

# Report and accounts 2000



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## Report of the directors

The directors present their report together with the audited financial statements for the year ended 31st December, 2000.

### 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 27.

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 the third party managed funds or on its own account. The third party managed funds, established with commitments from a wide range of international institutional investors, are managed by the Candover Group subsidiaries, principally Candover Partners Limited, which is regulated by The FSA. 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 seven per cent of any profit made in the 1997 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 £7,660,000 compared with £7,718,000 for the year ended 31st December, 1999. Revenue was £20,905,000 as against £20,033,000 for the previous year. Administrative expenses charged to revenue were £9,222,000 compared with £9,569,000 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 6.

### Dividend and proposed transfer to reserves

The directors recommend the payment of a final dividend of £4,572,000 equal to 20p per ordinary share (1999: £4,220,000, equal to 18.5p per share) giving a total dividend for the year of £6,629,000 equal to 29p per ordinary share (1999: £6,168,000 equal to 27p per share). Payment of the dividend will be made on 24th May, 2001 to holders on the register at the close of business on 4th May, 2001. The dividend details are shown in Note 7 on page 47.

After payment of the dividend, there is a profit of £1,031,000 in respect of the year ended 31st December, 2000 which the directors propose to carry to reserves (1999: profit of £1,550,000 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	C J Buffin
P J Scott Plummer*	M S Gumienny
	G E Grimstone*

\*Non-executive

In accordance with the Articles of Association Messrs C J Buffin, M S Gumienny and D R Wilson will retire by rotation and, being eligible, will offer themselves for re-election. Of those seeking re-election, Messrs. C J Buffin and M S Gumienny have service contracts, which have a one year notice period.

The biographical details of the serving directors and those seeking re-election appear on pages 22 and 23.

## 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 12th March, 2001.

	Number	%
Schroder Investment Management Limited	2,371,000	10.5
M&G Investment Management Limited	1,495,272	6.7
BP Pension Trustees Limited	1,345,743	6.0
Royal Life Insurance Limited	1,237,000	5.5
British Airways Pension Fund	984,666	4.4
Alpinvest Holding N.V.	966,829	4.3
Martin Currie Group	911,158	4.1
CGNU plc	900,000	4.0
Electra Investment Trust plc	750,000	3.3
Totals	10,961,668	48.8

## Report of the directors

### Directors' interests

The statements in respect of directors' interests in the share capital, contracts or any other matter requiring disclosure, are contained in the corporate governance report on pages 28 to 33 and in Note 3 to the financial statements on pages 44 to 46.

### Political and charitable donations

During the year £19,980 (1999: £15,860) was given for charitable purposes. There were no political donations made during the year (1999: Nil).

### Share Buyback

On 21st December, 2000 the Company bought in 375,000 shares of 25p nominal value at a price of 1017p pursuant to the authority granted on 9th May, 2000. The share price having dropped to below estimated Net Asset Value the directors believed that it was in shareholders best interests to buy in these shares for cancellation. These shares, representing 1.6% of the company's called up share capital, were subsequently cancelled on 2nd January, 2001. The earnings per share calculations are based upon the number of shares in issue as at 31st December, 2000, which is before taking into account the cancelled shares.

### Annual General Meeting

The Annual General Meeting of the Company will be held on Tuesday 8th May, 2001 at 12 noon at The Stationers' Hall, Ave Maria Lane, London EC4M 4DD; the notice of meeting appears on page 59.

In addition to the ordinary business of the meeting certain Special Business will be put to shareholders.

Under Resolution 7, it is proposed to allow your directors the authority to issue new shares for cash, without following the statutory pre-emption procedures, so long as such issue does not exceed £281,034 (being 5 per cent of the issued share capital of the Company at the date of signing the 2000 Report and Accounts) or as long as the issue is a rights issue or is pursuant to a scrip dividend offer or any pre-emptive invitation.

The Company will have regard to the Investor Protection Committee's (IPC) guidelines in relation to any exercise of the above authority. These guidelines require prior consultation with the IPC before making any issue under the 5 per cent element of the authority but which exceeds 7.5 per cent in any rolling three year period. The authority under Resolution 7 will expire at the next Annual General Meeting or on 8th August, 2002, whichever is earlier.

