

(CANDOVER)



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CANDOVER INVESTMENTS plc

Report and Accounts

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for the year ended 31st December, 1993

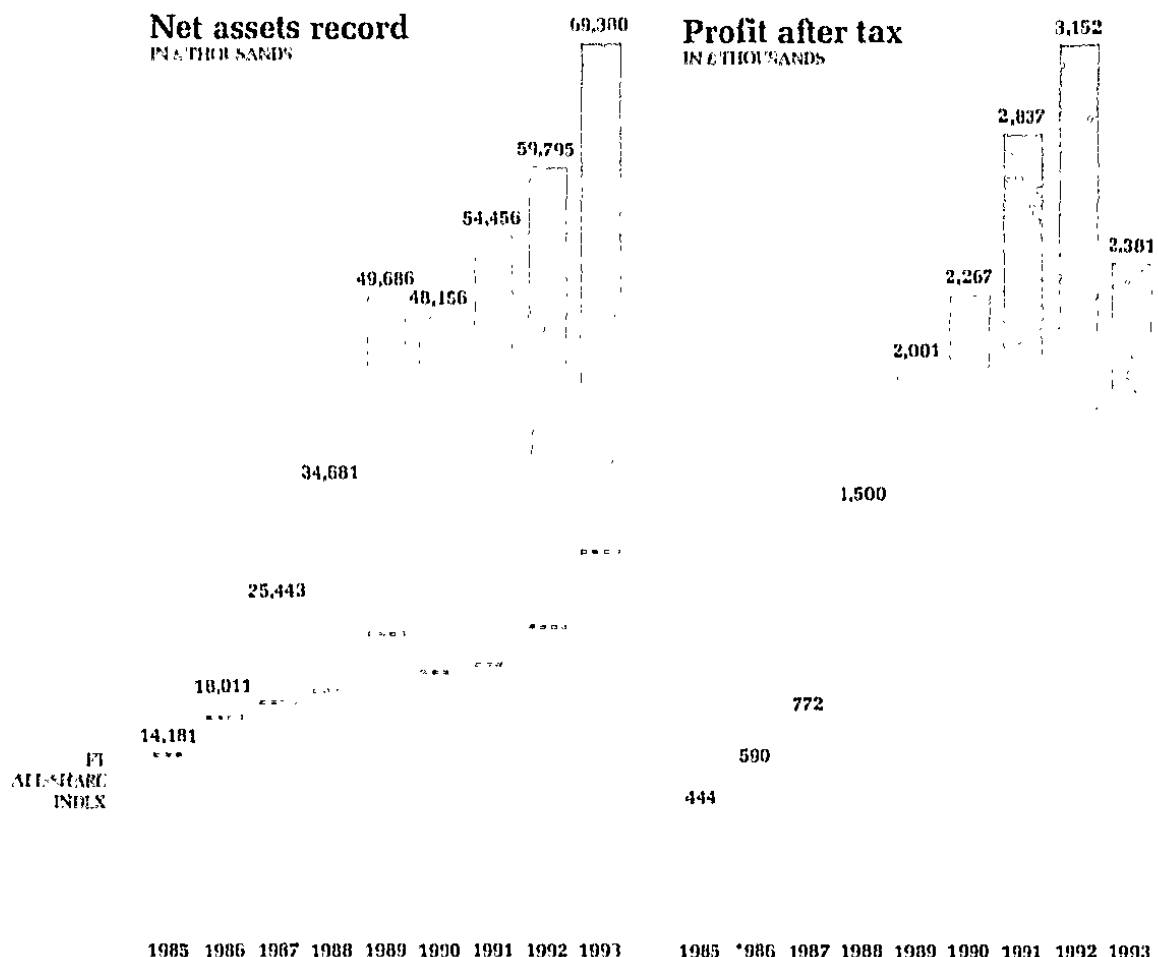
Candover Investments organises and invests in large management buy-outs and buy-ins, and provides development capital to unquoted companies. The company's primary objective is to achieve above average growth in its net assets through capital gains from its investments and to earn a satisfactory income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

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Nine-year Record

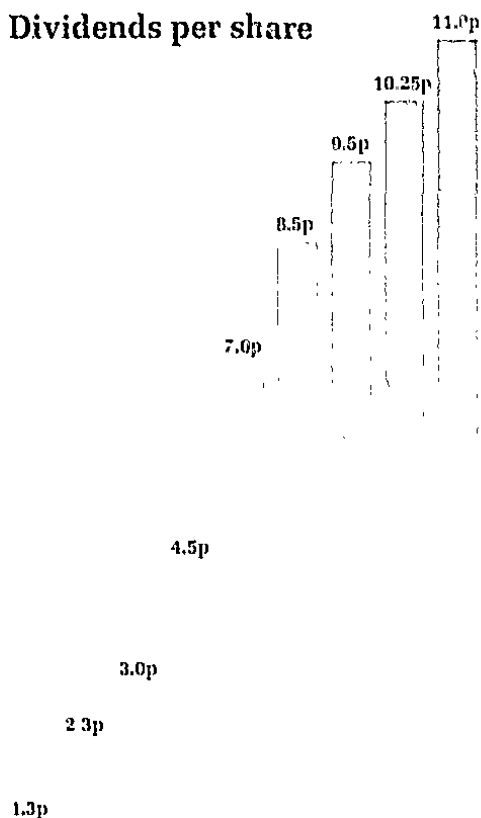
Where appropriate, figures have been adjusted for the 1989 capital increase



	1985	1986	1987	1988	1989	1990	1991	1992	1993
Total Net Assets									
£ million	14,181	18,011	25,443	34,681	49,686	48,156	54,456	59,795	69,380
Net Assets									
per share	66p	84p	117p	159p	224p	217p	244p	267p	310p
Profit on Ordinary									
Activities before									
tax £'000	756	895	1,212	2,132	2,985	3,702	3,955	4,099	3,300

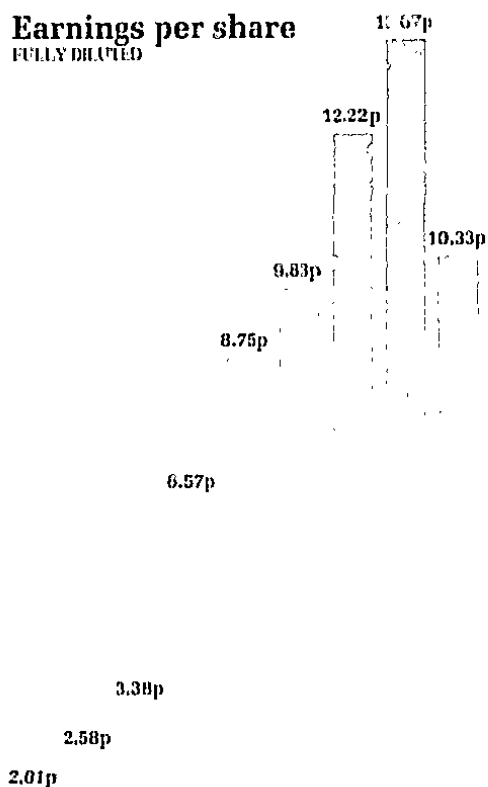
Nine-year Record continued

Dividends per share



Earnings per share

FULLY DILUTED



1985 1986 1987 1988 1989 1990 1991 1992 1993

1985 1986 1987 1988 1989 1990 1991 1992 1993

	1985	1986	1987	1988	1989	1990	1991	1992	1993
Profit after tax £'000	444	590	772	1,500	2,001	2,267	2,837	3,152	2,381
Net Dividend per share	1.30p	2.30p	3.00p	4.50p	7.00p	8.50p	9.50p	10.25p	11.00p
Earnings per share:									
Basic	2.07p	2.75p	3.58p	6.90p	9.03p	10.20p	12.69p	14.09p	10.64p
Fully diluted	2.01p	2.58p	3.38p	6.57p	8.75p	9.83p	12.22p	13.67p	10.33p

The Executive Team

Executive Directors



C R E Brooke MA – Chairman. Mr Brooke was Chief Executive of Candover from its formation in 1980 and was appointed Chairman on 1st January, 1991. In 1966 he was appointed Deputy Managing Director of the Industrial Reorganisation Corporation and from 1969 to 1971 he was Managing Director of Scienta SA which was involved in investments in small and medium sized advanced technology businesses in Europe. He was a director of Pearson Group for eight years and in June 1979 was appointed Group Managing Director of EMI, leaving the company in February 1980 after its merger with Thorn. He is also a director of Slough Estates plc, Lowndes Lambert Group Holdings plc and various unquoted companies. Mr Brooke is 63.

S W Curran FCCA – Chief Executive. Mr Curran was appointed Chief Executive on 1st January, 1991, having previously been Deputy Chief Executive and a director of Candover since July 1982. Prior to joining Candover in May 1981, he was a managing consultant with Coopers & Lybrand Associates and then an Investment Manager with what is now CINVen. He is a non-executive director of Greggs plc and a number of unquoted companies. Mr Curran is 51.



G D Fairservice BSc MBA – Deputy Chief Executive. Mr Fairservice joined Candover in March 1984, was appointed to the Board in July 1986 and was made Deputy Chief Executive on 1st January, 1991. Before joining Candover, Mr Fairservice was eight years with ICFC(3i) followed by two years with the British Technology Group. He is a non-executive director of Kenwood Appliances plc, Keller Group PLC and several unquoted companies. Mr Fairservice is 46.

Other Executives

P G Symonds FCA – Investment Manager. Mr Symonds joined Candover in January 1983. After qualifying as a Chartered Accountant in 1976 with Peat, Marwick, Mitchell & Co he spent seven years in various aspects of professional practice. In addition to his duties as an investment executive with responsibility for a number of Candover's investee companies, in particular in Germany, Mr Symonds also has responsibility for various accounting and administrative functions in Candover. Mr Symonds is 42.





C J Buffin ACA – Investment Manager. Mr Buffin joined Candover in September 1985. After qualifying as a Chartered Accountant in 1982 with Deloitte Haskins & Sells he spent two years in the Investigations and Corporate Finance Departments. Mr Buffin has been responsible for a number of transactions including the original buy-out of Motor World Group PLC and Midland Independent Newspapers plc (which has recently listed and of which he is a director). Mr Buffin is 36.

M S Gumienny ACA – Investment Manager. Mr Gumienny joined Candover in January 1987. After qualifying as a Chartered Accountant with Price Waterhouse he spent 15 months on secondment in the Price Waterhouse Training Department before transferring to Price Waterhouse Bahrain for 12 months. Mr Gumienny has been involved in a number of deals including Gaymer Group Europe Limited, Fishers Group Limited and Economic Insurance Company Ltd, the buy-out of which he led and of which he is also a director. Mr Gumienny is 35.



