Company Number: 3145895

Capital for Companies VCT plc

REPORT AND FINANCIAL STATEMENTS 2000

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COMPANIES HOUSE 0282 26/08/00

The Company

Capital for Companies VCT plc

Structure

The Company is a Venture Capital Trust (VCT) established to provide individual investors with an opportunity to invest in unquoted companies which meet the qualifying company requirements of the VCT legislation and to enable such investors to take advantage of the tax benefits available from investing in VCT's. The Company has provisional approval from the Inland Revenue as a VCT and is expected to receive full approval during this year.

The Company was incorporated on 15 January 1996 and was registered as an investment company under section 266 of the Companies Act 1985 until 2 December 1998 when registration was revoked to allow the Company to purchase its own shares by using the reserve which was created on cancellation of the Company's share premium account.

Investment Objective

The Company's investment objective is to provide shareholders with an attractive return on their investment over the longer term through the payment of dividends from income and where possible, realised capital profits and through growth in the value of the Company's shares reflecting any increase in the value of the portfolio.

Investment Policy

The initial share capital was invested in gilt-edged stocks and unit trusts managed by BWD Rensburg Ltd of which our managers, Capital for Companies (CfC) is a division. New qualifying investments in unquoted companies and those trading on the Alternative Investment Market (AIM) have been funded through the partial realisation of the gilt-edged stocks and unit trusts. Before making an investment CfC must obtain approval from the board which is comprised of independent, experienced businessmen and professionally qualified directors.

Managers

CfC was established in 1983 and is a member of the British Venture Capital Association. It has offices in Leeds and Liverpool and has raised over £100 million for venture capital and business expansion scheme investments. CfC is responsible for identifying and evaluating suitable investment opportunities. It is assisted in its choice of AIM investments by the manager of BWD Smaller Companies Unit Trust.

CfC executives hold non-executive positions on the boards of most of the unquoted companies as well as maintaining regular contact with the AIM companies.

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Financial Headlines

for the financial year ended 31 March 2000

	2000 pence per share	1999 pence per share
Earnings	12.1	(8.2)
Dividends (including interim)	7.0	4.0
Net Assets	148.8	96.3

Financial Calendar

Annual General Meeting	**27 July 2000**
Final Dividend Payable	**10 August 2000**
Interim Results Announced	**November 2000**
Interim Dividends Payable	**December 2000**

Chairman's Statement

I have pleasure in reporting on our fourth trading period for the year to 31 March 2000, which proved to be our most successful to date. During the year the Company invested a further £3.7 million in 17 qualifying companies whilst partially or fully realising our investment in 6 qualifying companies, raising £1.7 million. We experienced a healthy deal flow from companies joining or trading on the Alternative Investment Market (AIM) and all but two of the new investments were in companies that are now on AIM. The total cost of the current qualifying company portfolio comprising 30 investments is £7,042,000 which is 23% higher than at the previous year-end and in excess of the target of 70% of share capital required under the VCT legislation.

Trading Results

Following the change of status of the Company in December 1998, when it ceased to be an investment company we can now present the accounts in a conventional format which we believe is more appropriate for the Company. I am pleased to report that profit on ordinary activities before taxation was £1,262,000 (1999 - £764,000 loss as restated) with earnings per share of 12.1 pence (1999 – 8.2 pence loss as restated).

Dividend

The tax legislation regarding dividends changed on 6 April 1999 when tax credits attributable to dividends ceased to be payable to shareholders. In anticipation of this change last year, the Company paid a second interim dividend of 1.8 pence per share together with the applicable tax credit of 0.45 pence per share which, together with the first interim dividend of 1.4 pence per share and the associated tax credit of 0.35 pence per share, made a total dividend payable to shareholders of 4 pence per share. No final dividend was paid last year. I am pleased to inform you that following the interim dividend of 1 pence per share paid in December 1999 we propose to pay a final dividend on 10 August 2000, to shareholders on the register as at 14 July 2000 of 6 pence per share making a total for the year of 7 pence per share, an increase of 75%. Including this payment, the total of all dividends and associated tax credits paid by the Company to date amounts to 18.9 pence per share.

A substantial proportion of the total dividend for the year is attributable to profit on the realisation of investments, which amounted to £1,392,000. This may not be repeatable in the future as it will depend mainly on the continued buoyancy of AIM and the ability to take capital profits whilst maintaining the targets set out in the VCT legislation.

Balance Sheet

Net asset value (NAV) per share at 31 March 2000 was 148.8 pence compared to 94.6 pence at the interim stage and 96.3 pence at 31 March 1999. The increase in NAV of 54.5% since 31 March 1999 reflects the fact that many of our investments are now in companies trading on AIM, which enjoyed a substantial increase in value of 259% during the year. Since the year-end, trading conditions on AIM have been much more difficult and the index declined by 27% between 1 April and 31 May. Consequently the valuation of our AIM portfolio has also reduced and NAV at 31 May 2000 was 127.1 pence per share. Although several of our investments are in technological industries our aversion to investing in 'dotcom' companies has protected us from experiencing a greater decline.

Those qualifying investments not traded on AIM continue to be valued in accordance with the British Venture Capital Association guidelines. All of these investments currently held are making satisfactory progress with two exceptions where a suitable provision has been made.

Corporate Governance

The Company complies with current published guidance to Best Practice in Corporate Governance.
A statement covering the matters relevant to the Company is set out in the Directors' report on page 11.

