation of operating income to net cash inflow from operating activities

	2002 £000	2001 £000
Income	**38,019**	29,923
Administrative expenses	**(28,051)**	(19,714)
Operating income	**9,968**	10,209
Increase in debtors	**(2,638)**	(11,990)
Increase in creditors	**3,334**	2,380
Depreciation	**443**	440
Profit on disposal of tangible fixed assets	**(39)**	(20)
Net cash inflow from operating activities	**11,068**	1,019

Note 23 Reconciliation of net cash flow to movement in net funds

	2002 £000	2001 £000
Increase/(decrease) in cash in the year	**32,773**	(6,138)
Cash (outflow)/inflow from management of liquid resources	**(11,571)**	3,521
Change in net funds	**21,202**	(2,617)
Net funds at start of the year	**57,003**	59,620
Net funds at end of the year	**78,205**	57,003

Listed fixed interest securities repayable on demand are treated as liquid resources.

Note 24 Analysis of net funds

	1st January, 2002	Cash flow	31st December, 2002
	£000	£000	**£000**
Cash at bank	10,555	32,773	**43,328**
Current asset investments (liquid resources)	46,448	(11,571)	**34,877**
	57,003	21,202	**78,205**

Included in cash at bank at 31st December, 2002 is restricted cash of £1,094,000 (2001: £1,125,000) in the 2001 Fund Employee Benefit Trust.

Note 25 Financial instruments

The Group's primary financial assets consist of listed and unquoted equity investments and unquoted fixed income securities. These primary financial assets are valued at fair value according to the valuation policy set out on page 21. The currency exposure of the financial assets is disclosed in note 9 on page 49 which shows the geographical split of investments. The Group does not hold any derivatives. Interest rate risk emanates from the Group's fixed income securities and interest rate exposure of the fixed income securities by currency as at 31st December, 2002 was:

	Fixed	Weighted average rate	Floating	Nil	Total
	£000	%	£000	£000	**£000**
£ sterling	28,334	11.8	2,659	–	**30,993**
€	24,781	9.5	2,422	–	**27,203**
	53,115	**10.8**	**5,081**	–	**58,196**

Note 26 Related party transactions

The Company's interest in the Candover 1991, 1994, 1997 and 2001 Funds is disclosed in note 10 on pages 50 and 51 and in note 19 on page 56.

The co-investment by directors is disclosed in the directors' remuneration report on page 33.

Note 27 Contingent liabilities

The Company has guaranteed a €20.0 million facility made available to Mourant & Co Trustees Ltd as Trustee of Candover 2001 Employee Benefit Trust. Other than in the normal course of business, there were no further contingent liabilities at 31st December, 2002 or 31st December, 2001.

Note 28 Post balance sheet events

Since the year end, Candover has invested £10.3 million in Kluwer Academic Publishers, a leading international publisher of information for scientists and academics; £17.0 million in Ontex, the European leader in hygienic disposables, and £30.8 million has been invested in the buyout of Gala Group, a leading UK retailing gaming company. Also, in March 2003, £5.5 million was invested in Wellstream, a manufacturer of flexible pipe for the oil and gas sectors.

Distribution of fixed asset investments

for the year ended 31st December, 2002

Sector	UK %	Europe %	Americas %	2002 Total	2001 Total
Mineral extraction					
Mining	0.1	–	–	**0.1**	0.1
	0.1	–	–	**0.1**	0.1
General industrials					
Chemicals	–	–	–	–	0.8
Construction and building materials	7.4	–	–	**7.4**	9.0
Engineering and machinery	8.8	–	–	**8.8**	11.9
Packaging	–	7.1	–	**7.1**	4.1
	16.2	7.1	–	**23.3**	25.8
Services					
Distributors	–	–	–	–	2.5
Health	–	–	13.5	**13.5**	6.9
Leisure, entertainment and hotels	6.8	–	–	**6.8**	9.6
Media and photography	0.3	–	–	**0.3**	8.6
Support services	2.0	6.2	–	**8.2**	1.1
Transport	–	–	–	–	2.3
Software and computers	1.5	–	0.8	**2.3**	0.7
Retailers	–	7.2	–	**7.2**	5.2
	10.6	13.4	14.3	**38.3**	36.9
Financials					
Insurance	7.8	–	–	**7.8**	2.9
Other financial	21.3	8.6	0.6	**30.5**	34.3
	29.1	8.6	0.6	**38.3**	37.2
Totals %	**56.0**	**29.1**	**14.9**	**100.0**	100.0
Totals £000	**82,016**	**42,588**	**21,698**	**146,302**	188,787

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Candover Investments plc (the Company) will be held at The Stationers' Hall, Ave Maria Lane, London EC4M 7DD on Wednesday 14th May, 2003 at noon for the following purposes:

1. To receive the report of the directors and the audited financial statements for the year ended 31st December, 2002.

2. To declare a final dividend of 24p per share on the ordinary shares in respect of the year ended 31st December, 2002.

3. To approve the directors' remuneration report for the year ended 31st December, 2002.

4. To elect Mr N A Lethbridge.

5. To re-elect Mr G D Fairservice, who retires by rotation.

6. To re-elect Mr G E Grimstone, who retires by rotation.

7. 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.