S N A Leefe ACA – Investment Manager. Mr Leefe joined Candover — in January 1992 after qualifying with Arthur Andersen & Co in 1990. He gained experience in a number of areas including Corporate Recovery. Mr Leefe has assisted in a number of deals and most recently in the buy-out of Druid Systems Ltd of which he is also a director. Mr Leefe is 28.

P R Neal ACIS – Company Secretary. Mr Neal joined Candover in October 1990 as Company Secretary. He has been Company Secretary or Assistant Company Secretary to a number of companies in shipping, insurance and stockbroking and prior to joining Candover was Assistant Company Secretary of The Great Universal Stores plc. Mr Neal qualified as a Chartered Secretary in 1981. In addition to his duties as Company Secretary Mr Neal manages many of the administrative functions of the company. Mr Neal is 45.



T Tan ACA CPA – Financial Controller. Ms Tan joined Candover in September 1990 after qualifying as a Chartered Accountant in 1979 with Grant Thornton. She spent three years in the United States where she qualified as a Certified Public Accountant before returning to the Audit Department in London. Ms Tan manages Candover's and the various Candover fund's accounts and is the company's compliance officer. Ms Tan is 49.

Non-executive Directors

***A P Hichens MA MBA – Deputy Chairman, non-executive.** Mr Hichens joined the Board of Candover in December 1989 and he was appointed Deputy Chairman of the company with effect from 1st January, 1991. He is Chairman of Caradon plc, Chairman of Y J Lovell (Holdings) plc and Deputy Chairman of Courtaulds Textiles plc. He is also a director of South Western Electricity plc, Greenfriar Investment Company Plc, The British Coal Corporation, The Fleming Income & Capital Investment Trust Plc and the London Insurance Market Investment Trust PLC. He was previously a managing director and chief financial officer of Consolidated Gold Fields. Mr Hichens is 57.

***P G Wreford ACIS AIB – Non-executive.** Mr Wreford, Chairman of Candover from January 1983 until 1st January, 1991, proposes to retire from the Board at the next Annual General Meeting. Previously he was Chairman, Managing Director and a principal shareholder of Gresham Trust. Mr Wreford is currently a director of several companies, including the Investment Trust of Guernsey PLC. Mr Wreford is 76.

§G A Elliot FCA – Non-executive. Mr Elliot who has been a Board member since November 1988 proposes to retire at the next Annual General Meeting. Until March 1992 he was Executive Vice-Chairman of Slough Estates plc, one of the UK's largest international property companies. He previously occupied a number of senior positions in RTZ Corporation plc. He is Chairman of Govett American Endeavour Fund Limited and of G. F. Turner & Co Limited (insurance brokers), and is also a director of The William Hill Group Limited and Automated Security (Holdings) plc. Mr Elliot is 51.

***R A P King – Non-executive.** Mr King was until February 1991 the Chairman of Sale Tilney plc. He is Chairman of Majestic Films International, a film distribution company, and of the Fathom Line Group. Mr King is 59.

§P J Scott Plummer FCA – Non-executive. Mr Scott Plummer is Managing Director of Martin Currie Ltd and a director of its subsidiary, Martin Currie Investment Management Ltd, the managers of The Scottish Eastern Investment Trust plc, on which Board he also serves. He was previously a partner of Cazenove & Co from 1974 to 1980 and has had many years' experience in the investment field. Mr Scott Plummer is 50.

***J G West FCA – Non-executive.** Mr West is a Managing Director of Lazard Brothers and Chief Executive of Lazard Investors. He is also a director of Abtrust New Dawn Investment Trust PLC and various Lazard Group subsidiaries. Mr West is 46.

§J M Raisman CBE – Non-executive. Mr Raisman joined the Board of Candover in July 1990. Until March 1985 he was the Chairman and Chief Executive of Shell UK Limited and retired in October 1991 from the post of Deputy Chairman of British Telecommunications plc. He was non-executive director of Glaxo Holdings plc until October 1990 and non-executive director of Vickers plc until December 1990. He is a non-executive director of Lloyds Bank Plc and Tandem Computers Ltd and is Pro-Chancellor of Aston University. He is also chairman of the Council for Industry and Higher Education and Deputy Chairman of the National Commission on Education. Mr Raisman is 66.

* Member of the Remuneration Committee

§ Member of the Audit Committee

Chairman's Statement

1993 was a relatively quiet year for Candover, both for investments and realisations, but I am pleased to report that we nevertheless recorded a healthy growth in net asset value and as the year ended there were several encouraging new developments which should herald a period of greater activity. The evidence is now clearer than when I last reported to you in September that the profits of many of our investee companies have benefited sufficiently from the improved economic environment to enable them to plan a listing for their shares this year or next.

Midland Independent Newspapers, a buy-out arranged by Candover in 1991, was the first such company to achieve this in 1994, floating its shares in March at a price which produced a large uplift in value both for Candover and our partners in the Candover 1989 Fund. Several others should follow in 1994 and 1995 provided of course that profit targets are achieved and stock markets are propitious.

It is helpful that most buy-out and buy-in companies have continued to produce above average performances after listing their shares, a trend which has become widely recognised among institutional investors.

For the managers whom we have backed, as well as the investors in our funds, the ability to obtain a successful stock market quotation provides the clearest recognition of professional success as well as considerable financial benefits. It is gratifying that so many of those we have supported continue to reward our confidence by reaching this milestone. It is also pleasing that our policy of investing steadily through the recession while some others were holding back is now being vindicated. Another major development for Candover has been our encouraging progress in raising a new fund to succeed the Candover 1989 Fund. We expect to achieve a first closing on this new fund shortly.



Darrell Kershaw
Managing Director
Motor World
Group PLC; a
successful 1993
listing

Results for 1993

The total net assets attributable to the ordinary shares at 31st December, 1993, after including current asset investments at market or directors' valuation, less attributable taxation, were £69,380,000 as against £59,795,000 at 31st December, 1992, an increase of 16 per cent. Net assets per share were 310p at 31st December, 1993 compared with 267p, for the previous year. At 30th June, 1993 the net asset value per share was 281p.

The increase for the year was less than the 23 per cent recorded by the FT All Share Index which enjoyed a remarkable surge during the year. The record since December 1984, when Candover's shares were first listed, shows that over a nine year period we have outperformed the Index, with our net assets growing at an annual compound rate of 21 per cent compared with 12 per cent for the Index.

In line with the indications of lower income I gave at the half year, profits before tax were £3,300,000 as compared with £4,099,000 in the previous year. Profits after tax were £2,381,000 (1992 £3,152,000). This result was due partly to the impact of lower interest rates which reduced the return on our cash balances. We also earned fewer financing fees in the year.

The valuation of investments was £47,612,000 (1992 £37,126,000) after taking into account downward adjustments of £4,020,000 made to reflect the underperformance of some companies as well as an increase of £673,000 over the year in the market value of the shares which we still hold in those of our investee companies which have obtained stock exchange listings. At the year end our cash and readily saleable assets totalled £22,618,000, a decrease of £1,900,000 over the year. UK listed shares at the year end totalled 5 per cent of our net assets.

Dividends

We increased the interim dividend at the half year from 3.75p to 3.95p per share. Due to the good prospects for further growth both of assets and profits, the Board has decided to recommend an 8.5 per cent increase in the final dividend from 6.5p per share in 1992 to 7.05p per share; the total dividend for the year is increased by 7.3 per cent from 10.25p in 1992 to 11.0p. Payment of the dividend will be made on 12th May, 1994 to holders on the Register at 22nd April, 1994.

Activities in 1993

Investments

During the year we participated in two large buy-outs alongside the Candover 1989 Fund. First in January the Candover 1989 Fund invested £13,824,000 and Candover £1,176,000 in the buy-out of Gardner Merchant, the leading British contract catering business. In December Candover organised the buy-out of Economic Insurance Company, a medium sized insurance business focusing principally on industrial building and personal household insurance. Candover invested £470,000 and the Candover 1989 Fund £5,530,000 in this transaction.



ECONOMIC

In addition we made three smaller investments alongside the Candover 1991 Fund; United Instrumentation Group, the Consumer Products Division of BP, and Druid Systems Limited. Candover invested £370,000 in these three ventures and the Candover 1991 Fund £2,416,000. We also made a number of follow-up investments to support companies in our existing portfolio.

Realisations

In February Motor World plc, a buy-out led by Candover in 1988, obtained a stock exchange listing which produced a substantial capital gain both for Candover and the Candover 1987 Fund. Since the listing, Motor World's shares have further risen in value.

Our investment in Allenwest Limited was sold during the year, and we continued to sell through the market shares in buy-out companies which had previously obtained listings, taking advantage of buoyant stock markets.

Since the year end Midland Independent Newspapers listed on the London Stock Exchange; Candover's investment is valued at £5,002,000 at the listing price, which gives rise to a gain of £2,410,000 over original cost of £2,592,000.



Funds

THE HOARE CANDOVER EXEMPT FUND ("HCF"), ELECTRA CANDOVER DIRECT INVESTMENT PLAN ("ECDIP") AND CANDOVER 1987 FUND ("87 FUND")

The investment periods of these three funds has terminated and Candover's remaining responsibility is to monitor progress and assist with realisations in those cases where sales or flotations have not already taken place. There are only two investments remaining in each of HCF and ECDIP. The 87 Fund portfolio comprises 22 companies. Most experienced difficult trading during the recession but there are encouraging signs of improvement which should lead to more realisations during the next year or two.

THE CANDOVER 1989 FUND

I referred above to the new investments made during 1993 by the Candover 1989 Fund. This has raised the total drawn down at the year end to £228 million out of the £299 million committed by investors (excluding the £20 million from Candover). In addition to Midland Independent Newspapers, listings are planned for three companies during the first half of 1994 with others possibly following later in the year. Almost all companies in the portfolio produced much improved results in 1993 and are budgeting further progress in 1994. Provided market conditions remain favourable it now seems likely that the 1989 Fund will produce good returns both for Candover and the institutions investing with us through the fund.

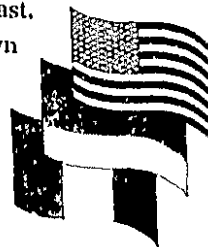
THE CANDOVER 1991 FUND

The three new investments made during the year meant that £9.2 million had been invested by the year end out of a committed total of £32.5 million (excluding £5 million from Candover). Early progress in the fund has been encouraging and three investee companies are planning flotations in 1994, two of which are also 1989 Fund investments. If these take place they should produce welcome initial gains for investors in the fund.

Overseas activities

The recession in continental Europe has had an adverse impact both on our existing portfolio and the rate of new investment, with particular problems for our German companies. Although most of them have coped well and maintained their market positions, the outlook is for a continuance of recession for some time and this must inevitably mean delays in achieving successful realisations. By contrast, our investments in France, through Ciclad Investissements, have shown a substantial rise in value.

In the United States progress was better and it now looks as if we may obtain some useful increases in value from investments made in conjunction with our affiliated company in San Francisco, Lombard Investments, Inc.