Share Buy-Back

The Company's mid-market share price has risen from its opening level of 100 pence to the current 115 pence per share. This is slightly below our current NAV and the small discount reflects the market's confidence that we are in a favourable position to select profitable investments for the portfolio. However few deals have been done at the current share price and it is unlikely that it could be sustained if there were any volume sales. In common with most other listed companies we wish to maintain the Company's ability to act as a purchaser of its own shares where this is in the interest of shareholders. We will therefore be asking shareholders at the AGM to renew the Board's power to purchase the Company's shares in the market.

Share Issues

There is no immediate requirement to raise additional share capital. However the directors feel it would be beneficial to have the authority to place a small number of new shares (not exceeding 10% of the existing share capital) at some time in the future, subject to the approval of the UK Listing Authority. This is an effective and relatively inexpensive way of increasing the Company's capital base. Any new shares will be issued at a price that reflects the then current NAV plus a small premium to cover any issue costs.

Future Prospects

Whilst this has been our most successful year of trading to date we are aware that current market conditions are proving more difficult. We are therefore being extremely selective in making investments at present especially in unquoted companies. Deal-flow continues to be strong especially from companies on or seeking to join AIM.

Our Manager, Capital for Companies, also manages BWD Aim VCT plc, a venture capital trust which as its name implies invests mainly in AIM companies. The benefit to this Company is that our Managers can offer us the opportunity to participate in investments alongside BWD Aim VCT plc. This has enabled us to realise some of our existing shareholdings and replace these with others so as to maintain the VCT qualifying targets.

Shareholders wishing to keep in touch with our progress can visit our web site at www.cfc-vct.co.uk, which is regularly updated with investment news as well as the current share price and net asset value.

Finally, I would like to thank, on behalf of all shareholders, my fellow directors, our Managers and professional advisers for their contribution over the past year.

Richard de Zouche
Chairman

28 June 2000

Managers' Report

Introduction

Our decision to switch the focus of our investment activities from unquoted companies to those trading on the Alternative Investment Market (AIM) appears to have been vindicated with an excellent performance in the year to 31 March 2000. Net asset value (NAV) of the Company increased by 54.5% mainly due to the new investments made during the year which in most cases saw a rapid increase in their valuations following the commencement of trading on AIM.

Qualifying Investments

Our qualifying investment portfolio at 31 March 2000 had an original cost of £7,042,000 and was valued at £11,765,000, an increase of 67%. By 31 March 2000 we had invested over £7 million in 30 companies, of which 23 were listed on AIM, one was fully listed (having graduated from AIM) and six were unquoted companies. During the year we made several partial disposals of AIM companies realising £1.7 million.

We also disposed of our entire holding in Cirqual plc for £387,000, realising a profit of £176,000.

Our largest investment, Aortech International plc, which manufacturers and distributes heart valves and monitoring systems, has shown an impressive performance since we originally acquired the shares in August 1999. We also have large investments in three companies in the software computer services sector; XKO plc (which is now fully listed), Harrier Group plc and Policy Master Group plc. Apart from our investments in technological industries we have a diversified portfolio in other sectors including Connaught Group plc, Honeycombe Leisure plc and Blooms of Bressingham plc. Details of these and other investments are given in the Investment Portfolio Summary on page 7 and the ten largest qualifying investments are listed on pages 8 and 9.

Whilst the AIM portfolio now forms the major proportion of the Company's investments, our largest holding in terms of cost is TIB plc which duplicates CD and DVD software and is based in Merthyr Tydfil, South Wales. During the year we completed two investments in unquoted companies, Radii Systems Ltd of Hull and Primal Pictures Ltd of London.

TIB plc

The AIM portfolio is invested as follows: -

Listed fixed interest and other non-qualifying investments

The rapid build up in the qualifying investment portfolio has necessitated a substantial reduction in our holdings of non-qualifying investments. At the year-end 23.8% of the portfolio (by value) was invested in gilts and unit trusts compared to 50% previously. The value of these non-qualifying investments was £3,648,000 compared to their cost of £2,368,000, an increase of 54%.
As we have now exceeded the investment targets set out in the VCT legislation new shareholdings must be funded by a further reduction in the non-qualifying portion of the portfolio or by sales of existing qualifying investments. We believe that non-qualifying investments provide some downside protection for shareholders and so do not intend to reduce this proportion much further.

Outlook

Since the year-end the Company has invested a further £233,000 in 2 companies, Inventive Leisure plc and Harrier Group plc, the latter being an existing portfolio company.

We continue to receive a substantial number of AIM and venture capital proposals and the recent fall in the valuation of AIM companies, especially those in technological industries, should mean that prices going forward will be more realistic than recently.

As stated in the Chairman's Report we also manage BWD Aim VCT plc which has now raised over £22 million and together with this Company has put us firmly on the map as a significant player in AIM company shares.

Barry Anysz
Chief Executive
Capital for Companies

28 June 2000

Directors

Richard de Zouche OBE, FCA (67) (Non-Executive Chairman)

Richard is a Chartered Accountant, and former Deputy Chairman of Birmingham Midshires Building Society and Chairman of the Merseyside Estates Limited.

Barry Anysz B Comm, AMSI (50) (Non-Executive Director)

Barry is a director of BWD Securities PLC and of BWD Aim VCT plc, which are both listed companies. He has 28 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 of a number of unquoted companies.

