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Contents

Financial Headlines

	per share
Revenue Return	3.6p
Net Dividend	3.0p
Gross Dividend	3.75p
Net Assets	112.9p

Capital for Companies VCT plc

Manager
Capital for Companies

Solicitors
Walker Morris

Investment Adviser
BWD Rensburg Limited

Auditors
KPMG Audit Plc

Sponsor
Peel, Hunt & Company Limited

Bankers
Lloyds Bank plc
Bank of Scotland plc

Financial Calendar	
Annual General Meeting	15 July 1998
Final Dividend paid	31 July 1998
Interim Results announcement	December 1998
Interim Dividend paid	January 1999

Secretary and Registered Office
Michael Dickinson FCA, AMSI
Quayside House
Canal Wharf
Leeds
LS11 5PU

Registrars
Northern Registrars Limited
Northern House
Penistone Road
Fenay Bridge
Huddersfield
HD8 0LA

Company Registration Number 3145895 in England and Wales.

Directors

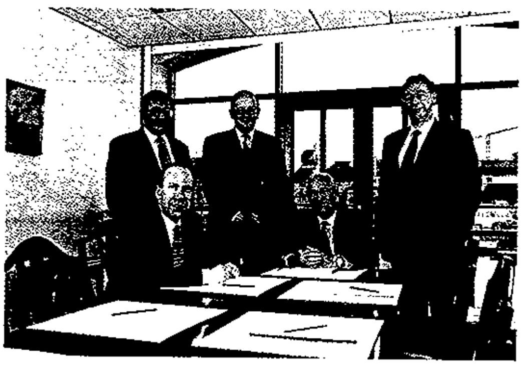
Richard de Zouche OBE, FCA (65)
Non Executive Chairman
is a chartered accountant, and a former Deputy Chairman of Birmingham Midshires Building Society and Chairman of The Merseyside Estates Limited.

Barry Anysz BCom, AMSI (48)
Non Executive Director
has over 25 years experience in the venture capital industry. He is currently Chief Executive of Capital for Companies and a Director of BWD Securities PLC.

Richard Battersby BA, FCA, JDipMA (55)
Non Executive Director
is a chartered accountant and is currently Chairman of AG Holdings plc. He is a Non Executive Director of Castle Mill International plc.

William Cran (49)
Non Executive Director
has over 22 years experience in the instalment credit and leasing industries. He is currently Chief Executive of Birkby plc and Non Executive Chairman of Headway plc.

Timothy Wood FCA, MSI (56)
Non Executive Director
is a chartered accountant and is currently a Non Executive Director of BWD Securities PLC.



From left to right
Standing: William Cran, Timothy Wood and Richard Battersby.
Seated: Barry Anysz and Richard de Zouche.

Managers

Capital for Companies' (CfC) team has many years experience of investing in unquoted companies. Before making an investment, CfC must obtain approval from the VCT board which is mainly comprised of independent, experienced businessmen and professionally qualified directors. After an investment has been completed, the CfC team maintains regular contact with the management of the investee company, helping them achieve their growth targets and the VCT's eventual exit. Post-investment monitoring and liaison is facilitated by the proximity of CfC's offices and executives to the Northern-based companies in which most investments are made.

From left to right: André Winter, Andy Needham, Ken Abbott and Barry Anysz.

Barry Anysz is a graduate of the University of Leeds. After twelve years with 3i Plc he established CfC in 1983. He is a director of BWD Securities PLC and Wescol Group plc.

Ken Abbott established CfC's Liverpool office in 1990. He is a Chartered Accountant with extensive responsibilities at senior executive level in a variety of industries, and is also responsible for the management of CLM Unit Trust, a venture capital fund which specialises in investments in the North West of England.

Andy Needham graduated in Mechanical Engineering from the University of Bradford and has an MBA degree from the University of Huddersfield. He joined CfC in 1995 following a number of years in the manufacturing and leisure industries.

Andre Winter graduated with a Chemistry degree from Oxford University in 1980 and joined CfC in 1998 as investment director at its Liverpool office, with responsibility for generating new deal opportunities in the North West. He was previously with Ernst & Young Corporate Finance, and before that gained venture capital experience with 3i and Charterhouse Development Capital.

Chairman's Statement

Introduction

I have pleasure in reporting on our second trading period being the 11 months to 31 March 1998. In particular I am pleased to report that we have now achieved our target of issuing ten million ordinary shares following the recent successful share placings just prior to and after the end of the financial period.

We have continued to make progress towards our objective of having 70% of our funds in a diversified portfolio of qualifying investments. We are satisfied that at 31 March 1998 we are in a position to meet the VCT qualifying criteria one year ahead of schedule in relation to the first tranche of share capital of £5,607,000 and confidently expect to meet the criteria for the remaining tranches.

Trading Results

During the period to 31 March 1998 income was £465,000 (1997 - £285,000) with profit before tax of £389,000 (1997 - £215,000) after charging 75% of the investment management fee and directors' fees, net of attributable tax, to capital reserves with the balance to revenue reserves. This is a change of policy from the last accounting period when only 50% of the net investment management fee was charged to capital reserves. Your Board implemented the new policy to enhance the return on ordinary activities after tax and thereby maximise the amount of potential dividends payable to shareholders.

During the 11 months to 31 March 1998 the total return to shareholders increased to 17.4 pence from 12.9 pence in the previous 13 months ended 30 April 1997.

Dividends

The proposed final dividend of 1.8 pence per share (net), subject to shareholder approval will be paid on 31 July 1998. This final dividend, together with the interim dividend of 1.2 pence per share (net), makes a total dividend for the 11 month period of 3.0 pence per share (net) and is in line with the dividend paid last year, which covered a 13 month period, of 3.3 pence per share (net). As tax can be reclaimed by the company on behalf of shareholders the dividend will be paid gross at the rate of 2.25 pence per share, making a total gross dividend for the period of 3.75 pence per share.

Balance Sheet

Net asset value per share at 31 March 1998 was 112.9 pence compared to the original share issue price (net of expenses) of 94.6 pence in April 1996 and 99.9 pence at 30 April 1997, an increase of 19.3% and 13% respectively.

