**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about this offer for subscription you should consult your bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services Act 1986 without delay. This Prospectus contains full details of the Company and the New Ordinary Shares.

A copy of this Prospectus, which comprises listing particulars relating to Capital for Companies VCT plc prepared in accordance with Part IV of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act.

In subscribing for New Ordinary Shares you will be treated as subscribing solely on the basis of this Prospectus. ***Your attention is drawn to the risk factors set out on page 16 of this document and*** **the Terms and Conditions of Application set out on pages 50 to 52 of this document.**

Application has been made to the UK Listing Authority for the New Ordinary Shares to be issued pursuant to the Offer to be admitted to the Official List. Application has also been made to the London Stock Exchange for such share capital to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the business day following allotment.

Persons receiving this document should note that in connection with the Offer Williams de Broë Plc is acting for the Company and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Williams de Broë Plc nor for providing advice in relation to the Offer. Williams de Broë Plc is regulated by the Securities and Futures Authority Limited.

The Directors of the Company, whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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# Capital for Companies VCT plc

*(incorporated in England and Wales under the Companies Act 1985 with registered number 3145895)*

## Offer for Subscription

**of**

**up to 5,800,000 Ordinary Shares of 10 pence each**

**at an issue price of 138 pence per Ordinary Share**

**payable in full on subscription***

**Sponsored by**

***Williams de Broë Plc***



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An Application Form is included at the end of this document. **The minimum application under the Offer is £5,000.** Completed Application Forms must be posted or delivered by hand (during normal business hours) to Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA. The Offer opens on 20 November 2000. The first closing date will be 30 November 2000 and the Offer will finally close on 31 March 2001 or as soon as full subscription is reached, if earlier. The Directors may in their absolute discretion decide to extend the Offer.

*** *The Company will allot New Ordinary Shares at 138 pence per share, being the net asset value* per Ordinary Share at 31 October 2000 of 130.24 pence plus 6 per cent., being the costs of the Offer, rounded to the nearest whole pence. If however the net asset value on the last day of the month immediately preceding any allotment of New Ordinary Shares is more than 5 per cent. above or 5 per cent. below the net asset value at 31 October 2000 then the New Ordinary Shares will be allotted at the relevant net asset value plus 6 per cent. rounded to the nearest whole pence (see section headed "Price Mechanism" on page 13).**

# Contents



## Offer timetable and statistics

| | |
|---|---|
| Offer for Subscription opens | 20 November 2000 |
| Offer price per New Ordinary Share | 138 pence[1] |
| Minimum investment | £5,000 |
| First closing date | 30 November 2000[2] |
| Final closing date | 31 March 2001[3] |
| Allotment dates | 5 December 2000 and thereafter on the fifth day of each following month or otherwise at the Directors' discretion |
| Dealings commence | the business day following allotment |

Notes:

1. The Company will allot New Ordinary Shares at 138 pence per share being the net asset value per Ordinary Share at 31 October 2000 of 130.24 pence plus 6 per cent. being the costs of the Offer rounded to the nearest whole pence. If however the net asset value on the last day of the month immediately preceding any allotment of New Ordinary Shares is more than 5 per cent. above or 5 per cent. below the net asset value at 31 October 2000 then the New Ordinary Shares will be allotted at the relevant net asset value plus 6 per cent. rounded to the nearest whole pence (see section headed "Price Mechanism" on page 13). If the price at which New Ordinary Shares are allotted is amended under the terms of the Price Mechanism then the Company will publish supplementary listing particulars pursuant to the Listing Rules and despatch these to investors

2. **Existing Shareholders will be given priority for applications received before 30 November 2000**

3. *Unless fully subscribed at an earlier date. The Directors reserve the right to extend the final closing date of the Offer in which case the* Company will publish supplementary listing particulars pursuant to the Listing Rules and despatch these to investors. Applications for the tax year 2001/2002 must be received by 31 March 2001

# Key features

- ✔ Opportunity to invest in an established Venture Capital Trust with net assets of £13.4 million[1]
- ✔ £4.5 million invested in 25 AIM Companies[2] and £2.2 million in 7 Unquoted Companies
- ✔ 64.1 per cent. growth in AIM portfolio[3]
- ✔ 51.6 per cent. growth in total investment portfolio[4]
- ✔ 14.3 per cent. growth per annum achieved[5]
- ✔ Significant opportunities for further investment, especially in AIM Companies
- ✔ Immediate investment of the New Funds in BWD equity unit trusts, gilts and bank deposits
- ✔ More than 70 per cent. of New Funds to be invested within 3 years, mainly in AIM Companies
- ✔ Up to 60 per cent. initial tax relief on investment in the Company
- ✔ Tax relief available for 2000/2001 and 2001/2002 tax years
- ✔ Capital gains and dividends are tax free
- ✔ Experienced investment team
- ✔ No overall minimum subscription — the Offer will definitely proceed

Notes:

1. As at 31 October 2000
2. Including one listed company formerly on AIM
3. Based on the initial investment cost and valuation at 10 November 2000
4. Based on the initial investment cost, including AIM Companies, Unquoted Companies, BWD unit trusts, short dated gilts and cash and valuation at 10 November 2000
5. By investors who subscribed to the 1996 offer for subscription and who obtained income tax relief at 20 per cent. and based on net asset value at 31 October 2000

# Definitions

The following definitions are used throughout this document, except where the context requires otherwise:

**Act**
the Companies Act 1985 (as amended)

**Admission**
admission to the Official List and to trading on the London Stock Exchange's market for listed securities

**AIM**
the Alternative Investment Market of the London Stock Exchange

**AIM Company**
a company whose shares are traded on AIM

**AIM Index**
an index of the ordinary share price of all companies trading on AIM as at the latest quarterly review by FTSE International Plc

**Application Form**
the application form and declaration set out at the end of this document

**Board or Directors**
the directors of the Company

**BWD**
BWD Rensburg Limited, a subsidiary of BWD Securities

**BWD Securities**
BWD Securities PLC

**Company or CfC VCT**
Capital for Companies VCT plc

**Costs Agreement**
the agreement regarding costs dated 13 November 2000 between the Company and BWD

**CREST**
the UK based system for the paperless settlement of trades in listed securities, of which CRESTCo. Limited is the operator

**Listing Rules**
the listing rules of the UKLA

**London Stock Exchange**
London Stock Exchange plc

**Manager**
BWD, acting through its Capital for Companies division

**Management Agreement**
the management agreement dated 5 March 1996 made between the Company and BWD as amended by the Supplemental Management Agreement

**Mini Prospectus**
a document containing information drawn from the Prospectus which has been issued in connection with the Offer

**New Funds**
funds raised under the Offer, net of costs of the Offer

**New Ordinary Shares**
Ordinary Shares to be issued pursuant to the Offer

**Offer**
the offer for subscription of up to 5,800,000 Ordinary Shares pursuant to the terms of this document

**Official List**
the Official List of the UK Listing Authority

**Option**
the option granted, pursuant to the Option Agreement, to BWD to subscribe for up to 363,636 Ordinary Shares at a price of 10 pence per Ordinary Share

**Option Agreement**
the option agreement dated 15 July 1998 made between the Company and BWD

**Ordinary Shares**
ordinary shares of 10 pence each in the capital of the Company

**Original Offers**
the offers for subscription pursuant to the terms of the prospectuses dated 6 March 1996 and 7 February 1997

**Price Mechanism**
the basis upon which the price at which the New Ordinary Shares will be allotted pursuant to the Offer is to be determined as set out on page 13 of this document

**Prospectus**
this document, which has been issued by the Company in connection with the Offer and dated 14 November 2000 and which comprises listing particulars in accordance with the Listing Rules

**Qualifying Company**
a relevant company within the meaning of Schedule 28B of the Income and Corporation Taxes Act 1988 (as amended)

**Shareholder**
a holder of Ordinary Shares

**SFA**
the Securities and Futures Authority Limited

**Sponsorship Agreement**
the sponsorship agreement dated 13 November 2000 between the Company, the Directors and Williams de Broë

**Supplemental Management Agreement**
the supplemental management agreement dated 13 November 2000 made between the Company and BWD amending the terms of the Management Agreement

**Terms and Conditions of Application**
the terms and conditions set out on pages 50 to 52 of this document

**UK**
United Kingdom of Great Britain and Northern Ireland

**UKLA or UK Listing Authority**
UK Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services Act 1986

**Unquoted Company**
a Qualifying Company whose shares are not traded on any stock exchange

**Venture Capital Trust or VCT**
a company which is, for the time being, approved as a venture capital trust under Section 842AA of the Income and Corporation Taxes Act 1988 (as amended)

**Williams de Broë**
Williams de Broë Plc, the Company's sponsor

# Letter from the Chairman of Capital for Companies VCT plc

***Capital for Companies VCT plc***
*Quayside House, Canal Wharf*
*Leeds LS11 5PU*

*14 November 2000*

Dear Investor

The Company was established as a venture capital trust in 1996 and has invested in a portfolio of AIM Companies and Unquoted Companies with the balance in gilts and equity unit trusts managed by BWD. It has invested over 70 per cent. of its funds in Qualifying Companies and has obtained full Inland Revenue approval as a VCT.

Initially the Company invested mainly in Unquoted Companies but changed its focus to AIM Companies in late 1998. This policy has proved successful with a 30 per cent. increase in net assets in the year to 31 October 2000 mainly due to the increase in the value of the Company's AIM portfolio. The net asset value per Ordinary Share has increased by 62 per cent. from an initial 95 pence in 1996 to 154 pence at 31 October 2000 including tax-free distributions to Shareholders, paid or declared, which have totalled 23.9 pence per share.

The Directors feel that this is an appropriate time to raise a further £8 million to enable the Company to take advantage of the substantial flow of investment proposals from AIM Companies. The AIM Index has increased by 104 per cent. since the beginning of January 1999.* Many new issues achieve premiums on initial dealings following flotation but are only available to institutional investors including VCTs and not the general public.

Investors are eligible for substantial tax benefits including income tax savings, capital gains tax deferral and tax free dividends on capital distributions. Applications to invest can be made for either or both tax years ending 5 April 2001 and 5 April 2002.

The terms of the Offer should benefit all investors. New investors can buy into an existing successful portfolio and current investors will benefit from spreading the fixed costs of the Company over a larger number of shares. It is anticipated that investors will also benefit from a portfolio comprising a broader spread of investments.

We are pleased to be raising new funds from a strong position.

Yours sincerely

Richard de Zouche OBE

Chairman

* Source: London Stock Exchange AIM Statistics (4 January 1999 to 10 November 2000)

## Directors, manager and advisers

**Non-Executive Directors**
R B de Zouche OBE (Chairman)
B A Anysz
R G Battersby
W M Cran
T C J Wood

*all of the Company's registered office*
Quayside House
Canal Wharf
Leeds LS11 5PU

**Manager**
Capital for Companies
(a division of BWD Rensburg Limited)
Quayside House
Canal Wharf
Leeds LS11 5PU
*(Regulated by the SFA)*

**Sponsor and Stockbroker**
Williams de Broë Plc
4 Park Place
Leeds LS1 2RU

and

1 Waterloo Street
Birmingham
B2 5PG
*(Regulated by the SFA)*

**VCT Status Adviser**
Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

**Solicitors to the Company and to the Offer**
Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

**Auditors**
KPMG Audit Plc
The Embankment
Neville Street
Leeds LS1 4DW

**Bankers**
Lloyds Bank Plc
1 Westgate
Huddersfield HD1 2DN

**Registrars and Receiving Agents**
Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

**Marketing Adviser**
Pinder Fry & Benjamin Limited
7 Cavendish Square
London W1M 9HA
*(Regulated by the SFA)*

# Background

## Introduction

The Company is a Venture Capital Trust and its shares are traded on the London Stock Exchange's market for listed securities. It has raised over £10 million from Shareholders since April 1996, all of which has been invested in a portfolio of AIM Companies, Unquoted Companies, short dated gilts and equity unit trusts managed by BWD. The portfolio currently includes £4.5 million invested in 25 AIM Companies[1] and £2.2 million invested in seven Unquoted Companies. The net asset value per Ordinary Share has increased by 62 per cent. from an initial 95 pence in 1996 to 154 pence as at 31 October 2000 including tax free distributions, paid or declared, of 23.9 pence per Ordinary Share. This is equivalent to an annual return of 14.3 per cent. to investors who subscribed to the 1996 offer for subscription and who obtained income tax relief of 20 per cent. At 10 November 2000 the Company had a market capitalisation of £11.5 million.

VCTs have been available for approximately five years and have raised over £950 million. They are attractive to investors who want returns from equity investments in a tax efficient environment. This Offer provides the opportunity of investing, with all the VCT tax advantages, in a portfolio which includes AIM Companies, Unquoted Companies, equity unit trusts managed by BWD, short dated gilts and bank deposits.

Full approval of the Company as a VCT has been obtained from the Inland Revenue as it has invested over 70 per cent. of its funds in Qualifying Companies.

The Company now proposes to raise up to £8 million for further investment. There is no overall minimum subscription and therefore the Offer will definitely proceed.

## Investment objectives

CfC VCT is a listed company which aims to maximise tax free returns to Shareholders. It is intended that within three years CfC VCT will have invested at least 70 per cent. of the New Funds in AIM and Unquoted Companies leaving approximately 30 per cent. invested in equity unit trusts managed by BWD, short dated gilts and bank deposits.

## Investment policy

The Directors intend that substantially all of the New Funds will initially be invested as follows:

- Approximately two thirds will be invested in UK equity unit trusts managed by BWD. Investment in the unit trusts will be at their "creation" price (i.e. with no initial charge).
- The balance will be invested in short dated gilts and bank deposits as required for liquidity.

Within three years from the date of first allotment of the New Ordinary Shares at least 70 per cent. of the New Funds should be invested in Qualifying Companies which include most AIM and Unquoted Companies. The balance will continue to be invested in unit trusts managed by BWD, short dated gilts and bank deposits.

The investment policy will, in the absence of unforeseen circumstances, be adhered to for at least three years following Admission of the New Ordinary Shares.

This Offer has been designed for investors who are interested in equity investment over at least a three year period.

# Manager

Capital for Companies, as manager of CfC VCT, is responsible for identifying and evaluating investment opportunities. Capital for Companies was formed in 1983 and is a member of the British Venture Capital Association. Its team of four investment executives includes Barry Anysz and Andre Winter who have between them over 44 years experience in making venture capital investments including 22 years at 3i plc. They will be assisted in the choice of AIM Company investments by Stuart Sharp, the manager of BWD UK Smaller Companies Unit Trust.

Capital for Companies is a division of BWD with £3.5 billion under management including £233 million in a range of unit trusts.

Note: 1. Including one listed company formerly on AIM

4888 13/11/2000 Proof 8

Capital for Companies also manages one other VCT, BWD Aim VCT plc, which had net assets at 31 October 2000 of £25.8 million. The Manager will, following the Offer, recommend a proposed investment to both VCTs giving them the opportunity to invest in proportion to the amounts they have available for investment in Qualifying Companies. The Company has a different board of directors to BWD Aim VCT plc with the exception of Barry Anysz and Richard Battersby who are common to both.

## Reasons to invest in this VCT

The Directors intend to raise New Funds to:

- take advantage of the substantial flow of investment opportunities which is anticipated by the Manager from both existing and new AIM Companies;
- invest on a syndicated basis in Unquoted Companies which are expected to list on AIM within a relatively short period;
- diversify the Company's portfolio of investments;
- participate in "follow on" investments;
- spread the fixed costs over a larger number of shares; and
- enable the Company to buy back its own shares if the shares trade at a discount to net asset value.

## The advantages of investing in AIM shares

The Company's portfolio currently includes £4.5 million invested in 25 AIM Companies[1] valued at £7.4 million, an increase of 64.1 per cent. over cost. In the Directors' opinion the advantages of investing in AIM Companies as opposed to Unquoted Companies are:

- the potential for growth in AIM Companies is substantial. The AIM index has increased by 104 per cent.[2] in the period from the beginning of 1999 to 10 November 2000;
- AIM shares should provide increased liquidity compared to the shares of an Unquoted Company;
- AIM Companies requiring more capital may find it easier and relatively less expensive to raise funds than Unquoted Companies; and
- investors can follow the value of AIM Companies on a day-to-day basis as their prices are usually quoted in the financial press.