Richard Battersby BA, FCA, JDipMA (57) (Non-Executive Director)

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. He has substantial venture capital experience having been a director of several subsidiaries of The Royal Bank of Scotland plc involved in this sector.

William Cran (51) (Non-Executive Director)

Bill has over 23 years experience of the instalment credit and leasing industries and is currently non-executive chairman of Headway plc and formerly executive chairman of Birkby plc.

Timothy Wood FCA, MSI (58) (Non-Executive Director)

Tim is a Chartered Accountant and is currently a non-executive director of BWD Securities PLC.

All the above directors are members of the nominations, remuneration and audit committees.

Investment Portfolio Summary

31 March 2000

Company	Sector	Book cost £000	Valuation £000	% of Total Assets
Qualifying investments – Unquoted				
TIB plc	Software & computer services	657	657	4.30
Dennis Ruabon Ltd	Construction & building materials	200	380	2.48
Radii Systems Ltd	Software & computer services	350	350	2.28
EP Moulding Ltd	Support services	500	200	1.30
Primal Pictures Ltd	Software & computer services	200	200	1.30
Wineworld (London) plc	Leisure, entertainment & hotels	220	60	0.39
Total unquoted		**2,127**	**1,847**	**12.05**
Qualifying investments – AIM				
AorTech International plc	Health	357	1,572	10.25
XKO plc*	Software & computer services	225	839	5.47
Harrier Group plc	Software & computer services	234	764	4.98
Policy Master plc	Software & computer services	106	660	4.30
Connaught Group plc	Support services	300	641	4.18
Tricorder Technology plc	Electronic equipment	220	570	3.72
Honeycombe Leisure plc	Restaurants, pubs & breweries	254	557	3.63
RDL Group plc	Support services	193	437	2.85
freecom.net plc	Software & computer services	325	407	2.66
Blooms of Bressingham plc	General retailers	263	370	2.41
Tardis Transcommunications plc	IT hardware	124	341	2.22
Maclellan Group plc (Jordec plc)	Support services	171	319	2.08
Zoa Corporation plc	Distributors	200	300	1.96
XS Leisure Group plc	Leisure, entertainment & hotels	234	274	1.79
Dragon Health Clubs plc	Leisure, entertainment & hotels	131	265	1.73
CRC Group plc	Software & computer services	318	252	1.65
Veos plc	Personal care products	142	245	1.61
AdVal Group plc	Support services	250	237	1.55
Interlink Food Group plc	Food producers and processors	137	234	1.53
SBS Group plc	Support services	167	215	1.41
Kazoo 3D plc	Software & computer services	160	152	0.99
Stratus Group plc	Media and photography	120	127	0.83
Vianet Group plc	IT hardware	149	112	0.73
Longmead plc	Household Goods	135	28	0.18
Total AIM		**4,915**	**9,918**	**64.71**
Non-qualifying investments				
£500,000 6.5% Treasury Stock 2003	British funds	501	506	3.30
£500,000 7% Treasury Stock 2002	British funds	508	506	3.30
BWD Equity Income Unit Trust	Investment & unit trusts	859	1,257	8.21
BWD Smaller Companies Unit Trust	Investment & unit trusts	500	1,379	8.99
Total non-qualifying investments		**2,368**	**3,648**	**23.80**
Total investments		**9,410**	**15,413**	**100.56**
Net current liabilities			(86)	(0.56)
Total assets less current liabilities			**15,327**	**100.00**

(Formerly on AIM now fully listed)*

Ten Largest Qualifying Investments
(by valuation)

Company	Latest audited accounts	
AorTech International plc	*Year end: 31 March 1999*	*£000*
Based in Lanarkshire, AorTech manufactures and distributes heart	Turnover	2,799
valves and monitoring systems.	Loss before tax	321
	Retained loss	2,578
**BWD Aim VCT plc holds 1.26% of the equity share capital*	Net Assets	5,028
XKO Group plc	*15 Months to 31 March 1999*	*£000*
Based in Berkhamsted, XKO provide information technology software	Turnover	5,954
applications and solutions.	Loss before tax	1,603
	Retained loss	1,341
	Net Assets	27,660
Harrier Group plc	*Year end: 31 December 1999*	*£000*
Based in Finchampstead, Harrier provide information technology	Turnover	5,437
security and data storage services.	Loss before tax	153
	Retained loss	1,924
**BWD Aim VCT plc holds 1.15% of the equity share capital*	Net Assets	3,099
Policy Master Group plc	*Year end: 31 December 1999*	*£000*
Based in Sutton Coldfield, Policy Master provide insurance related	Turnover	16,730
Software and services	Profit before tax	1,062
	Retained profit	1,699
	Net Assets	10,882
TIB plc	*Period ended: 31 May 1999*	*£000*
Based in Merthyr Tydfil, TIB manufacture compact and digital video	Turnover	6,701
discs.	Profit before tax	152
Dividends received during period: £35,984(preference dividend only)	Retained profit	14
	Net Assets	1,319
Connaught Group plc	*Year end: 31 August 1999*	*£000*
Based in Sidmouth, Connaught provide facilities management and	Turnover	54,644
services.	Profit before tax	1,767
	Retained profit	1,222
	Net Assets	5,276
Tricorder Technology plc	*Year end: 31March 1999*	*£000*
Based in Middlesex, Tricorder provide information technology for the	Turnover	79
healthcare sector.	Loss before tax	1,817
	Retained loss	2,772
**BWD Aim VCT plc holds 1.9% of the equity share capital*	Net Assets	2,391
Honeycombe Leisure plc	*Ten months to 29 April 1999*	*£000*
Based in Preston, Honeycombe own and manage a chain of pubs and	Turnover	8,806
nightclubs throughout the country.	Profit before tax	1,180
	Retained profit	561
	Net Assets	11,997
RDL Group plc	*Year end: 30 September 1999*	*£000*
Based in Surrey, RDL provide IT software consultants to	Turnover	18,172
organisations requiring specialist IT skills.	Profit before tax	1,335
	Retained profit	1,511
**BWD Aim VCT plc holds 2.05% of the equity share capital*	Net Assets	2,384
freecom. net plc	*Year to 31 December 1999*	*£000*
Based in Oxford, freecom provide e-commerce solutions for small to	Turnover	600
medium sized organisations.	Loss before tax	1,953
	Retained loss	2,113
**BWD Aim VCT plc holds 0.13% of the equity share capital*	Net Assets	20,716