Our venture capital investments have been valued in accordance with the British Venture Capital Association Guidelines. All investments are making satisfactory progress, with the exception of one where a suitable provision has been made. Information on the company's investments is given in the Managers' Report on pages 7 and 8 and portfolio summary on page 9.

Share Issues

As stated above we have now issued 10 million ordinary shares and the most recent issues in March and April totalling 1,032,970 shares were at 110 pence each.

Authority to allot shares and Disapplication of Pre-emption provisions

Although your Board does not envisage issuing any further shares at present there is a balance of unissued but authorised shares available and in order to maintain a measure of flexibility in the allotment of further shares, resolutions will be proposed at the Annual General Meeting to give the directors authority to allot these shares for cash to existing shareholders and to disapply the pre-emption provisions of Section 89 (1) of the Companies Act 1985. This authority will be up to a limit of 636,364 ordinary shares, being the balance of unissued share capital, excluding any shares to be issued to the Manager pursuant to any option arrangements. As stated at the last AGM, the directors intend to renew this authority each year.

Managers' Performance Incentive

In view of the increase in your company's issued share capital the existing performance incentive for our Manager, Capital for Companies, is no longer in line with the venture capital industry average. We believe it is important to incentivise the Manager to maximise the performance of the Fund and in the 1997 prospectus it was stated that we intended to increase the existing share option to 10% of the issued share capital. As the issued share capital is now 10 million shares this could result in a further 1 million shares being issued which, if sold on the market, could cause liquidity problems and have an adverse effect on the share price. Accordingly, we have agreed with the Managers, subject to shareholders approval, that the existing option terms should be amended so that the end result is beneficial to the Manager and does not adversely affect shareholders. Full details of the proposed amendments are set out in the circular which accompanies these accounts.

Articles

We are also proposing a number of changes to the Articles, principally to reflect the fact that your company has only recently reached the share capital envisaged at the time of the original issue in April 1996. As stated above 1,032,970 million shares were issued in March and April and new shareholders must hold these shares for at least five years to enjoy the full benefits of investing in a Venture Capital Trust. The Articles of Association currently provide that at the AGM to be held in 2002 a resolution must be submitted to shareholders to liquidate the company, which if passed could adversely affect the tax relief of those shareholders who have only recently subscribed. In any event should the company be liquidated all shareholders will have to repay any capital gains tax deferred at the time of their original investment. Should they wish to sell their shares they can always do this through the stock market. Therefore the directors are seeking authority for the company to postpone submission of the resolution to liquidate the company until the AGM to be held in 2004.

Share Premium Account

Another resolution that has been submitted for approval is designed to enable the company to cancel the share premium account and credit revenue reserves with an equivalent amount. If the resolution is passed by the shareholders and subsequently sanctioned by the Court, the company will increase its distributable reserves, thereby enabling the company to purchase any surplus shares that become available on the market, subject to it being in the interest of the company to make these purchases. As shareholders will appreciate, most investors in VCTs wish to buy new shares which will provide the full tax benefits of income tax relief and the deferral of capital gains tax. Consequently, there is little interest at the present time from potential investors in buying 'second hand' shares.

Buy Back of Shares

At the last AGM the directors obtained authority for the company to purchase ordinary shares in the capital of the company. Since then 8,000 ordinary shares have been repurchased at 90 pence each, which has marginally enhanced net assets per ordinary share of the remaining equity. As previously stated the directors feel that this policy is in the best interest of all shareholders and have therefore submitted a resolution to renew this authority at the AGM.

Future Prospects

Your company has enjoyed a successful second year of trading. Our Manager continues to receive a strong flow of investment opportunities. The only cautionary note is the high level of competition and the high prices demanded by vendors for both acquisitions and management buy-out/buy-in opportunities.

Our Managers continue to take advantage of favourable gilt and stock market conditions, which have contributed to the relatively high net asset value per share achieved to date. Recently there has been an increased focus on small and medium sized UK companies by the media and stock market investors and we hope that this trend continues.

There are some minor changes to the VCT legislation in the current Financial Bill before Parliament but these should have little effect on our future investment activities.

Once again I would like to thank on behalf of all shareholders my fellow directors, the Manager and our professional advisers for their contribution over the past 11 months and in particular the expertise and effort supplied by all concerned in continuing our progress.

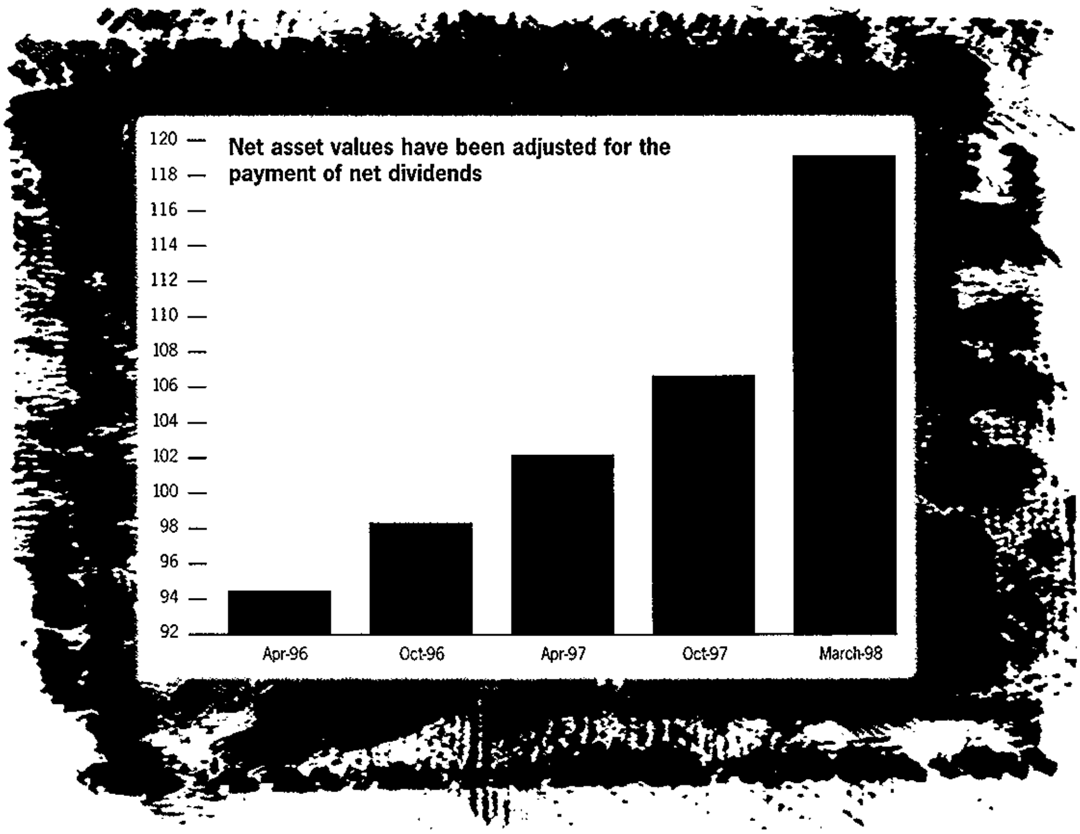
I am aware that our Manager is preparing to launch a new VCT to continue their investment policy and to enable this company to be able to co-invest in larger deals than will otherwise be the case. We believe our initial success bodes well for the future both for this company and any subsequent 'sister' VCT and we therefore look forward to the future with confidence.