In the first ten months of the current year, 57 per cent. of the 393 companies which floated on the London Stock Exchange, did so on AIM. These AIM Companies have raised approximately £2.7 billion. At 31 October 2000 there were 488 companies on AIM capitalised at approximately £16 billion.[3]

Whilst not all AIM Companies are suitable for VCT investment, the Directors believe that there should continue to be sufficient attractive opportunities in the future for investment of the New Funds in AIM Companies to enable the investment objectives to be achieved.

## Unquoted Companies

Originally CfC VCT specialised in investments in Unquoted Companies but changed its focus to AIM Companies in view of the advantages set out above. The Company's portfolio currently includes approximately £2.2 million invested in seven Unquoted Companies valued at £2.7 million at 31 October 2000. Although the emphasis for new investments is now on AIM Companies, CfC VCT will continue to invest selectively in Unquoted Companies, usually on a syndicated basis with other venture capital investors, where they are expected to list on AIM within a relatively short period.

Notes:

1. Including one listed company formerly on AIM

2. Source: London Stock Exchange AIM statistics (4 January 1999 to 10 November 2000)

3. Source: London Stock Exchange AIM statistics 31 October 2000

4888 13/11/2000 Proof 8

## Non-qualifying investments

Funds not invested in Qualifying Companies will be split between equity unit trusts managed by BWD and short dated gilts and bank deposits to provide liquidity. The statistics below illustrate the historic performance of BWD unit trusts in which the Company intends to invest.

| | Fund Size (£m) | 1 year | Quartile | 3 Years | Quartile | 5 Years | Quartile |
|---|---|---|---|---|---|---|---|
| BWD UK Equity Income | 138 | 9% | 2 | 28% | 1 | 108% | 1 |
| BWD UK Smaller Companies | 72 | 80% | 1 | 134% | 1 | 249% | 1 |
| BWD UK Blue Chip Growth | 29 | 12% | 2 | 25% | 2 | 96% | 1 |
| BWD UK Mid Cap Growth | 34 | 26% | 1 | — | — | — | — |

**BWD UK Mid Cap Growth was established on 12 July 1999 and therefore three and five year statistics are not available.**

All figures shown are with net income reinvested, bid price to bid price for the one year period and offer price to bid price f or three and five year periods. The quartile figures show each unit trust's relative performance against similar trusts in its sector. **The past performance of these unit trusts is not necessarily a guide to future performance (Figures as at 31 October 2000)** . Source: Standard & Poor's Micropal 31 October 2000.

## Portfolio of investments

### The qualifying portfolio

The total value of the qualifying portfolio at 10 November 2000, being the latest practicable date, was £10 million compared to a cost of £6.7 million.

Brief details are given below of the ten largest (by valuation) Qualifying Companies in which CfC VCT has invested.

Each of the AIM Companies (and the former AIM Company) are valued by reference to the middle market price per ordinary share as derived from the Daily Official List of the London Stock Exchange at 10 November 2000, being the latest practicable date. The Unquoted Companies are valued in accordance with the British Venture Capital Association guidelines.

4888 13/11/2000 Proof 8

### AorTech International plc (AIM)

AorTech manufactures and distributes heart valves, develops innovative products for the cardiovascular device market and provides sub-assembly services for medical device manufacturers.

Results from the latest audited accounts for the year ended 31 March 2000: loss before tax £1.76 million; retained loss £5.26 million; net assets £41.55 million. The Company owns 0.6 per cent. of the issued ordinary share capital with each share carrying one vote.

| Date of first investment | Average cost per share | Valuation per share | Total cost £000 | Total valuation £000 |
|---|---|---|---|---|
| August 1999 | 152 pence | £10.28 | 216 | 1,457 |

### Connaught Group plc (AIM)

Connaught provides facilities management and property services to the owners and occupiers of commercial and residential buildings throughout the UK.

Results from the latest audited accounts for the year ended 31 August 1999: profit before tax £1.77 million; retained profit £1.22 million; net assets £5.28 million. The Company owns 2.2 per cent. of the issued ordinary share capital with each share carrying one vote.

| Date of first investment | Average cost per share | Valuation per share | Total cost £000 | Total valuation £000 |
|---|---|---|---|---|
| November 1996 | 133 pence | 280 pence | 300 | 630 |

## CRC Group Plc (AIM)

CRC's principal activity is the management and provision of service and repair of electronic equipment, computer components, mobile communications equipment and peripherals.

Results from the latest audited accounts for the year ended 31 December 1999: profit before tax £791,000; retained profit £687,000; net assets £14.25 million. The Company owns 1.3 per cent. of the issued ordinary share capital with each share carrying one vote.

| Date of first investment | Average cost per share | Valuation per share | Total cost £000 | Total valuation £000 |
|---|---|---|---|---|
| November 1997 | 109 pence | 133 pence | 318 | 386 |

## Dennis Ruabon Limited (Unquoted)

Dennis Ruabon manufactures and sells ceramic tiles, pavers and associated products.

Results from the latest audited accounts for the year ended 31 December 1999: loss before tax £368,000; retained profit £1,000; net assets £2.59 million. The Company owns and has voting rights over 12 per cent. of the issued ordinary share capital. In addition, in March 1997, the Company subscribed for 180,000 preference shares at a cost of £180,000 which are included in the valuation below at cost.

| Date of first investment | Average cost per ordinary share | Valuation per ordinary share | Total cost £000 | Total valuation £000 |
|---|---|---|---|---|
| March 1997 | 100 pence | 750 pence | 200 | 330 |

## Honeycombe Leisure plc (AIM)

Honeycombe owns and manages a chain of pubs and nightclubs throughout the country.

Results from the latest audited accounts for the year ended 27 April 2000: profit before tax £2.01 million; retained profit £1.66 million; net assets £16.08 million. The Company owns 1.7 per cent. of the issued ordinary share capital with each share carrying one vote.

| Date of first investment | Average cost per share | Valuation per share | Total cost £000 | Total valuation £000 |
|---|---|---|---|---|
| November 1998 | 55 pence | 127 pence | 254 | 582 |

## Policy Master Group plc (AIM)

Policy Master develops and supplies insurance specific application software both as a package and as a solution.

Results from the latest audited accounts for the year ended 31 December 1999: profit before tax £1.06 million; retained profit £1.70 million; net assets £10.88 million. The Company owns 0.5 per cent. of the issued ordinary share capital with each share carrying one vote.

| Date of first investment | Average cost per share | Valuation per share | Total cost £000 | Total valuation £000 |
|---|---|---|---|---|
| July 1998 | 152 pence | 485 pence | 106 | 340 |

## Radii Limited (Unquoted)

Radii supplies computer hardware and software and carries out programming.

Results from the latest audited accounts for the period ended 30 June 2000: profit before tax £249,000; retained profit £118,000; net assets £477,000. The Company owns and has voting rights over 25 per cent. of the issued ordinary share capital. In addition, in June 1999, the Company subscribed for 316,667 preference shares at a cost of £316,667 which are included in the valuation below at cost.

| Date of first investment | Average cost per ordinary share | Valuation per ordinary share | Total cost £000 | Total valuation £000 |
|---|---|---|---|---|
| June 1999 | 100 pence | £12.70 | 350 | 740 |

**RDL Group Plc (AIM)**

RDL Group provides IT software consultants to organisations requiring specialist skills. RDL is a leading UK IT recruitment agency supplying contract and permanent staff to organisations in the UK and Europe.

Results from the latest audited accounts for the year ended 30 September 1999: profit before tax £1.34 million; retained profit £1.51 million; net assets £2.38 million. The Company owns 1.9 per cent. of the issued ordinary share capital with each share carrying one vote.

| Date of first investment | Average cost per share | Valuation per share | Total cost £000 | Total valuation £000 |
|---|---|---|---|---|
| December 1999 | 129 pence | 204 pence | 276 | 435 |

**TIB plc (Unquoted)**

TIB manufactures compact and digital video discs for the games and software market.

Results from the latest audited accounts for the year ended 31 May 2000: profit before tax £575,500; retained profit £336,000; net assets £2.29 million. The Company owns and has voting rights over 17 per cent. of the issued ordinary share capital. In addition, in June 1998, the Company subscribed for 400,000 'A' preference shares at a cost of £400,000. The Company has also made a loan of £137,000 to TIB. The preference shares are included in the valuation below at cost. The loan is not included in the valuation below.

| Date of first investment | Average cost per ordinary share | Valuation per ordinary share | Total cost £000 | Total valuation £000 |
|---|---|---|---|---|
| June 1998 | £625 | £3,000 | 520 | 976 |

**XKO Group plc (Official List, formerly AIM)**

XKO Group supplies e-business consultancy, ASP and hosting, business enterprise software and systems integration.

Results from the latest audited accounts for the year ended 31 March 2000: loss before tax £6.26 million; retained profit £4.06 million; net assets £25.12 million. The Company owns 0.8 per cent. of the issued ordinary share capital with each share carrying one vote.

| Date of first investment | Average cost per share | Valuation per share | Total cost £000 | Total valuation £000 |
|---|---|---|---|---|
| February 1999 | 120 pence | 293 pence | 225 | 548 |

**The non-qualifying portfolio**

The Company had invested in the following non-qualifying investments as at 10 November 2000:

| | Cost £000 | Valuation £000 |
|---|---|---|
| BWD UK Equity Income Unit Trust | 859 | 1,336 |
| BWD UK Smaller Companies Unit Trust | 426 | 1,244 |
| Gilts | 1,009 | 1,022 |
| Total | 2,294 | 3,602 |

4888 13/11/2000 Proof 8

# Tax reliefs

There are substantial tax benefits available for those investing in a VCT. The two principal tax reliefs available in the tax year of investment are:

(1) Up to 20 per cent. relief against income tax.

(i.e. invest £10,000 and pay £2,000 less income tax.)

The investor must have sufficient taxable income to offset the relief against or the relief will be limited to that which would reduce the income tax liability to nil.

Investors claiming this relief must hold the New Ordinary Shares for at least three years to preserve this income tax relief.

(2) Up to 40 per cent. deferred capital gains tax.

This applies to capital gains made up to one year before or one year after the date of the issue of the New Ordinary Shares. For example, if an investor has a capital gains tax liability on taxable gains of £10,000 an investment in New Ordinary Shares of £10,000 enables payment of the tax to be deferred until sale of those New Ordinary Shares.

Capital gains tax deferral ceases upon disposal of the New Ordinary Shares.

There are also three further tax benefits from investing in a VCT:

(1) There is no tax on dividends.

(2) There is no tax on any capital gain resulting from the sale of New Ordinary Shares made by investors subscribing under the Offer.

(3) The Company itself suffers no tax on any capital gains arising from its own investments.

A husband and wife can each invest up to £100,000 in any one tax year.

**EXAMPLE OF HOW THESE TAX BENEFITS WORK**

| | **Income tax relief and capital gains tax deferral claimed** | **Income tax relief only claimed** |
|---|---|---|
| Initial investment | £10,000 | £10,000 |
| Income tax relief (20%) | (£2,000) | (£2,000) |
| CGT deferral (40%) | (£4,000) | — |
| Net cost to investor | £4,000 | £8,000 |

Assuming that the Company achieves a minimum return of 6 per cent. per annum (the minimum necessary for the Manager to trigger its incentive fee) on £10,000 invested, the £600 return to the investor as a percentage of the net cost to the investor is as follows:

| | | |
|---|---|---|
| Dividend return on net cost to investor | 15% | 7.5% |
| Equivalent gross return to 40 per cent. taxpayer | 25% | 12.5% |

Further information on the tax position of investors is set out on pages 18 and 19 of this document.

Notes:

1. The above examples assume that the investor has sufficient taxable income or capital gains to obtain the tax reliefs at the r ates shown

2. These figures are illustrations and are not profit forecasts

4888 13/11/2000 Proof 8

## Details of the Board

The Board (which, other than B A Anysz and T C J Wood, are independent of the Manager) will monitor the performance of the Manager and the underlying investments and make strategic investment decisions as required. The Directors, all of whom are non-executive, are:

- **Richard Bearder de Zouche OBE, FCA (Chairman) (Age 67)** — Richard is a chartered accountant and former deputy chairman of Birmingham Midshires Building Society and chairman of the Merseyside Estates Limited. He was formerly a director of the Merseyside and North Wales Electricity Board, chairman of the Merseyside Chamber of Commerce and a member of an advisory board to the Department of Trade and Industry for 11 years.
- **Barry Aubrey Anysz B Comm, MSI (Age 51)** — Barry is a director of BWD Securities PLC and of BWD Aim VCT plc, which are both listed companies. He has 29 years experience of the venture capital industry including 12 years with 3i plc. He is also a director of Bowness Leisure plc, a company traded on AIM and has been, or is on the board of a number of Unquoted Companies.
- **Richard Godfrey Battersby BA, FCA, JDipMA (Age 57)** — Richard is non-executive chairman of BWD Aim VCT plc and a non-executive director of BWA Group plc. He is also a director of a number of Unquoted Companies. He was previously chairman of AG Holdings plc and a director of Plaxton Group plc. Since the mid 1970's he has had substantial venture capital experience and for a number of years was a director of several subsidiaries of The Royal Bank of Scotland plc involved in this sector.
- **William Michael Cran (Age 51)** — Bill has over 25 years experience in the property, leasing and instalment credit industries. He was the founder and executive chairman of Birkby plc until its merger with Mentmore Abbey plc. He is currently chairman of Headway plc and a director of a number of Unquoted Companies.
- **Timothy Charles Jason Wood FCA, MSI (Age 58)** — Tim is a chartered accountant and a former partner of Rensburg & Co. He was an executive director of BWD Securities PLC for a number of years until 1995 when he became a non-executive director.

4888 13/11/2000 Proof 8

## Subscription details

The minimum individual subscription under the Offer is £5,000 and cheques must be received by the close of business on the day prior to the relevant allotment date. Thereafter subscriptions must be in multiples of £500. Tax certificates will be issued to investors, to enable tax relief to be claimed, within 14 days of each allotment. New Ordinary Shares will be allotted in accordance with the Price Mechanism set out below. Fractions of a New Ordinary Share will not be allotted nor will any balance be refunded.

## Price Mechanism

Recognising that the Company has an existing investment portfolio and in order to be fair to both existing and new Shareholders, New Ordinary Shares will be allotted by reference to the net asset value of the existing Ordinary Shares. Therefore, the Company will allot New Ordinary Shares at 138 pence per Ordinary Share being the net asset value per Ordinary Share at 31 October 2000 of 130.24 pence plus 6 per cent., being the costs of the Offer, rounded to the nearest whole pence.

If however the net asset value on the last day of the month immediately preceding any allotment is more than 5 per cent. above or 5 per cent. below the net asset value at 31 October 2000 then the New Ordinary Shares will be allotted at the relevant net asset value plus 6 per cent. rounded to the nearest whole pence.

If the price at which New Ordinary Shares are allotted is amended under the terms of the Price Mechanism then the Company will publish supplementary listing particulars pursuant to the Listing Rules and despatch these to investors.

# Fees

## Initial fee

The Manager has agreed to underwrite all the costs of the Offer (including commissions payable to financial intermediaries of 3 per cent.) in return for a fixed fee of 5.5 per cent. of the total funds subscribed pursuant to the Offer.

## Annual fees

The Manager receives an annual fee of 2.5 per cent. of the Company's net assets.

The Company receives a rebate if the total operating costs of the Company exceed 3.5 per cent. per annum of the net assets (for these purposes the net assets are treated as gross assets less current liabilities).

The total expenses of the Company, including the fees to BWD and Directors' fees, are capped by agreement with BWD at 3.5 per cent. of the Company's net assets (excluding the incentive fee referred to below).