Future prospects

I have referred above to the significant improvement in trading in 1993 of most of our investee companies which has led to the prospect of a growing number of profitable realisations. You will recall that we saw a strong uplift in *Candover's* net asset value when many of our companies were sold or listed in the late 1980s. We took some risks in investing strongly during the recent recession and I am pleased that these decisions seem likely to be rewarded. The best time to make new investments is often in expectation of a recovery in the economy or during the early stages of that recovery. Unusually we now have a prospect of low inflation, low interest rates and steady economic progress.

It also now seems likely that, as happened in the early and mid 1980s, many companies will be rationalising their interests and disposing of businesses which do not fit with their core activities on which they refocused during the recession. We should therefore find that the next few years will combine the benefits of good investment opportunities and an economic climate which should favour the development of *British companies*.

With the raising of our new Fund we expect to enter a more intensive phase of new investment and this, combined with the work which we shall have to do to support our realisation programme, means that 1994 is likely to be an extra busy year.

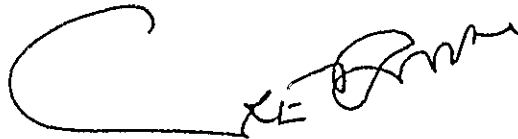
Overall I am optimistic about the future both in terms of growth in net asset value and profits during the current year.

Board and Staff

Peter Wroford has decided to retire at the next Annual General Meeting. You will recall that he was Chairman of the Company from 1983 to the end of 1990, through the formative years of the Company. He has always been a source of wise advice and friendly support and we owe him a great deal. Graeme Elliot will also retire from the Board at the next Annual General Meeting and we are grateful to him too for the contribution which he has made in recent years.

Derek Wilson, Joint Managing Director of Slough Estates plc joined the Board recently. Slough has supported Candover strongly as an investor in the 1989 Fund and again in our new Fund and it has been our policy for one or two of our more substantial investors to participate directly on the Board. Mr Wilson has a wide experience of industry and we welcome him warmly.

There have been no changes to the executive team during the year and I am grateful, as ever, to them for their hard work and contribution, as indeed I am to all members of the staff.

A handwritten signature in black ink, appearing to read 'C R E Brooke', with a large, sweeping initial 'C'.

C R E Brooke
Chairman
25th March, 1994

Review of Investments

Midland Independent Newspapers PLC

REGIONAL DAILY AND WEEKLY NEWSPAPER GROUP

Candover's Investment as at 31st December

Cost of Investment: £2,583,000

	1993	1992
Directors' Valuation	£3,981,000	£2,759,000
Effective Equity Interest (fully diluted)	2.4%	2.4%
% of Candover's Net Assets	5.7%	4.6%

Midland Independent Newspapers is one of the major regional newspaper publishers in the U.K. and the leading newspaper publisher in the Midlands. The Group publishes a range of newspaper titles which includes *The Birmingham Post*, *The Birmingham Evening Mail*, *The Sunday Mercury* and *The Coventry Evening Telegraph* in a portfolio of 12 paid-for and 40 free titles.

On 17th March, 1994 Midland listed on the London Stock Exchange at a price of 140p per share valuing the Candover Group's investment at £5,002,000.

Midland's proforma results for the year ended 31st December, 1993 showed profits before interest and tax of £15.7 million on sales of £79.7 million compared with profits of £13.6 million on sales of £66.6 million for 1992.

No dividends were received in the year to 31st December, 1993 (1992 Nil)

Dakota, Minnesota & Eastern Railroad Corporation

RAILROAD OPERATIONS

Candover's Investment as at 31st December

Cost of Investment: US\$363,000 (£191,000)

	1993	1992
Directors' Valuation	US\$4,942,000 (£3,651,000)	US\$2,015,000 (£1,615,000)
Effective Equity Interest (fully diluted)	11.2%	11.2%
% of Candover's Net Assets	5.3%	2.7%

DM&E Railroad operates a 966 mile railroad in the mid-Western United States of America.

Profits before interest and tax for the year ended 31st December, 1992 were US\$8.2 million on sales of US\$41 million as against US\$8.5 million on sales of US\$37.9 million for the previous year.

No dividends were received by Candover in the year ended 31st December, 1993 (1992 Nil).

Jarvis Hotels Limited

HOTEL OWNERS AND MANAGERS

Candover's Investment as at 31st December

Cost of Investment: £3,624,000

	1993	1992
Directors' Valuation	£3,624,000	£3,624,000
Effective Equity Interest (fully diluted)	3.2%	3.2%
% of Candover's Net Assets	5.2%	6.1%

Jarvis owns and manages a nationwide portfolio of hotels under the Jarvis name, offering conference, training and leisure facilities. It also provides management services to other hotels on behalf of their owners.

Jarvis produced a trading profit before interest and tax of £9 million on sales of £58.9 million for the year ended 27th March, 1993 as against an £8.8 million trading profit plus an exceptional profit of £0.7 million on a trade name sale, on sales of £59.9 million for the previous year.

Gross dividends of £1,489 were received by Candover during the year ended 31st December, 1993 (1992 Nil).

Gaymer Group Europe Limited

DRINKS PRODUCTION, DISTRIBUTION AND MARKETING

Candover's Investment as at 31st December

Cost of Investment: £1,381,000

	1993	1992
Directors' Valuation	£2,534,000	£1,885,000
Effective Equity Interest (fully diluted)	1.5%	1.5%
% of Candover's Net Assets	3.7%	3.2%

Gaymer manufactures and distributes a number of well known drinks including Gaymer's Olde English and "K" Ciders, Babycham, Warnink's Advocaat and Country Manor.

The profit before interest and tax for the twelve month period to 28th February, 1993 was £16 million on sales of £139.7 million. The figures for the previous year whilst the company remained a division of Allied Lyons PLC are not directly comparable.

Gaymer's accounting reference date was changed during 1993 from 30th September to 28th February.

Gross dividends of £54,235 were received by Candover during the year ended 31st December, 1993 (1992 £56,352).

Keller Group Limited

SPECIALIST CONTRACTORS IN BUILDING FOUNDATIONS

Candover's Investment as at 31st December

Cost of Investment: £955,000

	1993	1992
Directors' Valuation	£2,485,000	£2,134,000
Effective Equity Interest (fully diluted)	4.5%	4.0%
% of Candover's Net Assets	3.6%	3.6%

Keller is a leading international specialist contractor providing a range of services in the area of building foundation support, speciality grouting, underpinning, ground retention, groundwater control and seismic protection. In December 1993 Keller acquired Casa Corporation, a caisson contractor based in Chicago, Illinois at a price of US\$9 million.

Keller is planning to list on the London Stock Exchange in April 1994 at a price which would result in a further increase in Candover's valuation

Profits before interest and tax for Keller's audited accounts for the year ending on 31st December, 1993 were £9.2 million after credit of an exceptional item of £0.9 million on sales of £147.8 million, as against profits of £7.3 million on sales of £131.6 million for 1992. The exceptional credit relates to the recovery of a bad debt written off in 1990 as an extraordinary item.

Candover received gross dividends of £150,543 in the year to 31st December, 1993 (1992 £150,159).



John Crathorne,
Managing Director
Stoves

Stoves Limited

MANUFACTURER OF GAS COOKERS

Candover's Investment as at 31st December

Cost of Investment, £485,000

	1993	1992
Directors' Valuation	£1,903,000	£439,000
Effective Equity Interest (fully diluted)	13.4%	13.4%
% of Candover's Net Assets	2.5%	0.8%

Stoves, an independent gas cooker manufacturer of built-in and free standing cookers sells its products to the majority of Britain's leading retailers and is currently developing its business overseas. The company which is based at Prescot, Merseyside, was the subject of a combined management buy-out/buy-in in 1989 and has seen particularly strong growth in its business over the year.

Profits before interest and tax for the year ended 31st May, 1993 were £0.9 million on sales of £32.7 million as against a loss of £1.1 million on sales of £2.4 million for the previous year.

No dividends were received during the year ended 31st December, 1993 (1992 Nil).

Pavilion Services Group Limited**MOTORWAY SERVICE AREAS****Candover's Investment as at 31st December**

Cost of Investment: £1,746,000

	1993	1992
Directors' Valuation	£1,746,000	£1,600,000
Effective Equity Interest (fully diluted)	2.3%	2.3%
% of Candover's Net Assets	2.5%	2.7%

Pavilion is its fourth largest operator/motorway service area in the UK with eight motorway service areas and three trunk road service areas located mainly in the North-West, North and West including Hilton Park, Knutsford, Forton (M6); Severn View, Cardiff, Swansea (M4); Rivington (M61); Medway; Scotch Corner, Newark (A1); and Bangor (A55).

Pavilion's audited accounts for the year ended 30th October, 1993 showed a net loss before interest and tax of £10.4 million on sales of £118.2 million after charging an exceptional £19.4 million in respect of the write down in the value of its properties. In the previous year Pavilion achieved equivalent profits of £7.5 million on sales of £98 million for an eleven month trading period. On a like for like basis operating profits before exceptional item had increased by 15% from £7.8 million to £9 million.

Gross dividends of £74,810 had been received by Candover in the year to 31st December, 1993 (1992: Nil).

Blue Arrow Personnel Services Limited**PERSONNEL SELECTION AND RECRUITMENT SERVICES****Candover's Investment as at 31st December**

Cost of Investment: £1,731,000

	1993	1992
Directors' Valuation	£1,731,000	£1,731,000
Effective Equity Interest (fully diluted)	4.95%	4.95%
% of Candover's Net Assets	2.49%	2.89%

Blue Arrow operates a nationwide chain of 75 offices offering selection and recruitment services in the provision of temporary and permanent staff.

Blue Arrow's profit before interest and tax for the year ended 31st December, 1992 was £165,000 on sales of £44.3 million as against £474,000 on sales of £26.9 million for the previous ten month period from February 1991 to 31 December, 1991.

No dividends were received in the year ended 31st December, 1993 (1992 Nil).

Ciclad Investissements SA**INVESTMENT COMPANY****Candover's Investment as at 31st December**

Cost of Investment: FF5,527,000 (£573,000)

	1993	1992
Directors' Valuation	FF14,124,000 (£1,617,000)	FF4,824,000 (£837,000)
Effective Equity Interest	2.78%	2.78%
% of Candover's Net Assets	2.33%	1.4%

Ciclad Investissements is an investment company which arranges and invests in management buy-outs in France. Up to 31st December, 1993 it has invested in 37

Ciclad Investissements FA - continued

companies of which 8 have been fully realised and a further 3 partially realised. The Net Assets per share increased from FF218 at 31st December, 1992 to FF316 at 31st December, 1993, the latter value being calculated before a dividend distribution during the year of FF63.44 per share.

Candover received gross dividends of £124,300 in the year ended 31st December, 1993 (1992 £4,056).