*Details of equity share capital percentages held by other funds managed by Capital for Companies.

Ten Largest Qualifying Investments
(by valuation)

Other information	% of equity held	Cost £000	Value £000	% of total assets
Security: Ordinary shares *First investment:* August 1999 *Type of investment:* Aim placing *Valuation basis:* Mid market price	0.78	357	1,572	10.25
Security: Ordinary shares *First investment:* March 1999 *Type of investment:* Aim placing *Valuation basis:* Mid market price	1.07	225	839	5.47
Security: Ordinary shares *First investment:* October 1999 *Type of investment:* Aim placing *Valuation basis:* Mid market price	1.03	234	764	4.98
Security: Ordinary shares *First investment:* July 1998 *Type of investment:* Aim placing *Valuation basis:* Mid market price	0.45	106	660	4.30
Security: Ordinary, preference shares & loan *First investment:* June 1998 *Type of investment:* Acquisition/expansion *Valuation basis:* Cost *Earnings per share:14 pence*	19.20	657	657	4.30
Security: Ordinary shares *First investment:* December 1998 *Type of investment:* Aim placing *Valuation basis:* Mid market price	1.98	300	641	4.18
Security: Ordinary shares *First investment:* January 2000 *Type of investment:* Aim placing *Valuation basis:* Mid market price	1.50	220	570	3.72
Security: Ordinary shares *First investment:* November 1998 *Type of investment:* Aim placing *Valuation basis:* Mid market price	2.04	254	557	3.63
Security: Ordinary shares *First investment:* July 1999 *Type of investment:* Aim placing *Valuation basis:* Mid market price	1.90	193	437	2.85
Security: Ordinary shares *First investment:* November 1999 *Type of investment:* Aim placing *Valuation basis:* Mid market price	0.67	325	407	2.66
Ten largest investments			**7,104**	**46.34**

Directors' Report

The directors have pleasure in submitting their report and audited financial statements for the year to 31 March 2000.

Review of the Business and Principal Activity

The principal activity of the Company during the year under review was the making of long term equity and loan investments. The Company is a venture capital trust. It was incorporated on 15 January 1996 and was registered as an investment company under section 266 of the Companies Act 1985. On 2 December 1998 the registration was revoked to allow the Company to purchase its own shares by using a new reserve which was created on cancellation of the Company's share premium account. The Company has received provisional approval from the Inland Revenue as a venture capital trust and is expected to receive full approval during this year.

The Directors have managed the affairs of the Company with the intention that it will be able to comply with Section 842AA of the Income and Corporation Taxes Act 1988.

The directors are required by the Articles of Association to convene an extraordinary general meeting immediately after the Annual General Meeting of the Company in 2004 and, if applicable, in every third year thereafter, to consider and vote on a special resolution that the Company be wound up voluntarily.

Results and Dividend

The profit after taxation of the Company for the year was £1,253,000. The directors propose the payment of a final dividend for the period of 6.0 pence per share in addition to an interim dividend of 1.0 pence per share and recommend that the balance be transferred to reserves.

Directors

The directors of the Company during the year and their interests in the issued ordinary shares of 10p of the Company were as follows:

	31 March 2000	**31 March 1999**
R. B. de Zouche *Chairman*	12,250	11,250
B. A. Anysz	12,250	11,250
R. G. Battersby	25,000	25,000
W. M. Cran	11,250	11,250
T. C. J. Wood	56,000	56,000

All of the directors' share interests shown above were held beneficially. There have been no changes in the directors' share interests between 31 March 2000 and the date of this report.

R. G. Battersby and T. C. J. Wood retire from the board in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

None of the directors has a contract of service with the Company and, except as mentioned below under the heading "Managers", no contract existed during or at the end of the period in which any director was materially interested and which was significant to the company's business.

Creditor Payment Policy

It is the Company's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not negotiated the Company endeavours to adhere to suppliers' standard terms.

Corporate Governance.

Arrangements have been put in place by the Board, which it believes are appropriate to a venture capital trust company. These arrangements will enable the Company to apply the Principles of Good Corporate Governance and comply with the provisions of the Combined Code of Best Practice ('the Code') as required by the Financial Services Authority Listing Rules. In accordance with Listing Rule 12.43A, details of how the Principles in Section 1 of the Code have been applied are set out below.

