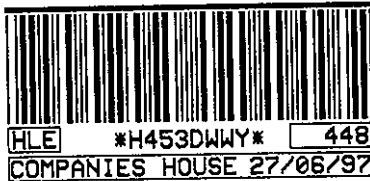


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Financial Headlines

	per share
Revenue Return	3.8p
Net Dividend	3.3p
Gross Dividend	4.1p
Net Assets	99.9p



Directors

Richard de Zouche OBE, FCA (64)

Non Executive Chairman

is a chartered accountant, and is Deputy Chairman of Birmingham Midshires Building Society and Chairman of The Merseyside Estates Limited.

Barry Anysz BCom, AMSI (47)

Non Executive Director

has over 25 years experience in the venture capital industry and is Chief Executive of Capital for Companies and a Director of BWD Securities PLC.

Richard Battersby BA, FCA, JDipMA (54)

Non Executive Director

is a chartered accountant and is Chairman of AG Holdings plc and a Non Executive Director of Castle Mill International plc.

William Cran (48)

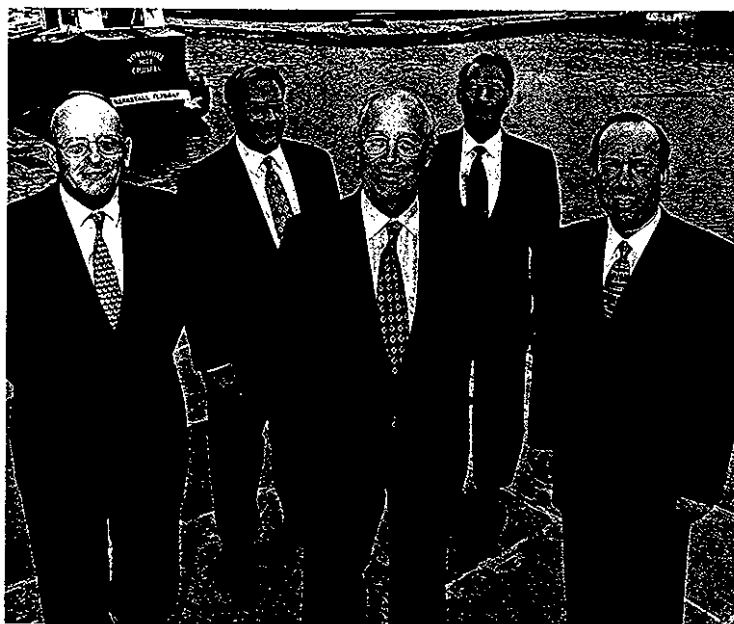
Non Executive Director

has over 22 years experience in the instalment credit and leasing industries and is Chief Executive of Birkby plc and Non Executive Chairman of Headway plc.

Timothy Wood FCA, MSI (55)

Non Executive Director

is a chartered accountant and is a Non Executive Director of BWD Securities PLC.



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

Advisers

Secretary and Registered Office

Michael Dickinson FCA, AMSI
Quayside House
Canal Wharf
Leeds
LS11 5PU

Manager

Capital for Companies
Quayside House
Canal Wharf
Leeds
LS11 5PU

Solicitors

Walker Morris
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12 King Street
Leeds
LS1 2HL

Investment Adviser

BWD Rensburg Limited
100 Old Hall Street
Liverpool
L3 9AB

Registrars

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

Auditors

KPMG Audit Plc
Station Street Buildings
Huddersfield
HD1 1LZ

Sponsor

Peel, Hunt & Company Limited
Carlton Tower
St Paul's Street
Leeds
LS1 2QB

Bankers

Lloyds Bank plc
1 Westgate
Huddersfield
HD1 2DL



Chairman's Statement

Introduction

I am pleased to report a successful initial trading period for Capital for Companies VCT plc following the Placing and Offer for Subscription in April 1996 which raised £4 million. Since then we have raised a further £4.2 million and as a result our current issued share capital has increased to £8.2 million. We believe a £10 million fund is the optimum level for a successful regionally based venture capital operation and we are pleased with the total raised to date.