Gardner Merchant Group Services Limited

CONTRACT CATERING

Candover's Investment as at 31st December

Cost of Investment: £1,170,000

	1993
Directors' Valuation	£1,458,000
Effective Equity Interest (fully diluted)	0.3%
% of Candover's Net Assets	1.7%

Gardner Merchant is the leading contract caterer within the UK and Europe and has a growing number of international contracts, including the Sydney Opera House and the World Bank in Washington D.C. and provides catering facilities for the staff of a large number of companies, hospitals and government departments. Through its subsidiaries, Ring & Brymer and Town and Country it provides a wide range of corporate and private entertainment facilities at most popular sporting events, including Royal Ascot, Wimbledon and many others.

The company was the subject of a management buy-out from Forte PLC in January 1993 in a £402 million deal in which Candover and the 1989 Fund invested £15 million.

No audited figures are available at this time following the buy-out in 1993. The Accounts for the first year of trading to 31st January, 1994 are expected in the near future.

No dividends were received in the year to 31st December, 1993.

LCE Holdings Limited

COMPUTER MAINTENANCE AND ASSOCIATED SERVICES

Candover's Investment as at 31st December

Cost of Investment: £738,000

	1993	1992
Directors' Valuation	£1,376,000	£1,156,000
Effective Equity Interest (fully diluted)	17.3%	17.3%
% of Candover's Net Assets	2.0%	1.9%

The LCE group provides independent maintenance of computer equipment and associated services to a wide range of companies. The Group was the subject of a management buy-out in June 1987 in which Candover and the Candover 1987 Fund invested.

The profit before interest and tax for the year ended 31st May, 1993 was £0.9 million on sales of £7.6 million as against a profit of £0.1 million on sales of £7.2 million for the previous year.

Gross dividends received by Candover during the year ended 31st December, 1993 were £36,985 (1992 £19,177).



Peter Cullum
Managing Director
Economic Insurance
Holdings Limited

Economic Insurance Holdings Limited

COMPOSITE INSURER

Candover's Investment as at 31st December

Cost of Investment: £469,000

	1994
Directors' Valuation	£469,000
Effective Equity Interest (fully diluted)	3.6%
% of Candover's Net Assets	0.7%

Economic, which specialises in providing innovative and "own label" insurance products, is based in Sittingbourne, Kent, and was the subject of a buy-out from the Hafnia Insurance Group in December 1993 in which Candover and the Candover 1989 Fund invested £6 million.

The buy-out having recently been completed there are no figures available at this time for the Holding Company. However the audited accounts for Economic Insurance Company Limited, the subject of the buy-out, showed a profit before loan interest and tax for the year ended 31st December, 1993 of £4.3 million on net premium written of £31.3 million (1992: loss of £5.4 million on net premium written of £31.1 million). No dividends were due to be received by Candover in the year to 31st December, 1993.

AQ Holdings Limited

LAWNMOWER MANUFACTURERS

Candover's Investment as at 31st December

Cost of Investment: £783,000

	1993	1992
Directors' Valuation	£1,205,000	£783,000
Effective Equity Interest (fully diluted)	4.2%	4.2%
% of Candover's Net Assets	1.7%	1.3%

AQ Holdings based in Stowmarket, Suffolk, is a holding company the subsidiaries of which manufacture lawnmowers under the Atco, Qualcast and Suffolk Punch brand names.

In the first period of trading since the buy-out of AQ Holdings in December 1992 profits before interest and tax for the period ended 31st December, 1993 were £2.2 million on sales of £39.8 million.

No dividends were received in the year to 31st December, 1993.

Kenwood Appliances PLC

MANUFACTURER OF KITCHEN APPLIANCES

Candover's Investment as at 31st December

Cost of Investment: £34,000

	1993	1992
Market Valuation	£1,008,000	£1,232,000
Equity Interest	0.1%	0.2%
% of Candover's Net Assets	1.5%	2.1%

Kenwood manufactures a wide range of food preparation appliances, the best known of which is the "Kenwood Chef". The company successfully listed on the London Stock Exchange in June 1992 at a listing price of 285p since when the company has continued to grow organically and by acquisition. During the year Candover sold 193,750 shares obtaining net proceeds of £607,700 (Cost £23,700).

Profits before interest and tax for the year ended 31st March, 1993 were £10.2 million on sales of £101.6 million as against pro forma profits for the previous year of £9.5 million on sales of £92.1 million.

Gross dividends of £28,796 were received by Candover in the year ended 31st December, 1993 (1992 £143,524).

Heidemann Verwaltungs GmbH

AUTOMOTIVE COMPONENTS MANUFACTURER

Candover's Investment as at 31st December

Cost of Investment: DM 3,231,000 (£1,099,000)

	1993	1992
Directors' Valuation	DM 2,335,000 (£909,000)	DM 3,437,000 (£1,317,000)
Effective Equity Interest	9.5%	9.5%
% of Candover's Net Assets	1.3%	2.2%

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

The profit before interest and tax for the year ended 31st January, 1993 was DM9.9 million on sales of DM151 million after including extraordinary profits of DM0.5 million. The equivalent profits for 1992 were DM10.4 million on sales of DM200.9 million, including an extraordinary profit of DM2.3 million on the sale of a non-core business.

No dividends were received by Candover in the year ended 31st December, 1993 (1992: Nil).

Five Star Holdings Incorporated

OIL REFINERY INVESTMENT

Candover's Investment as at 31st December

Cost of Investment: US\$428,325 (£265,000)

	1993	1992
Directors' Valuation	US\$1,141,000 (£771,000)	US\$1,141,000 (£706,000)
Effective Equity Interest	24%	24%
% of Candover's Net Assets	1.1%	1.2%

Five Star Holdings, Inc. which is incorporated in the Republic of Liberia, indirectly holds an interest in Caribbean Petroleum Corporation ("Careco"). Careco, which operates an oil refinery and service station network in Puerto Rico was the subject of a management buy-in in 1987, in which Candover invested. The transaction was arranged by Lombard Investments, Inc. of California, USA in which Candover also holds an interest.

The profit before interest and tax of Careco were US\$2.9 million on sales of US\$351.7 million for the year ended 31st December, 1993 as against profits of US\$1.2 million on sales of US\$350.4 million for the previous year.

No dividends were received by Candover in the year ended 31st December, 1993 (1992: Nil).

Expro International Group Limited

OIL AND GAS FIELD SERVICES

Candover's Investment as at 31st December

Cost of Investment: £596,000

	1993	1992
Directors' Valuation	£724,000	£596,000
Effective Equity Interest (fully diluted)	0.9%	0.9%
% of Candover's Net Assets	1.0%	1.0%

Expro, which was the subject of a management buy-out from Flextech plc in July 1992 in which Candover and the Candover 1989 and 1991 Funds invested £7,031,000, provides a wide range of services to oil exploration companies in the North Sea, Africa, former Soviet Union, Asia Pacific and South America. Services offered include early production facilities enabling wells to come into production on a fast-track basis, installation of a prototype permanent downhole flowmeter to maximise production and extend electronic submersible pump life, and continuing product innovation such as Expro's environmental Green Burner which reduces pollution levels to an extent whereby flaring can occur in most environmentally sensitive areas.

Profits before interest and tax for the period from 19th February, 1992, the date of incorporation of the buy-out company, to 31st March, 1993 were £6.7 million on sales of £39.6 million.

Gross dividends of £7,296 were received by Candover in the year ended 31st December, 1993 (1992 Nil).



David Thompson
Managing Director
Druid Systems
Limited

Druid Systems Limited
INFORMATION TECHNOLOGY CONSULTANCY
Candover's Investment as at 31st December

Cost of Investment: £197,000

	1993
Directors' Valuation	£197,000
Effective equity interest (fully diluted)	3.7%
% of Candover's Net Assets	0.3%

Druid Systems, based in Chertsey, Surrey, provides a specialist consultancy and project implementation service to clients using a software package developed by SAP, a leader in multi-lingual, multi-currency integrated software packages used by substantial manufacturing and trading companies.

Druid was the subject of a £1.5 million investment by Candover and the Candover 1991 Fund in December 1993 in a deal in which the company was bought out by a management team led by the founder from other private investors in the company.

There are no figures available at this time and no dividends were due to be received by Candover in the year ended 31st December, 1993.

Inspec Group Limited

MANUFACTURER OF SPECIALITY CHEMICALS

Candover's Investment as at 31st December

Cost of Investment: £263,000

	1993	1992
Directors' Valuation	£687,000	£263,000
Effective Equity Interest (fully diluted)	0.9%	0.9%
% of Candover's Net Assets	1.0%	0.4%

Inspec, which was the subject of an MBO/MBI from BP Chemicals in a deal in which Candover and the Candover 1991 Fund invested £2 million in September 1992, manufactures and sells speciality chemicals which have a broad range of industrial and household applications. The products are supplied principally to chemical companies in over 50 countries for further processing or incorporation into end products used in more than 20 industries.

Inspec is scheduled to list its shares on the London Stock Exchange on 30th March, 1994 at a listing price of 160p per share valuing the Candover group's investment at £903,088.

Operating profits from continuing operations, before exceptional items and any contribution from Allco, a US manufacturer of speciality acids based in Galena, Kansas, the acquisition of which was completed on 30th December, 1993, were £7 million on turnover of £49 million for the year ended 31st December, 1993. Previous equivalent profits for 1992 were £4.6 million on a turnover of £42 million. Exceptional items comprise non-recurring overhead allocations attributable to BP together with costs of rationalising the Hythe site following the closure of Carshalton.

No dividends were received by Candover in the year ended 31st December, 1993 (1992 Nil).

Alupac Holdings Inc.

ALUMINIUM FOIL MANUFACTURER

Candover's Investment as at 31st December

Cost of Investment: US\$400,000 (£238,000)

	1993	1994
Directors' valuation	US\$937,000 (£658,000)	US\$709,000 (£468,000)
Effective Equity Interest (fully diluted)	11.6%	11.6%
% of Candover's Net Assets	0.9%	0.8%

Alupac, based in Belpro and Caldwell in Ohio, USA manufactures laminate aluminium foil, paper, paperboard and plastics for sale to the food service, construction and packaging industries.

During the year the US laminating business of Norandal was acquired by Alupac in November 1993 which will result in a large increase in Alupac's revenues.

Profits before interest and tax for the year ended 31st December, 1992 were US\$2.1 million on sales of US\$30.5 million as against US\$1.1 million on sales of US\$26.1 million for the previous year.

Candover received gross dividends of £17,331 during the year ended 31st December, 1993 (1992 £14,232).

Fishers Group Limited**LOSS ADJUSTERS****Candover's Investment as at 31st December**

Cost of Investment: £296,000

	1993	1992
Directors' Valuation	£640,000	£484,000
Effective Equity Interest (fully diluted)	6.0%	5.6%
% of Candover's Net Assets	0.9%	0.8%

Fishers Group operates through 30 branches in the UK and has a representation through subsidiaries and agencies in 35 countries worldwide, including an office in Kuwait handling the assessment of war reparation claims on behalf of the Kuwaiti Government. They are the seventh largest chartered insurance loss adjusters, the largest independent motor claims adjusters, as well as handling substantial marine, transit and holiday travel claims.

