Interim
financial statement 2005

candover

About Candover

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

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

Highlights

+12.8%

Total net assets of £362.0 million, an increase of 12.8% since 31st December, 2004 (31st December, 2004: total net assets of £320.9* million).

+31.1%

Total net assets of £362.0 million, 31.1% up since 30th June, 2004 (30th June, 2004: total net assets of £276.1* million).

+10.0%

Interim dividend increased 10.0% to 16.5p (2004: 15.0p).

*Restated under International Financial Reporting Standards.

Chairman's statement

for the half year ended 30th June, 2005

S W Curran Chairman

Introduction

Candover's net assets per share increased by 12.8% over the six months to 30th June, 2005. This uplift was principally due to revaluations of investee companies that have either been realised or partially realised since the period end.

At 30th June, 2005 the unaudited net assets attributable to the ordinary shares were £362.0 million compared to £320.9 million at 31st December, 2004. Net assets per share were 1656p compared to 1468p at 31st December, 2004, and 1263p at 30th June, 2004, increases of 12.8% and 31.1% respectively.

The 12.8% increase in net assets per share over the six months to 30th June, 2005 compares with an increase of 6.2% in the FTSE All-Share Index over the same period, and the increase of 31.1% over the year to 30th June, 2005 compares with an increase of 14.9% in the FTSE All-Share Index over the full year.

From 1st January, 2005, in line with other European listed companies, Candover is required to prepare its financial statements in accordance with International Financial Reporting Standards ('IFRS'). A reconciliation of the results and net assets under UK GAAP, as previously reported, to IFRS is included in the notes to the financial statements. The adoption of IFRS has resulted in only two significant adjustments to the previously reported results. These two adjustments result from the requirement that the proposed dividend no longer be recorded as a liability at the balance sheet date and from the

We continue to pursue a variety of new investment opportunities across our target markets and are confident that our track record and network of contacts will continue to deliver high quality deal flow over the months ahead. The majority of our investee companies are performing in line with expectations and we monitor their progress carefully.

elimination of the marketability discount on quoted equities. All comparatives have been restated accordingly.

Investments

No new major investments were made during the first half of the year. In July, Candover invested in Wood Mackenzie, a leading provider of research and consulting services for the energy and life sciences industries, to finance the company's next stage of growth. Our investment provides Wood Mackenzie with a significant opportunity to extend its portfolio of products through organic investment and strategic add-on acquisitions, as well as providing the means to further develop its international presence. Candover invested £4.4 million and the 2001 Fund invested £34.8 million.

Also, in June, Equity Trust, a 2001 Fund portfolio company, completed the acquisition of ABN AMRO's global trust and fiduciary services business for €41.0 million. Candover and the 2001 Fund invested a total of £11.4 million (Candover's share £1.3 million).

Realisations

Refinancings of Gala and Vetco took place in February and March, with Gala returning approximately half of the original investment made, and Vetco, approximately one third of the original investment. Also in March, Candover and the 2001 Fund sold a small proportion of their shares in Aspen Insurance as part of a secondary offering on the New York Stock Exchange. Since the period end, Springer has successfully completed a second refinancing, generating gains over cost of £2.4 million for Candover and £22.0 million for the 2001 Fund. In total, Springer has now returned 1.3 times the original cost of the investment.

In August, Candover and the 2001 Fund sold a minority stake in Gala to Permira. The transaction also included a refinancing of the company's debt. Proceeds from this transaction resulted in gains over cost of £4.0 million for Candover and £35.6 million for the 2001 Fund. Gala has now returned 1.3 times the cost of the original investment. Also in August, contracts were exchanged for the sale of Swissport to Ferrovial of Spain, with gains over cost of approximately £11.9 million for Candover and £109.1 million for the 2001 Fund.

The partial realisation and refinancing of Gala, and the impending sale of Swissport accounted in aggregate for a 77p increase in net assets per share.

Results for the six months to 30th June, 2005

The increase in net assets of £41.1 million since 31st December, 2004, was mainly due to a net increase in valuations of portfolio companies. The value ascribed to Candover's share of the carried interest in the 1997 Fund was increased by £0.9 million (4p per share) to £42.3 million.