Resolution 8 contained in the Notice of Annual General Meeting dated 23rd March, 2001, if passed, authorises the Company to purchase up to 3,370,154 of its shares. This authority will expire at the next Annual General Meeting of the Company or on 8th August, 2002 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 London Stock Exchange.

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 the directors believe that it is in shareholders' best interests.

The directors consider the passing of Resolutions 7 and 8 to be in the best interests of the Company and its shareholders as a whole.

### Supplier payment policy

The Group 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 Group for the year ended 31st December, 2000 were 15 days based on the ratio of Group trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

## ISA status

Your board have considered the ISA status of Candover's shares and for the time being consider that a decision to ensure Candover remains eligible for inclusion in an ISA will impose constraints on Candover's investment criteria which 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 a resolution will be put to shareholders at the Annual General Meeting.

## Tax status

The calculation required for the purposes of confirming 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, 1999 has been delivered to the Board of the Inland Revenue.

Following the introduction of Self Assessment the Inland Revenue has, however, indicated that they will no longer be issuing formal approval of such status for the year ended 31st December, 1999 or future years.

However, in the opinion of the directors, the Company's affairs for the year ended 31st December, 1999 and up until the date of these accounts have been conducted so as to enable it to continue as an investment trust. In addition, they are of the opinion that the Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

By Order of the Board

**P R Neal**

Secretary

20 Old Bailey

London EC4M 7LN

23rd March, 2001



## Report of the auditors

### To the members of Candover Investments plc

We have audited the financial statements on pages 36 to 57, which have been prepared under the accounting policies set out on pages 36 and 37.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 33, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. 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 or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 28 to 33 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by 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 the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

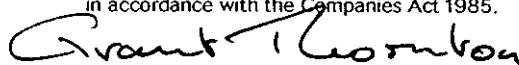
### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December, 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Grant Thornton

Registered Auditors

Chartered Accountants

London

23rd March, 2001

## Group statement of total return

Incorporating the revenue account for the year ended 31st December, 2000

	Notes	Revenue £000	2000 Capital £000	Total £000	Revenue £000	1999 Capital £000	Total £000
<b>Gains/(losses) on investments</b>							
Realised gains and losses	18	–	2,949	2,949	–	3,763	3,763
Unrealised gains and losses	18	–	20,594	20,594	–	23,111	23,111
Exchange differences	18	–	83	83	–	4	4
		–	23,626	23,626	–	26,878	26,878
<b>Income – managed funds</b>							
Net income	11	7,946	–	7,946	4,996	–	4,996
Less: third party interests in managed funds		(7,920)	–	(7,920)	(4,983)	–	(4,983)
Add: management fees		11,735	–	11,735	11,940	–	11,940
Net income from managed funds		11,761	–	11,761	11,953	–	11,953
Income – own funds		9,144	–	9,144	8,080	–	8,080
Total income	1	20,905	–	20,905	20,033	–	20,033
Administrative expenses	2	(9,222)	(4,744)	(13,966)	(9,569)	(4,346)	(13,915)
Net return before finance costs and taxation		11,683	18,882	30,565	10,464	22,532	32,996
Interest payable & similar charges	4	(4)	–	(4)	(8)	–	(8)
<b>Return on ordinary activities</b>							
before taxation		11,679	18,882	30,561	10,456	22,532	32,988
Tax on ordinary activities	5	(4,019)	1,423	(2,596)	(2,738)	1,315	(1,423)
<b>Return on ordinary activities after</b>							
<b>taxation for the financial year</b>		7,660	20,305	27,965	7,718	23,847	31,565
Dividends	7	(6,629)	–	(6,629)	(6,168)	–	(6,168)
Transfer to reserves	18	1,031	20,305	21,336	1,550	23,847	25,397
<b>Return per ordinary share:</b>							
Basic	8	33.53p	88.89p	122.42p	33.87p	104.64p	138.51p
Fully diluted	8	33.37p	88.46p	121.83p	33.62p	103.87p	137.49p

The accounting policies on pages 36 and 37 and Notes on pages 42 to 57 form part of these financial statements.