The fees described above are charged wholly to income.

## Option

The Option, which was granted to the Manager in 1996, relates to the performance of the existing funds of the Company. The principal condition to the exercise of the Option is that at the date of exercise the share price per Ordinary Share must be at least 120 pence (subject to adjustment by reference to the level of dividends paid to Shareholders prior to the exercise date). Subject to the conditions being satisfied, the Manager intends to exercise the Option on the first exercise date, which is expected to be in July 2001.

## Incentive fee

Under the Supplemental Management Agreement the Manager is also entitled to an incentive fee based on the investment performance of the New Funds. This fee is payable if the dividend in any year exceeds 6 per cent. of the aggregate subscription price paid for the New Ordinary Shares in which case the Manager will receive 25 per cent. of that excess. By way of illustration, if the average subscription price under the Offer is, say, 138 pence then no fee is payable to the Manager unless the dividend per Ordinary Share payable to all Shareholders in any year exceeds 8.3 pence per Ordinary Share.

If on a sale or winding-up of the Company the total proceeds plus the total dividends paid exceed the aggregate subscription price plus 6 per cent. of that figure for every year commencing on 1 April 2001, the Manager will receive 25 per cent. of the excess less any incentive fees already received. The Manager is required to rebate a proportion, or all, of any incentive fees already received if these targets are not achieved. By way of illustration, if the total monies subscribed for the New Ordinary Shares were £8 million, then no further fee would be payable to the Manager unless the total return after five years exceeds £10.4 million (i.e. £8 million plus 6 per cent. per annum over five years).

Further details of the fees payable to the Manager and the Option Agreement are set out in paragraph 8 of the Additional information section of this document.

4888 13/11/2000 Proof 8

## Dividend policy

The Company's policy is to maximise distributions to Shareholders. A privileged feature of a VCT is the ability to distribute net realised capital profits tax free to private investors. Dividends will usually be paid on a half yearly basis in February and August of each year. Total distributions, paid or declared, since the VCT was formed have been 23.9 pence. The New Ordinary Shares will not rank for the interim dividend payable on 9 February 2001 but will rank for future dividends.

## Investor relations

The Company's annual report and financial statements are made up to 31 March each year and are normally sent to shareholders in June. Shareholders will also receive unaudited half yearly statements made up to 30 September each year, which are usually circulated in November.

The Company also has a web site at **www.cfc-vct.co.uk** which contains publicly available information about recent investments and also the latest net asset value and share price. The latest share price and published net asset value will be quoted in the Financial Times shortly.

## Realisation of investment

The Company is a listed Venture Capital Trust and therefore Ordinary Shares can be sold through a stockbroker on the London Stock Exchange. At the 2004 annual general meeting of the Company and every three years thereafter an opportunity will be provided for investors to vote on the continuation of the Company. The Company may buy back its own shares when the share price is at a discount to net asset value, in accordance with the Listing Rules and existing Shareholder authorities. These authorities were renewed at the annual general meeting in July 2000 for a 15 month period and will only be utilised if the middle market share price is at a discount to the net asset value per share.

4888 13/11/2000 Proof 8

## Investment timing and procedure

**Existing Shareholders will be given priority for applications received before 30 November 2000, the first closing date. Thereafter all applications for New Ordinary Shares will be dealt with strictly on a first-come, first-served basis.**

Investors who are due to pay capital gains tax on 31 January 2001, in respect of the sale of an investment before 5 April 2000, may be able to reduce their tax payment by demonstrating that they have subscribed, or intend to subscribe for New Ordinary Shares under the Offer. Investors should discuss this matter with their tax adviser.

Investors should be aware that tax on capital gains can only be deferred for gains made up to one year before (or one year after) the allotment of New Ordinary Shares under the Offer.

After 5 December 2000 (the initial allotment date) it is intended that allotments will be made on the fifth day of each following month or otherwise at the discretion of the Directors until such time as the Offer is fully subscribed. Investors may subscribe to the Offer in either or both the 2000/2001 and 2001/2002 tax years.

The Offer will close on 31 March 2001 unless fully subscribed at an earlier date. The Directors reserve the right to extend the final closing date of the Offer.

Investors should complete the Application Form in accordance with the instructions on page 54.

# Risk factors

Investing in the Company carries with it the risks associated with investing in equities and unit trusts, the value of which can fall as well as rise. In addition, investors should be aware that the value of shares and the income from them can fluctuate and that they may not get back the amount they have invested. Also, there is no guarantee that the market price of the shares will fully reflect the underlying net asset value or that any dividends will be paid. The past performance of BWD as a fund manager is not *necessarily a guide to its future performance. Prospective investors should be aware that an investment* in the Company should be considered as a long-term investment.

The following additional factors should be considered:

- the Directors believe that investment in AIM Companies and Unquoted Companies can offer good investment returns but, by their nature, are uncertain and involve a higher degree of risk than investment in companies with a listing on the Official List;
- the Directors believe that although the New Ordinary Shares are to be listed on the Official List and traded on the London Stock Exchange there is not, and there is unlikely to be, a liquid market in the New Ordinary Shares and it may prove difficult to realise an investment;
- the Directors believe that the market in AIM Companies can be illiquid leading to possible difficulties in realising some investments;
- the Directors believe that selling investments in Unquoted Companies is difficult and may take considerable time;
- the Directors believe that there may be constraints imposed on the realisation of investments in order to maintain the VCT status of the Company;
- whilst the Directors will make every effort to ensure that the Company will continue to qualify as a VCT there can be no guarantee that it will do so. A failure to meet the qualifying requirements could result in the Company and investors losing the tax reliefs previously obtained;
- the tax rules, or their interpretation in relation to an investment in and/or by the Company, and/or the rates of tax may change during the life of the Company;
- if an investor subscribing for New Ordinary Shares under the Offer disposes of those New Ordinary Shares within three years, the investor may be subject to clawback by the Inland Revenue of any income tax relief initially claimed; and
- there can be no certainty that there will be sufficient issues of shares in AIM Companies which the Board regard as suitable investment opportunities.

4888 13/11/2000 Proof 8

# VCT legislation

## Section A: Summary of the VCT provisions

The following is a summary of the legislation relating to VCTs.

### 1. Qualifying as a VCT

In order to be approved by the Inland Revenue as a VCT a company must not be a close company and must:

(a) have each class of its ordinary share capital quoted on the London Stock Exchange throughout its most recent accounting period;

(b) derive its income wholly or mainly from shares or securities;

(c) have at least 70 per cent. by value of its investments represented by shares or securities in Qualifying Companies, of which 30 per cent. by value must be in ordinary shares carrying no preferential rights;

(d) have not more than 15 per cent. by value of its investments represented by shares or securities in a single company or group (other than a VCT or similar company); and

(e) have not retained more that 15 per cent. of its income derived from shares and securities in its most recent accounting period.

The Inland Revenue may approve a company as a VCT in the case of any of condition (a), (b), (d) and (e) not being fulfilled in that company's most recent complete accounting period provided it is satisfied that they will be so fulfilled in the current or next accounting period. In the case of condition (c) not being fulfilled in a company's most recent complete accounting period, the Inland Revenue may approve that company as a VCT if it is satisfied that the conditions will be fulfilled within an accounting period, beginning no more that three years after the time when the approval is given or takes effect.

4888 13/11/2000 Proof 8

### 2. Qualifying holding

A qualifying holding is a holding of shares or securities issued by a Qualifying Company where the amount raised by the Qualifying Company from the issue of shares or securities in a period of up to twelve months is no more than £1 million (and less in certain circumstances).

### 3. Qualifying Companies

A Qualifying Company must be unquoted (companies the shares of which are traded on AIM are treated as unquoted for tax purposes). It must carry on a qualifying trade and/or be a holding company only of qualifying subsidiaries and have gross assets pre-investment of £15 million or less and post-investment of £16 million or less. The trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or a qualifying subsidiary at the time of issue of its shares or securities to the VCT (and at all times thereafter). In the case of a company intending to carry on a qualifying trade, the qualifying trade must begin within two years of the issue of the shares or securities to the VCT and continue thereafter. The trade must be carried on wholly or mainly in the UK but the company need not be UK resident. Certain trades are excluded; for example dealing in property, shares, securities or commodities, financial services and operating or managing hotels, guesthouses or nursing or residential care homes. The money raised must be invested for the purposes of the qualifying trade within certain time periods. A Qualifying Company must not be controlled by another company. At least 10 per cent. of an investment in a Qualifying Company has to be held in ordinary, non-preferential shares.

## 4. Approval as a VCT

A VCT must be approved at all times by the Inland Revenue. Approval has effect from the time specified in the approval, which cannot be earlier than when the application for approval is made.

A VCT cannot be approved unless the relevant tests are met throughout the most recent complete accounting period of the VCT and will be met in relation to the accounting period of the VCT that is current when the application is made. However, in order to enable VCTs to be launched, the Inland Revenue may approve a VCT notwithstanding that not all the relevant tests are met at the time of application, provided the Inland Revenue is satisfied that the tests will be met within a certain period.

## 5. Withdrawal of approval

Approval of a VCT may be withdrawn if the conditions set out in paragraph 1 are not met. Withdrawal of approval generally has effect from the time when notice of withdrawal is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to no earlier than the start of the accounting period commencing immediately after the last accounting period in which all the test were met. If approval is withdrawn because the tests have never been met for at least a complete twelve month period, approval is deemed never to have been given. The taxation consequences of approval being withdrawn or being deemed never to have been given are set out in paragraph 5 of Section B below.

# Section B: Taxation considerations

The following is a general guide to the position of investors and assumes that the VCT is approved as such at all times. Investors are strongly advised to take professional taxation advice.

4888 13/11/2000 Proof 8

## 1. For individuals

The tax benefits described in paragraphs 2 and 3 below are available to investors from the date of investment in VCT shares up to qualifying maximum of £100,000 per tax year in all VCT shares.

## 2. Tax benefits available to individual investors subscribing for shares in the VCT

(a) Income tax relief of investment in newly subscribed shares issued by the VCT is available for individuals at the lower rate (currently 20 per cent.). Relief cannot, however, exceed such amount as reduces the individual's income tax liability to nil. Relief may not be available if there is a loan linked with the investment. Relief ceases to be available in whole or in part if there is any disposal (except on death) of shares (or of an interest in them or right over them) before the end of the period of three years beginning with the date of issue of those shares to that individual.

(b) Deferral relief is available to a UK resident or ordinarily resident investor in respect of capital gains, provided that the VCT shares are subscribed for within twelve months either before or after the realisation of the gain. This relief only defers the gain and the deferred gain crystallises on the disposal of the VCT shares of the occurrence of certain other events, for example, the investor becoming non-UK resident within three years of making such investment.

(c) A gain or loss accruing to an individual on a disposal or ordinary shares in a company which was a VCT at the time he acquired the shares and is still a VCT at the time of the disposal is neither a chargeable gain nor an allowable loss (except where the gain is one which was deferred through the deferral relief described in (b) above).

(d) Dividend income is exempt from tax.

## 3. *Tax benefits available to individuals purchasing shares in the VCT after issue*

Purchasers can claim relief from capital gains tax on any chargeable gain on their investment in the VCT, as described in paragraph 2(c) above and dividend relief as described in paragraph 2(d) above, but cannot claim either the income tax relief on investment or the deferral relief, as described in paragraphs 2(a) and 2(b) above, which are only available to investors subscribing for shares.

## 4. Tax recovery procedures

(a) Income tax relief on investment — investors wishing to claim the relief described in paragraph 2(a) above will have to claim relief from their local tax inspector. The Company will within thirty days of closing the Offer despatch a certificate specifying details of the Shareholder, the date the shares were issued, the amount paid and will certify that the shares have been issued to the investor and that certain other conditions are met to the best of the Company's knowledge and belief. This relief may not be available unless the investor holds such a certificate.

(b) Deferral relief — investors wishing to claim this relief must notify their claim to the Inland Revenue. This would normally be submitted with the investor's self-assessment return of the tax year of the subscription in this VCT.

## 5. Loss of VCT status

(a) For individual investors subscribing for shares in the VCT

(i) *Income tax relief on investment — if VCT approval is treated as never having been* given, or if it is withdrawn before the shares have been held for three years, the relief will be withdrawn in full and the individual assessed to tax on an amount equal to the relief given for the tax year in which the relief was originally given. Interest on overdue tax may arise.

(ii) Deferral relief — loss of VCT status is treated as a chargeable event and the individual is treated as realising a chargeable gain at that time equal to the original gain deferred. If VCT approval is treated as never having been given, the original gain will not be deferred and the individual will be assessed for the tax year in which it originally arose. Interest on overdue tax may arise.

(b) For individual investors subscribing for shares in the VCT or acquiring shares in the VCT

(i) Dividend income — dividend income will not be exempt from tax if the dividend is paid in respect of profits or gains arising or accruing in any accounting period ending at a time when VCT status has been lost. No exemption will be given if approval is treated as never having been given.

(ii) Capital gains — if VCT approval is treated as never having been given, gains and losses on shares in the VCT will be taxable and allowable in the ordinary way. If VCT approval is withdrawn, the individual is treated as having disposed of his shares immediately before the status is lost for the market value at the time and is treated as re-acquiring them at that value immediately after the status is lost. Thus, any capital gains realised up to that date will be exempted from tax, but gains arising after that date will be taxable in the ordinary way.

4888 13/11/2000 Proof 8

# Unaudited interim results for the six months ended 30 September 2000

The following is a copy of the announcement of the unaudited interim results for the six months ended 30 September 2000, which was released on 17 October 2000.

**Financial Headlines**
**for the six months ended 30 September 2000**

| | 2000 30 Sept (pence) | 1999 30 Sept (pence) |
|---|---|---|
| Net asset value plus cumulative dividends per share | 152.5 | 107.5 |
| Dividend per share | 5.0 | 1.0 |
| Cumulative dividends per share | 23.9 | 12.9 |
| Net asset value per share | 128.6 | 94.6 |
| | **£'000** | **£'000** |
| Shareholders' funds | 13,254 | 9,758 |

## Chairman's Statement

### Introduction

I am pleased to report that in the six months to 30 September 2000 the company invested £662,000 in three follow-on and one new investment in AIM companies as well as one new investment in an unquoted company (1999 — £1,175,000 in six companies). We also realised £917,000 from investments in AIM companies (1999 — £1,436,000). I am also pleased to inform you that the company has now received from the Inland Revenue full approval as a Venture Capital Trust.

At the end of the period the value of the qualifying investments was £10,041,000 compared with cost of £7,089,000. As qualifying investments have increased we have slightly reduced our non-qualifying investments in gilts and BWD unit trusts from £3,648,000 (Cost — £2,368,000) at 31 March 2000 to £3,585,000 (Cost — £2,294,000).

### Trading results

During the half-year income was £164,000 compared with £160,000 in the corresponding period last year with profits before tax of £87,000 compared with £140,000. Earnings per share were 0.8 pence (1999 — 1.3 pence). The trading results do not include capital gains of £514,000 relating to previously unrealised valuation surpluses which have now been transferred to distributable reserves.

### Net asset value (NAV)

NAV per share at 30 September 2000 was 128.6 pence, some 36 per cent. higher than the corresponding figure last year but 13.5 per cent. lower than NAV at 31 March 2000. This was mainly due to the decline in the value of AIM company shares following an exceptionally buoyant period earlier in the year. The AIM index fell 21 per cent. between 1 April and 30 September 2000 having risen by 101 per cent. between 1 October 1999 and 31 March 2000.

### Dividends

I am pleased to confirm that we are in a position to pay an interim dividend of 5.0 pence per share (1999 — 1.0p) to shareholders on the register at 30 November 2000, on 9 February 2001. Most of this dividend represents capital gains of £514,000 referred to above. It should be noted that this level of dividend may not be repeatable in future as it will depend on the buoyancy of AIM and the ability to take capital profits whilst maintaining the VCT legislation targets.