Profits before tax for the six months under review were £9.4 million compared with £12.3 million in the first half of 2004. This decline is mainly due to a reduction in income from fixed asset investments compared to the previous equivalent period, which contained certain non-recurring items of income, and an increase in administrative expenses.

The valuation of fixed asset investments at 30th June, 2005 was £233.8 million (31st December, 2004: £200.5 million). This valuation was calculated after taking into account realisations net of additions of £10.3 million, and a net increase of £43.6 million in the valuation of investments. Valuation adjustments include downward adjustments of £3.4 million and £47.0 million of upward movements.

Cash and liquid assets totalled £123.0 million compared with £124.8 million at 31st December, 2004.

Dividends

The Board has decided to raise the interim dividend by 10.0% to 16.5p per share compared to 15.0p per share last year and, absent unforeseen circumstances, expects to be able to continue its progressive dividend policy in future. The dividend will be paid on 18th October, 2005 to shareholders on the register at 23rd September, 2005.

Board and staff

At the AGM in May, it was announced that we would be appointing Richard Stone (62) as a non-executive director with immediate effect. Richard retired from the global board of PricewaterhouseCoopers at the end of 2000. Prior to the merger with Price Waterhouse in 1998, he was Deputy Chairman of Coopers & Lybrand and chairman of the firm's European corporate finance activities. He is Chairman of Drambuie Limited, and a non-executive director of Halma plc, TR Property Investment plc and Gartmore Global Trust.

Since the period end we have been joined by four new investment executives. Aldo Maccari joins Candover as a director, and will be focussing on the Italian market. He was latterly at BNP Paribas in Milan where he was a managing director and deputy head of corporate finance. In addition to Aldo, we have been joined by three investment managers, Bill Rogers, Emma Wilkinson and Tobias Hoffmann-Becking. Bill joins us from McKinsey & Company, Emma from Morgan Stanley via Harvard and Tobias from Bain Capital.

Overall, we have recruited seven investment executives during the last 18 months and this recruitment programme is planned to continue. The market for experienced investment professionals in our industry remains competitive and this, combined with our ongoing recruitment programme, means that a substantial increase in staff costs is to be expected.

The Candover 2005 Fund

In May, it was announced that we had commenced marketing the Candover 2005 Fund with a target of €3.0 billion and, in August, the Fund had its first close at €2.3 billion. Under the terms of a coinvestment agreement, Candover has so far committed €400 million to the Fund and, dependent on the overall performance of the Fund, will be entitled to between 2% and 5% of any profit made by that Fund, subject to an overall minimum return having first been generated for investors. The exact percentage received by Candover will be determined by a ratchet based on the investment multiple achieved by the Fund. A final close is anticipated by the year-end. No management fees are payable on the 2005 Fund commitments until the investment period for the 2001 Fund has been terminated. Therefore the fees associated with the 2005 Fund will have limited, if any, impact on this year's results, and in subsequent years are expected to be largely absorbed by the increased staff costs referred to above.

Prospects

The European buyout market has enjoyed a buoyant first six months, with record values of transactions completing. M&A markets generally are predicting an equally busy second half, so it would seem that 2005 could be another record year for European buyouts.

We continue to pursue a variety of new investment opportunities across our target markets and are confident that our track record and network of contacts will continue to deliver high quality deal flow over the months ahead. The majority of our investee companies are performing in line with expectations and we monitor their progress carefully.

S W Curran Chairman
12th September, 2005

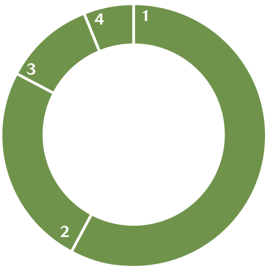
For the latest information visit
www.candover.com

Overview of 15 largest investments

The overview and review of investments at 30th June, 2005 show the 15 largest investments by value. The top 15 investments represent 96% of Candover's portfolio and are thus a fair representation of the overall portfolio (31st December, 2004: 99%).