During the first trading period to 30 April 1997 we have made progress towards our objective of having 70% of our funds in qualifying investments by 28 February 1999 so as to maintain the company's approved status as a Venture Capital Trust ('VCT'). By 30 April 1997 we have made five qualifying investments totalling over £1.3 million representing 33% of the initial share capital raised.

Trading Results

During the period to 30 April 1997 income was £285,000 with profits before tax of £215,000. This is after charging 50% of the investment management fee and directors' fees, net of attributable tax, to capital reserves to reflect the fact that a large proportion of cost is devoted to maintaining and enhancing the capital value of the company's investment portfolio. The balance of these management fees together with all other management expenses has been charged to revenue. This policy is consistent with the treatment adopted by a number of other VCTs and has the effect of increasing net income available for distribution by way of dividend to shareholders.

Dividends

The proposed final dividend will be paid on 6 August 1997 to the holders of ordinary shares on the register at 4 July 1997, only in respect of ordinary shares in issue prior to 7 February 1997. This dividend is subject to shareholders' approval, at the rate of 3.3 pence per share (net). This is slightly higher than forecast in the prospectus issued on 6 March 1996. As tax can be reclaimed by the company on behalf of shareholders, the dividend will be paid gross at the rate of 4.125 pence per share. Holders of new ordinary shares issued pursuant to the prospectus dated 7 February 1997 will not receive this dividend but will qualify for all subsequent dividends.

Balance Sheet

The net asset value per share at 30 April 1997 was 99.9 pence compared to the original share issue price (net of expenses) of 94.6 pence. Our venture capital investments have been valued in accordance with The British Venture Capital Association guidelines. All of the investments completed are making satisfactory progress. Information on the company's investments is given in the Managers Review on pages 6 and 7 and in the Portfolio Summary on pages 8 and 9.

Share Issues

As a result of the original Placing and Offer for Subscription 4,032,020 ordinary shares were issued at 100 pence. The directors subsequently made three small allotments amounting to 403,200 shares. A further 3,800,000 shares were issued in March and April this year pursuant to an Open Offer and Offer for Subscription. All shares were issued at 100 pence.

Authority to Allot Shares and Disapplication of Pre-emption Provisions

There is a steady flow of enquiries from prospective subscribers for new shares and your directors are conscious that the issue of new shares enhances the position of existing shareholders as it allows us to make larger individual investments, assemble a more diversified portfolio and spread management expenses over a wider shareholder base. We believe it is desirable to maintain a measure of flexibility in the allotment of further shares and accordingly resolutions will be proposed at the Annual General Meeting to give the directors authority to allot new ordinary 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 1,764,780 shares, being the balance of the unissued share capital, excluding any shares to be issued to the manager pursuant to any option arrangements. It is envisaged that the directors will seek to renew this authority at each subsequent Annual General Meeting. Subject to the company's future trading performance we envisage that future issues of shares will be at a premium to net asset value.

Articles

In accordance with the requirements of the listing rules of the London Stock Exchange, a special resolution will be proposed to amend the Articles of Association to prohibit directors voting at board meetings on any matters in which they or any person connected with them has a material interest and to limit the relaxation of the restrictions on voting on matters of interest to directors which are not permitted in the Articles of Association to those actions permitted by a special resolution of shareholders rather than an ordinary resolution, as presently drafted. These amendments will increase the restrictions on voting on matters in which directors are interested and ensure that the Articles of Association comply with the requirements of the London Stock Exchange.

Buy Back of Shares

The directors will seek authority for the company to purchase ordinary shares in the capital of the company. The board will effect purchases under this authority to enable an orderly market in the company's shares in the event that there is no market purchaser. Such authority will allow purchases for up to and no more than 411,761 ordinary shares, representing 5% of the issued ordinary share capital, at a minimum price of 10 pence per ordinary share and a maximum price of no more than 105% of the average of the middle market Daily Official List price for the ordinary shares in the company for the five business days immediately preceding the date on which any purchases are made. It is envisaged that the directors will seek to renew this authority at each subsequent Annual General Meeting.