4888 13/11/2000 Proof 8

## New Share Issue

We are now successfully fully invested and are taking capital profits where appropriate. It is apparent that for us to move forward the company needs to raise additional funds. Accordingly, we have today announced an £8 million share issue. The new funds will be mainly used to broaden the existing AIM portfolio and to provide for follow-on investments both from AIM and unquoted companies. We will also invest in a small number of unquoted companies, usually on a syndicated basis, where there are real prospects for an AIM flotation within one year.

## Outlook

Our decision to change the company's investment policy to concentrate on more active participation in companies coming to or trading on AIM appears to have been vindicated so far. Despite the recent fall in the AIM index, it has outperformed all other UK stock markets in the year to 30 September 2000. There are now 460 companies on AIM capitalised at over £17 billion and in the second quarter of 2000 69 companies joined AIM raising £364 million. Whilst not all of these qualify for investment by VCTs our Manager, Capital for Companies, is currently enjoying an excellent flow of investment opportunities.

We hope, therefore, that shareholders will support our proposals to increase the size of Capital for Companies VCT plc so that we can take advantage of these new opportunities.

Shareholders are reminded that if they wish to keep in touch with our progress they can visit our web site at www.cfc-vct.co.uk. This contains publicly available information about AIM and unquoted investments and also the latest NAV and share price. I am also pleased to inform you that this information will soon be published daily in the Financial Times under 'Investment Companies'.



Richard de Zouche
Chairman

17 October 2000

# Profit and Loss Account

| | 2000 6 months ended 30 Sept £'000 | 1999 6 months ended 30 Sept £'000 | 2000 12 months ended 31 March £'000 |
|---|---|---|---|
| Profit on realisation of investments | 112 | 134 | 1,392 |
| Income | 164 | 160 | 314 |
| Investment management fee | (159) | (123) | (378) |
| Other expenses | (30) | (31) | (66) |
| Profit on ordinary activities before tax | 87 | 140 | 1,262 |
| Taxation | — | (4) | (9) |
| Profit on ordinary activities after tax | 87 | 136 | 1,253 |
| Dividends | (515) | (103) | (722) |
| Retained (loss)/profit transferred (from)/to reserves | (428) | 33 | 531 |
| Earnings per share — pence (see note 1) | 0.8 | 1.3 | 12.1 |

# Balance Sheet

| | 2000 30 Sept £'000 | 1999 30 Sept £'000 | 2000 31 March £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| *Investments* | 13,626 | 9,113 | 15,413 |
| **Current assets** | | | |
| Debtors | 76 | 171 | 127 |
| Cash at bank and on deposit | 166 | 662 | 617 |
| | 242 | 833 | 744 |
| **Creditors** | | | |
| Amounts falling due within one year | (614) | (188) | (830) |
| **Net current assets/(liabilities)** | (372) | 645 | (86) |
| **Total assets less current liabilities** | 13,254 | 9,758 | 15,327 |
| **Capital and reserves** | | | |
| Called-up share capital | 1,031 | 1,032 | 1,031 |
| Share premium account | 585 | 585 | 585 |
| Capital redemption reserve | 2 | 1 | 2 |
| Revaluation reserve | 4,243 | 1,522 | 6,402 |
| Special distributable reserve | 7,608 | 8,342 | 7,608 |
| Profit and loss account | (215) | (1,724) | (301) |
| **Equity shareholders' funds** | 13,254 | 9,758 | 15,327 |
| **Net asset value pence per share (see note 2)** | 128.6 | 94.6 | 148.7 |



# Statement of Total Recognised Gains and Losses

| | 2000 6 months ended 30 Sept £'000 | 1999 6 months ended 30 Sept £'000 | 2000 12 months ended 31 March £'000 |
|---|---|---|---|
| Profit for period | 87 | 136 | 1,253 |
| Unrealised (losses)/gains on revaluation of investments | (1,645) | (205) | 4,875 |
| Total recognised gains and losses relating to period | (1,558) | (69) | 6,128 |

## Reserves

| | Share premium £'000 | Capital redemption reserve £'000 | Revaluation reserve £'000 | Special distributable reserve £'000 | Profit and loss account £'000 |
|---|---|---|---|---|---|
| At start of period | 585 | 2 | 6,402 | 7,608 | (301) |
| Unrealised appreciation | — | — | (1,645) | — | — |
| Transfer of realised profits to profit and loss account | — | — | (514) | — | 514 |
| Net loss retained for the period | — | — | — | — | (428) |
| At end of period | **585** | **2** | **4,243** | **7,608** | **(215)** |

## Notes to the accounts

1. Earnings per share is calculated with reference to the company's profit on ordinary activities after tax of £87,000 (£1,253,000 for the year to 31 March 2000 and £136,000 for the six months to 30 September 1999) and 10,306,000 shares (10,313,951 shares for the year to 31 March 2000 and 10,316,000 shares for the six months to 30 September 1999) being the weighted average number of shares in issue during the period.

2. The net asset value (pence) per share at 30 September 2000 has been calculated on the net assets of £13,254,000 and 10,306,000 ordinary shares in issue.

3. The information contained in the balance sheet at 31 March 2000 and the profit and loss account does not constitute full accounts and has been extracted from the latest published accounts for the year ended 31 March 2000. These accounts have been delivered to the Registrar of Companies and the report of the auditors on these accounts was unqualified. The profit and loss accounts and cash flow statements for the periods to 30 September 2000 and 30 September 1999 and the balance sheets at those dates are unaudited.

# Cash Flow Statement

| | 2000<br>30 Sept<br>£'000 | 1999<br>30 Sept<br>£'000 | 2000<br>31 March<br>£'000 |
|---|---|---|---|
| **Net cash (outflow)/inflow from operating activities** | **(87)** | (22) | 8 |
| **Investing activities** | | | |
| Purchase of investments | **(662)** | (1,175) | (4,737) |
| Disposals of investments | **917** | 1,436 | 5,038 |
| **Net cash inflow from investing activities** | **255** | 261 | 301 |
| **Equity dividends paid** | **(619)** | (186) | (289) |
| **Net cash (outflow)/inflow before financing** | **(451)** | 53 | 20 |
| **Financing** | | | |
| Expenses paid in connection with share issues | **—** | (1) | (1) |
| Redemption of ordinary shares | **—** | — | (12) |
| **Net cash outflow from financing** | **—** | (1) | (13) |
| **(Decrease)/increase in cash** | **(451)** | 52 | 7 |

## Notes to cash flow statement

(a) ***Reconciliation of profit from operating activities before tax to net cash outflow from operating activities:***

| | 2000<br>30 Sept<br>£'000 |
|---|---|
| *Profit from ordinary activities before tax* | **87** |
| (Increase) in debtors | **(1)** |
| (Decrease) in creditors | **(112)** |
| Decrease in tax withheld at source | **51** |
| (Profit) on realisation of investments | **(112)** |
| **Net cash outflow from operating activities** | **(87)** |

(b) **Reconciliation of cash flow to movement in net funds:**

| | |
|---|---|
| (Decrease) in cash for period | **(451)** |
| Movement in net funds for period | **(451)** |
| Net funds at the beginning of the period | **617** |
| Net funds at end of period | **166** |

(c) **Analysis of changes in net funds:**

| | At 1 April<br>2000<br>£'000 | Cash flows<br>£'000 | Other changes<br>£'000 | At 30 Sept<br>2000<br>£'000 |
|---|---|---|---|---|
| Cash at bank and in hand | **617** | **(451)** | **—** | **166** |

## Investment Portfolio Summary

| Company | Sector | Book cost £'000 | Valuation £'000 | % of Total Assets |
|---|---|---|---|---|
| **Qualifying investments — Unquoted** | | | | |
| Radii Systems Ltd | Software & computer services | 350 | 740 | 5.58 |
| TIB plc | Software & computer services | 657 | 657 | 4.96 |
| Dennis Ruabon Ltd | Construction & building materials | 200 | 380 | 2.87 |
| EP Moulding Ltd | Support services | 500 | 200 | 1.51 |
| Primal Pictures Ltd | Software & computer services | 200 | 200 | 1.51 |
| Tissuemed Ltd | Health | 200 | 200 | 1.51 |
| Wineworld (London) plc | Leisure entertainment & hotels | 220 | 25 | 0.19 |
| ***Total unquoted*** | | **2,327** | **2,402** | **18.13** |
| **Qualifying investments — AIM** | | | | |
| Aortech International plc | Health | 216 | 1,329 | 10.03 |
| XKO Group plc* | Software & computer services | 225 | 614 | 4.63 |
| Connaught Group plc | Support services | 300 | 608 | 4.58 |
| Honeycombe Leisure plc | Restaurants, pubs & breweries | 253 | 540 | 4.08 |
| RDL Group plc | Support services | 276 | 456 | 3.44 |
| CRC Group plc | Software & computer services | 317 | 378 | 2.85 |
| Policy Master Group plc | Software & computer services | 106 | 378 | 2.85 |
| Tardis Transcommunications plc | IT hardware | 184 | 378 | 2.85 |
| Harrier Group plc | Software & computer services | 132 | 332 | 2.50 |
| Inter Link Food Group plc | Food producers and processors | 104 | 290 | 2.19 |
| Maclellen Group plc | Support services | 171 | 281 | 2.12 |
| Blooms of Bressingham plc | General retailers | 263 | 238 | 1.80 |
| TCT International plc (was Tricorder) | Electronic equipment | 220 | 236 | 1.78 |
| Dragon Health Clubs plc | Leisure entertainment & hotels | 131 | 235 | 1.77 |
| Veos plc | Personal care products | 142 | 196 | 1.48 |
| SBS Group plc | Support services | 167 | 191 | 1.44 |
| Inventive Leisure plc | Restaurants, pubs & breweries | 143 | 190 | 1.43 |
| AdVal Group plc | Support services | 250 | 163 | 1.23 |
| Zoa Corporation plc | Distributors | 200 | 155 | 1.17 |
| Vianet Group plc | IT hardware | 150 | 106 | 0.80 |
| Stratus Group plc | Media & photography | 120 | 101 | 0.76 |
| Kazoo 3D plc | Software & computer services | 160 | 95 | 0.72 |
| Systems Union plc (was freecom.net) | Software & computer services | 163 | 70 | 0.53 |
| XS Leisure Group plc | Leisure entertainment & hotels | 234 | 59 | 0.45 |
| Longmead plc | Household goods | 135 | 20 | 0.15 |
| **Total AIM** | | **4,762** | **7,639** | **57.63** |
| **Non-qualifying investments** | | | | |
| 6.5% Treasury Stock 2003 | British funds | 501 | 510 | 3.85 |
| 7% Treasury Stock 2002 | British funds | 508 | 509 | 3.84 |
| BWD Equity Income Unit Trust | Investment & unit trusts | 859 | 1,272 | 9.59 |
| BWD Smaller Companies Unit Trust | Investment & unit trusts | 426 | 1,295 | 9.77 |
| **Total non-qualifying Investments** | | **2,294** | **3,585** | **27.05** |
| *Total investments* | | *9,383* | *13,626* | *102.81* |
| **Net current liabilities** | | | **(372)** | **(2.81)** |
| Total assets less current liabilities | | | **13,254** | **100.00** |

* formerly on AIM now fully listed

## Financial information

The financial information contained in this section has been extracted without material adjustment from the audited statutory accounts of CfC VCT for the periods ended 31 March 2000, 1999 and 1998, which have been prepared in accordance with UK accounting standards. The financial information contained in this section does not constitute statutory accounts within the meaning of section 240 of the Companies Act.

The statutory audited accounts of the Company for the financial periods ended 31 March 2000, 1999 and 1998, in respect of which KPMG Audit Plc, registered auditor of The Embankment, Neville Street, Leeds LS1 4DW made unqualified reports under section 235 of the Companies Act, have been delivered to the Registrar of Companies and such reports did not contain any statements under section 237(2) or (3) of the Companies Act.

Apart from the information on the Company contained in this section of the document, no other information in this document has been audited by the Company's auditors, KPMG Audit Plc.

### Profit and Loss Account

| | Notes | Audited *Year ended* 31 March 2000 £000 | Audited *Year ended* 31 March 1999 (as restated) £000 | Audited *Year ended* 31 March 1999 £000 | Audited 11 months *ended* 31 March 1998 £000 |
|---|---|---|---|---|---|
| Profit/(loss) on realisation of investments | 9 | 1,392 | (905) | (1,398) | 1,351 |
| Income | 2 | 314 | 493 | 540 | 465 |
| Investment management fee | 3 | (378) | (286) | (286) | (217) |
| Other expenses | 4 | (66) | (66) | (66) | (43) |
| Profit/(loss) on ordinary activities before taxation | | 1,262 | (764) | (1,210) | 1,556 |
| Taxation | 6 | (9) | (67) | (114) | (68) |
| Profit/(loss) on ordinary activities after taxation | | 1,253 | (831) | (1,324) | 1,488 |
| Dividends | 7 | (722) | (329) | (329) | (286) |
| Dividends per share | | 7p | 4p | 4p | 3.8p |
| Retained profit/(loss) transferred to/(from) reserves | | 531 | (1,160) | (1,653) | 1,202 |
| Earnings per share | 8 | 12.1p | (8.2)p | (13.0)p | 17.4p |

### Statement of Total Recognised Gains and Losses

| | Notes | 31 March 2000 £000 | 31 March 1999 (as restated) £000 |
|---|---|---|---|
| Profit/(loss) for the year | | 1,253 | (831) |
| Unrealised gains/(losses) on revaluation of investments | 9 | 4,875 | (493) |
| Total recognised gains and losses relating to the year | | 6,128 | (1,324) |

For the 11 months ended 31 March 1998 there were no gains or losses other than those stated in the Profit and Loss Account.

## Balance Sheet

| | Notes | Audited 31 March 2000 £'000 | Audited (as restated) 31 March 1999 £'000 | Audited 31 March 1999 £'000 | Audited 31 March 1998 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments | 9 | 15,413 | 9,447 | 9,447 | 10,095 |
| **Current assets** | | | | | |
| Debtors | 10 | 127 | 286 | 286 | 279 |
| Cast at bank | | 617 | 610 | 610 | 953 |
| | | 744 | 896 | 896 | 1,232 |
| **Creditors** | | | | | |
| Amounts falling due within one year | 11 | (830) | (409) | (409) | (335) |
| **Net current assets/(liabilities)** | | (86) | 487 | 487 | 897 |
| **Net assets** | | 15,327 | 9,934 | 9,934 | 10,992 |
| **Capital and reserves** | | | | | |
| Called-up share capital | 12 | 1,031 | 1,032 | 1,032 | 974 |
| Share premium account | 13 | 585 | 585 | 585 | 8,387 |
| Special reserve | | — | — | 8,343 | — |
| Capital redemption reserve | 13 | 2 | 1 | 1 | 1 |
| Revaluation reserve | 13 | | | | |
| — realised | | 6,402 | 1,403 | (1,440) | (204) |
| — unrealised | | — | — | 1,403 | 1,791 |
| Special distributable reserve | 13 | 7,608 | 8,343 | — | — |
| Profit and loss account | 13 | (301) | (1,430) | — | — |
| Revenue reserve | | — | — | 10 | 43 |
| **Shareholders' funds** | 14 | 15,327 | 9,934 | 9,934 | 10,992 |
| **Net asset value per share** | 15 | 148.8p | 96.3p | 96.3p | 112.9p |

## Cash Flow Statement

| | Notes | Year ended 31 March 2000 £'000 | Year ended 31 March 1999 £'000 | 11 months ended 31 March 1998 £'000 |
|---|---|---|---|---|
| Net cash inflow *from operating activities* | 17 | 8 | 159 | 61 |
| **Taxation** | | | | |
| Corporation tax paid | | — | — | (25) |
| **Investing activities** | | | | |
| Purchase of investments | | (4,737) | (2,611) | (4,435) |
| Disposal of investments | | 5,038 | 1,861 | — |
| | | 301 | (750) | (4,435) |
| **Equity dividends paid** | | (289) | (323) | (252) |
| **Net cash inflow/(outflow) before financing** | | 20 | (914) | (4,651) |
| **Financing** | | | | |
| Issue of ordinary shares | | — | 664 | 1,634 |
| Expenses paid in connection with share issues | | (1) | (52) | (234) |
| Redemption of ordinary shares | | (12) | (41) | (7) |
| **Net cash (outflow)/inflow from financing activities** | | (13) | 571 | 1,393 |
| **Increase/(decrease) in cash** | 17 | 7 | (343) | (3,258) |

## 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

**Basis of preparation**

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investments. The financial statements have been prepared in accordance with applicable Accounting Standards.