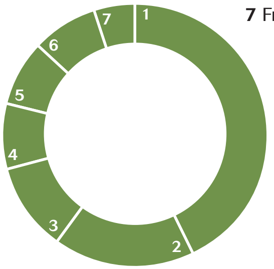
Investments by valuation method

1 Multiple of earnings **58%**
2 Cost **25%**
3 Sale price **11%**
4 Stock market price **6%**



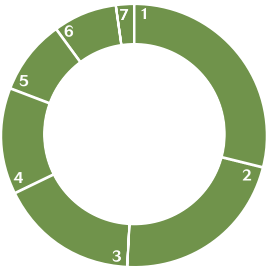
Investments by region

1 United Kingdom **43%**
2 Germany **17%**
3 Switzerland **11%**
4 Americas **8%**
5 Benelux **8%**
6 Scandinavia **8%**
7 France **5%**



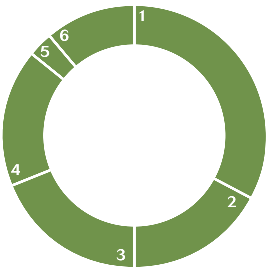
Investments by sector

1 Support services **29%**
2 Media **22%**
3 Industrials **17%**
4 Leisure **13%**
5 Financials **9%**
6 External funds **8%**
7 Health **2%**



Investments by age

1 <1 year **33%**
2 1-2 years **17%**
3 2-3 years **19%**
4 3-4 years **17%**
5 4-5 years **3%**
6 >5 years **11%**



Review of 15 largest investments

Springer Science + Business Media S.A. (Germany, media)
Date of investment: January/September 2003
Springer is the world's second largest scientific, technical and medical publisher. Since the period end, the company has been refinanced, realising capital proceeds of £15.7 million for Candover.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	€20,823,000 (£14,303,000)	€20,823,000 (£14,303,000)
Directors' valuation	€46,161,000 (£31,177,000)	€29,317,000 (£20,737,000)
Effective equity interest (fully diluted)	4.0%	4.0%
% of Candover's net assets	8.6%	6.5%
Basis of valuation	Multiple of earnings	Multiple of earnings

Gala Group Limited (UK, leisure)
Date of investment: March 2003
Gala is the UK's leading high volume, low stake gambling operation. It is the number one bingo operator and the number three casino operator. In February 2005, the company was successfully refinanced generating capital proceeds of £8.3 million. Subsequent to the period end, a further refinancing and partial disposal has occurred, realising a further £13.6 million of capital proceeds.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	£13,386,000	£21,728,000
Directors' valuation	£23,987,000	£21,728,000
Effective equity interest (fully diluted)	2.8%	2.8%
% of Candover's net assets	6.6%	6.8%
Basis of valuation	Multiple of earnings	Multiple of earnings

Swissport (SWT (Lux) S.A.) (Switzerland, support services)
Date of investment: February 2002
Swissport is the largest airport ground handling agent in the world and operates in 41 countries at 180 airports, servicing over 600 airlines worldwide. In April 2004, Swissport acquired Groundstar, the UK ground handler. Since the period end, contracts have been exchanged for the sale of Swissport, the price of which has been used as the basis of valuation.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment*	€13,202,000 (£8,891,000)	€14,481,000 (£8,891,000)
Directors' valuation	€30,909,000 (£20,876,000)	€20,449,000 (£14,464,000)
Effective equity interest (fully diluted)	5.5%	5.5%
% of Candover's net assets	5.8%	4.5%
Basis of valuation	Sale price	Multiple of earnings

* This investment was made in CHF and Euros.

Vetco International Limited (UK, support services)
Date of investment: July 2004
Vetco International is a major global participant in the oilfield services sector and supplies a portfolio of hi-tech proprietary products and services. It routinely serves the major national and international oil companies as well as independent producers throughout the world. In March 2005, the company was successfully refinanced generating capital proceeds of £2.5 million.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	US$9,137,000 (£4,910,000)	US$13,870,000 (£7,454,000)
Directors' valuation	US$26,415,000 (£14,736,000)	US$16,824,000 (£8,840,000)
Effective equity interest (fully diluted)	2.5%	2.5%
% of Candover's net assets	4.1%	2.8%
Basis of valuation	Multiple of earnings	Multiple of earnings