The Board consists solely of Non-Executive Directors and is, with the exception of Mr Anysz entirely independent. It meets regularly throughout the year and receives reports from the Company Secretary upon the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. The Board has appointed Mr. de Zouche as Senior Non-Executive Director in accordance with the Code.

The Board has established an Audit Committee, a Nominations Committee and a Remuneration Committee, each of which is comprised of all the Directors.

The Audit Committee has formal arrangements for considering financial reporting and internal control matters as detailed below, and for maintaining an appropriate relationship with the Company's Auditors.

The Directors are responsible for the Company's system of internal financial control. Such a system can provide only reasonable and not absolute assurance against material mis-statement or loss. Day to day operations are delegated, through a management agreement, to Capital for Companies ('CfC'). Under the terms of the management agreement CfC provides investment management, accounting and secretarial services to the Company. A clearly defined investment strategy is set for the Managers and monitored by the Board, which regularly reviews the Company's investments, liquid assets and liabilities, investment transactions and revenue and expenditure. CfC's systems of internal financial control include organisational arrangements with clearly defined lines of responsibility and delegated authority, as well as control procedures and systems, which are regularly evaluated and internally audited.

Guidance for directors *Internal Control: Guidance for Directors on the Combined Code* (the Turnbull Guidance) was published in September 1999, however the Directors have taken advantage of the London Stock Exchange's transitional rules and have continued to report upon internal financial controls in accordance with the ICAEW's 1994 guidance *Internal Control and Financial Reporting*. Nevertheless, the Directors confirm that they have established procedures necessary to implement the Turnbull guidance such that they can fully comply with it for the accounting year ending 31 March 2001.

The Nominations Committee operates a formal procedure for the nomination of new directors to the board. All directors are required to submit themselves for re-election every three years in accordance with the Company's Articles of Association. Individual Directors may, at the expense of the Company, seek further professional advice on any matter that concerns them in the furtherance of their duties.

The Remuneration Committee operates a formal procedure for fixing the level of Directors' fees, which are set at a level sufficient to attract and retain directors of the calibre required to manage the Company.

After making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the accounts.

Directors' Report

continued

Relations with Shareholders

The Company welcomes the views of shareholders, and the Annual General Meeting of the Company provides a forum both formal and informal for the investors to meet and discuss issues with Directors of the Company. Details of the resolutions to be proposed at the Annual General Meeting on 27 July 2000 can be found in the Notice of Meeting on page 27.

Managers

Capital for Companies (CfC), a division of BWD Rensburg Limited, has acted as investment adviser and manager to the Company throughout the period. The principal terms of the of the Company's management agreement with CfC are set out in Note 3 to the financial statements.

B. A. Anysz is an executive director of BWD Rensburg Limited.

Related Parties

Fees paid by this Company for services provided by Capital for Companies, a division of BWD Rensburg Limited, which is a related party, amounted to £378,000 in the year.

No remuneration was paid by BWD Rensburg Limited to B. A. Anysz in relation to his services to this Company.

Financial Instruments

In furtherance of the Company's objectives to secure long term capital growth, the Company holds a number of financial instruments as follows:

- Equity shares, unit trusts, non-equity preference shares, fixed interest gilts and cash;
- Liquid resources, short term debtors and creditors that arise directly from its operations;
- Shareholders' funds which represent investors' monies which are invested on their behalf.

The main risks arising from the Company's financial instruments are interest rate, market price and liquidity risks. The directors maintain policies for managing these risks, details of which are set out in the notes to these accounts. These policies have been in force throughout the period under review.

Substantial Shareholdings

As far as the directors are aware, there were no individual shareholdings representing 3% or more of the Company's issued share capital at the date of this report.

Crest

In accordance with the Uncertificated Securities Regulations 1995 ("the Regulations"), members of the Company are hereby given notice that, on 24 May 2000, the Company resolved by a resolution of its directors that title to the Ordinary Shares of 10p each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system. The resolution of the directors will become effective on 31 July 2000 immediately prior to CRESTCo Limited granting permission for the shares concerned to be transferred by means of the CREST system.

Annual General Meeting

Resolutions will be proposed at the Annual General Meeting to authorise the directors to buy back equity shares in the Company in certain circumstances and to allot equity shares for cash other than pro rata to existing shareholders, also in certain circumstances. It is the intention of the directors to seek to renew these authorities at each subsequent Annual General Meeting.

Auditors

KPMG Audit Plc are willing to continue in office and resolutions to reappoint them and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

M. J. Dickinson

Secretary

28 June 2000

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of its financial year and of the revenue of the Company for that year.

They are responsible for maintaining adequate accounting records, safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts have been prepared on a going concern basis, appropriate accounting policies have been used and consistently applied and the Board believes that reasonable and prudent judgements and estimates have been made in the preparation of the accounts.

Auditors' Report
to the members of Capital for Companies VCT plc

We have audited the financial statements on pages 15 to 24.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 13 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on page 11 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report including the corporate governance statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2000 and of the total return for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 June 2000

Profit and Loss Account

for the year ended 31 March 2000

	Notes	2000 £000	1999 (as restated) £000
Profit/(Loss) on realisation of investments	9	**1,392**	(905)
Income	2	**314**	493
Investment management fee	3	**(378)**	(286)
Other expenses	4	**(66)**	(66)
Profit/(Loss) on ordinary activities before taxation		**1,262**	(764)
Taxation	6	**(9)**	(67)
Profit/(Loss) on ordinary activities after taxation		**1,253**	(831)
Dividends	7	**(722)**	(329)
Retained profit/(loss) transferred to/(from) reserves	13	**531**	(1,160)
Earnings per share (pence)	8	**12.1**	(8.2)

Statement of Total Recognised Gains and Losses

for the year ended 31 March 2000

	Notes	2000 £000	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)

The accompanying notes are an integral part of this statement.