Richard de Zouche
Chairman
18 June 1998

Managers' Report

Growth in Net Asset Value

It is gratifying to report that since April 1996, net asset value per share has increased by 19.3% to 112.9 pence, after paying net dividends totalling 6.3 pence making an overall increase of 26%.



Venture Capital Investments

We have invested over £3 million in eleven companies up to 31 March 1998, of which five are companies listed on the Alternative Investment Market. These AIM companies have shown impressive growth since investment with an average gain of 105% by the year end. One of these AIM investments, Cirqual plc, has graduated to a full listing.

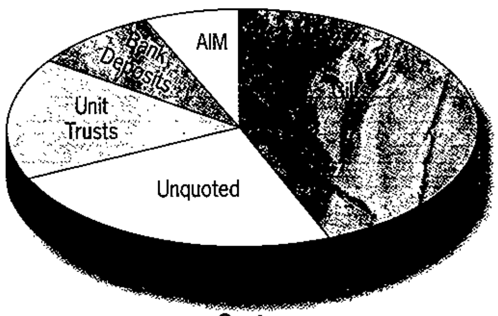
As noted in the Managers' Report last year, the purpose of investing in AIM companies is that these investments contribute to achieving the minimum proportion of eligible ordinary shares required by the VCT legislation and also provide the VCT with a measure of liquidity.

Whilst the AIM element of the portfolio has made a substantial contribution to the VCTs excellent performance during the year, the conventional venture capital investments have also shown solid progress, especially Chadwick Web Processing plc and Dennis Ruabon Ltd.

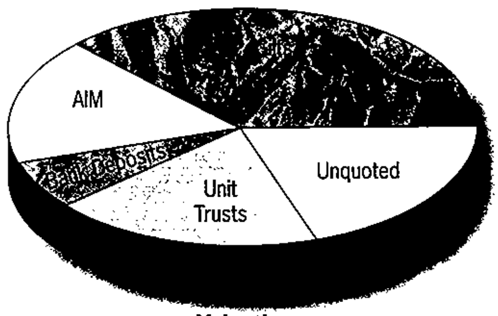
Listed Fixed Interest and Quoted Investments

In line with the statements made in our 1996 and 1997 prospectuses we have maintained a relatively high proportion of the VCT's investments in UK Gilts and listed equities via unit trusts managed by BWD Rensburg Unit Trust Managers Ltd. This has continued to be a successful policy in the light of subdued inflation and low bond yields which has pushed up the price of Government stocks. Overall 35% of the VCT was invested in Gilts at the period end with a further 19% invested in unit trusts.

Type of Investments
31 March 1998



Cost



Valuation

Outlook

We continue to receive a strong flow of AIM and venture capital investment opportunities. This has been running at a rate averaging over one per working day since the beginning of 1998. As the VCT has increased in size to over £10 million we are now able to make investments from £250,000 to £1 million giving us considerable flexibility to make initial and follow-on investments. We are well on course to achieving our target of at least 70% of our share capital within 3 years of subscription and we have therefore adopted a selective investment policy.

Earlier this year we strengthened our management team with the recruitment of André Winter as a director at our Liverpool office. André has over 17 years experience in venture capital and corporate finance. We now have four full time executives in place to take advantage of the many investment opportunities we expect to receive over the next year.

Barry Anysz
Chief Executive
Capital for Companies
18 June 1998

Investment Portfolio Summary

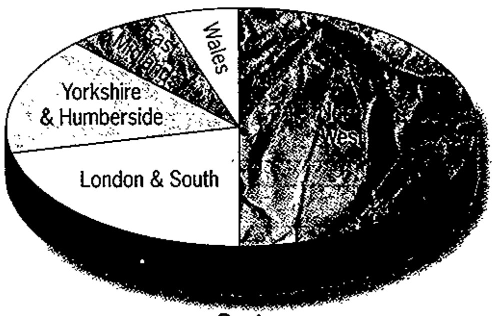
31 March 1998

	Cost £000	Valuation £000	% of portfolio by value
Unlisted Investments			
Chadwick Web Processing plc	400	645	6.4
Goldstar (Natural Fruit Juices) Ltd	375	225	2.2
Dennis Ruabon Ltd (formerly Systeminsure Ltd)	200	271	2.7
International Glass & Equipment Ltd	475	475	4.7
Angela Campbell Group plc	250	250	2.5
E P Mouldings Ltd	500	500	5.0
Dragon Health Clubs plc (Listed on AIM)	132	294	2.9
S B S Group plc (Listed on AIM)	223	527	5.2
C R C Group plc (Listed on AIM)	174	310	3.1
Longmead Group plc (Listed on AIM)	135	135	1.3
	2,864	**3,632**	**36.0**
Listed Investments			
£1,100,000 6% Treasury stock 1999	1,085	1,090	10.8
£1,100,000 7% Treasury stock 2001	1,095	1,123	11.1
£1,100,000 7% Treasury stock 2002	1,002	1,028	10.2
£500,000 10% Treasury stock 2003	595	587	5.8
BWD UK Smaller Companies Unit Trust	500	703	7.0
BWD UK Equity Income Unit Trust	998	1,417	14.0
Cirqual plc (former AIM stock, now fully listed)	211	515	5.1
	5,486	**6,463**	**64.0**
Total Investments	**8,350**	**10,095**	**100.0**
Net Current Assets		**897**	
Shareholders' Funds		**10,992**	