# Group balance sheet

at 31st December, 2000

	Notes	£000	2000 £000	1999 £000
<b>Fixed assets</b>				
Tangible	9		1,564	287
<b>Investments</b>				
Managed funds	11	712,962		622,934
Less: third party interests in managed funds		(685,132)		(602,160)
Net investment in managed funds	10	27,830		20,774
Other fixed asset investments	10	161,092		132,727
		188,922		153,501
Associated undertakings	12	74		74
			188,996	153,575
<b>Current assets</b>				
Debtors	13	10,248		13,546
Investments	14	42,927		57,926
Cash at bank		16,693		15,138
		69,868		86,610
Creditors: amounts falling due within one year	15	(10,631)		(11,999)
Net current assets			59,237	74,611
Total assets less current liabilities			249,797	228,473
Provisions for liabilities and charges	16		(3,582)	(3,721)
			246,215	224,752
<b>Capital and reserves</b>				
Called up share capital	17		5,714	5,703
Share premium	18		971	855
Capital reserve – realised	18		157,766	150,337
Capital reserve – unrealised	18		69,376	56,500
Revenue reserve	18		12,388	11,357
Shareholders' funds	19		246,215	224,752

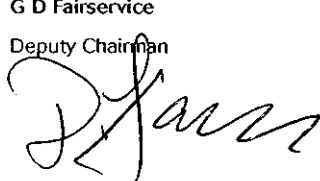
The accounting policies on pages 36 and 37 and Notes on pages 42 to 57 form part of these financial statements.  
The financial statements were approved by the directors on 23rd March, 2001.



S W Curran  
Chairman



G D Fairservice  
Deputy Chairman



## Balance sheet

at 31st December, 2000

	Notes	£000	2000 £000	1999 £000
<b>Fixed assets</b>				
Investments	10		193,799	158,378
Associated undertakings	12		1	1
			193,800	158,379
<b>Current assets</b>				
Debtors	13	4,595		6,128
Investments	14	42,041		57,162
Cash at bank		7,071		4,428
		53,707		67,718
<b>Creditors: amounts falling due within one year</b>	15	(8,634)		(7,675)
<b>Net current assets</b>			45,073	60,043
<b>Total assets less current liabilities</b>			238,873	218,422
Provisions for liabilities and charges	16		-	-
			238,873	218,422
<b>Capital and reserves</b>				
Called up share capital	17		5,714	5,703
Share premium account	18		971	855
Capital reserve – realised	18		158,608	151,194
Capital reserve – unrealised	18		69,149	56,341
Revenue reserve	18		4,431	4,329
<b>Shareholders' funds</b>			238,873	218,422

The accounting policies on pages 36 and 37 and Notes on pages 42 to 57 form part of these financial statements.

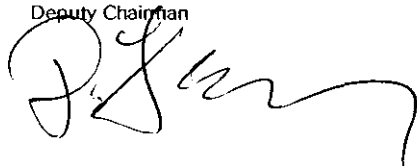
The financial statements were approved by the directors on 23rd March, 2001.



S W Curran  
Chairman



G D Fairservice  
Deputy Chairman

## Notes to the financial statements

for the year ended 31st December, 2000

### Note 1 Income

	2000		1999
£000	£000	£000	£000
Financial services	83	-	107
Investment management fees	11,755	-	11,950
	11,838		12,057
Investment income			
Income from fixed asset investments	4,450	3,450	
Income from Treasury bills and other fixed interest securities	3,268	3,354	
Other income receivable arising on cash deposits	1,349	1,172	
	9,067		7,976
	20,905		20,033

Of the income from fixed asset investments of £4,450,000 (1999: £3,450,000), £26,000 (1999: £13,000) arose from managed funds.

Of the income from investment management of £11,755,000 (1999: £11,950,000), £11,735,000 (1999: £11,940,000) also arose from these funds.