Thule AB (Sweden, industrials)
Date of investment: December 2004
Thule is a consumer goods company with a strong brand which supplies products to the outdoor leisure markets. It is the global number one in its core activity of car racks and boxes and also holds either global or European market leading positions in all its other product areas.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment*	€21,366,000 (£14,620,000)	€21,181,000 (£14,620,000)
Directors' valuation	€20,698,000 (£13,979,000)	€21,098,000 (£14,923,000)
Effective equity interest (fully diluted)	6.7%	6.7%
% of Candover's net assets	3.9%	4.6%
Basis of valuation	Cost	Cost

*This investment was made in SEK and Euros.

ALcontrol Group Holdings Limited (UK, support services)
Date of investment: December 2004
ALcontrol is a laboratory-based testing business which supplies services to the food and environmental markets. It ranks as number one in the UK, Benelux and Sweden, making it a leading player in Western Europe. The group comprises 26 laboratories and operates in ten countries.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	€18,585,000 (£12,844,000)	€18,585,000 (£12,844,000)
Directors' valuation	€18,585,000 (£12,552,000)	€18,585,000 (£13,145,000)
Effective equity interest (fully diluted)	6.8%	6.8%
% of Candover's net assets	3.5%	4.1%
Basis of valuation	Cost	Cost

Aspen Insurance Holdings Limited (US, financials)
Date of investment: June 2002
Aspen Insurance, one of the largest independent reinsurance vehicles in the UK market, listed on the New York Stock Exchange in December 2003. A successful secondary offering was completed in March 2005 generating capital proceeds of £1.3 million.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	£6,814,000	£7,830,000
Directors' valuation	US$18,779,000 (£10,473,000)	US$19,200,000 (£10,089,000)
Effective equity interest (fully diluted)	0.9%	1.0%
% of Candover's net assets	2.9%	3.1%
Basis of valuation	Market price	Market price

Bureau van Dijk Electronic Publishing BV (Belgium, media)
Date of investment: November 2004
Bureau van Dijk is a global publisher of specialised financial and company information products via the internet and on CD/DVDs on over ten million companies worldwide, with a strong emphasis on private companies. Its main databases are market leaders in the niches they target.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	€14,597,000 (£10,239,000)	€14,597,000 (£10,239,000)
Directors' valuation	€14,597,000 (£9,859,000)	€14,597,000 (£10,325,000)
Effective equity interest (fully diluted)	6.3%	6.3%
% of Candover's net assets	2.7%	3.2%
Basis of valuation	Cost	Cost

Innovia Films Limited (UK, industrials)
Date of investment: September 2004
Innovia Films is a manufacturer of specialist bi-orientated polypropylene and cellulose transparent and coated films. The business enjoys strong positions in niche markets and focuses on higher value-added applications.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	€14,448,000 (£9,913,000)	€14,448,000 (£9,913,000)
Directors' valuation	€14,448,000 (£9,758,000)	€14,448,000 (£10,219,000)
Effective equity interest (fully diluted)	8.0%	8.0%
% of Candover's net assets	2.7%	3.2%
Basis of valuation	Cost	Cost

Ciclad 3 (France, external funds)
Date of investment: April 2000
Ciclad is an investment company specialising in French buyouts. The company called down £1.4 million during the half year.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	€9,848,000 (£6,298,000)	€8,306,000 (£4,854,000)
Directors' valuation	€14,366,000 (£9,703,000)	€9,975,000 (£7,055,000)
Effective equity interest (fully diluted)	n/a	n/a
% of Candover's net assets	2.7%	2.2%
Basis of valuation	Multiple of earnings	Multiple of earnings

Acertec Holdings Limited (UK, industrials)
Date of investment: June 1999
Acertec consists of four principal businesses: Carrington Wire, a leading manufacturer of wire in the UK; BRC Reinforcement, a leading UK supplier of reinforcement products to the construction industry; Stadco, Acertec's automotive pressings business, which is one of the leading European suppliers of body-in-white pressings and assemblies to the car industry; and in the Far East, BRC Asia, which is the market leader in the supply of prefabricated steel reinforcement systems to the Singapore housing market, and which was listed on the Singapore Stock Exchange in July 2000.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	£7,043,000	£7,043,000
Directors' valuation	£7,043,000	£7,043,000
Effective equity interest (fully diluted)	7.9%	7.9%
% of Candover's net assets	1.9%	2.2%
Basis of valuation	Multiple of earnings	Multiple of earnings

