Interim financial statement 2000

candover

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

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

S W Curran
11th September, 2000

Candover's net assets per share increased by 7.5% in the first half of the year. There was one significant realisation during the period and one major new investment was made. Fewer but larger investments and realisations continue to characterise our investment activities and to influence our growth in net assets.

The unaudited net assets attributable to the ordinary shares at 30th June, 2000 were £242.2 million (1060p per share) including current asset investments at market or directors' valuation less attributable taxation. This represents an increase of 16.1% over the net assets per share at 30th June, 1999 and 7.5% over the net assets per share of 986p at 31st December, 1999. This compares with a rise of 2.8% in the FTSE All-Share Index for the full year and a fall of 6.6% over the last six months.

The principal reasons for the increase in net assets were the upward revaluation of a number of investments, including NASDAQ-listed Crown Castle International Corporation (CCIC) and Candover's share of the carried interest in the 1994 Fund; and to the sale of a proportion of Candover's holding in CCIC.

As at 30th June, 2000 Candover and the 1994 Fund held 4.4 million shares in CCIC, of which Candover itself held 0.9 million.

At that date, the Board valued these shares at $34.68 per share compared to the mid-market closing price on that day of $36.50. Candover's own shareholding in CCIC was, therefore, valued at 30th June at $32.2 million.

The value ascribed to Candover's share of the carried interest in the 1994 Fund was increased to £24.1 million from £19.7 million at the year end.

Pre-tax profits for the six months were £5.6 million, compared with £5.0 million for the first half of 1999. An increase in staff costs during the period was offset by lower costs in other areas and higher interest and other income received from our investments. Staff costs are expected to increase further during the second half year.

The Board has decided to raise the interim dividend by 5.9% from 8.5p to 9.0p per share. The dividend will be paid on 20th October, 2000 to shareholders on the register at 22nd September, 2000.

Investments

In total, Candover invested £12.9 million during the six months to 30th June, 2000 in two new investments and five follow-on financings. Four of the follow-on investments were small commitments to specialised funds.

As reported at the year end, on 31st January, 2000 Candover and the 1997 Fund acquired the nightclub and bar operations of First Leisure plc, the UK leisure group, in a £210.0 million transaction. The 1997 Fund invested £42.0 million and Candover invested £6.6 million. In June, the bars were successfully sold for £67 million.

In May 2000, the 1997 Fund invested £19.4 million and Candover £2.6 million in TeleCast, an existing investee company, to enable it to acquire Melville Exhibitions, a provider of contracting services to the exhibitions industry. This acquisition brings into the group a business with a strong market position and excellent management. TeleCast was formed as a leveraged build up vehicle in 1998 to consolidate suppliers of services to the broadcast media and business communications market and has made three acquisitions to date.

Realisations

Net realised gains achieved by Candover and its managed funds amounted to £42.9 million, of which Candover's share was £10.6 million. The majority of the gain came from sale of shares in CCIC. In the six month period to 30th June, 2000 Candover sold 0.4 million shares in CCIC realising £9.1 million and a gain on cost of £8.5 million. The 1994 Fund sold 1.5 million shares in CCIC realising £34.4 million, and a gain on cost of £32.2 million. As at 30th June, 2000 Candover held 0.9 million shares and the 1994 Fund 3.5 million shares in CCIC.

Subsequent to the period end, ASW Holdings plc sold its European operations and, with the majority of the proceeds, repaid in full Candover's and the 1997 Fund's convertible loan note at a premium of 13.5% of face value. Candover and the 1997 Fund retain warrants over 10% of the fully diluted equity of ASW.

Prospects

We continue to review a large number of interesting new investment opportunities, both in the UK and in Continental Europe, despite a reduction in activity in these markets during the first half of the year.

The performance of the investee companies in the portfolio during the first six months of the year has been encouraging and I anticipate that we shall see a continuing programme of realisations from our Funds which should produce further increases in our net asset value.

As the 1997 Fund is now two thirds invested we expect to commence marketing the successor Fund to the 1997 Fund later this or early next year.

Independent review report

To the members of Candover Investments plc

Introduction

We have been instructed by the company to review the financial information set out on pages five to seven and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review of 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. 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 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, 2000.