Balance Sheet

As at 31 March 2000

	Notes	2000 £000	1999 (as restated) £000
Fixed assets			
Investments	9	**15,413**	9,447
Current assets			
Debtors	10	**127**	286
Cash at bank and on deposit		**617**	610
		744	896
Creditors (amounts falling due within one year)	11	**(830)**	(409)
Net current (liabilities)/assets		**(86)**	487
Total assets less current liabilities		**15,327**	9,934
Capital and reserves			
Called – up share capital	12	**1,031**	1,032
Share premium account	13	**585**	585
Capital redemption reserve	13	**2**	1
Revaluation reserve	13	**6,402**	1,403
Special distributable reserve	13	**7,608**	8,343
Profit and loss account	13	**(301)**	(1,430)
Equity shareholders' funds	14	**15,327**	9,934
Net asset value pence per share	15	**148.8**	96.3

The financial statements were approved by the Board of the Directors on 28 June 2000 and were signed on its behalf by:

B. A. Anysz

Director

The accompanying notes are an integral part of this statement.

Cash Flow Statement

for the year ended 31 March 2000

	Notes	2000 £000	1999 (as restated) £000
Net cash inflow from operating activities	17	**8**	159
Investing activities			
Purchase of investments		**(4,737)**	(2,611)
Sale of investments		**5,038**	1,861
		301	(750)
Equity dividends paid		**(289)**	(323)
Net cash outflow before financing		**20**	(914)
Financing			
Issue of ordinary shares		**–**	664
Expenses paid in connection with share issues		**(1)**	(52)
Redemption of ordinary shares		**(12)**	(41)
Net cash inflow from financing activities		**(13)**	571
Increase/(decrease) in cash	17	**7**	(343)

Notes to the Financial Statements

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 diminutions 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 directors' 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.

1. Accounting policies (Continued)

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

	2000 £000	1999 as restated £000
Franked investment income	**168**	187
Unfranked investment income	**5**	6
Interest receivable in respect of government stocks and bonds	**118**	232
Deposit interest	**23**	56
Commissions	**–**	12
	314	493

3. Investment management fee

	2000 £000	1999 as restated £000
Investment management fee	**322**	243
Irrecoverable value added tax thereon	**56**	43
	378	286

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).

Notes to the Financial Statements

continued

4. Other expenses

	2000 £000	1999 as restated £000
Directors' remuneration	**37**	37
Auditor's remuneration		
- audit	**9**	3
- audit under provision in previous years	**5**	–
- other services to the Company	**3**	1
Other	**12**	25
	66	66

5. Directors' emoluments

	2000 £000	1999 £000
Amounts paid to third parties in consideration for the services of directors	**37**	37

The fees paid in respect of individual directors were as follows:

R. B. de Zouche *(Chairman)*	**10**	10
R. G. Battersby	**9**	9
B. A. Anysz	**–**	–
W. M. Cran	**9**	9
T. C. J. Wood	**9**	9

6. Taxation

	2000 £000	1999 as restated £000
Corporation tax charge	**–**	15
Over provision in previous years	**-**	(3)
Advance corporation tax surplus written off	**9**	55
	9	67

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

7. Equity dividends

	2000 £000	1999 £000
Ordinary 10p shares – net per share		
Interim paid – 1p (1999: 1.4p)	**103**	143
Second interim – nil (1999: 1.8p)	**-**	186
Proposed final – 6p (1999: Nil)	**619**	–
	722	329

8. Earnings per share

	2000 Pence	1999 Pence
Basic	**12.1**	(8.2)

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

9. Investments

	2000 £000	1999 £000
Listed Investments	**3,648**	5,041
Unlisted investments and investments listed on AIM	**11,765**	4,406
	15,413	9,447

Movements in investments during the period can be summarised as follows:

	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:

	2000 £000	1999 £000
Qualifying equity shares	**10,492**	3,602
Qualifying preference shares	**1,137**	1,037
Qualifying loans	**136**	–
Unit trusts and fixed income securities	**3,648**	4,808
	15,413	9,447

Notes to the Financial Statements

continued

9. Investments (Continued)

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.

Further information on the investment portfolio is set out on pages 7, 8 and 9.

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 realiseable securities is sufficient to meet potential liabilities that may arise.

10. Debtors

	2000 **£000**	1999 £000
Prepayments and accrued income	**127**	208
Advance corporation tax recoverable	–	78
	127	286

11. Creditors

	2000 **£000**	1999 £000
Trade creditors	**139**	77
Accruals and deferred income	**72**	22
Corporation tax payable	–	15
Advance corporation tax payable	–	109
Proposed dividend	**619**	186
	830	409

12. Called up share capital

	2000 No of shares	2000 £000	1999 No of shares	1999 £000
Authorised				
Ordinary shares of 10p each	**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

The company redeemed 10,000 ordinary shares at a cost 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

	2000 £000	1999 as restated £000
Profit/(loss) on ordinary activities for the period after taxation	**1,253**	(831)
Dividends	**(722)**	(329)
Transfer to/(from) reserves	**531**	(1,160)
Increase/(decrease) in unrealised appreciation	**4,875**	(493)
New share capital issued including premium, net of redemptions & expenses	**(12)**	606
Costs of creation of special reserve	**(1)**	(11)
	5,393	(1,058)
Opening shareholders' funds	**9,934**	10,992
Closing shareholders' funds	**15,327**	9,934

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.