Equity Trust Holdings S.à.r.l (UK, financials)
Date of investment: May 2003
Equity Trust's principal business is the formation and administration of offshore trusts and companies. A follow-on investment was completed during the period with an additional investment of £1.3 million.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	€9,647,000 (£6,766,000)	€7,713,000 (£5,477,000)
Directors' valuation	€9,647,000 (£6,516,000)	€7,713,000 (£5,455,000)
Effective equity interest (fully diluted)	5.5%	5.2%
% of Candover's net assets	1.8%	1.7%
Basis of valuation	Multiple of earnings	Multiple of earnings

ICG Mezzanine Fund 2000 (UK, external funds)
Date of investment: July 2000
The Fund has been active in providing mezzanine finance throughout Europe. Capital repayments have been made during the period resulting in a reduction in cost of £0.6 million.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	€7,864,000 (£4,887,000)	€8,772,000 (£5,519,000)
Directors' valuation	€7,864,000 (£5,311,000)	€8,772,000 (£6,204,000)
Effective equity interest (fully diluted)	n/a	n/a
% of Candover's net assets	1.5%	1.9%
Basis of valuation	Multiple of earnings	Multiple of earnings

Ontex NV (Belgium, health)
Date of investment: January 2003
Ontex is the leading European manufacturer of retailer branded diapers and feminine hygiene products. It also has an adult healthcare business, which is number three in Europe.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	€26,411,000 (£17,163,000)	€26,411,000 (£17,163,000)
Directors' valuation	€6,610,000 (£4,464,000)	€6,610,000 (£4,675,000)
Effective equity interest (fully diluted)	4.4%	4.4%
% of Candover's net assets	1.2%	1.5%
Basis of valuation	Multiple of earnings	Multiple of earnings

Dakota, Minnesota and Eastern Railroad Corporation (US, support services)
Date of investment: September 1986
Dakota, Minnesota & Eastern Railroad Corporation ('DM&E') is a regional railroad operating company on 1,103 miles of track. DM&E also owns Iowa, Chicago & Eastern Railroad Corporation, a contiguous railroad, which acquired the assets of I&M Rail Link in July 2002.

Candover's investment as at	30th June, 2005	31st December, 2004
Cost of investment	US$1,478,000 (£888,000)	US$1,478,000 (£888,000)
Directors' valuation	US$7,505,000 (£4,187,000)	US$nil (£nil)
Effective equity interest (fully diluted)	8.2%	8.2%
% of Candover's net assets	1.2%	n/a
Basis of valuation	Multiple of earnings	Multiple of earnings

Independent review report

to the members of Candover Investments plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30th June, 2005 which comprises the Group income statement, Group statement of changes in equity, Group balance sheet, Group cash flow statement, accounting policies, and the related notes. We have read the other information contained in the interim report which comprises only the Chairman's statement, Overview and Review of the 15 largest investments and Valuation policy and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company's members, as a body, in accordance with guidance contained in APB Bulletin 1999/4 'Review of Interim Financial Information'. Our review work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The interim report including the financial information contained therein is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in the accounting policies, the next annual financial statements of the Group will be prepared in accordance with those International Financial Reporting Standards adopted for use by the European Union. This interim report has been prepared in accordance with the accounting policies set out herein.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in the accounting policies, the directors have anticipated that the amendments to IAS 39, Financial Instruments: Recognition and Measurement (The Fair Value Option), which has yet to be formally adopted for use in the European Union, will be so adopted in time to be applicable to the next annual financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of Interim Financial Information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th June, 2005.