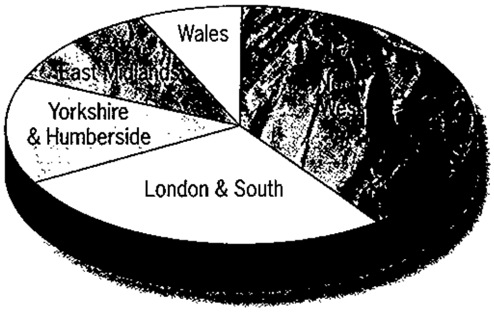
Analysis of investments

31 March 1998

Investments by Region

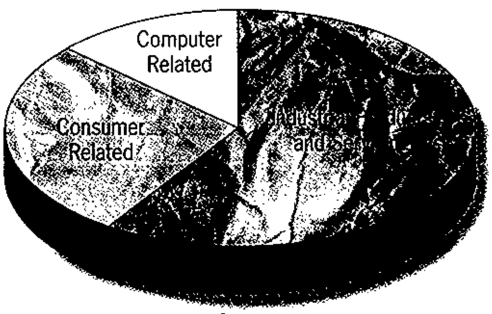


Cost

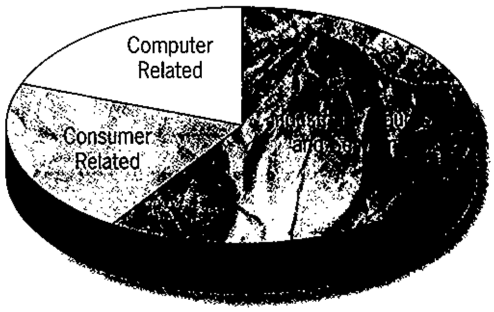


Valuation

Investments by Sector



Cost



Valuation

Qualifying Investments

Cirqual plc, Ashbourne

First Investment: August 1996
Equity held: 0.7%
Cost: £208,000
Valuation: £515,000
Valuation method: Mid Market Price
Dividends received during period: £5,033

Holding company of a diversified engineering group. The company was admitted to AIM in July 1996 and subsequently raised £4.44 million through a share placing in August 1996 to fund the acquisition of Wollaston Engineering Ltd. Voting Rights: One Vote per ordinary share.

Latest Audited Accounts: 31 August 1997.
Sales: £32 million
Profit before tax: £6,734,000
Retained profit: £2,003,000
Net assets: £5,000,000

Chadwick Web Processing plc, Oldham

First Investment: August 1996
Equity held: 25%
Cost: £400,000
Valuation: £645,000
Valuation method: Profit multiple
Dividends received during period: £41,671

Manufacturer of flexographic and gravure printing presses. Management buy-out from Firth Rixon plc. Voting Rights: One Vote per ordinary share.

Latest Audited Accounts:
30 September 1997.
Sales: £9.8 million
Profit before tax: £301,000
Retained profit: £122,000
Net assets: £1,317,000

Dragon Health Clubs plc, London

First Investment: April 1997
Equity held: 1.3%
Cost: £132,000
Valuation: £294,000
Valuation method: Mid Market Price
Dividends received during period: £858

Manager of health and leisure clubs. The company raised £3.7 million through a share placing when it floated on AIM in April 1996. Voting Rights: One Vote per ordinary share.

Latest Audited Accounts: 31 July 1997.
Sales: £4.1 million
Profit before tax: £606,000
Retained profit: £533,000
Net assets: £10,965,000

Goldstar (Natural Fruit Juices) Ltd, Manchester

First Investment: November 1996
Equity held: 17.5%
Cost: £375,000
Valuation: £225,000
Valuation method: Provision against cost
Dividends received during period: Nil

Manufacturer of still fruit juice soft drinks. Capital for Companies VCT plc and British Smaller Companies VCT plc provided £750,000 of expansion finance in November 1996. Voting Rights: One Vote per ordinary share.

Latest Audited Accounts: 31 December 1997.
Sales: £3 million
Loss: £70,000
Retained Loss: £166,000
Net assets: £802,000

Dennis Ruabon Ltd (Formerly Systeminsure Limited), Wrexham

First Investment: March 1997
Equity held: 12.0%
Cost: £200,000
Valuation: £271,000
Valuation method: Profit multiple
Dividends received during period: £9,000

Manufacturer of quarry tiles. Capital for Companies VCT plc and 3i plc provided £400,000 towards a management buy-out/ buy-in in March 1997. Voting Rights: One Vote per ordinary share.

Latest Audited Accounts: 31 December 1997.
Sales: £3.9 million
Profit before tax: £249,000
Retained profit: £202,000
Net assets: £2,693,000

International Glass Equipment & Machinery Ltd, Leeds

First Investment: October 1997
Equity held: 25.0%
Cost: £475,000
Valuation: £475,000
Valuation method: Cost
Dividends received during period: £11,812

Manufacturer of glass handling equipment. Capital for Companies VCT plc provided £375,000 towards a management buy-out/ buy-in in October 1997 and a loan of £100,000 in January 1998. Voting Rights: One Vote per ordinary share.

Audited Accounts for the initial period ended 30 April 1998 have not yet been published.

Angela Campbell Group plc, Ramsbottom

First Investment: October 1997
Equity held: 13.9% (option)
Cost: £250,000
Valuation: £250,000
Valuation method: Cost
Dividends received during period: Nil

Retail opticians. Capital for Companies VCT plc provided £250,000 expansion finance in October 1997. Voting Rights: One Vote per ordinary share.

Latest Audited Accounts: 27 April 1997.
Sales: £832,000
Profit before tax: £62,000
Retained profit: £62,000
Net assets: £55,000

EP Mouldings Ltd, Liverpool

First Investment: December 1997
Equity held: 17%
Cost: £500,000
Valuation: £500,000
Valuation method: Cost
Dividends received during period: Nil

Plastic injection moulders. Capital for Companies VCT plc and 3i plc provided equity finance for a management buy-out/ buy-in from Erin Plastics Ltd in December 1997. Voting Rights: One Vote per ordinary share.