**Presentation of the financial statements**

On 2 December 1998 the Company ceased to be an investment company within the meaning of section 266 of the Companies Act 1985. At present there is no intention to re-apply for investment company status. The Company is now able to pay dividends from gains made on the sale of investments. The directors have considered this and recommend the payment of a dividend that is partially made up of capital gains. The Directors have decided to draw up the financial statements to include a statutory profit and loss account and a statement of total recognised gains and losses in accordance with Schedule 4 of the Companies Act 1985, and Financial Reporting Standard 3 (Reporting Financial Performance). The Directors believe that by presenting the accounts in this way, the members can see more clearly the effect that the recommended dividend would have on the accounts, should the members vote to pay this dividend. These statements differ from the Statement of Total Return presented in prior periods as follows:

(a) previously the revenue column of the Statement of Total Return constituted the statutory profit and loss account of the Company,

(b) profit/loss on realisation of investments and permanent diminution in value of investments are now included in the profit and loss account,

(c) unrealised gains and losses on investments are included in the statement of total recognised gains and losses and may not be distributed,

(d) all investment management fees and directors fees are charged to profit and loss account.

The effect of the restatement is to increase the profit on ordinary activities after taxation, compared to the revenue return on ordinary activities by £1,081,000 in respect of the current year and reduce the loss by £1,147,000 in respect of the comparative period to 31 March 1999. This reflects the net profit/loss on realisation of investments and the directors and investment management fees charged to the profit and loss account. There is no effect on the total recognised gains and losses formerly (total return) in either the current or prior periods.

In the balance sheet, the revenue reserve and realised capital reserve presented in prior years have been combined into the profit and loss account. The revaluation reserve records revaluation amounts previously included in unrealised capital reserve, except for any permanent diminutions in value, below cost which have been passed through the profit and loss account.

**Investments**

Quoted investments and investments whose shares are traded on AIM are stated at middle market price.

Other unquoted investments are stated at Directors' valuation. The Director's policy in valuing unquoted investments is to carry them at cost except in the following circumstances:

- where a company's performance against plan indicates a diminution in the value of the investment, provision against cost is made as appropriate in bands of 25%;
- where a company is well established and profitable, the shares may be valued by applying a suitable price-earnings ratio to the company's historic post tax earnings. The ratio used is based on a comparable listed company or sector but discounted by 25-50% to reflect unmarketability;
- where a value is indicated by a material arms-length transaction by a third party in the shares of the company.

Unquoted investments will not normally be revalued upwards for a period of at least twelve months from the date of acquisition.

Although the Company may hold more than 20% of the equity share capital of a particular company, the Directors consider that in view of the current objectives of the Company it would not be appropriate to treat any such investments as associated undertakings.

**Income**

Investment income. Prior years figures have been re-stated in accordance with FRS16. The effect of this re-statement is to increase the loss on ordinary activities before taxation and reduce taxation both by £47,000.

Dividends received on quoted equity shares and unquoted equity shares traded on AIM are brought to account on the ex-dividend date. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, providing there is no reasonable doubt that payment will be received in due course.

**Expenditure**

All expenditure is accounted for on an accruals basis.

- expenses incidental to the acquisition or disposal of an investment are included within the cost of the investment or deducted from the disposal proceeds as appropriate;
- expenditure incurred as a result of the reorganisation of reserves has been attributed to the special reserve as appropriate.

**Revaluation reserve**

Increases and decreases in the valuation of investments held at the year-end are accounted for in this reserve other than permanent diminutions in value which are taken to the profit and loss account.

**Financial instruments**

During the course of the year the Company held fixed asset investments and cash balances. The Company holds financial assets in UK unquoted and quoted companies and companies raising new share capital on the Alternative Investment Market. The fair value is not materially different from the carrying value of all financial assets and liabilities.

**2. Income**

| | Year ended 31 March 2000 £000 | Year ended 31 March 1999 (as restated) £000 | Year ended 31 March 1999 £000 | 11 months ended 31 March 1998 £000 |
|---|---|---|---|---|
| Franked investment income | 168 | 187 | 234 | 152 |
| Unfranked investment income | 5 | 6 | 6 | 8 |
| Interest receivable in respect of government stocks and bonds | 118 | 232 | 232 | 190 |
| Deposit interest | 23 | 56 | 56 | 104 |
| Commissions | — | 12 | 12 | 11 |
| | 314 | 493 | 540 | 465 |

### 3. *Investment management fee*

| | Year ended 31 March 2000 £000 | Year ended 31 March 1999 £000 | 11 months ended 31 March 1998 £000 |
|---|---|---|---|
| Investment management fee | 322 | 243 | 184 |
| Irrecoverable value added tax thereon | 56 | 43 | 33 |
| | 378 | 286 | 217 |

Capital for Companies (CfC), a division of BWD Rensburg Limited, provides investment management and secretarial services to the Company under an agreement dated 5 March 1996. This agreement was for an initial fixed term of three years and may be terminated by either parties on twelve months notice expiring at the end of the fixed term or at any time thereafter. The outstanding balance due to CfC at the year-end was £193,410.

CfC receives 2.5 per cent per annum of the net assets of the Company (plus value added tax).

### 4. *Other expenses*

| | Year ended 31 March 2000 £000 | Year ended 31 March 1999 £000 | 11 months ended 31 March 1998 £000 |
|---|---|---|---|
| Directors' remuneration | 37 | 37 | 28 |
| Auditor's remuneration | | | |
| — audit | 9 | 3 | 3 |
| — audit under provision in previous years | 5 | — | — |
| — other services to the Company | 3 | 1 | 1 |
| Other | 12 | 25 | 11 |
| | 66 | 66 | 43 |

### 5. Directors' emoluments

| | Year ended 31 March 2000 £000 | Year ended 31 March 1999 £000 | 11 months ended 31 March 1998 £000 |
|---|---|---|---|
| Amounts paid to third parties in consideration for the services of directors | 37 | 37 | 28 |
| The fees paid in respect of individual directors were as follows: | | | |
| R B de Zouche OBE (Chairman) | 10 | 10 | 8 |
| R G Battersby | 9 | 9 | 7 |
| B A Anysz | — | — | — |
| W M Cran | 9 | 9 | 7 |
| T C J Wood | 9 | 9 | 6 |

## 6. *Taxation*

| | Year ended 31 March 2000 £000 | Year ended 31 March 1999 (as restated) £000 | Year ended 31 March 1999 £000 | 11 months ended 31 March 1998 £000 |
|---|---|---|---|---|
| *Corporation tax charge* | — | 15 | 15 | 28 |
| Over provision in previous years | — | (3) | (3) | — |
| Advance corporation tax surplus written off | 9 | 55 | 55 | — |
| Tax attributable to franked investment income | — | — | 47 | 40 |
| | 9 | 67 | 114 | 68 |

The company has tax losses of £102,364 to carry forward.

## 7. Equity dividends

| | Year ended 31 March 2000 £000 | Year ended 31 March 1999 £000 | 11 months ended 31 March 1998 £000 |
|---|---|---|---|
| Ordinary 10p shares — net per share | | | |
| Interim paid — 1p (1999: 1.4p) | 103 | 143 | 106 |
| Second interim — nil (1999: 1.8p) | — | 186 | 180 |
| *Proposed final — 6p (1999: Nil)* | 619 | — | — |
| | 722 | 329 | 286 |

## 8. Earnings per share

| | Year ended 31 March 2000 pence | Year ended 31 March 1999 (as restated) pence | Year ended 31 March 1999 pence | 11 months ended 31 March 1998 pence |
|---|---|---|---|---|
| Basic | 12.1 | (8.2) | (13.0) | 17.4 |

*Basic revenue return per share is based on the net revenue on ordinary activities after taxation of* £1,253,000 (1999 restated: loss of £831,000), and on 10,313,951 (1999 restated: 10,127,426) ordinary shares, being the weighted average number of shares in issue during the year.

The earnings per share figures for 1999 and 1998 are based on the net revenue from ordinary activities after taxation of £300,000 in 1999 (1998: £311,000) and on net realised and unrealised capital losses of £1,624,000 in 1999 (1998: gains of £1,177,000) and on 10,127,426 shares in 1999 (1998: 8,554,054 shares).

## 9. Investments

| | As at 31 March 2000 £000 | As at 31 March 1999 £000 | As at 31 March 1998 £000 |
|---|---|---|---|
| Listed investments | 3,648 | 5,041 | 6,463 |
| Unlisted investments and investments listed on AIM | 11,765 | 4,406 | 3,632 |
| | 15,413 | 9,447 | 10,095 |

Movements in investments during the period ended 31 March 2000 can be summarised as follows:

| | Fully listed £'000 | Unlisted and AIM listed £'000 | Total £'000 |
|---|---|---|---|
| Opening book cost | 4,190 | 3,854 | 8,044 |
| Opening unrealised appreciation | 851 | 552 | 1,403 |
| *Opening valuation* | *5,041* | *4,406* | *9,447* |
| Movements in the year: | | | |
| Purchases at cost | 1,009 | 3,728 | 4,737 |
| Disposals — proceeds | (3,325) | (1,713) | (5,038) |
| — realised gains | 421 | 847 | 1,268 |
| Increase in unrealised appreciation | 502 | 4,497 | 4,999 |
| | 3,648 | 11,765 | 15,413 |
| Closing book cost | 2,295 | 6,716 | 9,011 |
| Closing unrealised appreciation | 1,353 | 5,049 | 6,402 |
| | 3,648 | 11,765 | 15,413 |

Investments can be analysed as follows:

| | As at 31 March 2000 £000 | As at 31 March 1999 £000 | As at 31 March 1998 £000 |
|---|---|---|---|
| Qualifying equity shares | 10,492 | 3,602 | 1,705 |
| Qualifying preference shares | 1,137 | 1,037 | 1,827 |
| Qualifying loans | 136 | — | 100 |
| Unit trusts and fixed income securities | 3,648 | 4,808 | 6,463 |
| | 15,413 | 9,447 | 10,095 |

### Market price risk

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the manager and reviewed regularly by the Directors in pursuance of the investment objectives and policies.

Adherence to the investment and borrowing powers set out in the original prospectus mitigates the risk of excessive exposure to any particular type of security or issuer.

Although the Company is permitted to do so, the Directors do not currently use derivative instruments to hedge the investment portfolio against market risks. The managers review the cost of such derivatives but would only recommend the purchase of such instruments to the Directors if the perceived benefit outweighed the costs to investors. To date this has not proved to be the case.

### Liquidity risk

The principal exposure of the Company is due to the equity held in unquoted companies as a result of the risks associated with the possible failure of such companies. The manager reviews the liquidity risk daily with a view to ensuring that the element of investors funds that are held in cash or more readily realisable securities is sufficient to meet potential liabilities that may arise.

## 10. Debtors

| | As at 31 March 2000 £000 | As at 31 March 1999 £000 | As at 31 March 1998 £000 |
|---|---|---|---|
| Prepayments and accrued income | 127 | 208 | 200 |
| Advance corporation tax recoverable | — | 78 | 79 |
| | 127 | 286 | 279 |

## 11. Creditors

| | As at 31 March 2000 £000 | As at 31 March 1999 £000 | As at 31 March 1998 £000 |
|---|---|---|---|
| Trade creditors | 139 | 77 | 62 |
| Accruals and deferred income | 72 | 22 | 14 |
| Corporation tax payable | — | 15 | 25 |
| Advance corporation tax payable | — | 109 | 54 |
| Proposed dividend | 619 | 186 | 180 |
| | 830 | 409 | 335 |

## 12. Called up share capital

| | As at 31 March 2000 No of Shares | As at 31 March 2000 £000 | As at 31 March 1999 No of Shares | As at 31 March 1999 £000 | As at 31 March 1998 No of Shares | As at 31 March 1998 £000 |
|---|---|---|---|---|---|---|
| **Authorised** | | | | | | |
| Ordinary shares of 10p each | 11,000,000 | 1,100 | 11,000,000 | 1,100 | 11,000,000 | 1,100 |
| **Allotted, issued and fully paid up** | | | | | | |
| Ordinary shares of 10p each | 10,306,000 | 1,031 | 10,316,000 | 1,032 | 9,738,338 | 974 |

The company redeemed 10,000 ordinary shares at a cost of 110 pence per Ordinary Share on 17 January 2000.

## 13. Reserves

| | Share Premium £'000 | Capital redemption reserve £'000 | Revaluation reserve £'000 | Special distributable reserve £'000 | Profit and loss account £'000 |
|---|---|---|---|---|---|
| At start of period | 585 | 1 | 1,403 | 8,343 | (1,430) |
| *On redemption of shares* | — | 1 | — | (13) | — |
| Unrealised appreciation | — | — | 4,875 | — | — |
| Transfer of realised losses to profit and loss account | — | — | 124 | — | (124) |
| Transfer of distribution to profit and loss account | — | — | — | (722) | 722 |
| Net revenue retained for the period | — | — | — | — | 531 |
| At end of period | 585 | 2 | 6,402 | 7,608 | (301) |

## 14. *Reconciliation of shareholders' funds*

| | Year ended 31 March 2000 £000 | Year ended 31 March 1999 (as restated) £000 | Year ended 31 March 1999 £000 | 11 months ended 31 March 1998 £000 |
|---|---|---|---|---|
| *Profit/(loss) on ordinary activities for the period after taxation* | 1,253 | (831) | (1,324) | 1,488 |
| Dividends | (722) | (329) | (329) | (286) |
| *Transfer to/(from) reserves* | 531 | (1,160) | (1,653) | 1,202 |
| Increase/(decrease) in unrealised appreciation | 4,875 | (493) | — | — |
| New share capital issued including premium, net of redemptions and expenses | (12) | 606 | 606 | 1,563 |
| Costs of creation of special reserve | (1) | (11) | — | — |
| Costs of transfer | — | — | (11) | — |
| | 5,393 | (1,058) | (1,058) | 2,765 |
| Opening shareholders' funds | 9,934 | 10,992 | 10,992 | 8,227 |
| Closing shareholders' funds | 15,327 | 9,934 | 9,934 | 10,992 |

## 15. Net asset value per share

The calculation of net asset value per share at 31 March 2000 is based on net assets of £15,327,000 divided by the 10,306,000 ordinary shares, being the number of ordinary shares in issue on that date.

## 16. Interest rate risk

| | Fixed rate portfolio £000 | Weighted average interest rate % | Weighted average time for which rate is fixed Days |
|---|---|---|---|
| **Fixed rate** | | | |
| Financial assets | 1,012 | 6.75 | 608 |

**Floating rate**

*The Company from time to time may hold part of its portfolio in cash. Any changes in interest rates will* therefore affect the income of the Company. The Directors meet monthly to consider the interest rate risk to ensure that the risk reward profile is acceptable.