Accounting Periods

In order to maximise the qualifying period for investing the initial share capital in unquoted companies the directors have been advised to alter the accounting period end from 30 April to 31 March, and therefore the current financial year will comprise an 11 month period to 31 March 1998. Thereafter all accounting years will be to the end of March.

Future Prospects

Capital for Companies VCT plc has made an excellent start and we continue to receive a strong flow of potential investment opportunities. Your managers have also been able to take advantage of favourable gilt and stock market conditions which have boosted net asset value during the initial trading period. The outlook for small and medium sized UK companies is generally positive and we intend to fulfil our original aim of building a strong portfolio of unquoted investments capable of profitable realisation in the future.

Personally and on behalf of shareholders I would like to thank my fellow directors, managers and professional advisers for their contribution over the past year; in particular the expertise and effort applied by all concerned in preparing the way for both the initial and recent offers.

I have no doubt that VCTs have a role to play in the growing venture capital market, especially in the North of England. We look forward to our next trading period with confidence.

Richard de Zouche
Chairman



Managers' Report

The 13 months since the successful flotation of Capital for Companies VCT plc have been an extremely busy period for your managers. All of our previous funds are now fully invested and the managers are concentrating their energies on developing the VCT portfolio, especially now that total funds have increased to £8.2 million following the recent Offer which closed on 30 April 1997.

Venture Capital Investments

Of the five venture capital investments completed up to 30 April 1997 three are unlisted companies which are qualifying holdings for VCT approval purposes, the two others being companies listed on the Alternative Investment Market which also qualify under the VCT legislation. One of the AIM investments has since graduated to a full listing on the stock market but still qualifies under the VCT legislation. Since 30 April a further investment in an AIM company has been made.

In order to maintain VCT status it is necessary that, by 31 March 1999, not less than 70% by cost of the company's initial share capital of £4 million should be represented by qualifying holdings. Furthermore, 30% of these investments must be in eligible ordinary shares. At 30 April 1997 the overall position was as follows:-

	Total Investments	Qualifying Holdings	Eligible Ordinary Shares
Minimum Requirement*	£3,814,291	£2,670,004	£801,001
VCT Portfolio at Cost	£3,868,934	£1,312,809	£452,849

*by 31 March 1999

Although unlisted investments tend to be structured principally with a view to achieving long term capital gains we always aim to generate a healthy income yield from those investments where the projected earnings and cash generation indicate that this is appropriate. This is achieved by investing in unquoted companies in the form of high yielding preference shares. In order to meet the criteria for exceeding the minimum proportion of eligible ordinary shares, investments in AIM companies are also made.

Listed Fixed Interest and Quoted Investments

As indicated in the prospectus, a portion of the share issue proceeds has been invested in a portfolio of UK Government stocks and unit trusts managed by BWD Rensburg Unit Trust Managers Ltd. This has proved to be a successful policy in the light of stock market conditions over the past year. Also Government stocks have benefited from the favourable inflationary environment.

The Board's objective is to derive a satisfactory income yield from this portfolio whilst minimising capital risk, hence the concentration on Government stocks with short to medium dated maturities.

It is envisaged that the amount of funds held in Government stocks and unit trusts will reduce as the portfolio of unlisted investments is built up. However, for the time being there are ample cash deposits available so that if the gilt or stock markets experience short term fluctuations in value the eventual performance of the VCT should not be adversely affected.

A summary of the composition of the portfolio at 30 April 1997 is given on page 8 with information on the underlying investments on page 9. The balance of the portfolio is satisfactory, particularly at this relatively early stage in the company's development.

All of the venture capital investments completed to date are making good progress. In particular Cirqual plc is now listed on the Stock Exchange but as the investment was originally made on AIM it will continue to be a qualifying holding for a period of 5 years from the date of listing.