The first Audited Accounts will be for the period ending 31 December 1998.

S B S Group plc, London

First Investment: June 1997
Equity held: 2.3%
Cost: £224,000
Valuation: £527,000
Valuation method: Mid Market Price
Dividends received during period: Nil

Information technology recruitment consultants raised £1.2 million when they floated on AIM in June 1997. In March 1998 Capital for Companies VCT plc participated in a placing to raise £2.3 million.
Voting Rights: One Vote per ordinary share.

Latest Audited Accounts: 31 August 1997.
Sales: £17.9 million
Profit before tax: £687,000
Retained profit: £372,000
Net assets: £618,000

C R C Group plc, Aylesbury

First Investment: November 1997
Equity held: 1.86%
Cost: £174,000
Valuation: £310,000
Valuation method: Mid Market Price
Dividends received during period: Nil

Computer support services group floated on AIM in November 1997 raising £2.2 million.
Voting Rights: One Vote per ordinary share.

Latest Audited Accounts: 31 December 1997
Sales: £12.7 million
Profit before tax: £932,000
Retained profit: £215,000
Net assets: £547,000

Longmead Group plc, Axminster

First Investment: December 1997
Equity held: 3.72%
Cost: £135,000
Valuation: £135,000
Valuation method: Mid Market Price
Dividends received during period: Nil

Manufacturer of ceramic bathroom accessories floated on AIM in December 1997 raising £1.3 million. Voting Rights: One Vote per ordinary share.

Latest Audited Accounts:
Sales: £4.3 million
Profit before tax: £521,000
Retained profit: £324,000
Net assets: £2,033,000

Directors' Report

The directors have pleasure in submitting their report and audited financial statements for the 11 months ended 31 March 1998.

Review of the Business and Principal Activity

The principal activity of the company during the period was the making of long term equity and loan investments, mainly in unquoted companies. The company is an investment company as defined in Section 266 of the Companies Act 1985, has been listed on the London Stock Exchange since April 1996 and has been granted provisional approval by the Inland Revenue as a Venture Capital Trust. The Chairman's Statement on page 4 includes a review of developments during the period and of future prospects.

The directors have managed the affairs of the company with the intention that it will qualify for approval by the Inland Revenue as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988. The directors consider that the company was not at any time up to the date of this report a close company within the meaning of Section 414 of the Act.

Results and Final Dividend

The net revenue of the company for the period was £311,000. The directors propose the payment of a final dividend for the period of 1.8p per share in addition to an interim dividend of 1.2p totalling £286,000 and recommend that the balance be transferred to reserves. As tax can be reclaimed by the Company on behalf of shareholders, the dividend will be paid gross, at the rate of 2.25p per share.

Directors

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

	31 March 1998	**1 May 1997**
R.B. de Zouche *Chairman*	11,250	11,250
B.A. Anysz	11,250	11,250
R.G. Battersby	25,000	15,000
W.M. Cran	11,250	11,250
T.C.J. Wood	56,000	50,000

All of the directors' share interests shown above were held beneficially. There have been no changes in the directors' share interests between 31 March 1998 and the date of this report.

B. A. Anysz and R. G. Battersby 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.

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 company's management agreement with CfC are set out in Note 3 to the financial statements.

B. A. Anysz and T. C. J. Wood are directors of BWD Rensburg Limited.

Related parties

Fees paid by this company for services provided by BWD Rensburg Limited, a related party, amounted to £217,000 in the period.

No remuneration was paid by BWD Rensburg Limited to B. A. Anysz and T. C. J. Wood in relation to their services to this company.

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.

Redemption of own shares

The company redeemed 8,000 of its own shares during the period. The directors have proposed a resolution at the forthcoming AGM to continue this policy.

Annual General Meeting

A resolution will be proposed as special business at the annual general meeting to renew the authority of the directors, in certain limited circumstances, to allot equity shares for cash otherwise than pro rata to existing shareholders. It is the intention of the directors to seek to renew this authority at each subsequent annual general meeting.

Auditors

KPMG Audit Plc are willing to continue in office and resolutions to re-appoint 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

18 June 1998

Corporate Governance

The directors consider that the company has throughout the year under review complied in all material respects with the Code of Best Practice contained in the Cadbury Committee's report on The Financial Aspects of Corporate Governance. KPMG Audit Plc have, as required by the London Stock Exchange, reviewed this statement in so far as it relates to certain specified paragraphs of the Code of Best Practice and their review report is set out below.

The board of directors

The company has a board of five non-executive directors, the majority of whom are independent of the company's investment manager. The board meets regularly on a monthly basis, and on other occasions as required, to receive and consider recommendations from the manager, and takes all decisions concerning the acquisition or disposal of investments. In addition the board has appointed three standing committees to make recommendations to the board in specific areas. The Audit Committee deals with matters relating to audit, financial reporting and internal control systems; the Nomination Committee considers the selection, appointment and re-appointment of directors; and the Management Engagement Committee undertakes a periodic review of the terms of the management agreement with BWD Rensburg Limited (BWDR).

Internal financial control

The directors have overall responsibility for keeping under review the effectiveness of the company's system of internal financial controls. The purpose of these controls is to ensure that proper accounting records are maintained, the company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can provide only reasonable and not absolute assurance against material mis-statement or loss. The board regularly reviews financial results and investment performance and is directly responsible for decisions relating to the composition of the investment portfolio.

Responsibility for accounting, secretarial services and physical custody of documents of title relating to unquoted investments has been contractually delegated to BWDR under the management agreement. BWDR has established its own system of internal controls in relation to these matters, details of which have been reviewed by the Audit Committee and the company's external auditors.

Going concern

After due consideration, the directors believe that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Review report by KPMG Audit Plc to Capital for Companies VCT plc on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statement set out above on the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. This guidance does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the group's system of internal financial control or the company's corporate governance procedures, or on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern set out above, in our opinion the directors have provided the disclosures required by the Listing Rules and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement set out above appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review by the Listing Rules.

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants, Leeds
18 June 1998

Statement of Directors' Responsibilities and Auditor's Report

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

After making enquiries, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing financial statements.