Special business

To consider and, if thought fit, to pass the following resolution as a special resolution:

8. That the Company be and is hereby authorised, generally and without conditions, to make market purchases (as defined in Section 163(3) of the Companies Act 1985) of its own shares, on such terms and in such manner as the directors may from time to time determine, provided that:
   (a) the Company may not buy more than 3,275,717 shares, equal to 14.99 per cent of the shares issued at the date of the 2002 Report and Accounts;
   (b) the minimum price that the Company may pay for each share is 25p;
   (c) the maximum price (excluding expenses) that the Company may pay for each share is 5 per cent over the average of the mid-market price of the shares, based on the London Stock Exchange Daily Official List, for the five business days immediately before the day on which the Company buys the shares;
   (d) this authority will last from the date of this Annual General Meeting until the next Annual General Meeting (or until 14th August, 2004 if the next Annual General Meeting has not been held by then); and
   (e) the Company may agree, before the authority ends, to buy shares even though the purchase is, or may be, completed after the authority ends.

P R Neal
Company Secretary
28th March, 2003

Notice of Annual General Meeting

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. Only those shareholders registered in the register of members of the Company as at close of business two working days before the meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their names at that time (Regulation 41 of the Uncertificated Securities Regulations 2001). Changes to entries in the register after this time shall be disregarded in determining the rights of any person to attend and vote at 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 11.45 am on 14th May, 2003 until the conclusion of the meeting:

(i) copies of the service contracts of the directors;
(ii) the Company's Articles of Association; and
(iii) the register of directors' interests in the share capital of the Company.

Ten year record

	1993	1994	1995	1996	1997	1998	1999	2000	2001	**2002**
Total net assets (£000)	69,380	84,347	103,798	142,453	159,970	199,474	225,040	246,606	250,426	**226,887**
Net assets per share (p)	310	377	464	635	703	877	986	1,079	1,127	**1,040**
Revenue return on ordinary activities before taxation (£000)	3,300	4,855	5,222	5,389	7,270	12,069	10,456	11,679	14,408	**15,257**
Revenue return on ordinary activities after taxation (£000)	2,381	3,410	3,721	3,960	5,520	8,547	7,718	7,660	10,232	**11,458**
Net dividend per share (p)	11.00	12.25	13.25	15.00	20.00	25.00	27.00	29.00	32.00	**36.00**
Basic revenue return per share (p)	10.64	15.24	16.63	17.67	24.36	37.57	33.87	33.53	45.64	**51.87**
Fully diluted revenue return per share (p)	10.33	14.72	16.06	16.95	23.37	37.30	33.62	33.37	45.43	**51.79**
Closing share price at end of December (p)	349.0	338.0	500.0	572.5	740.5	803.5	1,089.0	1,035.0	980.0	**1,145.0**

Shareholder information

Event	Date
Preliminary announcement of results for the year ended 31st December, 2002	10th March, 2003
Final dividend for the year ended 31st December, 2002 – ex-dividend date	30th April, 2003
Final dividend for the year ended 31st December, 2002 – record date	2nd May, 2003
Candover Investments plc Annual General Meeting	14th May, 2003
Final dividend for the year ended 31st December, 2002 – payment date	22nd May, 2003
Interim announcement of results for the half year ended 30th June, 2003	8th September, 2003*
Interim dividend for the half year ended 30th June, 2003 – ex-dividend date	17th September, 2003*
Interim dividend for the half year ended 30th June, 2003 – record date	19th September, 2003*
Interim dividend for the half year ended 30th June, 2003 – payment date	17th October, 2003*

*provisional

Share price information

(Prices shown are the mid-market price per share at the close of business on the relevant day.)

Highest price during the year	1,205.0p
Lowest price during the year	980.0p
Price as at 31st December, 2002	1,145.0p

Addresses

Candover Investments plc
Registered in England
and Wales No. 1512178

Registered Office
20 Old Bailey
London EC4M 7LN
Telephone 020 7489 9848
Facsimile 020 7248 5483
email info@candover.com
website www.candover.com

Solicitors
Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA

Stockbrokers
Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

Registered Auditors
Grant Thornton
Melton Street
Euston Square
London NW1 2EP

Bankers
Bank of Scotland
London Chief Office
P.O. Box No. 267
38 Threadneedle Street
London EC2P 2EH

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Form of proxy

For use at the Annual General Meeting of Candover Investments plc to be held on Wednesday 14th May, 2003.

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 **12.00 noon** on Wednesday **14th May, 2003** and at any adjournment thereof.

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

Ordinary resolutions		For	Against	Abstain
Resolution 1	To receive the report of the directors and the audited financial statements for the year ended 31st December, 2002	☐	☐	☐
Resolution 2	To declare a final dividend of 24p per ordinary share for the year ended 31st December, 2002	☐	☐	☐
Resolution 3	To approve the directors' remuneration report for the year ended 31st December, 2002	☐	☐	☐
Resolution 4	To elect Mr N A Lethbridge	☐	☐	☐
Resolution 5	To re-elect Mr G D Fairservice	☐	☐	☐
Resolution 6	To re-elect Mr G E Grimstone * §	☐	☐	☐
Resolution 7	To reappoint the auditors and to authorise the directors to fix their remuneration	☐	☐	☐

Special resolution		For	Against	Abstain
Resolution 8	To approve the resolution set out in the Notice of the Meeting to grant the Company the power pursuant to Section 163(3) Companies Act 1985 to make certain market purchases of its own equity securities	☐	☐	☐

* Member of the remuneration committee § Member of the audit committee

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 or proxies 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 joint holders, 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** Unless instructed otherwise, the proxy may also vote or abstain from voting as he or she sees fit on any business that may properly come before the Meeting (including amendments to resolutions).

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.

Only those shareholders registered in the register of members of the Company at close of business two working days before the Meeting shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their names at that time (Regulation 41 of the Uncertificated Securities Regulations 2001). Changes to entries on the register after this time shall be disregarded in determining the right of any person to attend and vote at the Meeting.

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BUSINESS REPLY SERVICE
Licence No. MB122

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Capita Registrars
Proxy Department
PO Box 25
Beckenham
Kent BR3 4BR

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