Grant Thornton UK LLP
Chartered Accountants
London
12th September, 2005

Group income statement

for the period ended 30th June, 2005

Unaudited

	Six months to 30th June, 2005 Revenue £000	Capital £000	Total £000	Six months to 30th June, 2004* Revenue £000	Capital £000	Total £000	Year to 31st December, 2004* Revenue £000	Capital £000	Total £000
Gains on financial investments and cash equivalents at fair value through profit and loss									
Realised gains and losses	–	757	**757**	–	7,702	7,702	–	27,420	27,420
Unrealised gains and losses	–	42,528	**42,528**	–	5,056	5,056	–	31,733	31,733
	–	43,285	**43,285**	–	12,758	12,758	–	59,153	59,153
Revenue									
Management fees from managed funds	12,265	–	**12,265**	12,687	–	12,687	24,633	–	24,633
Investment and other income	7,645	–	**7,645**	9,509	–	9,509	17,162	–	17,162
Total revenue	19,910	–	**19,910**	22,196	–	22,196	41,795	–	41,795
Administrative expenses	(10,507)	(3,381)	**(13,888)**	(9,864)	(2,856)	(12,720)	(22,832)	(6,764)	(29,596)
Profit before finance costs and taxation	9,403	39,904	**49,307**	12,332	9,902	22,234	18,963	52,389	71,352
Interest payable and similar charges	(8)	–	**(8)**	(6)	–	(6)	(11)	–	(11)
Profit before taxation	9,395	39,904	**49,299**	12,326	9,902	22,228	18,952	52,389	71,341
Taxation	(2,912)	1,014	**(1,898)**	(3,484)	857	(2,627)	(5,713)	2,029	(3,684)
Profit attributable to equity shareholders	6,483	40,918	**47,401**	8,842	10,759	19,601	13,239	54,418	67,657
Earnings per ordinary share									
Basic and diluted	29.7p	187.2p	**216.9p**	40.5p	49.3p	89.7p	60.6p	249.0p	309.6p

*Restated under IFRS

Group statement of changes in equity

for the period ended 30th June, 2005

Unaudited

	Notes	**Six months to 30th June, 2005 £000**	Six months to 30th June, 2004* £000	Year to 31st December, 2004* £000
Profit attributable to equity shareholders		**47,401**	19,601	67,657
Dividends	1	**(6,338)**	(5,802)	(9,080)
Net addition to total equity		**41,063**	13,799	58,577
Opening total equity		**320,928**	262,351	262,351
Closing total equity		**361,991**	276,150	320,928

*Restated under IFRS

Group balance sheet

at 30th June, 2005

Unaudited

	Notes	30th June, 2005 £000	30th June, 2005 £000	30th June, 2004* £000	30th June, 2004* £000	31st December, 2004* £000	31st December, 2004* £000
Non-current assets							
Property, plant and equipment			**950**		1,265		1,091
Financial investments designated at fair value through profit and loss							
Investee companies		**191,486**		109,119		159,047	
Other financial investments	2	**42,321**		64,120		41,421	
			233,807		173,239		200,468
Associated undertakings			**–**		1		1
Trade and other receivables			**925**		3,325		2,125
			235,682		177,830		203,685
Current assets							
Trade and other receivables		**20,178**		13,853		25,685	
Cash and cash equivalents		**123,031**		101,449		124,807	
			143,209		115,302		150,492
Current liabilities							
Trade and other payables		**(8,954)**		(6,253)		(23,484)	
Current tax liabilities		**(2,887)**		(2,472)		(3,683)	
			(11,841)		(8,725)		(27,167)
Net current assets			**131,368**		106,577		123,325
Non-current liabilities							
Deferred tax liabilities			**(5,059)**		(8,257)		(6,082)
Net assets			**361,991**		276,150		320,928
Equity attributable to equity holders							
Called up share capital			**5,464**		5,464		5,464
Share premium account			**1,451**		1,451		1,451
Capital redemption reserve			**290**		290		290
Capital reserve – realised			**257,525**		203,255		259,433
Capital reserve – unrealised			**64,124**		33,817		21,298
Revenue reserve			**33,137**		31,873		32,992
Total equity			**361,991**		276,150		320,928
Net asset value per share			**1656p**		1263p		1468p