Valuation Policy

Unlisted investments are valued in accordance with the Accounting Policies set out on page 18 which complies with the guidelines laid down by The British Venture Capital Association ("BVCA"). Unlisted investments are not normally revalued above cost within twelve months of acquisition.

Outlook

Capital for Companies continues to receive a strong flow of venture capital investment opportunities. Now that the VCT has increased in size we are able to make investments from £250,000 to £750,000 which gives us considerably more flexibility than previously. We therefore expect to make further substantial progress in the current year towards achieving the required proportion of qualifying holdings in the portfolio.

The business and economic environment for small and medium sized businesses is favourable although there is considerable competition amongst providers of venture capital and trade buyers which has driven up the price of many deals. As we believe that the terms of the original investment are critical to its future success your managers will not be tempted to overpay simply to win the business.

With a relatively small VCT and an experienced management team we feel that we are well placed to take advantage of the many opportunities we expect to see over the next twelve months.

Barry Anysz
Chief Executive
Capital for Companies

Investment Portfolio Summary

as at 30 April 1997

	Cost £000	Valuation £000	% of portfolio by value
Venture Capital Qualifying Investments			
Chadwick Web Processing plc	400	400	9.3
Goldstar (Natural Fruit Juices) Ltd	375	375	8.7
Systeminsure Ltd (trading as Dennis of Ruabon)	200	200	4.6
Cirqual plc (former AIM stock, now fully listed)	208	409	9.5
Dragons Health Clubs plc (listed on AIM)	130	164	3.8
	1,313	1,548	35.9

Listed Investments

£1,100,000 6% Treasury stock 1999	1,070	1,081	25.1
£600,000 7% Treasury stock 2001	594	596	13.8
BWD Rensburg Unit Trust Managers Ltd Units:			
BWD UK Smaller Companies Trust	300	375	8.7
BWD UK Equity Income Trust	592	709	16.5
	2,556	2,761	64.1
Total Investments	3,869	4,309	100.0
Net Current Assets		3,918	
Shareholders' Funds		8,227	

Qualifying Investments

Chadwick Web Processing plc, Oldham

First Investment: August 1996

Equity held: 25.0%

Cost: £400,000

Valuation: £400,000

Manufacturer of flexographic and gravure printing presses. Management buy-out from Firth Rixson plc. Valuation method: Cost. Dividends received in the period: Nil.

First audited accounts will be for the period to 30 September 1997.

Cirqual plc, Ashbourne

First Investment: August 1996

Equity held: 0.7%

Cost: £208,000

Valuation: £409,000

Holding company of a diversified engineering group. The company was admitted to the Alternative Investment Market in July 1996 and subsequently raised £4.44 million through a share placing in August 1996 to fund the acquisition of Wollaston Engineering Ltd. Valuation method: mid market price. Dividends received in the period: £1,385.

Latest available audited accounts are for the year ended 31 August 1996:

Profit before tax - £2,370,000;

Retained profit - £925,000;

Net assets - £1,413,00.

Dragons Health Clubs plc, London

First Investment: April 1997

Equity held: 1.3%

Cost: £130,000

Valuation: £164,000

Manager of health and leisure clubs. The company raised a total of £3.7 million through a share placing when it floated on

the Alternative Investment Market in April 1997. Valuation method: mid market price. Dividends received in the period: Nil.

Latest available audited accounts are for the year ended 31 July 1996:

Profit before tax - £300,000;

Retained profit - £300,000;

Net assets - £5,853,000.

Goldstar (Natural Fruit Juices) Limited, Manchester

First Investment: November 1996

Equity held: 17.5%

Cost: £375,000

Valuation: £375,000

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. Valuation method: Cost. Dividends received in the period: Nil.

Latest available audited accounts are for the year ended 31 December 1996:

Profit before tax - £8,000;

Retained profit - £8,000;

Net assets - £872,000.

Systeminsure Limited, Wrexham (trading as Dennis of Ruabon)

First Investment: March 1997

Equity held: 12.0%

Cost: £200,000

Valuation: £200,000

Manufacturer of quarry tiles. Capital for Companies VCT plc and 3i plc provided £400,000 of expansion finance in March 1997. Valuation method: Cost. Dividends received in the period: Nil.