Notes to the Financial Statements

continued

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*

	2000 £000	1999 as restated £000
Profit/(loss) from ordinary activities before tax	**1,262**	(764)
Decrease/(Increase) in debtors	**28**	(20)
Increase in creditors	**112**	45
Increase in tax withheld at source	**(2)**	(7)
(Profit)/Loss on realisation of investments	**(1,392)**	905
Net cash inflow from operating activities	**8**	159

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

	2000 £000	1999 £000
Decrease in cash for the period	**7**	(343)
Movement in net funds for the period	**7**	(343)
Net funds at the beginning of the period	**610**	953
Net funds at the end of the period	**617**	610

(c) *Analysis of changes in net funds*

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

Useful Information for Shareholders

Annual General Meeting
This year's Annual General Meeting will be held at Quayside House, Canal Wharf, Leeds, LS11 5PU on Thursday 27 July 2000 at 10:30 am.

Payment of Dividend
Cash dividends will be sent by cheque on 10 August 2000 to the first-named Shareholder on the Register as at 14 July 2000 to their registered address. At Shareholders' request, dividends may instead be paid direct into the Shareholder's bank account through the Banker's Automated Clearing System (BACS). This may be arranged by contacting the Company's Registrar on 01484 606664.

Price and Performance Information
The Company's Ordinary shares are listed on the London Stock Exchange and the prices are shown in the Yorkshire Post under "Investment Companies".

Share price information is also available;

- on our website @ www.cfc-vct.co.uk. the share price is updated every 15 minutes.
- on Channel 4 teletext. The price is updated 4 times daily.
- from BWD Rensburg Ltd. on 0113 245 4488.
- from any stockbroker.

Venture Capital Trusts (VCTs)
VCTs are listed, tax efficient companies with substantial income and capital gains tax (CGT) advantages for UK resident individuals aged 18 or over. The tax benefits for such individuals subscribing for VCT shares are, in summary:

- Income tax relief of 20 per cent in the year of subscription on investments of up to £100,000 in any tax year provided that the VCT shares are held for at least five years. The government has proposed that the minimum holding period should be reduced to three years in respect of shares subscribed for after 6 April 2000. The proposal will become effective once it receives Royal Assent;
- Up to 40 per cent CGT deferral by reinvesting taxable capital gains up to a maximum of £100,000 per tax year.

Where both of these benefits apply to a subscription, an individual can obtain total initial tax relief of up to 60 per cent of the gross cost of the investment as shown in the following table.

Effect of initial tax reliefs

	No VCT tax relief	20% income tax relief	20% income tax relief and capital gains deferral
Initial investment	100,000	100,000	100,000
20 per cent income tax relief	–	(20,000)	(20,000)
Capital gains deferral *	–	–	(40,000)
Effective cost of the investment	£100,000	£80,000	£40,000

*Subject to available tax reliefs, the capital gains becomes taxable at the rate of the CGT applicable to the individual when his or her investment in the VCT is realised. All CGT liabilities on any deferred gains are extinguished on death.

Useful Information for Shareholders

continued

In addition, individuals who either subscribe for VCT shares or purchase VCT shares in the market are entitled to the following benefits:

- Tax free dividends
- Profits on disposal of VCT shares are exempt from CGT.

These benefits are available on aggregate investment in VCTs of up to £100,000 in any tax year.

The tax reliefs available to individuals mean that the after tax returns from dividend payments made by a VCT are enhanced. For example, for a higher rate taxpayer with the full VCT tax reliefs who receives a dividend of 7p on a 100p subscription price, the dividend which that taxpayer would have to receive from a non-VCT equity to generate the same after tax yield would be a dividend of 29.2p. This is illustrated in the table below.

Illustration of VCT Reliefs

	No VCT relief (Pence)	20% income tax relief (Pence)	Full VCT reliefs (Pence)
Effective cost per share	100	80	40
Effective dividend	7	8.8	17.5
Dividend required from non VCT equity	11.7	14.6	29.2

Explanation of terms

The Company is required within 3 years of issuing each tranche of share capital and at all times thereafter to have at least 70% by value (as defined in the legislation) of its investments in qualifying holdings of which of which at least 30% must be in eligible shares.

Qualifying holdings are shares or securities first issued to the VCT in unquoted companies which satisfy the gross assets and qualifying trade tests and other requirements of the VCT legislation. Gross assets of an investee company at the time of investments may not exceed £15 million. A qualifying trade is, broadly, one which is conducted wholly or mainly in the UK and generally excludes dealing in land, financial services, leasing and/or licensing.

Companies whose shares are dealt in on the Alternative Investment Market are regarded as unquoted for these purposes.

Eligible shares are ordinary shares with no present or future preferential rights.

Notice of Annual General Meeting

Notice is hereby given that the fourth Annual General Meeting of Capital for Companies VCT plc will be held at Quayside House, Canal Wharf, Leeds, LS11 5PU at 10:30 a.m., on 27 July 2000 for the following purposes:

Ordinary Business

1 To receive and consider the accounts of the Company for the year ended 31 March 2000 and the Directors' report thereon.