The directors acknowledge that they are responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. Detailed control procedures exist throughout the company's operations and compliance is monitored by management and, to the extent they consider necessary to support their audit report, the external auditors. The directors have reviewed the effectiveness of the system of internal control. However, any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditor's Report to the members of Capital for Companies VCT plc

We have audited the financial statements on pages 17 to 28.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 of 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of 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 at 31 March 1998 and of the total return for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds
18 June 1998

Statement of Total Return
(incorporating the Revenue Account)

for the 11 Months ended 31 March 1998

		11 Months ended 31 March 1998			13 Months ended 30 April 1997		
	Note	**Revenue £000**	**Capital £000**	**Total £000**	**Revenue £000**	**Capital £000**	**Total £000**
Gains on investments		–	1,351	1,351	–	453	453
Income	2	465	–	465	285	–	285
Investment management fee	3	(54)	(163)	(217)	(50)	(50)	(100)
Other expenses	4	(22)	(21)	(43)	(20)	(15)	(35)
Return on ordinary activities before tax		389	1,167	1,556	215	388	603
Tax on ordinary activities	6	(78)	10	(68)	(44)	22	(22)
Return on ordinary activities after tax		311	1,177	1,488	171	410	581
Dividends		(286)		(286)	(146)	–	(146)
Transfer to reserves		25	1,177	1,202	25	410	435
Return per ordinary share (pence)	7	3.6	13.8	17.4	3.8	9.1	12.9

The movement on reserves is set out in note 13. The historical cost return is the same as the return shown above.

There are no gains or losses other than the returns stated above.

Balance Sheet

31 March 1998

	Note	31 March 1998 £000	31 March 1998 £000	30 April 1997 £000	30 April 1997 £000
Fixed assets					
Investments	*8*		10,095		4,309
Current assets					
Debtors	*10*	279		168	
Cash at bank and in hand		953		4,211	
		1,232		4,379	
Creditors:					
amounts falling due within one year	*11*	(335)		(461)	
Net current assets			897		3,918
Net assets			10,992		8,227
Capital and reserves					
Called up share capital	*12*		974		823
Share premium account	*13*		8,387		6,969
Capital redemption reserve	*13*		1		–
Capital reserve – realised	*13*		(204)		(30)
– unrealised	*13*		1,791		440
Revenue reserves	*13*		43		25
Shareholders' funds	*14*		10,992		8,227
Net asset value per share (pence)			112.9		99.9

The financial statements on pages 17 to 28 were approved by the board of directors on 18 June 1998 and were signed on its behalf by:

B. A. Anysz
Director

Cash Flow Statement

for the 11 months ended 31 March 1998

		11 Months ended 31 March 1998		13 months ended 30 April 1997	
	Note	**£000**	**£000**	**£000**	**£000**
Net cash inflow from operating activities	*15*		61		71
Taxation					
Corporation tax paid			(25)		–
Investing activities					
Purchase of investments		(4,435)		(5,892)	
Sale of investments		–		2,036	
			(4,435)		(3,856)
Equity dividends paid			(252)		
Net cash outflow before financing			(4,651)		(3,785)
Financing					
Issue of ordinary shares		1,634		8,235	
Expenses paid in connection with share issues		(234)		(239)	
Redemption of ordinary shares		(7)		–	
Net cash inflow from financing activities			1,393		7,996
(Decrease)/Increase in cash	*15*		(3,258)		4,211

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 have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial statements of investment trust companies."

Investments

Quoted investments and investments in unquoted companies whose shares are traded on AIM are stated at middle market prices, discounted where necessary to reflect lack of liquidity.

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 a 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 investment objectives of the company it would not be appropriate to treat any such holdings as investments in associated undertakings.

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the capital reserve.

Income

Investment income includes the imputed tax credit on franked investment income and income tax withheld at source on other income.

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the company's right to receive payment is established and there is no reasonable doubt that payment will be received. 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.

Notes (continued)

Expenditure

All expenditure is accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of:

- expenses incidental to the acquisition or disposal of an investment which are included within the cost of the investment or deducted from the disposal proceeds as appropriate; and
- the investment management and directors' fees, which have been charged 25% to the revenue account and 75% to the realised capital reserve to reflect those elements which are, in the directors' opinion, attributable to the maintenance or enhancement of the value of the company's investments.

Taxation

Advance corporation tax payable on dividends paid or provided for in the period is written off unless recoverability is considered to be reasonably certain and foreseeable.

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is considered probable that a liability will crystallise.

2 Income

	11 months ended 31 March 1998	13 months ended 30 April 1997
	£000	£000
Franked investment income	152	83
Unfranked investment income	8	3
Interest receivable in respect of government stocks and bonds	190	113
Deposit interest	104	77
Commissions	11	9
	465	285

3 Investment management fee

	11 months ended 31 March 1998		13 months ended 30 April 1997	
	Revenue £000	Capital £000	Revenue £000	Capital £000
Investment management fee	46	138	43	43
Irrecoverable VAT thereon	8	25	7	7
	54	163	50	50

Capital for Companies (CfC), a division of BWD Rensburg Limited provides investment management and secretarial services to the company under an agreement date 5 March 1996. This agreement is 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.

CfC received an annual management fee equivalent to 1.5 per cent. per annum of the net assets of the company in the first period to 30 April 1997, 2 per cent. per annum in the second year and 2.5 per cent. per annum thereafter (in each case plus value added tax).

Notes (continued)

4 Other expenses

	11 months ended 31 March 1998		13 months ended 30 April 1997	
	Revenue £000	Capital £000	Revenue £000	Capital £000
Directors' remuneration	7	21	14	14
Auditors' remuneration	4	–	4	–
Other	11	–	2	1
	22	21	20	15

5 Directors' emoluments

	11 months ended 31 March 1998	13 months ended 30 April 1997
	£000	£000
Amounts paid to third parties in consideration for the services of directors	28	28
The fees paid in respect of individual directors were as follows:		
R. B. de Zouche *Chairman*	8	10
R. G. Battersby	7	8
W. M. Cran	7	8
B. A. Anysz	–	–
T. C. J. Wood	6	–

6 Taxation

	11 months ended 31 March 1998		13 months ended 30 April 1997	
	Revenue £000	Capital £000	Revenue £000	Capital £000
Corporation tax charge/(credit)	51	(23)	44	(22)
Overprovision in previous year	(13)	13	–	–
Tax attributable to franked investment income	40	–	–	–
	78	(10)	44	(22)

Notes (continued)

7 Return per share

The revenue return per share is based on the return on ordinary activities after tax of £311,000 (1997 – £171,000) and on 8,554,054 shares (1997 – 4,505,015 shares), being the weighted average number of shares issued during the period.
The capital return per share is based on net realised and unrealised capital gains of £1,177,000 (1997 – £410,000) and on 8,554,054 shares (1997 – 4,505,015 shares).