*Restated under IFRS

Group cash flow statement

for the period ended 30th June, 2005

Unaudited

	Six months to 30th June, 2005 £000	Six months to 30th June, 2005 £000	Six months to 30th June, 2004* £000	Six months to 30th June, 2004* £000	Year to 31st December, 2004* £000	Year to 31st December, 2004* £000
Cash flow from operating activities						
Cash flow from operations		**(1,595)**		16,569		26,042
Interest paid		**(8)**		(6)		(11)
Tax paid		**(3,717)**		904		(1,194)
Net cash from operating activities		**(5,320)**		17,467		24,837
Cash flows from investing activities						
Purchase of property, plant and equipment	**(65)**		(60)		(322)	
Purchase of financial investments	**(3,503)**		(4,048)		(60,631)	
Sale of property, plant and equipment	**–**		8		31	
Sale of financial investments	**14,431**		57,133		131,119	
Net cash from investing activities		**10,863**		53,033		70,197
Cash flows from financing activities						
Equity dividends paid		**(6,338)**		(5,792)		(9,080)
Effect of exchange rates and revaluation on cash and cash equivalents		**(981)**		(565)		1,547
Increase/(decrease) in cash and cash equivalents		**(1,776)**		64,143		87,501

*Restated under IFRS

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards ('IFRS') in issue that either are endorsed by the European Union ('EU') and effective (or available for early adoption), or are expected to be endorsed and effective (or available for early adoption) at 31st December, 2005, the Group's first annual reporting date at which it is required to use adopted IFRS. Based on these adopted and unadopted IFRS, the directors have made assumptions about the accounting policies expected to be applied when the first annual IFRS financial statements are prepared for the year ending 31st December, 2005. The Group has adopted the Fair Value Option amendments to IAS 39 with effect from 1st January, 2005, ahead of the effective date, on the assumption that it will be endorsed by the EU. The disclosures required by IFRS1 'First time adoption of International Financial Reporting Standards', concerning the transition from UK GAAP to IFRS are given in note 1.

A summary of the more important Group accounting policies is set out below.

Investment Trust SORP

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts, issued by the Association of Investment Trusts in January 2003, is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the SORP.

Management expenses

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to the balance sheet date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Income

Income arises from investment management, fees relating to advisory work on investment transactions and interest income. Investment management fees are recognised under the accruals basis, other fees are recognised in full once a contractual obligation is created for the third party.

Interest income is recognised in the income statement using the effective interest rate applicable. A provision will be made against this income where there is uncertainty as to its future recoverability. The requirement or otherwise for a provision is considered in conjunction with the valuation of the related financial investment, the approach to which is stated below.

Placement fees

Prepaid placement fees incurred in the establishment of managed funds are carried as current assets recoverable from future management fees receivable and are written off over the anticipated duration of the managed fund.

Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation.

Depreciation is calculated to write down the cost less residual value of all property, plant and equipment by equal annual instalments over their expected useful lives. The periods generally applicable are: plant and equipment 2-5 years and motor vehicles 3 years. Leasehold improvements are depreciated over the duration of the lease.

Financial investments

The directors consider that a substantial measure of the performance of the Group is assessed through the capital gains and losses arising from the investment activity of the Group. Consequently, for measurement purposes, financial investments, including equity, loan and similar instruments, are designated at fair value through profit and loss, and are valued in compliance with the International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association, the principles of which are set out on page 20.

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-dated listed fixed income securities and money market instruments. Such assets are held-for-trading, with capital gains, losses and fair value movements accounted for in the income statement, and taken to capital reserves due to the fact that such balances are held for future investment in financial investments.

Deferred tax

Deferred tax is recognised in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Where exchange differences result from the translation into sterling of foreign currency resources that are held for future financial investments, the gain or loss is accounted for in the income statement, and taken to capital reserves.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates;
(iii) all resulting exchange differences are recognised as a separate component of equity.

Pension costs

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Dividends payable

Final dividends are accounted for when they are ratified at the Annual General Meeting. Interim dividends are recognised when approved by the Board.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of unlisted financial investments held at fair value through profit and loss, which are valued on the basis noted above and the recognition or otherwise of accrued income on loan notes and similar instruments granted to investee companies.

Valuation policy

Investments have been valued by the directors in compliance with the principles of the International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association.