2 To declare a dividend.

3 To re-elect Richard Godfrey Battersby, a Director retiring in accordance with the Articles of Association.

4 To re-elect Timothy Charles Jason Wood a Director retiring in accordance with the Articles of Association.

5 To re-appoint KPMG Audit Plc as auditors of the Company.

6 To authorise the Directors to fix the remuneration of the auditors.

Special Business

To consider and if thought fit to pass the following resolutions as Ordinary or Special Resolutions of the Company.

Ordinary Resolution

7 That the directors of the Company be and are hereby generally granted and unconditionally authorised for the purposes of Section 80 of the Companies act 1985 ("the Act") to exercise all the powers of the Company:

(i) to allot, grant options over, offer or otherwise deal with or dispose of relevant securities (within the meaning of Section 80 (2) of the Act) up to an aggregate nominal value of £63,636.40; and

(ii) to grant options over relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal value of £36,363.60.

provided that the authority hereby conferred shall be for a period expiring on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company, or the date falling 15 months after the date of the implementation of this resolution 6 unless renewed, varied or revoked by the Company in general meeting, save that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired. This authority shall be in substitution for all previous authorities under section 80 of the Act which are hereby revoked but without prejudice to any allotment, offer or agreement made or entered into prior to the date of this resolution.

Special Resolution

8 That subject to and conditional upon the passing of the resolution numbered 7 set out in the notice convening an Annual General Meeting of the Company, on 27 July 2000 (the "Notice") the directors be and are hereby empowered to pursuant to Section 95 of the Act to allot equity securities of the Company (as defined in Section 94(2) of the Act) pursuant to the authority conferred by the resolution numbered 7 set out in the Notice as if Section 89(1) of the Act did not apply to any such allotment provided that such power shall be limited to:

(i) the allotment of equity securities in connection with the rights issue in favour of ordinary shareholders and holders of any other shares or securities of the Company that by their terms are entitled to participate in such rights issues where the equity securities respectively attributable to the interests of all ordinary shareholders and such proportionate (as nearly as may be) to the respective number of ordinary shares held by them or into which their shares or securities are deemed to be converted in calculating the extent of their participation bur subject to such exclusions as the directors may deem fit to deal with fractional entitlements or problems arising in respect of any overseas territory; and

Notice of Annual General Meeting

continued

(ii) the allotment (otherwise than pursuant to sub-paragraph (i)) of equity security up to an aggregate nominal value of £100,000;

and the authority given shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the passing of this resolution unless renewed or extended prior to such expiry except that the Company may before the expiry of any power contained in this resolution make an offer or agreement which would or might require equity securities to be allotted after such powers conferred hereby had not expired.

Special resolution

9 That in accordance with article 52 of the Company's Articles of Association the Company be and is hereby generally authorised to make market purchases (which in this resolution shall have the meaning given to this term in Section 163(3) of the Companies Act 1985) of its ordinary shares of 10p each on the terms set out below:

(i) the maximum number of ordinary shares of 10p each authorised to be purchased by the Company pursuant to this resolution is 1,030,600 (representing 10% of the Company's issued ordinary share capital at the date on which this resolution is passed): and

(ii) the minimum price which may be paid for each of those shares (exclusive of expenses) is 10 pence and the maximum price (exclusive of expenses) which may be paid for each of those shares is a sum equal to 105%, of the average of the closing mid-prices (as derived from the London Stock Exchange Daily Official Lists) for such ordinary shares for the 5 dealing days immediately preceding the date of purchase.

but so that this authority shall (unless previously varied, revoked or renewed) expire on the earlier of the date being 15 months from the passing of this resolution and the conclusion of the next Annual general Meeting of the Company except that the Company may before the expiry of this authority conclude any contract for the purchase of its own shares pursuant to the authority conferred by this resolution which contract would or might be executed wholly or partially after the expiration of this authority as if the authority conferred had not expired.

By Order of the Board
M. J. Dickinson, *Secretary*

Registered Office:
Quayside House
Canal Wharf
Leeds
LS11 5PU

28 June 2000

Notes

(i) A member entitled to vote at the Meeting is entitled to appoint one or more person(s) as a proxy or proxies to attend and in the event of a poll, vote on his/her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed with this Notice for use at the Meeting.

(ii) To be valid, the instrument appointing a proxy (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) must be deposited at or posted to the office of the Registrars of the Company, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA. to be received no later than 48 hours before the fixed time of the Meeting. Completion and return of the form of proxy will not preclude shareholders from attending or voting at the Meeting in person.

(iii) Copies of the register of directors' interests kept in accordance with section 235 of the Companies Act 1985 will be available for inspection at the Registered Office of the Company on weekdays during normal office hours and at the place of the Meeting from fifteen minutes preceding it until its conclusion.

Company Information

Secretary and Registered Office
M. J. Dickinson FCA
Quayside House
Canal Wharf
Leeds
LS11 5PU

Registrars
Northern Registrars Ltd
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Managers
Capital for Companies
Quayside House
Canal Wharf
Leeds
LS11 5PU

Solicitors
Walker Morris
Kings Court
12 King Street
Leeds
LS1 2HL

Auditors
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Neville Street
Leeds
LS1 4DW

Brokers
Williams de Broë Plc
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Leeds
LS1 2RU

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