8 Investments

	31 March 1998	30 April 1997
	£000	£000
Listed investments	6,463	3,170
Unlisted investments	3,632	1,139
	10,095	4,309

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

	Listed £000	Unlisted £000	Total £000
Opening book cost	2,764	1,105	3,869
Opening unrealised appreciation	406	34	440
Opening valuation	3,170	1,139	4,309
Movements in the period:			
Purchases at cost	2,675	1,760	4,435
Increase in unrealised appreciation	618	733	1,351
Closing valuation	6,463	3,632	10,095
Closing book cost	5,439	2,865	8,304
Closing unrealised appreciation	1,024	767	1,791
	6,463	3,632	10,095

The overall gain on investments for the period shown in the statement of total return can be analysed as follows:

	11 months ended 31 March 1998	13 months ended 30 April 1997
	£000	£000
Realised gains on disposal	0	13
Increase in unrealised appreciation	1,351	440
	1,351	453

Notes (continued)

9 Unquoted investments

Investment	Total Cost £000	Qualifying cost 31 March 98 £000	Carrying value 31 March 98 £000	Carrying value 30 April 97 £000
Chadwick Web Processing plc				
– ordinary shares	20	20	265	20
– preference shares	380	380	380	380
Goldstar (Natural Fruit Juices) Ltd				
– ordinary shares	75	75	0	75
– preference shares	300	300	225	300
Dennis Ruabon Ltd (formerly Systeminsure Ltd)				
– ordinary shares	20	20	91	20
– preference shares	180	180	180	180
International Glass & Equipment Ltd				
– ordinary shares	40	40	40	
– preference shares	335	335	335	
– loan (non-qualifying)	100		100	
Angela Campbell Group Ltd				
– preference shares	250	250	250	
E P Mouldings Ltd				
– ordinary shares	43	43	43	
– preference shares	457	457	457	
Dragon Health Clubs plc				
– ordinary shares	132	296	294	164
SBS Group plc				
– ordinary shares	224	536	527	
CRC Group plc				
– ordinary shares	174	313	310	
Longmead Group plc				
– ordinary shares	135	135	135	
	2,865	3,380	3,632	1,139

In addition to the qualifying cost shown above is an amount of £523,000 which relates to Cirqual plc, a former AIM stock which is now fully listed.

Notes (continued)

9 Unquoted investments (continued)

There were no disposals of unquoted investments in the period.

During the period the company wrote down the following investments to a material extent:

Investment	Total Cost £000	Carrying value 30 April 97 £000	Carrying value 31 March 98 £000	Writedown £000
Goldstar (Natural Fruit Juices) Ltd				
– ordinary shares	75	75	0	(75)
– preference shares	300	300	225	(75)
	375	375	225	(150)

10 Debtors

	31 March 1998	30 April 1997
	£000	£000
Prepayments and accrued income	200	131
ACT recoverable	79	37
	279	168

11 Creditors: amounts falling due within one year

	31 March 1998	30 April 1997
	£000	£000
Trade creditors and accruals	76	255
Corporation tax payable	25	22
Other taxes and social security	–	1
ACT payable	54	37
Proposed dividend	180	146
	335	461

Notes (continued)

12 Called up share capital

	31 March 1998		30 April 1997	
	No of Shares	£000	No of Shares	£000
Authorised				
Ordinary shares of 10p each	11,000,000	1,100	11,000,000	1,100
Allotted, issued and fully paid				
Ordinary shares	9,738,338	974	8,235,220	823

Since the beginning of the period the authorised and issued share capital of the company has been changed as follows:

- on 19 July 1997, the company redeemed 6,000 Ordinary Shares at a cost of 90 pence per Ordinary Share.
- on 31 October 1997, the company allotted 511,560 Ordinary Shares for cash at a premium of 96 pence per Ordinary Share.
- on 8 December 1997, the company redeemed 2,000 Ordinary Shares at a cost of 90 pence per Ordinary Share.
- on 5 January 1998, the company allotted 62,000 Ordinary Shares for cash at a premium of 96 pence per Ordinary Share.
- on 30 January 1998, the company allotted 5,000 Ordinary Shares for cash at a premium of 96 pence per Ordinary Share.
- on 2 February 1998, the company allotted 161,250 Ordinary Shares for cash at a premium of 96 pence per Ordinary Share.
- on 16 March 1998, the company allotted 771,308 Ordinary Shares for cash at a premium of £1 per Ordinary Share.

Notes (continued)

13 Reserves

	Share premium £000	Capital redemption reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserves £000
At start of period	6,969	–	(30)	440	25
On issue of shares	1,418	–	–	–	–
On redemption of shares	–	1	–	–	(7)
Expenses net of associated taxation	–	–	(174)	–	–
Unrealised appreciation	–	–	–	1,351	–
Net revenue retained for the period	–	–	–	–	25
At end of period	8,387	1	(204)	1,791	43

14 Reconciliation of movements in shareholders' funds

	11 months ended 31 March 1998 £000	13 months ended 30 April 1997 £000
Return on ordinary activities for the period after taxation	1,488	581
Dividends	(286)	(146)
Transfer to reserves	1,202	435
New share capital issued including premium, net of redemptions & expenses	1,563	7,792
	2,765	8,227
Opening shareholders' funds	8,227	–
Closing shareholders' funds	10,992	8,227

Notes (continued)

15 Notes to the cash flow statement

(a) Reconciliation of net revenue from ordinary activities before tax to net cash inflow from operating activities

	11 months ended 31 March 1998	13 months ended 30 April 1997
	£000	**£000**
Net revenue from ordinary activities before tax	389	215
Increase in debtors	(83)	(91)
(Decrease)/Increase in creditors	(10)	52
Increase in tax withheld at source on investment income	(11)	(40)
Fees charged to capital reserve	(184)	(65)
Tax attributable to franked investment income	(40)	–
Net cash inflow from operating activities	61	71

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

	£000	£000
(Decrease)/increase in cash for the period	(3,258)	4,211
Movement in net funds in the period	(3,258)	4,211
Net funds at beginning of period	4,211	–
Net funds at end of period	953	4,211

(c) Analysis of changes in funds

	1 May 1997 £000	Cash flows £000	Other changes £000	31 March 1998 £000
Cash at bank and in hand	4,211	(3,258)	–	953

16 Net asset value per share

The calculation of net asset value per share at 31 March 1998 is based on net assets of £10,992,000 divided by the 9,738,338 ordinary shares in issue at that date.