Principles of valuation of unlisted investments

Investments are stated at amounts considered by the directors to be a reasonable assessment of their fair value, subject to the requirement to apply a degree of caution in making the necessary estimates. Fair value is the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

All investments are valued according to one of the following bases:
- cost (less any provision required);
- earnings multiple;
- net assets;
- price of recent investment; or
- sale price.

Investments are only valued at cost for a limited period after the date of acquisition, otherwise investments are valued on one of the other 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 multiple basis, profits before interest and tax of the current year will normally be used, depending on whether or not more than six months of the accounting period remain and the predictability of future profits. Such profits will be adjusted to a maintainable basis, taxed at the full corporation tax rate and multiplied by an appropriate and reasonable price/earnings multiple. This is normally related to comparable quoted companies or recent transactions, with adjustments made for points of difference between the comparator and the company being valued, in particular for risks, earnings growth prospects and surplus assets or excess liabilities.

Where a company is loss-making, or the value is derived mainly from the underlying value of its assets rather than its earnings, the valuation may be calculated with regard to the underlying net asset. Where there has been a subsequent recent investment by a third party in a new financing round that is deemed to be at arm's length this may be used as the basis of valuation. In cases where an exit is actively being sought, then any offers from potential purchasers would be relevant in assessing the valuation of an investment and are taken into account in arriving at the valuation.

Where appropriate, a marketability discount, in the range of 10% to 30% may be applied to the investment valuation, based on the likely timing of an exit, the influence over that exit, the risk of achieving conditions precedent to that exit and general market conditions.

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.

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.

Principles of valuation of listed investments

Investments are valued at bid price or the conventions of the market on which they are quoted subject, if appropriate, to marketability discounts where formal restrictions on trading exist.

Valuation review procedures

Valuations are initially prepared by the relevant investment executive. These valuations are then subject to review by senior management and external auditors, prior to approval by the directors.

Notes to the financial statements

Note 1 Reconciliation of net assets and profit under UK GAAP to IFRS

The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for the Group, being 1st January, 2004.

Reconciliation of profit attributable to equity shareholders	Note	Six months to 30th June, 2004 £m	Year to 31st December, 2004 £m
Profit after tax under UK GAAP		8.8	13.2
Capital return after tax under UK GAAP	(a)	10.6	54.2
Removal of discount on listed financial investments	(b)	0.2	0.2
Profit after tax under IFRS		**19.6**	**67.6**

Reconciliation of equity	Note	1st January, 2004 £m	30th June, 2004 £m	31st December, 2004 £m
Total equity under UK GAAP		254.7	270.9	312.6
Removal of discount on listed financial investments	(b)	1.8	2.0	2.0
Dividend recognised under UK GAAP but excluded under IFRS	(c)	5.8	3.2	6.3
Total equity under IFRS		**262.3**	**276.1**	**320.9**

(a) Where financial investments are designated as held at fair value through profit and loss, the profit after tax under IFRS also includes the 'Capital return on ordinary activities after tax' as previously reported.
(b) Under IFRS it is no longer appropriate to provide for a liquidity discount on listed financial investments where formal trading restrictions do not apply.
(c) Under IFRS, dividends proposed after the period end cannot be provided for in the balance sheet as, at that date, the dividends did not represent a liability.

Explanation of material adjustments to the cash flow statement

In preparing the cash flow under IFRS, cash and cash equivalents include short-dated fixed income securities and money market instruments of £0.1 million at 1st January, 2004 (30th June, 2004: £9.9 million; 31st December, 2004: £111.5 million). Under UK GAAP the same had been included in the 'Management of liquid resources' category. In addition, under IFRS, the impact of exchange rates on cash balances and revaluation of cash equivalents is disclosed in the cash flow statement.

Note 2

'Other financial investments' comprise the Company's valuation of its investment as a Special Limited Partner in managed funds.

Note 3

The maintenance and integrity of the Company's website is the responsibility of the directors: the interim review does not involve consideration of these matters and, accordingly, the Company's reporting accountants accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

Note 4

Legislation in the United Kingdom governing the preparation and dissemination of the interim report may differ from legislation in other jurisdictions.

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