## 17. Notes to cash flow statement

### (a) Reconciliation of profit/(loss) from ordinary activities before tax to *net cash inflow from operating activities*

| | Year ended 31 March 2000 | Year ended 31 March 1999 *(as restated)* | Year ended 31 March 1999 | 11 months ended 31 March 1998 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| *Profit/(loss) on ordinary activities before tax* | 1,262 | (764) | 442 | 389 |
| Decrease/(increase) in debtors | 28 | (20) | (20) | (83) |
| Increase/(decrease) in creditors | 112 | 45 | 56 | (10) |
| (Decrease) in tax withheld at source | (2) | (7) | (7) | (11) |
| Fees charged to capital reserve | — | — | (265) | (184) |
| Tax attributable to franked investment income | — | — | (47) | (40) |
| (Profit)/loss on realisation of investments | (1,392) | 905 | — | — |
| Net cash inflow from operating activities | 8 | 159 | 159 | 61 |

### (b) Reconciliation of net cash flow to movement in net funds

| | Year ended 31 March 2000 | Year ended 31 March 1999 | 11 months ended 31 March 1998 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Increase/(decrease) in cash for the period | 7 | (343) | (3,258) |
| Movements in net funds for the period | 7 | (343) | (3,258) |
| Net funds at the beginning of the period | 610 | 953 | 4,211 |
| Net funds at the end of the period | 617 | 610 | 953 |

### (c) Analysis of changes in net funds

| | At 1 April 1999 | Cash flows | Other changes | At 31 March 2000 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cash at bank and in hand | 610 | 7 | — | 617 |

| | At 1 April 1998 | Cash flows | Other changes | At 31 March 1999 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cash at bank and in hand | 953 | (343) | — | 610 |

# Additional information

**1.1 Incorporation and administration**

1.1 The Company was incorporated in Great Britain and registered in England and Wales on 15 January 1996 under the Act as a public limited company with the name YPCS 43 PLC and changed its name to Capital for Companies VCT plc on 8 February 1996. It operates under the Act and the regulations made under the Act. The Company is registered with the number 3145895 and its registered office and principal place of business in the UK is at Quayside House, Canal Wharf, Leeds LS11 5PU.

1.2 The Company was issued with a certificate under section 117 of the Act by the Registrar of Companies on 1 March 1996.

1.3 The Inland Revenue has approved the Company under section 842AA Income and Corporation Taxes Act 1988 with effect from 11 September 2000 and it is intended that the business of the Company will continue to be carried on so as to comply with that section.

**2 Share Capital**

2.1 The Company has purchased a number of Ordinary Shares under section 162 of the Act in the three years prior to the date of this document (23 December 1997 — 2,000 at a total cost of £1,800; 31 July 1998 — 4,000 at a total cost of £4,000; 1 March 1999 — 40,000 at a total cost of £36,800; 17 January 2000 — 10,000 at a total cost of £11,000; 24 October 2000 — 12,500 at a total cost of £12,500).

2.2 By a special resolution passed at the second annual general meeting of the Company held on 15 July 1998 and an Order of The High Court dated 2 December 1998, the share premium account of the Company was reduced from £8,821,502 to £434,502.

2.3 By ordinary resolutions passed at an extraordinary general meeting of the Company held on 10 November 2000:

2.3.1 the Company's authorised share capital was increased from £1,100,000 to £1,800,000 by the creation of seven million Ordinary Shares; and

2.3.2 the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £700,000, such authority to expire five years from the date of the resolution.

2.4 By a special resolution passed at an extraordinary general meeting of the Company held on 10 November 2000 the Directors of the Company were empowered pursuant to section 95 of the Act to allot the shares referred to in paragraph 2.3.2 above as if section 89(1) of the Act did not apply to such allotment, such power to expire at the close of business on the date which is 15 months from the date of the passing of the resolution.

2.5 The Company has made a number of allotments of Ordinary Shares in the three years prior to the date of this document (5 January 1998 — 62,000 at an issue price of 106 pence per share; 30 January 1998 — 5,000 at an issue price of 106 pence per share; 2 February 1998 — 161,250 at an issue price of 106 pence per share; 16 March 1998 — 771,308 at an issue price of 110 pence per share; 3 April 1998 — 136,200 at an issue price of 110 pence per share; 9 April 1998 — 125,462 at an issue price of 110 pence per share; 1 September 1998 — 100,500 at an average issue price of 108 pence per share; 30 September 1998 — 95,000 at an average issue price of 109 pence per share and 28 January 1999 — 164,500 at an issue price of 106 pence per share).

2.6 On the basis that the current issued share capital of 10,293,500 Ordinary Shares had been in issue throughout the last three years the the earnings per share would have been as follows: year ended 31 March 2000: 12.1p; year ended 31 March 1999 (as restated): (8.1p) loss; year ended 31 March 1999: (12.9p) loss; 11 months ended 31 March 1998: 14.5p.

2.7 At the date of this document 10,293,500 Ordinary Shares had been issued. Immediately following the Offer, assuming full subscription at 138 pence per share, 16,093,500 Ordinary Shares will be in issue and 1,906,500 Ordinary Shares will be unissued.

2.8 The provision of section 89(1) of the Act (which to the extent not disapplied pursuant to section 95 of the Act), confer on the Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash otherwise than by way of allotment to employees under an employees' share scheme (as defined in section 743 of the Act) apply to the authorised but unissued share capital of the Company to the extent such rights are not disapplied by the resolution referred to in paragraph 2.4 above.

2.9 Save as disclosed in this paragraph 2 and paragraph 5.2 below:

(a) no alteration has been made in the share capital of the Company;

(b) no share or loan capital of the Company has been issued or is now proposed to be issued fully or partly paid either for cash or otherwise;

(c) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option; and

(d) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of share or loan capital of the Company.

2.10 Subject to any special rights or restrictions attaching to any class of shares issued by the Company in the future, the holders of Ordinary Shares are entitled, *pari passu* amongst themselves, but in proportion to the nominal amount of Ordinary Shares held by them, to share in the whole of the profits of the Company paid out as dividends and in the whole of any surplus in the event of liquidation of the Company, save that the New Ordinary Shares will not be entitled to participate in the interim dividend in respect of the six months ended 30 September 2000 to be paid on 9 February 2001.

2.11 The New Ordinary Shares will be in registered form and share certificates will be issued within seven days of allotment. Temporary documents of title will not be issued.

2.12 Those Ordinary Shares in issue following Admission are eligible to be dealt in through CREST. Accordingly, settlement of transactions in the New Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

## 3 Memorandum of association

The Company's principal objects include carrying on the business of a venture capital trust company. The objects of the Company are set out in full in clause 4 of its memorandum of association which is available for inspection at the address specified in paragraph 11 below.

## 4 Articles of association

The articles of association of the Company (the "Articles"), which were adopted on 28 February 1996, contain, *inter alia*, provisions to the following effect:

### *4.1 Voting rights*

Subject to any special terms as to voting, every member present in person at a general meeting has upon a show of hands one vote, and every member present in person or by proxy has upon a poll one vote for every share held by him. Unless the Board otherwise decides, voting rights may not be exercised by a member who has not paid to the Company all calls and other sums then payable by him in respect of shares in the Company. Unless the Board otherwise decides, voting rights may not be exercised by a member who has been served with a disenfranchisement notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Articles or the Act.

### *4.2 Variation of rights*

Rights attached to any class of shares may be varied with the written consent of the holders of not less than three quarters in nominal value of the issued shares of the class, or the sanction of any extraordinary resolution passed at a separate general meeting of the holders of those shares. The quorum at such a general meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one third in nominal value of the issued shares of the class in question.

### *4.3 Changes in capital*

The Company may by ordinary resolution increase, consolidate or sub-divide its share capital. The Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account or other undistributable reserve.

### 4.4 *Transfer of shares*

Any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. Any instrument must be executed by or on behalf of the transferor and (in the case of a partly-paid share) the transferor is deemed to remain the holder until the transferee's name is entered in the register. Title to any uncertificated share may be transferred by means of a relevant system prescribed by the Uncertificated Securities Regulations (SI 1995/3272) (the "Regulations"). The Board may, in its absolute discretion and without giving any reason, decline to register any transfer of any certificated share that is not a fully paid up share (provided that this discretion will not be exercised so as to prevent dealings in the shares on the London Stock Exchange taking place on an open and proper basis) or on which the Company has a lien. The Board may refuse to register the transfer of an uncertificated share to the extent it is permitted to do so by the Regulations. The Board may also decline to register a transfer of a certificated share unless the duly stamped instrument of transfer:

(a) is lodged with the Company accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;

(b) is in respect of only one class of share; and

(c) if to joint transferees, is in favour of not more than four such transferees.

The Board may also decline to register a transfer of shares (except for certain types of transfer) after there has been a failure to provide the Company with information concerning interests in those shares required to be provided under the Articles or the Act, until such failure has been remedied.

### 4.5 *Dividends*

The Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends, and also any fixed rate dividend, according to the financial position of the Company.

Except in so far as the rights attaching to or the terms of the issue of any share otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Board may, if authorised by an ordinary resolution of the Company, offer Shareholders in respect of any dividend the right to elect to receive Ordinary Shares by way of scrip dividend instead of cash.

The Board may withhold dividends payable on shares after there has been a failure to provide the Company with information concerning interests in those shares under the Articles or the Act until such failure has been remedied.

Any dividend unclaimed after a period of 12 years from the date when it becomes due for payment will be forfeited and revert to the Company.

### 4.6 *Duration and distribution of assets on winding up*

The Board shall procure that at the Company's annual general meeting in 2004 an ordinary resolution will be proposed to the effect that the Company shall continue in being as a VCT. If, at that meeting, such resolution is not passed, the Board shall, within 12 months of such meeting, convene an extraordinary general meeting to propose a special resolution for the reorganisation or reconstruction of the Company or if that resolution is not passed, a special resolution to wind-up the Company voluntarily. In the case of the special resolution relating to voluntary winding-up only, any member may demand a poll and each holder of shares present in person or by proxy and who votes in favour of the special resolution shall have such number of votes in respect of each share held by him (including fractions of a vote) that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of shares in respect of which votes are cast against the resolution and each holder of shares who votes against the resolution shall have one vote for each share held by him. If the Shareholders resolve to continue the Company as a VCT, the same resolutions will be proposed at every third subsequent annual general meeting of the Company.

The holders of its shares will, under the general law, be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings. A liquidator may, with the sanction of any extraordinary resolution, divide among the members in kind all or part of the assets of the Company (whether they shall consist of property of the same kind or not) as he thinks fit.

### 4.7 *Borrowing powers*

The Board may exercise all powers of the Company to borrow money and to mortgage or charge any of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board must however restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company so as to secure that the aggregate principal amount from time to time outstanding of all borrowings (as defined in the Articles) by the Company shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to the adjusted capital and reserves (as defined in the Articles).

### 4.8 *Directors*

*4.8.1 Number of Directors*

Unless otherwise determined by ordinary resolution of the Company the Directors shall be not less than two and not more than nine in number.

*4.8.2 Age of Directors*

No person is disqualified from being a Director or is required to vacate that office, by reason only of the fact that he has attained the age of 70 years or any other age, nor is it necessary to give special notice of a resolution appointing or approving the appointment of such a Director. However, where the Board convenes any general meeting at which, to the knowledge of the Board, a Director who is 70 years of age or more will be proposed for appointment, the Board will give notice of his age in the documents convening the meeting.

*4.8.3 Remuneration of Directors*

Each of the Directors may be paid a fee at such rate as may from time to time be determined by the Board, but the aggregate of all such fees so paid to the Directors shall not exceed £50,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or of the Company or any other meeting which as a Director he is entitled to attend and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. In addition, any Director who performs services which in the opinion of the Board are beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine.

*4.8.4 Retirement by rotation*

Subject to the provisions of the Articles, at every annual general meeting one third of the Directors who are subject to retirement by rotation (as determined by provisions contained in the Articles) or, if their number is not a multiple of three, then the number nearest to but not exceeding one third shall retire from office. Any Director so retiring shall be eligible for re-appointment.

*4.8.5 Restrictions on voting*

Except as mentioned below, no Director may vote on, or be counted in a quorum in relation to, any resolution of the Board in respect of any transaction in which he is materially interested and, if he does so, his vote will not be counted. These prohibitions do not apply to a Director in relation to:

(a) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;

(b) the giving by the Company of any guarantee, indemnity or security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries in relation to which he himself has granted an indemnity, guarantee or security in whole or in part;

(c) the subscription by him of shares, debentures or other securities of the Company or any of its subsidiaries pursuant to any offer to members or debenture holders of the Company or the public underwriting or sub-underwriting by him of any shares, debentures or other securities;

(d) any transaction in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason or any other interest in or through the Company;

(e) any transaction concerning any other company in which he is interested directly or indirectly unless he is interested in one per cent. or more of the equity share capital or voting rights;

(f) any proposal concerning the adoption, modification or operation of a scheme or arrangement for the benefit of employees of the Company or any of its subsidiaries which does not provide in respect of any Director as such any privilege or advantage not generally accorded to the relevant employees; and

(g) any proposal for the purchase or maintenance of insurance for the benefit of the Directors.

Subject to the Act, the Company may, by ordinary resolution, suspend or relax the above provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

***4.9 Purchase of own shares***

The Company may, subject to the provisions of the Act, the Articles, or the rights of the holders of any class of shares, purchase its own shares (including redeemable shares).

***4.10 Untraced shareholders***

The Company may, after advertising its intention, sell any shares in the Company if the shares have been in issue for at least 12 years and during that period at lease three cash dividends have become payable on them and have not been claimed or satisfied and the Company has not received any communication during the relevant period from the holder of the shares or any person entitled to them by transmission. Upon any such sale, the Company will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of the sale. The Company may also stop sending dividend warrants by post in respect of any shares if at least two consecutive payments have remained uncashed or are returned undelivered. The Company must resume sending warrants if the holder claims the arrears.

***4.11 Non-UK shareholders***

Members with registered addresses outside the UK are not entitled to receive notices from the Company, unless they have given the Company an address within the UK at which such notices may be served.

## 5 Directors' and other interests in the Company

5.1 The interests (all of which are beneficial) and the percentage of the issued share capital of the Company which those interests represent, as at the date of this document, of the Directors and any person connected with any Director (within the meaning of section 346 of the Act) in the share capital of the Company, which have been notified to the Company (and would if the connected person were a Director and the existence of which is known or could with reasonable diligence be ascertained by that Director) pursuant to section 324 or section 328 of the Act, or which are required to be entered in the register maintained under section 325 of the Act are as follows:

| Director | Number of Ordinary Shares | % of issued Ordinary Shares | % of issued Ordinary Shares assuming full subscription |
|---|---|---|---|
| R B de Zouche OBE | 12,250 | 0.12 | 0.08 |
| B A Anysz | 12,250 | 0.12 | 0.08 |
| R G Battersby | 25,000 | 0.24 | 0.16 |
| W M Cran | 11,250 | 0.11 | 0.07 |
| T C J Wood | 56,000 | 0.54 | 0.35 |
| Total | 116,750 | 1.13 | 0.74 |

5.2 BWD has, pursuant to the Option Agreement dated 15 July 1998, been granted an option by the Company over 363,636 Ordinary Shares (representing approximately 3.5 per cent. of the current issued share capital and approximately 2.3 per cent. of the issued share capital following the Offer, assuming that the Offer is subscribed for in full at 138 pence per share). Further details of the Option Agreement are contained in paragraph 8.2 below. B A Anysz and T C J Wood are directors of BWD Securities, the ultimate holding Company of BWD, and, as at the date of this document, hold respectively 200,000 and 423,800 shares in the capital of BWD Securities, representing 3.07 per cent. of that company's share capital.

5.3 Save as disclosed in paragraphs 5.1 and 5.2 above, none of the Directors (nor any person connected with any Director within the meaning of section 346 of the Act) has any interest in the share capital of the Company or any of its subsidiaries.

5.4 None of the Directors has a service contract with the Company and no such contracts are proposed. Each of the Directors is engaged by the Company under letters of appointment dated 12 October 2000 which confirmed the following terms:

5.4.1 the appointment is terminable on three months' notice given by either party; and

5.4.2 fees are payable to each Director other than B A Anysz who is remunerated as an executive director of BWD Securities. The fee for each such Director is subject to annual review and is currently £9,500 per annum, save for R B de Zouche OBE whose current fee is £11,000 per annum.

