

# Interim financial statement 2001

*candover*

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**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*

## Chairman's statement

for the half year ended 30th June, 2001

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**S W Curran**

10th September, 2001

Candover's net assets per share increased by 1.2% in the first half of the year. There were three realisations during the period, two new investments and a number of follow-on financings.

The unaudited net assets attributable to the ordinary shares at 30th June, 2001 were £245.5 million (1092p per share) including current asset investments at market or directors' valuation less attributable taxation. This represents an increase of 3.0% over the net assets per share of 1060p at 30th June, 2000 and an increase of 1.2% over the net assets per share of 1079p at 31st December, 2000. This compares with a decline in the FTSE All-Share Index of 10.0% over the full year and a decline of 8.6% over the last six months.

The value ascribed to Candover's share of the carried interest in the 1994 Fund was held unchanged from 31st December, 2000 at £26.9 million (120p per share).

Pre-tax profits for the six months were £6.4 million, compared with £5.6 million for the first half of 2000, an increase of 14.3%. The increase in profits was mainly due to higher income receivable from fixed asset investments.

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The Board has decided to raise the interim dividend by 11.1% from 9.0p to 10.0p per share. The dividend will be paid on 19th October, 2001 to shareholders on the register at 21st September, 2001.

## Investments

In total, Candover invested £24.5 million during the six months to 30th June, 2001 in two new investments and seven follow-on financings. Four of the follow-on investments were small commitments to specialised funds and the majority of the other investments were to assist in the financing of acquisitions by existing 1997 Fund investee companies.

In January, Candover invested £3 million in Verigen Transplantation Service International AG (VTSI), a German healthcare service provider specialising in tissue engineering and repair in connection with orthopaedic surgery. As reported at the year end, in February 2001 Candover and the 1997 Fund together with management undertook the €920 million buyout from Carrefour of Picard Surgelés, a leading French frozen food retailer. The 1997 Fund invested £77.6 million and Candover invested £10.3 million in this transaction.

In March 2001, Candover and the 1997 Fund invested a further £10.1 million (Candover's share £1.2 million) in Clondalkin, an existing

investee company, to help fund the acquisition of EPH which manufactures a complementary range of flexible packaging materials and cartons. In April 2001, the 1997 Fund invested £39.7 million and Candover £5.3 million in Inveresk, another existing investee company, to enable it to complete a \$112.0 million acquisition of ClinTrials Research Inc, a Nasdaq-listed clinical research group.

## Realisations

Net realised gains over cost achieved by Candover and its managed funds in the period amounted to £105.0 million, of which Candover's share was £22.9 million. The majority of the gain came from the sale of the residual shares in Crown Castle International Corporation from which Candover realised £14.8 million, with a gain on cost of £13.4 million and the 1994 Fund realised £56.0 million, with a gain on cost of £50.9 million.

As reported at the year end, two further significant realisations occurred during the six months to 30th June 2001. In January, Claverham, the defence and aerospace business, was sold with gains over cost for Candover of £2.7 million and £23.0 million for the 1997 Fund. In February, Shepperton Studios, the film and television studio facilities company, was sold, resulting in a capital gain over cost of £2.2 million for Candover and £8.0 million for the 1994 Fund.

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## The Candover 2001 Fund

At the year end it was reported that we had commenced the marketing of the 2001 Fund. I am pleased to report that the first closing of this fund took place in June 2001 and that subsequent closings have brought the total raised to date to €1.5 billion. It is our intention to have a further closing in the autumn and to complete fund raising by the end of the first quarter of 2002. The investment period for the 1997 Fund has consequently now been terminated.

Under a co-investment agreement, Candover has committed €300 million to the 2001 Fund and will be entitled to 5% of any profit made by the Fund, subject to an overall minimum return having first been generated for investors in that Fund.

As part of the arrangements for raising the Candover 2001 Fund, executives are required to invest alongside the Fund. In order to satisfy this requirement, which will amount to 0.8% of the third party commitments to the Fund, an Employee Benefit Trust (EBT) has been set up. Candover will make periodic payments into the EBT from which the executives' investment will then be made, spread out over the Fund's five year investment period.

## Prospects

Despite the downturn in mergers and acquisition (M&A) activity in the UK and Europe during the first half of 2001, the buyout markets continue to perform strongly, particularly in the UK, where for the first time the buyout market accounted for over half the value of M&A activity.

We continue to see a healthy flow of promising investment opportunities and our new, larger 2001 Fund will improve our competitive position both in the UK and in the growing Continental European buyout market; and to accommodate our increased activities in France, our French team are moving to new offices this October.

The performance of the investee companies in the portfolio is satisfactory and I anticipate that over the next twelve months additional realisations should produce further increases in Candover's net asset value.

# Independent review report

To the members of Candover Investments plc

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## 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, 2001.