Of the income from fixed asset investments, £218,000 arose from listed investments (1999: £410,000). Income from financial services originating from outside the United Kingdom was £Nil (1999: £1,983,000). 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

	2000 £000	1999 £000
<b>Management expenses</b>		
Revenue	1,186	1,086
Capital	4,744	4,346
Other administrative costs	8,036	8,483
	13,966	13,915
<b>Staff costs</b>	8,704	8,607
Depreciation	286	186
<b>Auditors' remuneration</b>		
Audit work	50	51
Non-audit work – tax advice	46	54
IMRO compliance	9	9
<b>Operating lease rentals</b>		
Building	858	534
<b>Staff costs during the year were</b>		
Salaries	6,765	6,721
Social security costs	792	754
Pension, insurance and other costs	1,147	1,132
	8,704	8,607

The average number of employees of the Group in the UK during the year was 30 (1999: 29).

# Notes to the financial statements

for the year ended 31st December, 2000

## Note 3 Directors' remuneration, emoluments and interests

The remuneration policy in respect of the executive directors is set out in the corporate governance report on pages 28 to 33. Listed below is the detailed information required to be shown in respect of directors' remuneration and benefits.

### Directors' emoluments

Total emoluments received by directors during the year ended 31st December, 2000 were as follows:

	Salaries/ directors' fees	Performance related pay	Loyalty bonus	Taxable benefits	Insurance costs	Total emoluments excluding pension contributions 2000	Total emoluments excluding pension contributions 1999
	£	£	£	£	£	£	£
S W Curran	345,000	346,954	116,667	17,344	7,170	833,135	849,408
G D Fairservice	265,000	266,501	116,667	16,268	5,756	670,192	659,228
C J Buffin	261,667	251,416	116,667	1,651	5,473	636,874	662,774
M S Gumieny	261,667	251,416	116,667	1,284	5,473	636,507	644,449
<b>Management remuneration</b>	<b>1,133,334</b>	<b>1,116,287</b>	<b>466,668</b>	<b>36,547</b>	<b>23,872</b>	<b>2,776,708</b>	<b>2,815,859</b>
A P Hichens*	40,000	—	—	—	—	40,000	37,500
P J Scott Plummer*	25,000	—	—	—	—	25,000	22,000
J G West*	25,000	—	—	—	—	25,000	22,000
D R Wilson*	25,000	—	—	—	—	25,000	22,000
G E Grimstone*	25,000	—	—	—	—	25,000	11,000
C R E Brooke*	—	—	—	—	—	—	35,816
R A P King*	—	—	—	—	—	—	9,167
<b>Directors' fees</b>	<b>140,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>140,000</b>	<b>159,483</b>
<b>Totals</b>	<b>1,273,334</b>	<b>1,116,287</b>	<b>466,668</b>	<b>36,547</b>	<b>23,872</b>	<b>2,916,708</b>	<b>2,975,342</b>
1999 comparatives	1,272,001	1,083,004	533,332	57,837	29,168	2,975,342	

The non-executive directors (\*) only receive fees which in some cases are paid directly to their primary employing company, and do not receive any other remuneration. Messrs. C R E Brooke and R A P King retired during 1999.

The loyalty bonus is payable over a six-year period in reducing amounts as referred to in the corporate governance report on page 31.

The performance related pay is comprised of a discretionary bonus and a small final balancing payment of £6,287 due on the profit related pay scheme for the year ended 31st December, 1999.

During the year the following pension contributions were paid on behalf of individual directors:

	2000	1999
	£	£
S W Curran	138,000	138,000
G D Fairservice	106,000	126,000
C J Buffin	75,000	75,000
M S Gumienny	75,000	82,917
	394,000	421,917

Contributions made to certain individual FURBS in 1999 have been included in the above figures. There were no FURBS contributions in 2000.