5.5 The Directors are not aware of any interest (within the meaning of part VI of the Act) which will represent three per cent. or more of the issued share capital of the Company following the Offer and Admission or any person who will, directly or indirectly, jointly or severally, exercise or could then exercise control over the Company.

5.6 Save for the respective interests of B A Anysz, and T C J Wood as directors and shareholders of BWD Securities and the interest of B A Anysz as a director of BWD in the Management Agreement, the Supplemental Management Agreement, the Option Agreement and the Costs Agreement referred to in paragraph 8 below and the interests of the Directors in the Sponsorship Agreement, referred to in paragraph 8 below, none of the Directors is or has been interested in any transaction with the Company which was or is unusual in its nature or conditions or significant to the Company which was effected by the Company since its incorporation and remains in any respect outstanding or unperformed.

5.7 There are no outstanding loans by the Company to any Director nor are there any outstanding guarantees provided by the Company for the benefit of any Director.

5.8 The aggregate of the emoluments of the Directors, including pension contributions and the value of the benefits in kind, in respect of the financial period ended 31 March 2000 was £37,000, excluding VAT and the aggregate of the emoluments of the Directors, including pension contributions and the estimated value of the benefits in kind, in respect of the financial period ending 31 March 2001 under the arrangements in force at the date of this document is expected to be approximately £39,500, excluding VAT.

5.9 The following Directors of the Company have been involved in a company which has been put into either compulsory liquidation or had an administrator or an administrative receiver or receiver appointed during the period when the Director was a director of that company:

5.9.1 B A Anysz was a non-executive director of PIC Toys Limited as a nominee for Capital for Companies, an investor. A receiver was appointed to PIC Toys Limited on 2 March 1990. Approximately £503,000 was owed to creditors;

5.9.2 R G Battersby was a non-executive director of Catherall Foster & Company Limited as nominee of an institutional investor. A receiver was appointed to Catherall Foster & Company Limited in 1978. Approximately £384,000 was owed to creditors;

5.9.3 R G Battersby was a non-executive director of Moorfield Manufacturing Co (Kilmarnock) Limited as nominee of an institutional investor. A receiver was appointed to Moorfield Manufacturing Co (Kilmarnock) Limited in on 26 October 1983. Approximately £40,000 was owed to creditors;

5.9.4 R G Battersby was a non-executive director of Mindev Holdings Limited as nominee of an institutional investor. A receiver was appointed to Mindev Holdings Limited on 9 October 1987. Approximately £1.1 million was owed to creditors; and

5.9.5 T C J Wood was a non-executive director of Bramham Paper Limited. A receiver was appointed to Bramham Paper Limited on 19 November 1986. Approximately £47,000 was owed to creditors.

5.10 Save as disclosed in paragraph 5.9 above, none of the Directors are or have been a director of any company which has been subject to a receivership, liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors at the time, or within 12 months of him being a director.

5.11 None of the Directors are or have been a partner in any partnership at the time of, or within 12 months preceding, the date of its compulsory liquidation, administration or partnership voluntary arrangement or at the time of, or within 12 months preceding, the date of the receivership of any asset of such partnership.

5.12 None of the Directors have been subject to any public criticism by any statutory or regulatory body (including recognised professional bodies) and none of the Directors have ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5.13 None of the Directors have any unspent convictions in relation to indictable offences.

5.14 None of the Directors are or have been subject to bankruptcy orders or individual voluntary arrangements.

5.15 The names of all companies and partnerships, other than the Company, of which the Directors have been a director or partner in at any time in the previous five years are as follows:

| Name | Present | Past |
|---|---|---|
| R B de Zouche | The Merseyside Estates Limited | Birmingham Midshires Building Society<br>BM Pensions Limited<br>The Liverpool Chamber of Commerce and Industry |
| B A Anysz | BWD Securities PLC<br>BWD Aim VCT plc<br>Bowness Leisure plc<br>*Astonish Holdings Limited*<br>TIB plc | Tillers Turf Co Limited<br>MCH Realisations plc<br>Wescol Group plc<br>*Barratt Besco 1 plc*<br>Barratt Besco 2 plc<br>Barratt Besco 3 plc<br>Barratt Besco 4 plc<br>Ridings 5 plc<br>Ridings 6 plc<br>Ridings 7 plc<br>Ridings 8 plc |
| R G Battersby | *BWD Aim VCT plc*<br>BWA Group plc<br>Challenge Finance Limited<br>Neric Limited<br>Bath Limited<br>Field Insurance Limited<br>Isis One Limited<br>Gilbertson & Page Limited<br>KQ Venture Capital Partners Limited | *Fairview Limited*<br>Anglo Swiss Asset Management Holdings Limited<br>Golf Construction (UK) Limited<br>Insularum (UK) Limited<br>Crowe Private Investors plc<br>Crowe Advisers Limited<br>AG Holdings plc<br>Forum Investors plc |
| W M Cran | Headway plc<br>Beckview Business Parks Limited<br>C & B Properties (Yorkshire) Limited | Broadbent Leasing Limited<br>Birkby plc |
| T C J Wood | BWD Securities PLC<br>Tillers Turf Company Limited | Victim Support North East Leeds |

## 6 Taxation

*The following paragraphs, which are intended as a general guide only and are based on current* legislation and Inland Revenue practice, summarise advice received by the Directors as to the position of the Company's shareholders who hold shares in the Company other than for trading purposes. Any person who is in any doubt as to his taxation position or is subject to taxation in any jurisdiction other than the UK should consult his professional advisers.

### *6.1 Taxation of dividends*

Under current law, no tax will be withheld by the Company when it pays a dividend.

### *6.2 Stamp duty and stamp duty reserve tax*

The Company has been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of the New Ordinary Shares. The Company has been advised that the transfer of shares of any class in the Company will, subject to any applicable exceptions, be liable to *ad valorem* stamp duty *at the rate of 50 pence for every £100 (or part thereof) of the* consideration paid. An unconditional agreement to transfer such shares if not completed by a duly stamped transfer will be subject to stamp duty reserve tax generally at the rate of 50 pence per £100 (or part thereof) of the consideration paid.

### *6.3 Close company*

The Directors believe that the Company is not and expect that following completion of the Offers the Company will not be a close company within the meaning of section 414 of the Income and Corporation Taxes Act 1988. If the Company was a close company in any accounting period, approval as a VCT would be withdrawn.

## 7 Investment policy

7.1 The Company intends that its income will be derived wholly or mainly from shares or other securities. The Company intends to direct its affairs in respect of each of its accounting periods so as to qualify as a venture capital trust under the provisions of section 842AA of the Income and Corporation Taxes Act 1988. Accordingly not more that 15 per cent. of the Company's investments will be invested in the securities of one company or group at the time such investment is made (aggregating for this purpose any existing holding in the company concerned). It is not intended that the Company will hold less than 20 investments.

7.2 Not more that 20 per cent. of the Company's gross assets will be invested in the securities of property companies, i.e. any companies primarily engaged in property activities which include:

(i) the holding of properties and development of properties for letting and retention as investments; or

(ii) the purchase or development of properties for subsequent sale, or both.

7.3 The investment policy set out in this paragraph and on page 7 will, in the absence of unforeseen circumstances, be adhered to for at least three years following Admission.

## 8 Material contracts

The following contracts (not being contracts entered into in the ordinary course of business), are the only contracts which have been entered into by the Company either (a) within the two years immediately preceding the date of this document and are or may be material to the Company or (b) (regardless of when entered into) contain obligations or entitlements which are material to the Company:

8.1 the Management Agreement, dated 5 March 1996 made between the Company and BWD, under which the Manager was appointed to act as manager of the Company's investments and to provide general management, administrative, secretarial and accounting services to the Company at an annual fee (in each case plus VAT) of 1.5 per cent. per annum in the first period to 30 April 1997, 2 per cent. per annum in the second year to 30 April 1998 and 2.5 per cent. per annum thereafter of the gross assets of the Company less current liabilities. If any financial period of the Company is for a period shorter than twelve months the relevant payment shall be apportioned on a time basis. Directors' fees, audit fees, legal fees, bank charges, stamp duties, banker's fees, commissions and any other professional fees shall be borne by the Company.

The Manager will be responsible for ensuring that the Company's investments and affairs are managed (unless the Board determines otherwise) in order to qualify as a VCT. The seeking out, making and monitoring of investments in qualifying holdings will be carried out by the Manager but no such investments shall be made without the approval of the Board. The Manager is entitled to delegate to other subsidiaries of BWD Securities its responsibility for managing the Company's investments in fixed interest securities, unit trusts and companies trading on the London Stock Exchange in accordance with the Company's investment policies.

If the Annual Running Costs (as defined in the Management Agreement) (plus any applicable VAT) exceed 3.5 per cent. per annum of the gross assets of the Company less current liabilities, the Company shall be entitled to a rebate on the fees paid to BWD or the Investment Manger to the extent of the excess.

The Management Agreement is for an initial fixed term of three years and is terminable on twelve months' notice by BWD or the Company, expiring on or at any time after the end of the initial three year period. The Management Agreement may be terminated forthwith by BWD or the Company if the other party commits a material breach of the agreement or in the event of insolvency. The Management Agreement may be terminated by either of BWD or the Company on three months' notice if an offeror shall acquire more than 30 per cent. of the shares of the Company.

The Supplemental Management Agreement, dated 13 November 2000 made between the Company and BWD amended the Management Agreement by inserting a new Part 3 into the schedule of the Management Agreement. Part 3 provides for an incentive fee arrangement for the Manager which is calculated in two parts:

(a) firstly, a fee to be made to the Manager which is to be calculated and payable on an annual basis. This fee is only payable if the annual dividend per Ordinary Share payable to each Shareholder exceeds six per cent. of the average subscription price (the "Average Subscription Price") paid for each of the New Ordinary Shares (the "Excess") in which case the Manager is entitled to an amount equal to 25 per cent. of the Excess multiplied by the total number of New Ordinary Shares in issue (the "Incentive Fee"). No Incentive Fee is payable if there is no Excess; and

(b) secondly, on a sale or a members voluntary winding-up of the Company, if the proceeds payable or distributable in respect of each New Ordinary Share on a sale or winding-up (the "Final Dividend") plus the aggregate of all annual dividends (out of income or capital) that have been paid in respect of each New Ordinary Share, exceeds the Average Subscription Price plus six per cent. of the Average Subscription Price for each year from the financial year commencing 1 April 2001 to the date of sale or winding-up (and pro-rata for any part of a year) (the "Hurdle Rate") then the Manager is entitled to 25 per cent. of the amount by which the Final Dividend exceeds the Hurdle Rate less any fees already paid to the Manager under paragraph (a) above.

In the event that the Hurdle Rate has not been achieved any Incentive Fee paid to the Manager under paragraph (a) above must be repaid to the Company.

8.2 The Option Agreement, dated 15 July 1998 made between the Company and BWD, under which the Company granted to the Manager the Option to subscribe for Ordinary Shares at a price of 10p per Ordinary Share (the "Option Price") in consideration of the services to be provided by the Manager under the Management Agreement. The Option Agreement entitles the Manager to subscribe for, in total, 363,636 Ordinary Shares. The Option shall be exercisable by BWD in whole or in part (in tranches of not less than 10,000 Ordinary Shares) twice annually during the period of 30 days following despatch by the Company to its Shareholders of its annual accounts and interim accounts during the years 2001 to 2005 (the "Option Period"), subject to the following conditions. In respect of 341,896 Ordinary Shares the average middle market quotation of the Ordinary Shares (the "Share Price"), as derived from the Daily Official List of the London Stock Exchange for a five day consecutive period in the month immediately prior to despatch to the Shareholders of those accounts must be at least £1.20 (the "First Condition") and in respect of 21,740 Ordinary Shares the First Condition has been satisfied and a further 636,364 Ordinary shares (the "Remaining Ordinary Shares") have been issued before the start of the Option Period (the "Deferred Option Shares"). The Conditions were not satisfied in respect of the 21,740 Ordinary Shares and therefore these shares will not be issued to the Manager. The Share Price shall be subject to upwards adjustment by the aggregate amount by which the gross dividend paid or recommended for payment to Shareholders in respect of the years preceding the exercise of the Option were less than 4 pence in aggregate per annum. The Share Price shall be subject to downwards adjustment by the aggregate amount by which the gross dividends paid or recommended for payment to Shareholders in respect of the years preceding the exercise of the Option were greater than 4 pence in aggregate per annum. The Option is assignable to any other subsidiary of BWD Securities and also to any employee of any other subsidiary of BWD Securities. In the event that prior to the exercise of the Option:

(i) the nominal amount of Ordinary Shares shall be altered as a result of consolidation or subdivision of shares; or

(ii) Ordinary Shares shall be allotted by way of capitalisation of reserves or other profits (other than Ordinary Shares paid out of distributable reserves and issued in the cash dividend); or

(iii) the Company makes any capital distribution to shareholders as a result of capital gains made on disposals or investments the number of Ordinary Shares subject to the Option, the Option Price and/or the Share Price shall be adjusted to take into account any such event.

The Option Agreement also contains provisions allowing for the exercise of the Option in the following cases:

(i) if a third party makes an offer to acquire the whole or part of the issued ordinary share capital of the Company, which for these purposes includes the publication of a scheme of arrangement under section 425 of the Act, the Option shall be exercisable provided that the price contained in the offer is an amount equal to or in excess of the Share Price; or

(ii) if an order is made or an effective resolution is passed for winding-up of the Company, BWD shall be entitled to participate in the distribution of any surplus assets, provided that in such winding-up all Shareholders have, in respect of their Ordinary Shares received an amount at least equal to the Share Price.

The Option will lapse before 31 December 2005 if the Management Agreement is terminated, in the event of a voluntary arrangement in respect of BWD, the winding-up of BWD the presentation or and administration order in respect of BWD or, the appointment and receiver to all or part of the assets of BWD.

The Option Agreement also provides that BWD will be restricted on transferring the Ordinary Shares after exercise of the Option so that:

(i) in the period commencing 1 May 2001 and ending 30 April 2002, BWD may only transfer up to a maximum of 137,743 Ordinary Shares ("First Period"); and

(ii) in the period commencing 1 May 2002 and ending on 30 April 2003, BWD may only transfer up to a maximum of 134,591 Ordinary Shares together with any shares not transferred during the First Period

and thereafter BWD may transfer all of the Ordinary Shares up to a maximum (in aggregate) of 363,636 Ordinary Shares, provided that BWD cannot transfer any of the Deferred Option Shares until they expire on the fifth anniversary of the date on which the Remaining Ordinary Shares have been issued.

8.3 The Sponsorship Agreement, dated 13 November 2000 made between the Company, the Directors and Williams de Broë under which Williams de Broë has agreed to act as sponsor to the Offer. Williams de Broë is not obliged to subscribe for New Ordinary Shares itself.

Under the Sponsorship Agreement, Williams de Broë will be paid a fee of £15,000 and 0.75 per cent. of the value of accepted applications received under the Offer. On the assumption that £8 million is raised under the Offer (based on a maximum of 5,800,000 New Ordinary Shares at a subscription price of 138 pence per New Ordinary Share) the amount payable to Williams de Broë would be £75,000 plus VAT if applicable, such amount payable by BWD not the Company.

Under the Sponsorship Agreement, which may be terminated by Williams de Broë in certain circumstances, certain warranties have been given by the Company and the Directors to Williams de Broë in respect of its role as sponsor.

8.4 The Costs Agreement, dated 13 November 2000 made between the Company and BWD under which BWD has agreed to pay all the costs of the Company incurred by the Company in connection with the Offer, in consideration of which the Company has agreed to pay to BWD an amount equal to 5.5 per cent. of the gross proceeds of the Offer plus VAT if applicable. On the assumption that £8 million is raised under the Offer (based on a maximum of 5,800,000 New Ordinary Shares at a subscription price of 138 pence per New Ordinary Share) the amount payable to BWD would be £440,000 plus VAT if applicable.

**9 Overseas Investors**

9.1 No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase New Ordinary Shares.

9.2 No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offer will be required to warrant that they are not a US person as defined in paragraph (x) on page 51 this document.