In their financial year to 31st March, 1993 their audited profit before interest and tax was £1.2 million on sales of £10.15 million compared with profits of £1.1 million on sales of £8.3 million for the previous year.

No dividend was received by Candover in the year ended 31st December, 1993 (1992: £14,740).

Caradon PLC**BUILDING AND CONSTRUCTION****Candover's Investment as at 31st December**

Cost of Investment: £308,000

	1993	1992
Market valuation	£618,000	£471,000
% of Candover's Net Assets	0.9%	0.8%

Caradon is a leading FT-SE 100 building conglomerate trading worldwide under a number of leading brand names, such as Twyford and Doulton bathrooms, Stelrad radiators, Everest double glazing, Catnic Lintels, Mira showers, MK Electric and, in north America, Peachtree doors and Better Built windows.

Candover invested in the original buy-out of Caradon, together with the Hoare Candover Exempt Fund, in October 1985. In November 1989 Caradon merged with MB Group to form MB-Caradon PLC from which Candover obtained its present holding of Convertible Preference Shares.

Profits before interest and tax were £130.8 million on sales of £664.4 million in the year ended 31st December, 1992 as against profits of £126.4 million on sales of £679.2 million in the previous year. The results for the year ended 31st December, 1993 are expected soon.

Interest received on the preference shares by Candover in the year ended 31st December, 1993 was £27,949 (1992: £49,146).

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 BVCA 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, the profit before interest and tax of the current year will normally be used, depending on whether or not more than 6 months of the accounting period remains and provided this can be predicted with reasonable certainty. Such earnings will be adjusted to a maintainable basis, taxed at the full corporation tax rate, and multiplied by a discounted price/earnings multiple. Price/earnings multiples utilised are related to comparable quoted companies and normally discounted by 25%. The discount used may be lower where a realisation is planned within 12 months and higher if the timing of a realisation is long-term or not currently being contemplated.

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

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

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

Report of the Directors

The directors present their report together with the financial statements for the year ended 31st December, 1993.

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 26.

The group is engaged in the identification, implementation and monitoring of large management buy-outs and buy-ins in which it always makes an investment. The company has a number of funds under management: The Candover 1989 Fund which has £299 million committed for investment in transactions requiring equity in excess of £5 million together with a £20 million co-investment agreement with the company; The Candover 1987 Fund which had £30 million available for investment in smaller transactions and for which all commitments have been drawn down, and The Candover 1991 Fund with commitments of £32.5 million in addition to which the Company has committed £5 million under a co-investment agreement. The Hoare Candover Exempt Fund, which has been extended until March 1995 and the Electra Candover Direct Investment Plan, from which investors were released from their commitments in February 1989, have both reached a stage where only two investments remain to be realised. As indicated in the Chairman's statement on page 7 a new fund to succeed the 1989 Fund is close to completion.

Results and review of business

The group profit for the financial year after taxation was £2,381,000 compared with £3,152,000 for the year ended 31st December, 1992. Income decreased from £8,996,000 to £7,672,000. Administrative expenses were £4,376,000 compared with £4,920,000 in 1992. A review of the group's activities is given in the Chairman's statement on pages 7 to 11.

Dividend and proposed charge to reserves

The directors recommend the payment of a final dividend of 7.05p per ordinary share giving a total for the year of 11p as against the previous year where a second interim payment of 6.5p gave a total dividend for the year of 10.25p. There was no final dividend for 1992. Payment of the dividend will be made on 12th May, 1994 to holders on the register at the close of business on 22nd April, 1994. The dividend details are shown in Note 6 on page 38.

After payment of the dividend, a deficit of £81,000 arose in respect of the year ended 31st December, 1993 which the directors propose to charge to reserves. (profits of £858,000 were retained in 1992).

Directors

The directors listed below served on the Board throughout the year and were in office at the end of the year. Their biographical details appear on pages 4 and 6.

C R E Brooko
S W Curran
G D Fairservice
A P Hichens*
G A Elliot*

R A P King*
J M Ralsman*
P J Scott Plummer*
J G West*
P G Wretford*

*non executive

Following the year end Mr D R Wilson was appointed to the board on 25th March 1994 and will be subject to re-election at the forthcoming Annual General Meeting of the Company to

be held on 3rd May, 1994. Mr P G Wroford and Mr G A Elliot will retire from the board at the conclusion of the Annual General Meeting.

In view of the retirement of two directors one of Mr G D Fairservice is required to retire by rotation, and being eligible, will offer himself for re-election. Mr Fairservice has a service contract of two years duration.

Directors' interests

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

	Ordinary shares of 25p each		Share options	
	31st December, 1993	1st January, 1993	31st December, 1993	1st January, 1993
BENEFICIAL				
C R E Brooke	501,552	501,552	12,795	12,795
S W Curran	639,708	639,708	12,795	12,795
G D Fairservice	165,000	165,000	100,000	100,000
A P Hichens	15,000	15,000		
P J Scott Plummer	12,000	12,000		
J G West	1,500	1,500		
P G Wroford	90,000	115,000		
G A Elliot	Nil	Nil		
R A P King	Nil	Nil		
J M Raisman	Nil	Nil		
NON-BENEFICIAL				
C R E Brooke	Nil	408,000		

During the year it was recorded that all Mr Brooke's children had reached maturity and accordingly, there was no further declarable non-beneficial interest arising.

In the period between 31st December, 1993 and 25th March, 1994 Mr Brooke acquired and sold 48,000 shares as part of a reorganisation of family interests. In the same period Mr Wroford sold 40,000 ordinary shares, and Mr G D Fairservice sold 2,500 shares. Additionally, 1,000 shares held by a connected person of Mr S W Curran, in which he is deemed to hold a beneficial interest were also sold in this period.

Directors' outstanding share options are exercisable at various times between 1st January, 1993 and 1st January, 2000 and at varying prices between 114p and 235p. There were no options granted or exercised during the year.

Messrs C R E Brooke, S W Curran and G D Fairservice, together with certain other executives of the company have a beneficial interest in the Limited Partnerships of the Candover 1989 Fund and the Candover 1991 Fund. The participation of these directors and executives in such arrangements was approved by shareholders at an Extraordinary General Meeting of the company held on 4th May, 1989.

Apart from service contracts, no director of the company is or has been during the year, materially interested in any contracts of significance with the company or its subsidiaries.

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

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 25th March, 1994.

Electra Investment Trust plc	8.9%
The Scottish Eastern Investment Trust PLC	8.4%
The Prudential Assurance Co Ltd	6.7%
London and Manchester Group of Companies	5.5%
Royal Life Insurance Limited	5.4%
Mars Security Limited	4.8%
British Airways Pension Fund	4.4%

During the year certain shareholders with an interest of more than 3 per cent but less than 10 per cent advised that their interests were no longer notifiable in accordance with Section 198 of the Companies Act 1985 as amended.

Political and charitable donations

During the year £11,086 (1992 £19,017) was given for charitable purposes. There were no political donations (1992 £Nil).

Post Balance Sheet Events

Since the year end Midland Independent Newspapers PLC, Partco Group PLC and Inspec Group PLC have listed on the London Stock Exchange, and Keller Group Limited has also made an application to list. Details are shown in Note 26.

Annual General Meeting

The Annual General Meeting of the company will be held on 3rd May, 1994 at 12 noon at the Howard Hotel, Temple Place, London WC2. The notice of the meeting appears in the circular to shareholders enclosed with these accounts.

In addition to the Ordinary business of the meeting there are a few items of special business to be proposed as an Ordinary Resolution and two Special Resolutions. The subject matter of the special business includes the introduction of a new Executive Share Option Scheme to replace the existing scheme which expires in July 1994, and the introduction of new Articles of Association which introduce amendments felt to be necessary in view of changes in company law, in the guidelines given by the London Stock Exchange and in the good corporate practices of listed companies generally. Also as with previous years it is necessary to renew the Directors' authority to set aside shareholders' pre-emption rights over the issue of new shares for cash up to a limit of 5 per cent of the ordinary shares in issue.

Auditors

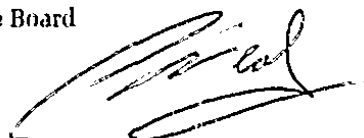
Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

Tax Status

The Board of the Inland Revenue has approved the company as an investment trust, under section 842 of the Income and Corporation Taxes Act 1988, for the year ended 31st December, 1992.

In the opinion of the directors, the company's affairs since that date have been conducted so as to enable it to continue to seek approval as an investment trust. 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
25th March, 1994

Cadbury Committee

Last year, your Board reviewed the company's compliance procedures as a result of the Cadbury Committee report on the Financial Aspects of Corporate Governance, together with a Code of Best Practice ("the Code") published in December 1992. Various measures were put in place to enable Cadover at that time to confirm its compliance with the Code. In the view of the directors Cadover continues to comply with the Code, except where they are unable to do so as with the provisions relating to the reporting by directors on internal control and going concern whilst the development of the necessary guidance in these areas is awaited.

Corporate Governance at Cadover is achieved through the Board, which consists of three executive directors and seven non-executive directors who delegate some of their powers to certain other committees whilst retaining other matters which are reserved for decision by the full Board. Details of the directors and the members of the committees, which are described below, are set out on pages 4 and 6.

Audit Committee

The Audit committee was established in 1990 for the purpose of providing a link between the Board and the company's auditors on matters arising from the group audit. These matters include consideration of the group report and accounts which Cadover intends to publish, the effect of accounting standards and policies generally, and internal financial control procedures. The Committee meets regularly before the publication of the group's interim and preliminary announcement of results and at other times as necessary. It does not involve itself in the day-to-day running of the business which remains the responsibility of the executive directors.

Remuneration Committee

The Committee meets regularly to agree the remuneration policy in respect of directors and senior executives and to advise on the remuneration of staff.

Nomination Committee

In March 1994 the board appointed a Nomination Committee consisting of the Chairman, Deputy Chairman (non-executive) and Chief Executive for the purpose of selecting non-executive directors. All appointments, together with the appointment of any executive director are subject to the final approval of the full board before ratification at a General Meeting of shareholders.

Directors' Responsibilities and Auditors' Report

Directors' Responsibilities for preparing 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 Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.

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

The Directors are also responsible for maintaining adequate accounting records, for safeguarding the assets of the Group and for preventing and detecting fraud and other irregularities. The Directors confirm that the financial statements have been prepared on the going concern basis.

Report of the Auditors to the Members of Candover Investments plc

We have audited the financial statements on pages 29 to 47 which have been prepared under the accounting policies set out on pages 29 and 30.