### 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, 2000	Ordinary shares acquired/(sold) during the year	Ordinary shares of 25p each 31st December, 2000
S W Curran	649,703	Nil	649,703
G D Fairservice	200,200	(1,450)	198,750
C J Buffin	65,500	Nil	65,500
M S Gumienny	110,100	41,000	151,100
A P Hichens	35,000	5,000	40,000
P J Scott Plummer	12,000	Nil	12,000
J G West	1,500	Nil	1,500
G E Grimstone	Nil	5,000	5,000
D R Wilson	Nil	Nil	Nil

## Notes to the financial statements

for the year ended 31st December, 2000

### Directors' share options

	1st January, 2000 No.	Exercised during year No.	Deemed gain on exercise £	31st December, 2000 No.	Exercise price	Date from which exercisable	Expiry date
C J Buffin	25,000	Nil	Nil	25,000	235.00p	20/10/95	20/10/02
	20,000	Nil	Nil	20,000	340.00p	17/06/97	17/06/04
M S Gumienny	25,000	25,000	199,375*	Nil	235.00p	20/10/95	20/10/02
	20,000	20,000	138,500*	Nil	340.00p	17/06/97	17/06/04

\*The share price at the close of business on the date of exercise was 1032.5p.

There were no new options granted to the directors during the year or since the balance sheet date. No other director held options over the Company's shares during the year.

The mid-market price of the ordinary shares of the company on 31st December, 2000 was 1035p per share. The high for the year was 1162.5p per share and the low was 980p per share.

### Co-investment by directors

During the year, Messrs S W Curran, G D Fairservice, C J Buffin and M S Gumienny who are all directors of the Company, have invested in the ordinary equity of companies in which Candover has also made an investment in the equity and loan capital. Under the Stock Exchange 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 these investments are as follows:

	Class of share	Equity investments in companies subscribed in year £	% (of class) held by the directors
Bourne Leisure Holdings Limited	Ordinary shares	8,701	0.26
First Leisure Limited	Preferred Ordinary Shares	8,426	0.42
Telecast Communications Limited	Ordinary shares	119	0.05

During the year a subsidiary company advanced funds under the Candover staff co-investment scheme and season ticket loan scheme to an officer of the Company. The amount of £4,806 remained payable at 31st December, 2000 (1999: £4,609).

#### Note 4 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans, overdrafts and other loans repayable within five years otherwise than by instalments	4	8

#### Note 5 Taxation on profit on ordinary activities

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

	2000 £000	1999 £000
Revenue		
United Kingdom corporation tax at 30 per cent (1999: 30.25 per cent)	4,077	1,288
Deferred tax (see note 16)	(139)	1,323
Tax attributable to franked investment income	–	85
Adjustment relating to prior years:		
United Kingdom corporation tax	81	180
Deferred tax (see note 16)	–	(193)
Overseas tax	–	55
	4,019	2,738
Capital		
United Kingdom corporation tax at 30% (1999: 30.15%)	(1,423)	(1,315)
	2,596	1,423

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, 1998. 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 6 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the Company has not included its own profit and loss account in these financial statements. The Group profit for the year includes £6,731,000 (1999: £6,750,000) which is dealt with in the financial statements of the holding company.

#### Note 7 Dividends

	2000 £000	1999 £000
Paid interim of 9p (1999: 8.5p)	2,057	1,948
Proposed final of 20p (1999: 18.5p)	4,572	4,220
	6,629	6,168

## Notes to the financial statements

for the year ended 31st December, 2000

### Note 8 Returns per share

The calculation of basic capital return per ordinary share is based on net capital gains for the financial year of £20,305,000 (1999: £23,847,000) and a weighted average number of shares of 22,843,507 (1999: 22,789,480).

The calculation of fully diluted capital return per share takes account of the share options and is based on net capital gains for the financial year of £20,305,000 (1999: £23,847,000) and a weighted average number of shares of 22,954,799 (1999: 22,957,793).

The calculation of basic revenue return per ordinary share is based on net revenue for the financial year of £7,660,000 (1999: £7,718,000) and weighted average number of shares of 22,843,507 (1999: 22,789,480). The calculation of fully diluted revenue return per share takes account of the share options and is based on net revenue for the financial year of £7,660,000 (1999: £7,718,000) and a weighted average number of shares of 22,954,799 (1999: 22,957,793).