First audited accounts will be for the year to 31 December 1997.

Directors' Report

The directors have pleasure in submitting their report and audited financial statements for the period from incorporation to 30 April 1997.

Review of the Business and Principal Activity

The company was incorporated on 15 January 1996 and commenced trading on 4 April 1996. 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 3 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.

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 2002 and, if applicable, in every 3rd year after, to consider and vote on a special resolution that the company be wound up voluntarily.

Results and Dividend

The net revenue of the company for the period was £171,000. The directors propose the payment of a final net dividend for the period of 3.3p per share (excluding those shares issued under the recent Open Offer and Offer for Subscription) totalling £146,000 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 4.125 pence per share.

Directors

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

	15 January 1996	30 April 1997
R.B.de Zouche <i>Chairman</i>	-	11,250
B.A.Anysz	-	11,250
R.G.Battersby	-	18,000
W.M.Cran	-	11,250
T.C.J.Wood	-	50,000

All of the directors' share interests shown above were held beneficially. There have been no changes in the directors' share interests between 30 April 1997 and the date of this report.

All of the directors 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.

The nature of the company's business is such that the year end figure for trade creditors does not represent a number of days purchases.

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 is an executive director of BWD Rensburg Limited.

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.

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 and to disapply the pre-emption provisions of Section 89(1) of the Companies Act, 1985. It is the intention of the directors to seek to renew this authority at each subsequent Annual General Meeting.

Resolutions will also be proposed as special business to enable the company to buy-back

its own shares and to amend the Articles to ensure they fully comply with the listing rules of the London Stock Exchange.

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

A handwritten signature in dark ink, appearing to be 'M.J. Dickinson', written over a horizontal line.

18 June 1997

Corporate Governance

The directors consider that the company has throughout the period 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.

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 on a regular monthly basis, and on other occasions as necessary, 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 an Audit Committee to deal with matters relating to audit, financial reporting and internal control systems.

Statement of 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:

- n select suitable accounting policies and then apply them consistently;
- n make judgements and estimates that are reasonable and prudent;
- n state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- n 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.

KPMG Audit Plc
Station Street Buildings
Huddersfield
HD1 1LZ

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

We have audited the financial statements on pages 15 to 25.

Respective responsibilities of directors and auditors

As described on page 13, 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.

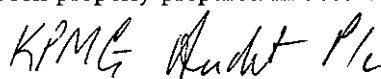
Basis of opinion

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 30 April 1997 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
Chartered Accountants
Registered Auditor

18 June 1997

Statement of Total Return (incorporating the Revenue Account)

for the period ended 30 April 1997

	Note	Period ended 30 April 1997		
		Revenue £000	Capital £000	Total £000
Gains on investments	8	-	453	453
Income	2	285	-	285
Investment management fee	3	(50)	(50)	(100)
Other expenses	4	(20)	(15)	(35)
Return on ordinary activities before tax		215	388	603
Tax on ordinary activities	6	(44)	22	(22)
Return on ordinary activities after tax		171	410	581
Dividends		(146)	-	(146)
Transfer to reserves	13	25	410	435
Return per ordinary share	7	3.8p	9.1p	12.9p

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

at 30 April 1997

	Note	At 30 April 1997	
		£000	£000
Fixed assets			
Investments	8		4,309
Current assets			
Debtors	10	168	
Cash at bank and in hand		4,211	
		4,379	
Creditors: amounts falling due within one year	11	(461)	
Net current assets			3,918
Net assets			8,227
Capital and reserves			
Called up share capital	12		823
Share premium account	13		6,969
Capital reserve – realised	13		(30)
– unrealised	13		440
Revenue reserve	13		25
Shareholders' funds			8,227
Net asset value per share	16		99.9p

These financial statements were approved by the board of directors on 18 June 1997 and were signed on its behalf by:



B.A. Anysz
Director

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 company was incorporated on 15 January 1996 and the financial statements have been drawn up from that date. Trading commenced on 4 April 1996.