Respective responsibilities of Directors and Auditors

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

Basis of Opinion

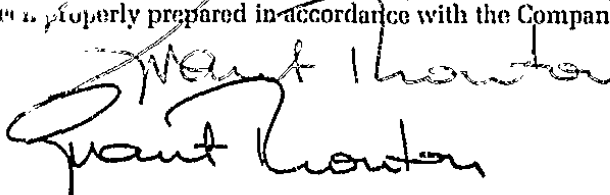
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company'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 1993 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
25th March, 1994

Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards except for the policies relating to accounting for managed funds and certain associated undertakings as described below. The financial statements are prepared under the historical cost convention except that investments are stated at valuation.

The principal accounting policies of the group, which have remained unchanged from the previous year are set out below:

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 10). The financial statements of each undertaking in the group have been prepared to 31st December 1993. The results of subsidiary undertakings have been included from the date of acquisition.

Associated undertakings

An associated undertaking is defined as an entity, not being a subsidiary undertaking, in which the group has a substantial and long-term interest and over whose financial and operating policy decisions the group is in a position to exercise significant influence. Where such entities are an integral part of the group's investment management operations, the group's share of profits is included in the group profit and loss account, and the investment is carried in the group balance sheet at an amount equivalent to the group's share of net assets. The company balance sheet shows the investment in such undertakings at cost, and particulars of entities accounted for as associated companies are set out in note 11.

The group has certain other investments in companies which fall within the definition of associated undertakings contained in the Companies Act 1985 but which are not accounted for as associated undertakings, and accordingly, the group does not equity account its share of the net assets and results of such investments. In the opinion of the directors it would not show a true and fair view for such investments to be equity accounted while the remainder are held at valuation, since all such investments are held for capital appreciation. Furthermore, the directors consider it is inappropriate to include in the consolidated profit and loss account the group's share of an investee company's undistributed profits when those profits cannot be realised as income unless distributed, and if realised by sale of the company, will be taken to non-distributable capital reserves. The effect if such investments were equity accounted is set out in note 9.

Managed Funds

Where the constitution of a managed fund involves its being a subsidiary undertaking under the Companies Act 1985, but the group has no substantial beneficial interest in the income, assets or liabilities, the total net assets of the fund are consolidated gross within fixed asset investments and the minority interest deducted immediately after. The 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 to shareholders a true and fair view of the income and state of affairs of the group requires its exclusion. Details of these managed funds are set out in note 10.

Income

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

Deferred expenditure

Placement fees incurred in the establishment of the Candover 1989 Fund and the Candover 1991 Fund have been carried forward in current assets and are being written off over five years.

Depreciation

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

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

Investments

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

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

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

Shares in subsidiary undertakings are held at cost less provisions.

Deferred taxation

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

Deferred tax is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse.

Foreign currencies

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

Pension costs

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

Operating Leases

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

Group Profit and Loss Account

for the year ended 31st December, 1993

	Notes	1993 £'000	1992 £'000
Income	1	7,672	8,996
Administration expenses	2	(4,376)	(4,920)
Operating income		3,296	4,076
Share of profits of associated undertakings	11	13	41
Profit before interest		3,309	4,117
Interest payable and similar charges	3	(9)	(18)
Profit on ordinary activities before tax		3,300	4,099
Tax on profit on ordinary activities			
Group	4	(917)	(945)
Associated undertakings		(2)	(2)
		(919)	(947)
Profit for the financial year	5	2,381	3,152
Dividends	6	(2,462)	(2,294)
Transfer (from)/to distributable reserves	17	(81)	858
Earnings per share	7		
Basic		10.64p	14.09p
Fully Diluted		10.33p	13.67p

The accounting policies on pages 29 and 30 and notes on pages 36 to 47 form part of these financial statements.

Group Statement of Total Recognised Gains and Losses

for the year ended 31st December, 1993

	Notes	1993 £'000	1992 £'000
Capital profit on investments			
Realised gains and losses	17	1,225	282
Unrealised gains and losses	17	8,292	4,085
Exchange differences	17	(20)	112
Capital surplus for the year		9,497	4,479
Revenue profit available for distribution		2,381	3,152
Total recognised gains and losses for the year		<u>11,878</u>	<u>7,631</u>
Distributable profits			
Revenue profit available for distribution		2,381	3,152
Dividends	6	(2,462)	(2,294)
Transfer (from)/to distributable reserves	17	(81)	858
Non-distributable profits			
Transfer to non-distributable reserves	17	<u>9,497</u>	<u>4,479</u>
		<u>9,416</u>	<u>5,337</u>

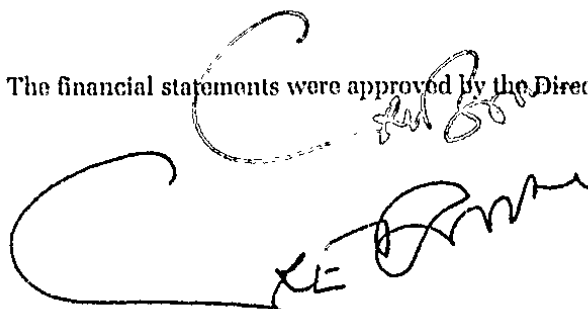
The accounting policies on pages 29 and 30 and notes on pages 36 to 47 form part of these financial statements.

Group Balance Sheet

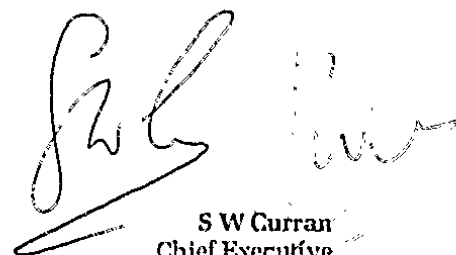
at 31st December, 1993

	Notes	£'000	1993 £ 000	1992 £'000
Fixed assets				
Tangible	8		166	218
Investments				
Managed Funds	10	268,825		212,591
Less: Minority interests in managed funds		(264,693)		(212,517)
Net investment in managed funds	9	4,132		74
Other	9	43,480		37,052
		47,612		37,126
Associated undertakings	11	72		60
			47,684	37,186
Current assets				
Debtors	12	4,810		6,305
Investments	13	22,064		24,334
Cash at bank		554		204
		27,428		30,843
Creditors: due within one year	14	(5,259)		(8,217)
Net current assets			22,169	22,626
Total assets less current liabilities			70,019	60,030
Provisions for liabilities and charges	15		(1,013)	(440)
			69,006	59,590
Capital and reserves				
Called up share capital	16		5,595	5,595
Share premium account	17		126	126
Realised net appreciation reserve	17		47,790	44,604
Unrealised net appreciation reserve	17		12,244	5,933
Profit and loss account	17		3,234	3,315
Shareholders' Funds			68,989	59,573
Minority interests			17	17
			69,006	59,590

The financial statements were approved by the Directors on 25th March, 1994



C R E Brooke
Chairman



S W Curran
Chief Executive

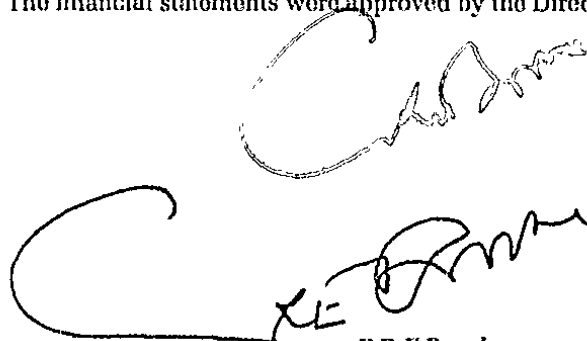
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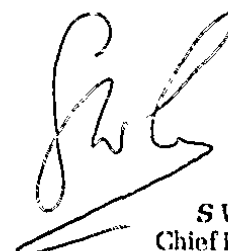
Balance Sheet

at 31st December, 1993

	Notes	£'000	1993 £'000	1992 £'000
Fixed assets				
Investments	9		52,382	41,968
Associated undertakings	11		1	1
			52,383	41,969
Current assets				
Debtors	12	1,376		2,325
Investments	13	14,393		15,783
Cash at bank		438		8
		16,207		18,316
Creditors: due within one year	14	(2,718)		(3,561)
Net current assets			13,489	14,755
Total assets less current liabilities			65,872	56,724
Provisions for liabilities and charges	15		(110)	(63)
			<u>65,762</u>	<u>56,661</u>
Capital and reserves				
Called up share capital	16		5,595	5,595
Share premium account	17		126	126
Realised net appreciation reserve	17		47,790	44,604
Unrealised net appreciation reserve	17		11,918	5,659
Profit and loss account	17		333	677
			<u>65,762</u>	<u>56,661</u>

The financial statements were approved by the Directors on 25th March, 1994


C R E Brooke
Chairman


S W Curran
Chief Executive

The accounting policies on pages 29 and 30 and notes on pages 36 to 47 form part of these financial statements.

Group Cash Flow Statement

at 31st December, 1993

	1993 £'000	1992 £'000
Operating activities		
Cash received from investments	2,647	3,050
Cash received from investment management and other financial services	4,929	5,477
Expenses paid	(4,474)	(4,311)
Net cash inflow from operating activities - see note 23	3,102	4,216
Returns on investments and servicing of finance		
Dividends received from associated undertakings	—	35
Interest paid	(9)	(18)
Dividends paid	(2,346)	(2,174)
Net cash outflow from returns on investments and servicing of finance	(2,355)	(2,157)
Taxation		
UK corporation tax paid	(2,399)	(80)
Investing activities		
Purchase of tangible fixed assets	(85)	(76)
Purchase of investments	(6,861)	(5,370)
Sales of investments	6,692	6,232
Receipts from sales of tangible fixed assets	6	11
Exchange differences	(20)	112
Net cash (outflow)/inflow from investing activities	(268)	909
Net cash (outflow)/inflow before financing	(1,920)	2,888
Financing		
Issue of ordinary share capital	—	(37)
Net cash inflow from financing	—	(37)
(Decrease)/increase in cash and cash equivalents - see note 24	(1,920)	2,925
	(1,920)	2,888

The accounting policies on pages 29 and 30 and notes on pages 36 to 47 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31st December, 1993

1 Income from continuing operations

	1993 £'000	1992 £'000
Financial services	591	1,136
Investment dealing	96	401
Investment management fees	4,065	4,247
	4,752	5,784
Investment income:		
Income from fixed asset investments	1,090	1,045
Income from Treasury bills and other fixed interest securities	1,039	1,199
Other income receivable, arising on short-term deposits and loans	791	968
	2,920	3,212
	<u>7,672</u>	<u>8,996</u>

Of the income from fixed asset investments £126,000 arose from listed investments (1992 £143,000). Income from financial services originated outside the United Kingdom was £31,000 (1992 £45,000). All income arose from the single activity of organising and investing in management buy-outs and buy-ins and providing capital to unquoted companies. All income is attributable to continuing activities.