### Note 9 Tangible fixed assets

	Leasehold improvements £000	Plant and equipment £000	Motor vehicles £000	Total £000
<b>Group</b>				
<b>Cost</b>				
At 1st January, 2000	—	461	259	720
Additions	1,220	259	97	1,576
Disposals	—	(73)	(47)	(120)
At 31st December, 2000	1,220	647	309	2,176
<b>Depreciation</b>				
At 1st January, 2000	—	302	131	433
Provided in the year	79	119	88	286
Disposals	—	(61)	(46)	(107)
At 31st December, 2000	79	360	173	612
Net book value at 31st December, 2000	1,141	287	136	1,564
Net book value at 31st December, 1999	—	159	128	287



## Note 10 Fixed asset investments

	Managed funds £000	Investee companies £000	Total £000
<b>Group</b>			
Valuation at 1st January, 2000	20,774	132,727	153,501
Additions at cost	22	38,317	38,339
Disposals	(149)	(23,385)	(23,534)
Appreciation	7,183	13,433	20,616
Valuation at 31st December, 2000	27,830	161,092	188,922
<b>Reconciliation</b>			
Cost of investments	634	118,362	118,996
Net unrealised appreciation of investments	27,196	42,730	69,926
	27,830	161,092	188,922

Company	Shares in subsidiary undertakings £000	Managed funds £000	Investee companies £000	Total £000
Cost or valuation at 1st January, 2000	4,877	20,774	132,727	158,378
Additions at cost	—	22	38,317	38,339
Disposals	—	(149)	(23,385)	(23,534)
Appreciation	—	7,183	13,433	20,616
Cost or valuation at 31st December, 2000	4,877	27,830	161,092	193,799
<b>Reconciliation</b>				
Cost of investments	4,877	634	118,362	123,873
Net unrealised appreciation of investments	—	27,196	42,730	69,926
	4,877	27,830	161,092	193,799

At 31st December, 2000 cumulative downward adjustments of £4,378,000 (1999: £6,881,000) had been made against investments with original costs of £32,520,000 (1999: £29,344,000).

## Notes to the financial statements

for the year ended 31st December, 2000

Investments at valuation include:

	2000 £000	1999 £000
<b>Group and Company</b>		
<b>UK</b>		
Listed	12,725	12,275
Unquoted at directors' valuation	125,502	93,847
<b>Europe</b>		
Listed	–	4,226
Unquoted at directors' valuation	22,177	15,447
<b>US</b>		
Listed	16,812	22,689
Unquoted at directors' valuation	11,706	5,017
	188,922	153,501
Equity shares	112,269	86,266
Fixed income securities	76,653	62,621
Convertible securities	–	4,614
	188,922	153,501

At 31st December, 2000 the Company held shares in excess of 10 per cent of a class of shares in a number of investee undertakings but did not have more than 20 per cent of the total allotted share capital in any of these investee undertakings. However, in the opinion of the directors, the listing of these undertakings would result in particulars of excessive length and the financial results of such undertakings do not principally affect the figures shown in these accounts. The list of these undertakings will therefore be enclosed with the Company's next annual return as permitted under section 231 (5) Companies Act 1985.

At 31st December, 2000 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:

Companies	Class of shares held	Percentage of class held
Lombard Investments, Inc (State of California)	Preferred	100.00

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

## Note 11 Subsidiary undertakings

At 31st December, 2000 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 and 1997 Funds	£2,050,000 ordinary
Candover Investments (Nassau) Inc*	Investment holding company	US \$500,000 common stock

\* 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 the preceding companies are incorporated in Great Britain and are registered and operational in England and Wales with the exception of Candover Investments (Nassau) Inc which is incorporated and is operational in the Bahamas.

### Interests in the Candover 1991, 1994 and 1997 Funds ("managed funds")

Candover Partners Limited is the General Partner of the limited partnerships comprising the Candover 1991, 1994 and 1997 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) 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 is a unit holder in the unauthorised unit trusts which 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.

Candover also holds a direct interest in all the Candover 1994 limited partnerships which at 31st December, 2000 was valued at £652,000 (cost £443,000).