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:

- n 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%.
- n 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.
- n 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

Cash Flow Statement

For the period ended 30 April 1997

	Note	Period ended 30 April 1997	
		£000	£000
Net cash inflow from operating activities	15(a)		71
Returns on investment and servicing of finance			
Dividends paid			-
Taxation			
Corporation tax paid			-
Investing activities			
Purchase of investments		(5,892)	
Sale of investments		2,036	
Net cash outflow from investing activities			(3,856)
Net cash outflow before financing			(3,785)
Financing			
Issue of ordinary shares		8,235	
Expenses paid in connection with share issues		(239)	
Net cash inflow from financing activities			7,996
Increase in cash	15(b)		4,211

Notes (continued)

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.

Expenditure

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

- n 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
- n the investment management and directors' fees, which have been charged 50% to the revenue account and 50% 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

	Period ended 30 April 1997 £000
Franked investment income	83
Unfranked investment income	3
Interest receivable in respect of government stocks and bonds	113
Deposit interest	77
Commissions	9
	<hr/> 285 <hr/>

3 Investment management fee

	Period ended 30 April 1997	
	Revenue £000	Capital £000
Investment management fee	43	43
Irrecoverable VAT thereon	7	7
	<hr/> 50 <hr/>	<hr/> 50 <hr/>

Notes (continued)

3 Investment management fee (continued)

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. The agreement is for an initial fixed term of three years and may be terminated by either of the parties on twelve months notice expiring at the end of the fixed term or at any time thereafter.

CfC will receive 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 of the net assets of the company in the second year and 2.5 per cent. per annum thereafter of the net assets of the company (in each case plus value added tax).

4 Other expenses

	Period ended 30 April 1997	
	Revenue £000	Capital £000
Directors' remuneration	14	14
Auditors' remuneration	4	-
Other	2	1
	<u>20</u>	<u>15</u>

5 Directors' emoluments

	Period ended 30 April 1997 £000
Amounts paid to third parties in consideration for the services of directors	28
The fees paid in respect of individual directors were as follows:	
R.B.de Zouche <i>Chairman</i>	10
R.G.Battersby	8
W.M.Cran	8
B.A.Anysz	-
T.C.J.Wood	-

6 Taxation

	Period ended 30 April 1997	
	Revenue £000	Capital £000
Corporation tax charge/(credit)	44	(22)

Notes (continued)

7 Return per share

The revenue return per share is based on net revenue from ordinary activities after taxation of £171,000 and on 4,505,015 shares, being the weighted average number of shares in issue during the period.

The capital return per share is based on net realised and unrealised capital gains of £410,000 and on 4,505,015 shares.

8 Investments

	At 30 April 1997 £000
Listed investments	3,170
Unlisted investments	1,139
	<u>4,309</u>

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

	Listed £000	Unlisted £000	Total £000
Cost and valuation at start of period	–	–	–
Movements in the period:			
Purchases at cost	4,787	1,105	5,892
Disposals – proceeds	(2,036)	–	(2,036)
– realised gain	13	–	13
Increase in unrealised appreciation	406	34	440
Valuation at 30 April 1997	<u>3,170</u>	<u>1,139</u>	<u>4,309</u>
Book cost at 30 April 1997	2,764	1,105	3,869
Unrealised appreciation at 30 April 1997	406	34	440
	<u>3,170</u>	<u>1,139</u>	<u>4,309</u>

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

	Period ended 30 April 1997 £000
Realised gains on disposal	13
Increase in unrealised appreciation	440
	<u>453</u>

Notes (continued)

9 Unlisted investments

	At 30 April 1997	
	Cost £000	Carrying value £000
Chadwick Web Processing plc		
Ordinary shares	20	20
Redeemable preference shares	380	380
	<u>400</u>	<u>400</u>

The holding represents 25% of the ordinary share capital and 37.8% of the preference share capital of the company. Each ordinary share is entitled to one vote.