### Grant Thornton

Registered Auditors  
Chartered Accountants  
London  
10th September, 2001

# Group statement of total return

Incorporating the revenue account for the half year ended 30th June, 2001

Unaudited	6 months to 30th June, 2001			6 months to 30th June, 2000			12 months to 31st December, 2000		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains/(losses) on investments	–	2,502	2,502	–	16,671	16,671	–	23,626	23,626
Income - managed funds									
Net income	3,726	–	3,726	1,853	–	1,853	7,946	–	7,946
Less : third party interests									
in managed funds	(3,726)	–	(3,726)	(1,853)	–	(1,853)	(7,920)	–	(7,920)
Add : management fees	6,021	–	6,021	5,895	–	5,895	11,735	–	11,735
Net income from managed funds	6,021	–	6,021	5,895	–	5,895	11,761	–	11,761
Income - own funds	5,341	–	5,341	3,979	–	3,979	9,144	–	9,144
	11,362	–	11,362	9,874	–	9,874	20,905	–	20,905
Administrative expenses	(4,997)	(2,874)	(7,871)	(4,322)	(2,051)	(6,373)	(9,222)	(4,744)	(13,966)
Net return before finance costs and taxation	6,365	(372)	5,993	5,552	14,620	20,172	11,683	18,882	30,565
Interest payable & similar charges	(5)	–	(5)	(2)	–	(2)	(4)	–	(4)
<b>Return on ordinary activities before taxation</b>	<b>6,360</b>	<b>(372)</b>	<b>5,988</b>	<b>5,550</b>	<b>14,620</b>	<b>20,170</b>	<b>11,679</b>	<b>18,882</b>	<b>30,561</b>
Tax on ordinary activities	(1,908)	862	(1,046)	(1,665)	615	(1,050)	(4,019)	1,423	(2,596)
<b>Return on ordinary activities after taxation for the financial year</b>	<b>4,452</b>	<b>490</b>	<b>4,942</b>	<b>3,885</b>	<b>15,235</b>	<b>19,120</b>	<b>7,660</b>	<b>20,305</b>	<b>27,965</b>
Interim dividend at 10.0p per share (2000 : 9.0p)	(2,248)	–	(2,248)	(2,057)	–	(2,057)	(6,629)	–	(6,629)
Transfer to reserves	2,204	490	2,694	1,828	15,235	17,063	1,031	20,305	21,336
Return per ordinary share									
Basic	19.79p	2.18p	21.97p	17.02p	66.74p	83.76p	33.53p	88.89p	122.42p
Fully diluted	19.66p	2.16p	21.82p	16.94p	66.41p	83.35p	33.37p	88.46p	121.83p

# Group balance sheet

at 30th June, 2001

Unaudited	30th June, 2001 £000	30th June, 2000 £000	31st December, 2000 £000
<b>Fixed assets</b>			
Tangible assets	1,625	255	1,564
<b>Investments:</b>			
Managed funds	759,083	647,982	712,962
Less : third party interests in managed funds	(731,438)	(622,944)	(685,132)
Net investment in managed funds	27,645	25,038	27,830
Other fixed asset investments	158,031	138,788	161,092
	185,676	163,826	188,922
Associated undertakings	74	74	74
	185,750	163,900	188,996
<b>Current assets</b>			
Debtors	10,555	9,668	10,248
Investments	47,307	60,422	42,927
Cash at bank	11,534	17,508	16,693
	69,396	87,598	69,868
<b>Creditors : amounts falling due within one year</b>	<b>(8,119)</b>	<b>(6,091)</b>	<b>(10,631)</b>
<b>Net current assets</b>	<b>61,277</b>	<b>81,507</b>	<b>59,237</b>
<b>Total assets less current liabilities</b>	<b>248,652</b>	<b>245,662</b>	<b>249,797</b>
<b>Provisions for liabilities and charges</b>	<b>(3,582)</b>	<b>(3,721)</b>	<b>(3,582)</b>
	245,070	241,941	246,215
<b>Capital and reserves</b>			
Called up share capital	5,621	5,714	5,714
Share premium account	971	970	971
Capital redemption reserve	94	–	–
Capital reserve – realised	174,987	159,718	157,766
Capital reserve – unrealised	48,805	62,354	69,376
Revenue reserve	14,592	13,185	12,388
<b>Shareholders' funds</b>	<b>245,070</b>	<b>241,941</b>	<b>246,215</b>

# Group cash flow statement

at 30th June, 2001

Unaudited	6 months to		6 months to		12 months to	
	30th June, 2001		30th June, 2000		31st December, 2000	
	£000	£000	£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>		<b>1,024</b>		241		4,180
<b>Returns on investments and servicing of finance</b>						
Interest paid		(5)		(2)		(4)
<b>Taxation</b>						
UK corporation tax received/(paid)		<b>1,068</b>		(157)		(734)
<b>Capital expenditure and financial investment</b>						
Purchase of tangible fixed assets		<b>(285)</b>		(71)		(1,576)
Purchase of investments		<b>(24,460)</b>		(12,923)		(38,339)
Sale of investments		<b>30,207</b>		21,853		29,144
Sale of tangible fixed assets		<b>10</b>		9		35
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		<b>5,472</b>		8,868		(10,736)
<b>Equity dividends paid</b>		<b>(4,497)</b>		(4,229)		(6,277)
<b>Management of liquid resources</b>		<b>(4,380)</b>		(2,478)		14,999
<b>Financing</b>						
Issue of shares		–		127		127
Share buy back		<b>(3,841)</b>		–		–
<b>(Decrease)/increase in cash</b>		<b>(5,159)</b>		2,370		1,555

## Notes

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- 1 The interim statement is the responsibility of and has been approved by the directors.
- 2 Comparative figures for 31st December, 2000 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.

**Candover Investments plc**

Registered in England  
and Wales No. 1512178

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