## Notes to the financial statements

for the year ended 31st December, 2000

For the reasons set out in the accounting policies, the limited partnerships comprising the Candover 1991, 1994 and 1997 Funds have not been accounted for under the method of full consolidation. At 31st December, 2000 the net assets of the Funds were £712.9 million (1999: £622.9 million) and the net income for the year ended was £7.9 million (1999: £5.0 million). The net assets and net income can be summarised as follows:

	2000 £m	1999 £m
Investments	698.3	587.2
Debtors	0.9	13.8
Cash	14.6	26.6
Creditors	(0.9)	(4.7)
	712.9	622.9
Income from fixed asset investments	10.2	8.5
Interest receivable	0.6	0.5
	10.8	9.0
Expenses	(1.1)	(2.5)
Tax	(1.8)	(1.5)
	7.9	5.0

As at 31st December, 2000 Candover's investment as a Special Limited Partner in the Candover 1991 Fund was valued at £157,000 (1999: £178,000). Candover's investment in the unauthorised unit trusts which are Special Limited Partners in the Candover 1994 and 1997 Funds was valued at £26,890,000 and £131,000 respectively (1999: £19,730,000 and £131,000).

### Note 12 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%
Chevillon Philippe Candover SA	Identifying investment opportunities in France	FFr 500,000	50%

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 SA is owned by a subsidiary undertaking. Chevrillon Philippe Candover SA is incorporated and is operational in France.

	Group share of net assets £000	Company share at cost £000
Cost at 1st January, 2000	74	1
Addition	—	—
Share of post-acquisition reserves at 1st January, 2000	—	—
Increase	—	—
Total	74	1

### Note 13 Debtors

	2000 £000	Group 1999 £000	2000 £000	Company 1999 £000
<b>Amounts falling due within one year</b>				
Trade debtors	189	4,144	24	2,624
Amounts owed by subsidiary undertakings	—	—	104	611
Amounts owed by associated undertaking	8	8	—	—
Other debtors	1,547	1,425	611	657
Prepayments and accrued income	7,208	5,353	3,856	2,236
	8,952	10,930	4,595	6,128

#### Amounts falling due after more than one year

Prepayments and accrued income	1,296	2,616	—	—
<b>Total debtors</b>	<b>10,248</b>	<b>13,546</b>	<b>4,595</b>	<b>6,128</b>

### Note 14 Current asset investments

	2000 £000	Group 1999 £000	2000 £000	Company 1999 £000
Fixed interest securities	42,927	57,926	42,041	57,162

## Notes to the financial statements

for the year ended 31st December, 2000

### Note 15 Creditors: amounts falling due within one year

	2000 £000	Group 1999 £000	2000 £000	Company 1999 £000
Trade creditors	280	530	9	8
Amounts owed to Group undertakings	–	–	2,556	1,915
Current taxation	2,070	–	531	130
 Social security and other taxes	 1,077	 1,387	 –	 –
Proposed dividends	4,564	4,220	4,564	4,220
Other creditors	519	4,169	33	328
Accruals and deferred income	2,121	1,693	941	1,074
	10,631	11,999	8,634	7,675

### Note 16 Provisions for liabilities and charges

	2000 £000	Group 1999 £000	2000 £000	Company 1999 £000
Deferred taxation:				
At 1st January	3,721	2,591	–	–
(Decrease)/increase in year	(139)	1,130	–	–
 At 31st December	 3,582	 3,721	 –	 –
Deferred taxation provided for in the financial statements is set out below:				
Accelerated capital allowances	–	–	–	–
Other timing differences	3,582	3,721	–	–
	3,582	3,721	–	–

There was no unprovided deferred taxation in the financial statements at 31st December, 2000 (1999: £Nil).

## Note 17 Share capital

	Number	2000 £000	Number	1999 £000
<b>Authorised:</b>				
Ordinary shares of 25p each	29,000,000	7,250	29,000,000	7,250
<b>Allotted, called up and fully paid:</b>				
Ordinary shares of 25p each at 1st January	22,812,685	5,703	22,747,685	5,687
Issued in year	45,000	11	65,000	16
Ordinary shares of 25p each at 31st December	22,857,685	5,714	22,812,685	5,703

On 21st December, 2000 375,000 shares were bought in by the Company under an authority granted on 9th May, 2000 and were cancelled after the year end on 2nd January, 2001. Following this transaction the number of shares in issue are 22,482,685.