	At 30 April 1997	
	Cost £000	Carrying value £000
Goldstar (Natural Fruit Juices) Limited		
Ordinary shares	75	75
Redeemable preference shares	300	300
	<u>375</u>	<u>375</u>

The holding represents 17.5% of the ordinary share capital and 39.6% of the preference share capital of the company. Each ordinary share is entitled to one vote.

	At 30 April 1997	
	Cost £000	Carrying value £000
Systeminsure Limited (t/a Dennis of Ruabon)		
Ordinary shares	20	20
Redeemable preference shares	180	180
	<u>200</u>	<u>200</u>

The holding represents 12% of the ordinary share capital and 38.8% of the preference share capital of the company. Each ordinary share is entitled to one vote.

	At 30 April 1997	
	Cost £000	Carrying value £000
Dragons Health Clubs plc		
Ordinary shares	130	164

The holding represents 1.3% of the ordinary share capital of the company. Each ordinary share is entitled to one vote.

Notes (continued)

10 Debtors

	At 30 April 1997 £000
Prepayments and accrued income	131
ACT recoverable	37
Prepayments and accrued income	168

11 Creditors: amounts falling due within one year

	At 30 April 1997 £000
Trade creditors and accruals	255
Corporation tax payable	22
Other taxes and social security	1
ACT payable	37
Proposed dividend	146
	461

12 Called up share capital

	At 30 April 1997 Number of shares	£000
<i>Authorised</i>		
Ordinary shares of 10p each	11,000,000	1,100
<i>Allotted, issued and fully paid</i>		
Ordinary shares	8,235,220	823

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

- n On 15 January 1996, the two subscriber shares were transferred to BWD Rensburg Limited and £2 was paid to the company;
- n on 28 February 1996, the company increased its authorised share capital from £100,000 to £1,100,000 by the creation of 500,000 redeemable shares of 10p each ("Redeemable Shares") and 9,500,000 Ordinary Shares of 10p each;
- n on 28 February 1996 each of the two issued shares and each of the 99,998 unissued Ordinary Shares of £1 each in the company were sub-divided into 10 Ordinary Shares of 10p each and were re-designated as Ordinary Shares;
- n on 28 February 1996, 500,000 Redeemable Shares were allotted to BWD Rensburg Limited fully paid up;
- n on 4 April 1996, the company allotted 3,815,500 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Placing and Offer for Subscription;
- n on 4 April 1996, the company redeemed the Redeemable Shares at par which were redesignated as Ordinary Shares;

Notes (continued)

12 Called up share capital (continued)

- n on 9 April 1996, the company allotted 186,500 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Placing and Offer for Subscription;
- n on 1 May 1996, the company allotted 30,000 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Placing and Offer for Subscription;
- n on 31 October 1996, the company allotted 333,400 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share;
- n on 29 November 1996, the company allotted 23,800 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share;
- n on 8 January 1997, the company allotted 46,000 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share;
- n on 4 March 1997, the company allotted 866,500 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Open Offer and for Subscription;
- n on 19 March 1997, the company allotted 305,000 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Offer for Subscription;
- n on 3 April 1997, the company allotted 1,675,000 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Offer for Subscription;
- n on 8 April 1997, the company allotted 291,500 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Offer for Subscription;
- n on 30 April 1997, the company allotted 662,000 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Offer for Subscription.

13 Reserves

	Share premium £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
At start of period	-	-	-	-
On issue of shares	6,969	-	-	-
Realised on disposal of investments	-	13	-	-
Expenses net of associated taxation	-	(43)	-	-
Unrealised appreciation	-	-	440	-
Net revenue retained for the period	-	-	-	25
At 30 April 1997	6,969	(30)	440	25

Notes (continued)**14 Reconciliation of movements in shareholders' funds**

	Period ended 30 April 1997 £000
Return on ordinary activities for the period after taxation	581
Dividends	(146)
Transfer to reserves	435
New share capital issued including premium, net of expenses	7,792
	8,227
Opening shareholders' funds	-
Closing shareholders' funds	8,227