17 Post Balance Sheet events

On 3 April 1998, the company allotted 136,200 Ordinary Shares for cash at a premium of £1 per Ordinary Share.

On 9 April 1998, the company allotted 125,462 Ordinary Shares for cash at a premium of £1 per Ordinary Share.

Notice of Annual General Meeting

Notice is hereby given that the second Annual General Meeting of Capital for Companies VCT plc will be held at Quayside House, Canal Wharf, Leeds, LS11 5PU at 10.00am, on 15 July 1998 for the following purposes:

Ordinary Business

1 To receive and consider the accounts of the Company for the period ended 31 March 1998 and the directors' report thereon.

2 To declare a final dividend

3 To re-elect Barry Aubrey Anysz, a director retiring in accordance with the articles of association.

4 To re-elect Richard Godfrey Battersby, 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, as indicated, of the Company:

Ordinary Resolution

7 That the directors of the Company be and are hereby generally 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 authorities 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 7 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 15 July 1998 (the "Notice") the directors be and they are hereby empowered 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 a 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 holders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them or into which their shares or securities are to be deemed converted in calculating the extent of their participation but 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

(ii) the allotment (otherwise than pursuant to sub-paragraph (i)) of equity securities 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 expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the powers conferred hereby had not expired.

Ordinary Resolution

9 That subject to and conditional upon the passing of the resolutions 7 and 8 set out in the Notice, the terms of the option agreement to be entered into between the Company and BWD Rensburg Limited, details of which are set out in the circular to shareholders dated 22 June 1998, be approved and the directors of the Company be authorised to do all such things as may be necessary to enter into the option agreement for and on behalf of the Company.

Special Resolution

10 That the amount standing to the credit of the share premium account for the Company be and the same is hereby reduced by the sum of £8,387,000.

Special Resolution

11 That in accordance with article 52 of the Company's Articles of Association the Company be and it 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 Act) of its own ordinary shares of 10 pence each on the terms set out below:

(i) the maximum number of ordinary shares of 10 pence each authorised to be purchased by the Company pursuant to this resolution is 1,000,000 (representing 10% of the Company's issued ordinary share capital as at the date on which this resolution is passed); and

(ii) the minimum price which the Company may pay for each of those shares (exclusive of advance corporation tax and expenses) is 10 pence and the maximum price (exclusive of advance corporation tax and expenses) which the Company may pay 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 List) 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 ordinary 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.

Special Resolution

12 That article 162 of the Company's Articles of Association be amended by deleting the number "2002" in the first line of that article and inserting the number "2004" in its place, such amendment to take effect from the passing of this resolution.

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

Registered Office:
Quayside House
Canal Wharf
Leeds
LS11 5PU

18 June 1998

Notes:

(i) A member entitled to vote at the Meeting is entitled to appoint one or more other 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, Penistone Road, Fenay Bridge, Huddersfield, HD8 OLA to be received not less than 48 hours before the time fixed for 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 service agreements of directors and the registers of directors' interests kept in accordance with section 325 of the Companies Act 1985 will be available for inspection at the Registered Office of the Company on weekdays during normal business hours and at the place of the meeting from fifteen minutes preceding it until its conclusion.

CAPITAL FOR COMPANIES VCT plc

FORM OF PROXY

For use at the Annual General Meeting to be held at 10.00 a.m. on 15 July 1998

Please insert full name(s) and address(es)

I/We .... (Note 1)
(in block Capitals)
of..

being (a) member/member(s) of the above named Company HEREBY APPOINT the Chairman of the Meeting or failing him .... (Note 2) as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 10.00 a.m. on 15 July 1998 and at any adjournment thereof and in respect of the Resolutions set out in the Notice of Annual General Meeting to vote as indicated below (Note 3)

RESOLUTION	FOR	AGAINST
1 To receive and consider the Reports of the Directors and Auditors and the Financial Statements for the period ended 31 March 1998		
2 To declare a final dividend		
3 To re-elect Barry Aubrey Anysz as a Director		
4 To re-elect Richard Godfrey Battersby as a Director		
5 To re-appoint KPMG Audit Plc as auditors of the Company		
6 To authorise the Directors to fix the remuneration of the auditors		
7 To authorise the Directors to allot shares		
8 To disapply the pre-emption rights*		
9 To approve the terms and authorise the Company to enter into the option agreement		
10 To approve the reduction of the Company's share premium account*		
11 To authorise the buy back of shares*		
12 To authorise the change in the Articles*		

*Special Resolution

Please sign and insert date

Signed .... Date 1998

NOTES

A Corporation should execute under its Common Seal or under the hand of a duly authorised officer or attorney

1. In the case of joint holdings the signature of any registered holder who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the other joint holders, for this purpose seniority shall be determined by the order in which names stand in the register of members.
2. If you wish to appoint a proxy other than the Chairman you should delete the words "Chairman of the Meeting or", insert your own choice in the space provided and initial the amendment. A proxy need not be a member of the Company.
3. Please indicate by marking "X" in the appropriate space how you wish your vote to be cast. Unless so instructed the proxy will vote or abstain as he/she thinks fit.
4. To be valid this proxy must be lodged at the offices of the Company's registrars, Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 OLA, not later than 48 hours before the time fixed for holding the Meeting, together with the power of attorney or other authority (if any) under which it is signed as a notarially certified or office copy of such power or authority.