No options were granted but 45,000 options were exercised during the year. At 31st December, 2000 the following options remained exercisable at the following prices and dates.

No. of options	Exercise price	Exercisable between
35,000	235.00p	20th October, 1995 to 20th October, 2002
120,000	340.00p	17th June, 1997 to 17th June, 2004
3,930	762.00p	8th September, 2001 to 8th September, 2008
158,930		

As at 31st December, 2000 there remained 727,999 options available to be granted under the Candover (1994) executive share option scheme (1999: 566,387).

The performance criteria for the exercise of any options issued under the terms of Candover (1994) executive share option scheme are referred to in the corporate governance report on page 29.

# Notes to the financial statements

for the year ended 31st December, 2000

## Note 18 Reserves

	Share premium account £000	Realised capital reserve £000	Unrealised capital reserve £000	Revenue reserve £000
<b>Group</b>				
At 1st January, 2000	855	150,337	56,500	11,357
Increase in year	116			
Surplus on investments revaluation			20,594	
Investments realised in year		10,735	(7,786)	
Exchange differences		15	68	
Net revenue for the year				1,031
Costs net of tax		(3,321)		
At 31st December, 2000	971	157,766	69,376	12,388
<b>Company</b>				
At 1st January, 2000	855	151,194	56,341	4,329
Increase in year	116			
Surplus on investments revaluation			20,594	
Investments realised in year		10,735	(7,786)	
Net revenue for the year				102
Costs net of tax		(3,321)		
At 31st December, 2000	971	158,608	69,149	4,431

## Note 19 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Net revenue	7,660	7,718
Dividends	(6,629)	(6,168)
	1,031	1,550
Issue of share capital	127	166
Capital surplus for the year	20,305	23,847
Net addition to shareholders' funds	21,463	25,563
Shareholders' funds at 1st January, 2000	224,752	199,189
Shareholders' funds at 31st December, 2000	246,215	224,752

## Note 20 Capital commitments

The directors have authorised commitments of £100 million, £70 million and £5 million, which will be invested pro rata and parallel with the Candover 1997 Fund, the Candover 1994 Fund and the Candover 1991 Fund respectively. At 31st December, 2000 the outstanding commitments were £28.2 million (1999: £44 million), £Nil million (1999: £6.6 million) and £0.5 million (1999: £0.5 million) respectively. At 31st December, 2000 the outstanding commitments to other investment funds were £15.9 million (1999: £5.3 million).



## Note 21 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 £842,000 (1999: £922,000). At 31st December, 2000 there were no amounts payable to the schemes (1999: £Nil).

## Note 22 Lease commitments

Operating lease payments relating to land and buildings amounting to £858,000 (1999: £534,000) are due within one year. The lease to which these amounts relate expires in more than five years.

## Note 23 Reconciliation of operating income to net cash inflow from operating activities

	2000 £000	1999 £000
Operating income	6,939	6,118
(Increase)/decrease in debtors	(2,506)	241
(Decrease)/increase in creditors	(517)	3,464
Tax on franked investment income included within income from UK companies	—	(69)
Depreciation	286	186
Profit on disposal of tangible fixed assets	(22)	(11)
Net cash inflow from operating activities	4,180	9,929

## Note 24 Reconciliation of net cash flow to movement in net funds

	2000 £000	1999 £000
Increase/(decrease) in cash in the year	1,555	(3,129)
Cash inflow from decrease in liquid resources	(14,999)	(15,623)
Change in net funds	(13,444)	(18,752)
Net funds at start of the year	73,064	91,816
Net funds at end of the year	59,620	73,064

Fixed interest securities repayable on demand are treated as liquid resources.

## Note 25 Related party transactions

The Company's interest in the Candover 1991, 1994 and 1997 Funds is disclosed in Notes 11 and 20. The co-investment by directors is disclosed in Note 3.

## Note 26 Contingent liabilities

Other than in the normal course of business, there were no contingent liabilities at 31st December, 2000 or 31st December, 1999.

## Note 27 Post balance sheet events

In February 2001 Candover entered into an agreement to invest £10.3 million in Picard Surgelés.