15 Notes to the cash flow statement**(a) Reconciliation of operating profit to net cash inflow from operating activities**

	Period ended 30 April 1997 £000
Net revenue from ordinary activities before tax	215
Increase in debtors	(91)
Increase in creditors	52
Tax withheld at source on investment income	(40)
Fees charged to capital reserve	(65)
Net cash inflow from operating activities	71

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

	£000
Increase in cash for the period	4,211
Movement in net funds in the period	4,211
Net funds at 1 April 1996	-
Net funds at 30 April 1997	4,211

(c) Analysis of changes in net funds

	At 1 April 1996 £000	Cash flows £000	Other changes £000	At 30 April 1997 £000
Cash at bank and in hand	-	4,211	-	4,211

16 Net asset value per share

The calculation of net asset value per share at 30 April 1997 is based on net assets of £8,227,000 divided by the 8,235,220 ordinary shares in issue on that date.

Notice of Annual General Meeting

Notice is hereby given that the First Annual General Meeting of Capital for Companies VCT plc will be held at Quayside House, Canal Wharf, Leeds, LS11 5PU at 10.30am, on 14 July 1997 for the following purposes:

Ordinary Business

- 1 To receive and consider the accounts of the Company for the period ended 30 April 1997 and the directors' report thereon.
- 2 To declare a final dividend
- 3 To re-elect Richard Bearder de Zouche, a Director retiring in accordance with the Articles of Association.
- 4 To re-elect William Michael Cran, a Director retiring in accordance with the Articles of Association.
- 5 To re-elect Richard Godfrey Battersby, a Director retiring in accordance with the Articles of Association.
- 6 To re-elect Barry Aubrey Anysz, a Director retiring in accordance with the Articles of Association.
- 7 To re-elect Timothy Charles Jason Wood, a Director retiring in accordance with the Articles of Association.
- 8 To re-appoint KPMG Audit Plc as auditors of the Company and 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

- 9 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 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 £176,478 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 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

10 That subject to and conditional upon the passing of the resolution numbered 9 set out in the notice convening an Annual General Meeting of the Company on 14 July 1997 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 9 set out in the notice convening an Annual General Meeting of the Company on 14 July 1997 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 £176,478.

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.

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 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 411,761 (representing 5% 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 advance corporation tax and expenses) is 10p and the maximum price (exclusive of advance corporation tax and 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 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 with effect from the passing of this resolution, the Articles of Association of the Company shall be amended as follows:

- (i) Article 100 (H) of the Articles of Association of the Company shall be amended by the deletion of the words "is materially interested" on line 3 of that article and by the insertion of the words "(together with any person connected with him within the meaning of the Companies Acts) has to his knowledge a material interest"; and
- (ii) Article 100 (L) of the Articles of Association shall be amended by the deletion of the word "ordinary" on the second line and the insertion of the word "special" in its place.

By Order of the Board

M.J.Dickinson

Secretary

Registered Office:

Quayside House

Canal Wharf

Leeds

LS11 5PU

18 June 1997

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 0LA 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 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 10.30 a.m. on 14 July 1997

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 10.30 a.m. on 14 July 1997 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, consider and adopt the Reports of the Directors and Auditors and the Financial Statements for the period ended 30 April 1997		
2 To declare a final dividend		
3 To re-elect Richard Bearder de Zouche as a Director		
4 To re-elect William Michael Cran as a Director		
5 To re-elect Richard Godfrey Battersby as a Director		
6 To re-elect Barry Aubrey Anysz as a Director		
7 To re-elect Timothy Charles Jason Wood as a Director		
8 To re-appoint KPMG Audit Plc as auditors of the Company and to authorise the Directors to fix their remuneration		
9 To authorise the Directors to allot shares		
10 To disapply the pre-emption rights*		
11 To authorise the buy back of shares*		
12 To authorise the changes in the Articles*		

*Special Resolution

Please sign and
insert date

Signed Date 1997

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 0LA, 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.