Grant Thornton
Registered Auditors
Chartered Accountants
London 11th September, 2000

Group statement of total return

Incorporating the revenue account for the half year ended 30th June, 2000

Unaudited	6 months to 30th June, 2000 Revenue £000	Capital £000	Total £000	6 months to 30th June, 1999 Revenue £000	Capital £000	Total £000	12 months to 31st December, 1999 Revenue £000	Capital £000	Total £000
Gains/(losses) on investments	–	16,671	16,671	–	8,411	8,411	–	26,878	26,878
Income - managed funds									
Net income	1,853	–	1,853	2,179	–	2,179	4,996	–	4,996
Less : third party interests in managed funds	(1,853)	–	(1,853)	(2,179)	–	(2,179)	(4,983)	–	(4,983)
Add : management fees	5,895	–	5,895	5,990	–	5,990	11,940	–	11,940
Net income from managed funds	5,895	–	5,895	5,990	–	5,990	11,953	–	11,953
Income - own funds	3,979	–	3,979	3,786	–	3,786	8,080	–	8,080
	9,874	–	9,874	9,776	–	9,776	20,033	–	20,033
Administrative expenses	(4,322)	(2,051)	(6,373)	(4,747)	(1,858)	(6,605)	(9,569)	(4,346)	(13,915)
Net return before finance costs and taxation	5,552	14,620	20,172	5,029	6,553	11,582	10,464	22,532	32,996
Interest payable & similar charges	(2)	–	(2)	(4)	–	(4)	(8)	–	(8)
Return on ordinary activities before taxation	5,550	14,620	20,170	5,025	6,553	11,578	10,456	22,532	32,988
Tax on ordinary activities	(1,665)	615	(1,050)	(1,520)	562	(958)	(2,738)	1,315	(1,423)
Return on ordinary activities after taxation for the financial year	3,885	15,235	19,120	3,505	7,115	10,620	7,718	23,847	31,565
Interim dividend at 9.0p per share (1999 : 8.5p)	(2,057)	–	(2,057)	(1,938)	–	(1,938)	(6,168)	–	(6,168)
Transfer to reserves	1,828	15,235	17,063	1,567	7,115	8,682	1,550	23,847	23,847
Return per ordinary share									
Basic	17.02p	66.74p	83.76p	15.40p	31.25p	46.65p	33.87p	104.64p	138.51p
Fully diluted	16.94p	66.41p	83.35p	15.28p	31.03p	46.31p	33.62p	103.87p	137.49p

Group balance sheet

at 30th June, 2000

Unaudited	30th June, 2000	30th June, 1999	31st December, 1999
	£000	£000	£000
Fixed assets			
Tangible assets	255	310	287
Investments:			
Managed funds	647,982	402,594	622,934
Less : third party interests in managed funds	(622,944)	(386,318)	(602,160)
Net investment in managed funds	25,038	16,276	20,774
Other fixed asset investments	138,788	109,762	132,727
	163,826	126,038	153,501
Associated undertakings	74	74	74
	163,900	126,112	153,575
Current assets			
Debtors	9,668	11,049	13,546
Investments	60,422	55,140	57,926
Cash at bank	17,508	24,906	15,138
	87,598	91,095	86,610
Creditors : amounts falling due within one year	(6,091)	(6,917)	(11,999)
Net current assets	81,507	84,178	74,611
Total assets less current liabilities	245,662	210,600	228,473
Provisions for liabilities and charges	(3,721)	(2,591)	(3,721)
	241,941	208,009	224,752
Capital and reserves			
Called up share capital	5,714	5,701	5,703
Share premium account	970	829	855
Capital reserve - realised	159,718	135,915	150,337
Capital reserve - unrealised	62,354	54,190	56,500
Revenue reserve	13,185	11,374	11,357
Shareholders' funds	241,941	208,009	224,752

Group cash flow statement

at 30th June, 2000

	6 months to 30th June, 2000		6 months to 30th June, 1999		12 months to 31st December, 1999	
	£000	£000	£000	£000	£000	£000
Net cash inflow from operating activities		241		3,693		9,929
Returns on investments and servicing of finance						
Interest paid		(2)		(4)		(8)
Taxation						
UK corporation tax paid		(157)		(73)		(312)
Capital expenditure and financial investment						
Purchase of tangible fixed assets	(71)		(48)		(153)	
Purchase of investments	(12,923)		(13,989)		(50,056)	
Sale of investments	21,853		2,407		27,464	
Purchase of associated undertaking	–		(8)		(8)	
Sale of associated undertaking	–		13		–	
Sale of tangible fixed assets	9		–		41	
Net cash inflow/(outflow) from capital expenditure and financial investment		8,868		(11,625)		(22,712)
Equity dividends paid		(4,229)		(3,876)		(5,815)
Management of liquid resources		(2,478)		18,386		15,623
Financing						
Issue of shares		127		138		166
Increase/(decrease) in cash		2,370		6,639		(3,129)

Notes

1 The interim statement is the responsibility of and has been approved by the directors.

2 Comparative figures for 31st December, 1999 are taken from the full accounts which have been delivered to the Registrar of Companies, and which contain an unqualified audit report.

3 A copy of this statement is being sent to all shareholders and further copies can be obtained from the registered office of the Company, 20 Old Bailey, London EC4M 7LN.

4 Current asset investments comprise holdings in fixed income securities.

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