## 10 General

10.1 The price of each New Ordinary Share under the Offer is 138 pence (based on the net asset value per Ordinary Share at 31 October 2000 of 130.24 pence plus 6 per cent., being the costs of the Offer, rounded to the nearest whole pence representing a premium of 128 pence over the nominal value of 10 pence of each New Ordinary Share.

10.2 The expenses payable by the Company in connection with the Offer and Admission will be 5.5 per cent. of accepted applications received under the Offer (exclusive of value added tax, which may be irrecoverable, but inclusive of commission payable to financial intermediaries). If the maximum of £8 million is raised under the Offer the net proceeds to the Company of the Offer will be £7.56 million. The proceeds will be applied in accordance with the Company's investment policy. No expenses of the Offer are being specifically charged to subscribers under the Offer.

10.3 The Company does not have nor has it had since its incorporation any subsidiaries, subsidiary undertakings or employees and it does not own or lease any premises.

10.4 There has been no significant change in the financial or trading position of the Company since 31 March 2000, the date to which the last audited accounts were published, save that the net assets of the Company have decreased by approximately £1.9 million after the declaration of the 5 pence interim dividend amounting to £515,000 as disclosed in the unaudited interim results set out in this document.

10.5 The Company has not since incorporation been engaged in any legal or arbitration proceedings which may have or have had a significant effect on the Company's financial position and no legal or arbitration proceedings are pending or threatened by or against the Company.

10.6 It is intended that the following conditions will continue to be met:

(i) that the Directors and any manager of the Company will have sufficient and satisfactory experience in the management of investments of the type in which the Company intends to invest;

(ii) that the Directors of the Company will act independently of the Manager and in particular a majority of the Board will not be directors or employees of or former directors or employees of or professional advisers to the Manager or any other company in the same group as the Manager;

(iii) that the Company will not have control of the companies in which it invests in such a way as to render them subsidiary undertakings; and

(iv) adherence to the restrictions on investment set out in paragraph 7 above.

10.7 The application for listing is sponsored by Williams de Broë which is regulated by the Securities and Futures Authority and is a member of the London Stock Exchange.

10.8 The Ordinary Shares in issue at the date of this document are, and the New Ordinary Shares to be in issue following the final closing of the Offer will be in registered form. Following Admission the New Ordinary Shares will be listed on the Official List and traded on the London Stock Exchange's market for listed securities.

10.9 None of the New Ordinary Shares have now been sold to, nor are any of the New Ordinary Shares being made available in whole or in part to, the public in conjunction with the application for listing of the New Ordinary Shares on the Official List and to trading on the London Stock Exchange other than pursuant to the Offer.

10.10 There are no arrangements under which future dividends are waived or agreed to be waived.

10.11 The accounting period of the Company is 31 March each year.

10.12 Williams de Broë has consented to the inclusion of its name in this document in the form and context in which it is included.

10.13 In the opinion of the Directors the financial and trading prospects of the Company for the current financial year are reasonable.

## 11 Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company and at the offices of Williams de Broë Plc, 6 Broadgate, London EC2M 2RP from the date of this document until the Offer closes.

11.1 the memorandum and articles of association of the Company;

11.2 the Directors' letters of appointment referred to in paragraph 5.4 above;

11.3 the material contracts referred to in paragraph 8 above;

11.4 the Mini Prospectus;

11.5 the circular dated 18 October 2000 relating to the Supplemental Management Agreement and the resolutions set out in paragraphs 2.3 and 2.4 above;

11.6 the interim results for the six months ended 30 September 2000;

11.7 the report and accounts for the three financial periods ended 31 March 2000;

11.8 the source material referred to in this Prospectus being: London Stock Exchange AIM Statistics 31 October 2000, London Stock Exchange AIM Statistics (4 January 1999 to 10 November 2000) and Standard & Poors Micropal 31 October 2000;

11.9 the letter of consent referred to paragraph 10.12 above; and

11.10 this document.

14 November 2000

# Terms and Conditions of Application

In these terms and conditions, which apply to the Offer: "Applicant" means a person whose name appears as such in an Application Form and "Application" means the offer by an Applicant by completing an Application Form and posting (or delivering) it to Northern Registrars Limited (the "Receiving Agents") or as otherwise indicated in the Prospectus.

Save where the context otherwise requires, words and expressions defined in the Prospectus have the same meanings when used in the Application Form and explanatory notes in relation thereto.

The section headed "How to complete the Application Form and declaration" forms part of these terms and conditions of application.

a) The contract created by the acceptance of an Application will be conditional on the Sponsorship Agreement between the Company, the Directors and Williams de Broë and others becoming unconditional in all respects and not being terminated in accordance with its terms before the first allotment of shares under the Offer.

b) The right is reserved by CfC VCT to present all cheques and banker's drafts for payment on receipt and to retain share certificates and application monies, pending clearance of successful Applicants' cheques and banker's drafts. CfC VCT may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and CfC VCT may, at its discretion, accept an Application in respect of which payment is not received by it prior to the closing of the Offer. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agents in a separate account.

c) By completing and delivering an Application Form, you:

(i) irrevocably offer to subscribe for the number of New Ordinary Shares calculated in accordance with the Price Mechanism on the terms and conditions set out in the Prospectus and memorandum and articles of association of the Company;

(ii) agree and warrant that your cheque or banker's draft may be presented for payment on receipt, and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the New Ordinary Shares until you make payment in cleared funds for such shares and such payment is accepted by CfC VCT in its absolute discretion (which acceptance shall be on the basis that you indemnify it, Williams de Broë and the Receiving Agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by CfC VCT of such late payment, it may (without prejudice to its other rights) avoid the agreement to subscribe such shares and may issue or allot such shares to some other person, in which case you will not be entitled to any payment in respect of such shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your Application, without interest;

(iii) agree that in respect of those New Ordinary Shares for which your Application has been received and is not rejected, your Application may be accepted at the election of CfC VCT either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Receiving Agents;

(iv) agree that any monies refundable to you may be retained by the Receiving Agents pending clearance of your remittance and CfC VCT or the Receiving Agents may consider to be, required for the purposes of the Money Laundering Regulations 1993 and that such monies will not bear interest;

(v) authorise the Receiving Agents to send share certificate(s) in respect of the number of New Ordinary Shares for which your Application is accepted and/or a crossed cheque for any monies returnable, without interest by post, to your address set out in the Application Form and to procure that your name is placed on the register of members of the Company in respect of such New Ordinary Shares;

(vi) agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed in accordance with English Law, and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of CfC VCT or Williams de Broë to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;

(vii) confirm that, in making such Application, you are not relying on any information or representation in relation to CfC VCT other than the information contained in the Prospectus and accordingly you agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;

(viii) irrevocably authorise the Receiving Agents and/or Williams de Broë or any person authorised by either of them, as your agent, to do all things necessary to effect registration of any New Ordinary Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agents or of Williams de Broë to execute any document required therefor;

(ix) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and statements concerning CfC VCT and the New Ordinary Shares contained therein;

(x) confirm that you have reviewed the restrictions contained in paragraph (e) below and warrant that you are not a "US Person" as defined in the Securities Act 1933, as amended, nor a resident of Canada and that you are not applying for any New Ordinary Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada;

(xi) declare that you are an individual aged 18 or over;

(xii) agree that all documents and cheques sent by post to, by or on behalf of CfC VCT or the Receiving Agents will be sent at the risk of the person entitled thereto;

(xiii) agree, on request by CfC VCT, or Williams de Broë on behalf of CfC VCT, to disclose promptly in writing to CfC VCT, any information which CfC VCT or Williams de Broë may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 1993 and authorise CfC VCT and Williams de Broë to disclose any information relating to your Application as it considers appropriate;

(xiv) agree that neither Williams de Broë nor Pinder Fry & Benjamin Limited will treat you as its or their customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the New Ordinary Shares or the suitability for you of the New Ordinary Shares or be responsible to you for providing the protections afforded to its customers or give you any advice in relation to the Offer;

(xv) declare that the Application Form has been completed to the best of your knowledge;

(xvi) undertake that you will notify CfC VCT if you cease to be beneficially entitled to the New Ordinary Shares; and

(xvii) declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Ordinary Shares and that the New Ordinary Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which is the avoidance of tax.

d) No person receiving a copy of the Prospectus or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulation or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

e) The New Ordinary Shares have not been and will not be registered under the United States Securities Act 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, CfC VCT has not been and will not be registered under the United States Investment Company Act 1940, as amended. The Manager will not be registered under the United States Investment Advisers Act 1940, as amended. No Application will be accepted if it bears an address in the USA.

f) The basis of allocation will be determined by CfC VCT in its absolute discretion after consultation with Williams de Broë. The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and scale down and/or ballot any Application or any part thereof including, without limitation, Applications in respect of which any verification of identity which CfC VCT or the Receiving Agents consider may be required for the purpose of the Money Laundering Regulations 1993 has not been satisfactorily supplied. Dealings prior to the issue of certificates for New Ordinary Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.

# Availability of the Prospectus and Mini Prospectus

Copies of the Prospectus and Mini Prospectus are available from the addresses set out below until the date on which the Offer closes

**Pinder Fry & Benjamin Limited**
7 Cavendish Square
London W1M 9HA
**Contact: Charles Fry**
Tel: 020 7612 7650
Fax: 020 7612 7660

**Capital for Companies**
Quayside House
Canal Wharf
Leeds LS11 5PU
**Contact Barry Anysz**
Tel: 0113 243 8043
Fax: 0113 245 1777

**Northern Registrars Limited**
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA
Tel: 01484 606664
Fax: 01484 608764

**Williams de Broë Plc**
4 Park Place
Leeds LS1 2RU
Tel: 0113 243 1619
&
1 Waterloo Street
Birmingham B2 5PG
Tel: 0121 609 0050

and from any office of BWD Rensburg Limited at the following addresses:

St. George's House
99/101 High Street
Belfast BT1 2AH
**Contact: David McDonnell**
Tel: 028 9032 1002
Fax: 028 9024 4852

100 Old Hall Street
Liverpool L3 9AB
**Contact: David Owen**
Tel: 0151 227 2030
Fax: 0151 227 2444

Beech House
61 Napier Street
Sheffield S11 8HA
**Contact: Jon Dunn**
Tel: 0114 275 5100
Fax: 0114 270 1109

5 Sidings Court
White Rose Way
Doncaster DN4 5SE
**Contact: Tom Street**
Tel: 01302 340100/340 200
Fax: 01302 340300

De Quincey House
48 West Regent Street
Glasgow G2 2RB
**Contact: Stuart Light**
Tel: 0141 333 9323
Fax: 0141 332 9920

Quayside House
Canal Wharf
Leeds LS11 5PU
**Contact: Tom Eyres**
Tel: 0113 245 4488
Fax: 0113 245 1188

18 Ralli Courts
Manchester M3 5FT
**Contact: Roderic Mather**
Tel: 0161 832 6868
Fax: 0161 832 1233

118 Green Lane
Derby DE1 1RY
**Contact: Alan Fleming**
Tel: 01332 347451/3
Fax: 01132 342942

# How to complete the Application Form and declaration

**Before making any application to acquire New Ordinary Shares you are strongly recommended to consult an independent financial adviser authorised under the Financial Services Act 1986. The following instructions should be read in conjunction with the Application Form and declaration and the Terms and Conditions of Application.**

*In order to obtain the tax reliefs in respect of your investment, it is essential that you complete all parts of the Application Form in accordance with the instructions in these notes.*

**1** **Insert (in figures) in Box 1 the amount you wish to invest.**

The minimum application permitted under the Offer is £5,000 and in multiples of £500 thereafter. The maximum application is £100,000. The number of shares allocated will be notified in writing to each investor.

CfC VCT after consultation with Williams de Broë reserves the right to determine the number of New Ordinary Shares which you will be allotted in accordance with the Price Mechanism as set out on page 13 of this document.

**Pin a separate cheque or banker's draft to each completed Application Form for the amount shown in Box 1. Your cheque or banker's draft must be made payable to "Northern Registrars Limited A/C CfC VCT" and crossed "A/C payee only".**

Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the UK, the Channel Islands or the Isle of Man) of a bank or building society which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be represented for payment through the clearing facilities provided for the members of those Clearing Houses and must bear a bank sort code in the top right-hand corner. Applications will be accepted in order of receipt regardless of the timing of allotments of New Ordinary Shares. **Existing Shareholders will be given priority for applications received before 30 November 2000.**

Cheques accompanying applications for the tax year 2001/2002 must be post-dated to 6 April 2001 and will not be presented before that date. **If you wish to invest in both tax years you must complete two Application Forms and send two cheques or banker's drafts.**

The right is reserved to reject any application, wholly or in part. The applicant's uncashed cheque will be returned.

**Money Laundering Regulation 1993 — Important note for applications of £8,000 or more.**

If you apply through an authorised financial adviser the comments below may not apply. Please ask your adviser about this.

If an application for £8,000 or more is received **other than through an authorised adviser** and is accompanied by a cheque or banker's draft drawn by someone other than the applicant named in Box 2 (for example, a building society cheque), one of the following additional documents must be enclosed with the Application Form: a copy of the applicant's passport (only the personalised page) or driving licence or recent original bank or building society statement or utility bill in the applicant's name. Original documents will be returned by post at the applicant's own risk. Please note that if the above requirements are not fulfilled and suitable evidence of identity cannot be obtained, your application may not be accepted.

**2** **Insert in Box 2 the details requested.**

**3** **Insert in Box 3 your National Insurance Number.**

You should be able to find your National Insurance Number on a payslip, notice of coding, tax return or letter from your tax office.

**4** **The applicant must date and sign Box 4 personally.**

If the Application Form is signed on your behalf by an attorney or other agent that person should state in the form the capacity in which they are signing. The original power(s) of attorney, or a copy thereof duly certified by a solicitor, must be enclosed for inspection and will be returned in due course.

**5** Please tick the appropriate box to indicate the tax year in which you wish to invest. **If you wish to invest in the tax year 2001/2002, you must date the Application Form and your cheque or banker's draft 6 April 2001.**

# Capital for Companies VCT plc

## Application Form and declaration

*Important: Before completing this form, please read the Terms and Conditions of Application on pages 50 to 52 and the accompanying notes.*

Make your cheque or banker's draft payable to **"Northern Registrars Limited A/C CfC VCT"** and cross it "A/C payee only" and return this form with the payment, by post, to **Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA.** PLEASE USE BLOCK CAPITALS.

**1**

I offer to subscribe £ [      ] for New Ordinary Shares *(Minimum application £5,000 then multiples of £500)*

**2**

Title and surname (Mr/Mrs/Miss/Other) ..........................................................

First names ..........................................................

Permanent address in full ..........................................................

.......................................... Postcode ..........................................

Daytime telephone number .......................... Fax Number ..........................

Date of birth .......................... E-mail address ..........................

**3**

National Insurance Number/I have no National Insurance Number *(delete whichever is not applicable)* [ | | | | | | | | ]

**By signing this form I HEREBY DECLARE THAT:**

(i) I have received the Prospectus and have read the terms and conditions of application contained therein and agree to be bound by them.

(ii) I confirm that I have not applied for other VCT shares, in the tax year to which this Application applies, to the extent that my total VCT subscriptions in that tax year will exceed £100,000.

(iii) I will be the beneficial owner of the New Ordinary Shares in CfC VCT plc issued to me pursuant to the Offer.

(iv) To the best of my knowledge and belief the particulars I have given to CfC VCT plc are correct.

**4**

Signature .......................... Date ..........................

**5**

| | 2000/2001 | 2001/2002 |
|---|---|---|
| I wish to invest in the tax year (please ✔ the appropriate box) | [ ] | [ ] |

**ADVISERS**

Contact name (BLOCK LETTERS) .......................... Contact name and address

..........................................................

Telephone ..........................................................

Fax ..........................................................

E-mail address ..........................................................

SRO/RPB registration number .......................... Please use stamp if possible