2 Administration expenses

Administration expenses include the following:

	1993 £'000	1992 £'000
Staff costs	2,053	2,129
Depreciation	131	130
Auditors' remuneration – audit work	37	40
– non-audit work	81	66
Operating lease rentals – building	534	556
– other	31	35
	<u>2,053</u>	<u>2,129</u>
Staff costs during the year were:		
Salaries	1,574	1,642
Social Security costs	139	142
Pension, insurance and other costs	340	345
	<u>2,053</u>	<u>2,129</u>

The average number of employees of the group in the UK during the year was 18 (1992 19). Additionally, the average number of employees of overseas subsidiary undertakings in the group during the year was 5 (1992 5).

Remuneration and consultancy fees paid in respect of services provided by directors were as follows:

	1993 £'000	1992 £'000
Directors' fees	118	118
Management remuneration:		
Salaries	642	559
Pensions and insurance costs	181	171
Performance related remuneration	71	82
	894	812
	<u>1,012</u>	<u>930</u>

Note 2 continued

The emoluments of the directors, excluding pension contributions, were as follows:

	1993 £'000	1992 £'000
The Chairman	253	251
The highest paid Director	284	Chairman
	1993 number	1992 number
£ 15,001 to £ 20,000	6	6
£ 20,001 to £ 25,000	1	1
£190,001 to £195,000	—	1
£205,001 to £210,000	1	—
£230,001 to £235,000	—	1
£250,001 to £255,000	1	1
£280,001 to £285,000	1	—

During the year and included in the above directors' emoluments the Chairman received performance related payments, arising from the profit related pay scheme and a discretionary bonus of £22,126. A similar payment of £21,020 was made to the highest paid director, and the other executive director received payments of £27,604.

3 Interest payable and similar charges

	1993 £'000	1992 £'000
On bank loans, overdrafts and other loans — repayable within 5 years otherwise than by instalments	9	18

4 Tax on profit on ordinary activities

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

	1993 £'000	1992 £'000
United Kingdom corporation tax at 33 per cent (1992 33 per cent)	(2)	2,470
Deferred tax — see note 15	596	(1,871)
Tax attributable to franked investment income	324	340
Adjustments relating to prior years		
United Kingdom corporation tax	22	12
Deferred tax — see note 15	(23)	(6)
	<u>917</u>	<u>945</u>

The Board of 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, 1992. In the opinion of the directors, the company's affairs since that date have been conducted so as to enable it to continue to seek approval as an investment trust.

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 £2,118,000 (1992 £2,238,000) which is dealt with in the financial statements of the holding company.

6 Dividends

	1993 £'000	1992 £'000
Paid interim of 3.95p (1992 3.75p)	884	839
Paid second interim of Nil (1992 6.5p)	–	1,455
Proposed final of 7.05p (1992 Nil)	1,578	–
	<u>2,462</u>	<u>2,294</u>

7 Earnings per share

The calculation of basic earnings per ordinary share is based on profit for the financial year of £2,381,000 (1992 £3,152,000) and a weighted average number of shares of 22,381,095 (1992 22,366,485). The calculation of fully diluted earnings per share takes account of the share options and is based on profit for the financial year of £2,381,000 (1992 £3,152,000) and a weighted average number of shares of 23,060,255 (1992 23,060,255).

8 Tangible fixed assets

	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1st January, 1993	390	239	629
Additions	10	75	85
Disposals	–	(65)	(65)
At 31st December, 1993	<u>400</u>	<u>249</u>	<u>649</u>
Depreciation			
At 1st January, 1993	255	156	411
Provided in the year	67	64	131
Disposals	–	(59)	(59)
At 31st December, 1993	<u>322</u>	<u>161</u>	<u>483</u>
Net book amount at 31st December, 1993	<u>78</u>	<u>88</u>	<u>166</u>
Net book amount at 31st December, 1992	<u>135</u>	<u>83</u>	<u>218</u>

9 Fixed asset investments

Group	Investments		
	Managed funds £'000	Other £'000	Total £'000
Valuation at 1st January, 1993	74	37,052	37,126
Additions at cost	2,005	4,856	6,861
Disposals	—	(4,667)	(4,667)
Appreciation	2,053	6,239	8,292
Valuation at 31st December, 1993	<u>4,132</u>	<u>43,480</u>	<u>47,612</u>
Reconciliation			
Cost of investments	2,079	33,557	35,636
Net unrealised appreciation of investments	2,053	9,923	11,976
	<u>4,132</u>	<u>43,480</u>	<u>47,612</u>

Company	Shares in subsidiary undertakings £'000	Investments		
		Managed funds £'000	Other £'000	Total £'000
Cost or valuation at 1st January, 1993	4,842	74	37,052	41,968
Additions at cost	—	2,005	4,856	6,861
Disposals	—	—	(4,667)	(4,667)
Appreciation	—	2,053	6,167	8,220
Cost or valuation at 31st December, 1993	<u>4,842</u>	<u>4,132</u>	<u>43,408</u>	<u>52,382</u>
Reconciliation				
Cost of investments	4,842	2,079	33,557	40,478
Net unrealised appreciation of investments	—	2,053	9,851	11,904
	<u>4,842</u>	<u>4,132</u>	<u>43,408</u>	<u>52,382</u>

At 31st December, 1993 cumulative downward adjustments of £8,006,000 (1992 £6,577,000) had been made against investments with original costs of £11,503,000 (1992 £10,525,000).

Investments at valuation include:	1993 £'000	1992 £'000
UK		
Listed	2,406	3,832
Unquoted at directors' valuation	33,308	23,288
Europe		
Unquoted at directors' valuation	5,050	5,364
US		
Listed	441	831
Unquoted at directors' valuation	6,407	3,811
	<u>47,612</u>	<u>37,126</u>

At 31st December, 1993 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 effect 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.

Note 9 continued

At 31st December, 1993, the company had an interest of more than 20 per cent in the nominal value of the total allotted share capital of the following companies:

Companies	Class of shares held	Percentage of class held
Golden Key Homes Ltd (incorporated in Great Britain)	Cumulative convertible participating preferred ordinary	36.00
	Cumulative redeemable preference	33.33
Karablue Ltd (incorporated in Great Britain)	"B" Ordinary	35.58
Lombard Investments, Inc (State of California)	Preferred	100.00
VCI Candover Managment BV (incorporated in the Netherlands)	Ordinary	30.00
	Loan Capital	30.00

For the reasons set out in the Accounting Policies these investments have not been included as associated undertakings. Based on the latest audited accounts received by the company in respect of each investment, if equity accounting had been applied in these financial statements, the group profit after tax would have been increased by approximately £63,000 (1992 £61,000) and the group net assets increased by £32,000 (1992 £56,000).

10 Subsidiary undertakings

At 31st December, 1993, the principal subsidiary undertakings included in the consolidation were:

	Nature of business	Issued share capital
Candover Services Limited*	Arrangement of investment syndications	£4,400,000 Ordinary
Candover Realisations Limited	Investment dealing company	£100 Ordinary
Candover (Trustees) Limited*	Nominee Company	£100 Ordinary
Candover Nominees Limited*	Nominee Company	£100 Ordinary
Candover Partners Limited	General Partner of the Candover 1989 Fund and of the Candover 1991 Fund	£1,050,000 Ordinary
Candover Investments (Nassau) Inc*	Investment holding company	US\$500,000 Common Stock
Deutsche Candover GmbH**	Arrangement of management buy-out and buy-in investments in Germany	DM180,000 Ordinary

* Wholly owned directly by the holding company ** 90 per cent owned 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 Deutsche Candover GmbH which is incorporated and is operational in the Federal Republic of Germany and Candover Investments (Nassau) Inc which is incorporated and is operational in the Bahamas.

Note 10 continued**Interests in the Candover 1989 and 1991 Funds ("Managed Funds")**

Candover Partners Limited is the General Partner of the limited partnerships comprising the Candover 1989 and the Candover 1991 Funds. The company is a Special Limited Partner entitled to participate in profits after a minimum rate of return has been achieved by the Limited Partners.

During the year the company also acquired from another limited partner an additional Limited Partnership interest in the Candover 1989 Fund at a cost of £2.0 million and at 31st December, 1993 this interest was valued at £2.4 million.

For the reasons set out in the Accounting Policies, the limited partnerships comprising the Candover 1989 Fund and the Candover 1991 Fund have not been accounted for under the method of full consolidation. At 31st December, 1993, the net assets of the Funds were £268.8 million (1992 £212.6 million) and the income for the year then ended was £5.7 million (1992 £6.3 million). The net assets can be summarised as follows:

	1993 £'m	1992 £'m
Investments	258.9	191.9
Debtors	1.7	0.1
Cash	8.4	20.7
Creditors	(0.2)	(0.1)
	<u>268.8</u>	<u>212.6</u>

11 Associated undertakings

	Class of share capital held	Proportion held by holding company	Proportion held by subsidiary undertaking	Nature of business
Hoare Candover Limited	Ordinary shares	50%	—	Management of the Hoare Candover Exempt Fund
Electra Candover Partners	Partnership	—	33 1/3%	Management of the £260 million Electra Candover Direct Investment Plan

Hoare Candover Limited is incorporated in Great Britain and registered in England and Wales; both are operational in England. Electra Candover Partners' financial year end is 30th September.

The investors in the Electra Candover Direct Investment Plan were released from their commitments on 28th February, 1989.

	Group share of net assets £'000	Company share at cost £'000
Cost at 1st January, 1993	1	1
Share of post-acquisition reserves at 1st January, 1993	59	—
Increase	12	—
	<u>72</u>	<u>1</u>

12 Debtors

	1993 £'000	Group 1992 £'000	1993 £'000	Company 1992 £'000
Due within one year:				
Trade debtors	852	1,544	-	-
Amount owed by group undertakings	-	-	74	77
Amount owed by associated undertakings	3	6	-	-
Other debtors	2,236	2,364	941	2,221
Prepayments and accrued income	1,622	1,978	361	227
	4,713	5,892	1,376	2,525
Due after more than one year:				
Prepayments and accrued income	97	413	-	-
Total debtors	<u>4,810</u>	<u>6,305</u>	<u>1,376</u>	<u>2,525</u>

13 Current asset investments

	1993 £'000	Group 1992 £'000	1993 £'000	Company 1992 £'000
Listed investments	3	3	-	-
Short term deposits and fixed interest securities	22,061	24,331	14,393	15,783
	<u>22,064</u>	<u>24,334</u>	<u>14,393</u>	<u>15,783</u>

The market value of the listed investments was £4,500 (1992 £4,000).

14 Creditors: Due within one year

	1993 £'000	Group 1992 £'000	1993 £'000	Company 1992 £'000
Trade creditors	296	387	14	9
Amounts owed to group undertakings	-	-	128	575
Current taxation	1,119	3,267	772	1,285
Social security and other taxes	74	23	-	-
Proposed dividends	1,571	1,455	1,571	1,455
Other creditors	652	621	186	186
Accruals and deferred income	1,547	2,404	47	51
	<u>5,259</u>	<u>8,217</u>	<u>2,718</u>	<u>3,561</u>

15 Provisions for liabilities and charges

	1993 £'000	Group 1992 £'000	1993 £'000	Company 1992 £'000
Deferred taxation				
At 1st January	440	2,317	63	70
Increase/(decrease) in year	573	(1,877)	47	(7)
At 31st December	<u>1,013</u>	<u>440</u>	<u>110</u>	<u>63</u>
Deferred taxation provided for in the financial statements is set out below.				
Accelerated capital allowances	(89)	(96)	-	-
Other timing differences	1,102	536	110	63
	<u>1,013</u>	<u>440</u>	<u>110</u>	<u>63</u>

There was no unprovided deferred taxation in the financial statements at 31st December, 1993 (1992 £nil).

16 Share capital

	Number	1993 £'000	Number	1992 £'000
Authorised:				
Ordinary shares of 25p each	<u>29,000,000</u>	<u>7,250</u>	<u>29,000,000</u>	<u>7,250</u>
Allotted, called up and fully paid:				
Ordinary shares of 25p each				
At 1st January	22,381,095	5,595	22,341,095	5,585
Issued during the year on exercise of options	-	-	40,000	10
At 31st December	<u>22,381,095</u>	<u>5,595</u>	<u>22,381,095</u>	<u>5,595</u>

No options were granted or exercised during the year. At 31st December, 1993 the following options remained exercisable at the following prices and dates.

No of options	Price	Exercisable after
115,155	113.89p	28th October, 1990
49,230	137.44p	6th October, 1991
75,000	208.00p	15th March, 1993
40,000	282.67p	29th April, 1994
20,000	236.67p	19th October, 1995
182,205	235.00p	20th October, 1995
<u>481,590</u>		

As at 31st December, 1993 there remained 197,570 options available to be granted under the Executive share option scheme.

17 Reserves

	Non-distributable reserves			Distributable reserves
	Share premium account £'000	Revised net appreciation reserve £'000	Unrealised net appreciation reserve £'000	Profit and loss account £'000
Group				
At 1st January, 1993	126	44,604	5,933	3,315
Surplus on investments revaluation	–	–	8,292	–
Investments realised in year	–	3,186	(1,961)	–
Exchange differences	–	–	(20)	–
Retained loss for year	–	–	–	(81)
At 31st December, 1993	<u>126</u>	<u>47,790</u>	<u>12,244</u>	<u>3,234</u>
Company				
At 1st January, 1993	126	44,604	5,659	677
Surplus on investments revaluation	–	–	8,220	–
Investments realised in year	–	3,186	(1,961)	–
Retained loss for year	–	–	–	(344)
At 31st December, 1993	<u>126</u>	<u>47,790</u>	<u>11,918</u>	<u>333</u>

18 Reconciliation of movements in shareholders' funds

	1993 £'000	1992 £'000
Profit for the financial year	2,381	3,152
Dividends	(2,462)	(2,294)
	(81)	858
Capital surplus for the year	9,497	4,479
New share capital subscribed	–	37
Net addition to shareholders' funds	<u>9,416</u>	<u>5,374</u>
Shareholders' funds at 1st January	<u>59,573</u>	<u>54,199</u>
Shareholders' funds at 31st December	<u>68,989</u>	<u>59,573</u>

19 Capital commitments

The directors have authorised commitments of £20 million and £5 million which will be invested pro rata and in parallel with the Candover 1989 Fund and the Candover 1991 Fund respectively, which are equity investment funds organised by the company to participate in management or leveraged buy-outs of unquoted and quoted companies within the UK and Western Europe. At 31st December, 1993 the outstanding commitment was £4.7 million (1992 £5.3 million) and £3.5 million (1992 £4 million) respectively.

The company has undertaken to purchase, for cash and on the same terms, 20 per cent of that part of the ordinary share capital of any future investee company offered to the combined Candover 1987 Funds.

During 1991 the company committed ITL 5,425 million (£2.5 million) to the Cambria Fund. At 31st December, 1993 the outstanding commitment was ITL 3,529 million (£1.39 million) (1992 ITL 4,601 (£2 million)).

20 Pension commitments

The group contributed towards a number of funded defined contribution pension schemes designed to provide retirement benefits for its directors and employees. The assets of the schemes are held separately from the group in independently administered funds. The pension cost charge represents contributions by the group to the schemes in respect of the accounting period and amounted to £211,000 (1992 £218,000).

At 31st December, 1993 no amounts were payable to the schemes (1992 £17,000).

21 Lease commitments

Operating lease payments amounting to £594,000 (1992 £591,000) are due within one year. The leases to which these amounts relate expire as follows:

	1993		1992	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Commitments expiring in less than one year	—	12	—	11
2-5 years	—	26	—	24
More than 5 years	556	—	556	—
	<u>556</u>	<u>38</u>	<u>556</u>	<u>35</u>

An agreement to lease was entered into during January 1991 whereby a proportion of the premises have been sublet at a rental of £148,000 per annum, which expired in January 1994. A new lease has been agreed at a lower rent, subject to completion of legal agreements.

22 Co-investment by directors

During the year, Messrs C R E Brooke, S W Curran and G D Fairservice, who are all directors of the company have invested in companies in which Candover Investments has also made an investment.

Following the amendment to the Stock Exchange yellow book these interests are now 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 no longer required.

Details of these investments are as follows:

	Class of share	Equity investments in companies	
		subscribed in year £	% (of class) held by the directors %
Gardner Merchant Group Services Limited	Convertible redeemable ordinary shares of 1p each	849	0.02
	'B' ordinary shares of 1p each	124	0.02
Schwöriner Schlossbrauerei Breweries GmbH	Share options	0.00	1.82
United Instrumentation Group Limited	Cumulative convertible participating preferred ordinary shares of 10p each	158	0.24
McBrides Limited	Ordinary shares of 10p each	105	0.003
Druid Systems Limited	Preferred ordinary shares of 10p each	196	0.26
Economic Insurance Holdings Limited	'A' ordinary shares of 1p each	504	0.15
	Deferred ordinary shares of 1p each	5.0	0.15

Note 22 continued

During the year a subsidiary company advanced loans under the Candover staff investment scheme and season ticket loan scheme to an officer of the company. The amount of £2,943 remained payable at 31st December, 1993 (1992 £2,766).

23 Reconciliation of operating profit to net cash inflow from operating activities

	1993 £'000	1992 £'000
Operating income	3,296	4,076
Decrease/(increase) in debtors	957	(325)
(Decrease)/increase in creditors	(1,143)	522
Tax on franked investment income included within income from UK companies	(139)	(183)
Depreciation	131	130
Profit on disposal of tangible fixed assets	-	(4)
Net cash inflow from operating activities	<u>3,102</u>	<u>4,216</u>

24 Analysis of changes in cash and cash equivalents during the year

	1993 £'000	1992 £'000
Balance at 1st January	24,538	21,613
Net cash (outflow)/inflow	(1,920)	2,925
Balance at 31st December	<u>22,618</u>	<u>24,538</u>

25 Cash and cash equivalents

	Current asset investments £'000	Cash at bank and in hand £'000	Bank overdrafts £'000	Total £'000
Balance at 31st December, 1991	21,530	115	(32)	21,613
Change	2,804	89	32	2,925
Balance at 31st December, 1992	24,334	204	-	24,538
Change	(2,270)	350	-	(1,920)
Balance at 31st December, 1993	<u>22,064</u>	<u>554</u>	<u>-</u>	<u>22,618</u>

26 Post Balance Sheet Events

Since the year end Midland Independent Newspapers has listed on the London Stock Exchange on the 17th March, 1994. The Candover Group's investment is valued at £5,002,000 at the listing price which gives an uplift in value of £2,410,000 over the original cost of £2,592,000 and a further uplift in value of £1,021,000 over the 31st December, 1993 valuation. Furthermore, Partco Group PLC listed on 18th March, 1994 valuing Candover's interest which was sold in the listing, at £468,000 as against its original cost of £198,000 giving a further gain of £63,000 over its 31st December, 1993 valuation and Inspect Group PLC will list on 30th March, 1994 at a valuation to the Candover Group of £903,000 giving an uplift in value of £638,000 over the original cost of £265,000, and an uplift in value on the 31st December, 1993 valuation of £216,000.

Keller Group is planning to list during April 1994

27 Contingent liabilities

There were no contingent liabilities at 31st December, 1993 or 31st December, 1992.

28 Other assets

Included in fixed asset investments is the company's investment as a Special Limited Partner in the Candover 1989 Fund. Arising from this Fund and due to two realisations during the year to 31st December, 1992, the amount attributable to the Company's investment is £4.4 million. However, given that this amount, which is held in a separate blocked account, will only be released once it has been certified that the internal rate of return on or before the release date on the Limited Partners' commitments exceeds the prescribed rate, full credit has not been taken for the potential profits on these realisations, and the investment has been included at a valuation of £1.76 million. Following the listing of Midland Independent Newspapers PLC the amount attributable to the Company's investment, held in the blocked account, will increase by £3.1 million to £7.5 million.

Distribution of Investments

as at 31st December, 1993

Sector	UK £m	Europe £m	Americas £m	1993 Total £m	1992 Total £m
Mineral Extraction	1.52	—	1.62	3.14	3.64
Oil Integrated	—	—	1.62	1.62	2.03
Oil Exploration & Production	1.52	—	—	1.52	1.61
General Manufacturers	20.65	3.86	2.94	27.45	36.75
Building Materials & Merchants	1.30	0.59	1.07	2.96	7.78
Building Construction	5.23	—	—	5.23	6.46
Chemicals	1.72	—	—	1.72	0.72
Electronics & Electrical Equipment	2.12	—	—	2.12	3.32
Engineering — General	8.28	1.36	1.87	11.51	10.24
Engineering — Vehicles	2.00	1.91	—	3.91	8.23
Consumer Goods	5.55	—	—	5.55	5.37
Wines, Spirits & Ciders	5.33	—	—	5.33	5.09
Health Care	0.22	—	—	0.22	0.28
Services	35.58	0.72	9.68	45.98	45.54
Distributors	—	0.29	—	0.29	0.59
Leisure & Hotels	7.62	—	—	7.62	9.76
Media	9.68	—	1.08	10.76	10.58
Retailers — Food	3.69	—	—	3.69	0.80
Retailers — General	1.38	—	—	1.38	1.64
Support Services	6.95	0.43	0.92	8.30	10.61
Transport	3.67	—	7.68	11.35	8.66
Other Services & Businesses	2.59	—	—	2.59	2.90
Financials	11.81	6.07	—	17.88	8.70
Insurance	1.91	—	—	1.91	1.31
Other Financial	9.90	6.07	—	15.97	7.39
Totals	75.11	10.65	14.12	100.00	100.00