

Company Number: 3145895

Capital for Companies VCT plc



REPORT AND FINANCIAL STATEMENTS 2003

The Company

Structure

Capital for Companies VCT plc is a Venture Capital Trust (VCT) established to provide individual investors with an opportunity to invest in unquoted companies, most of which are traded on the Alternative Investment Market of the London Stock Exchange (AIM) and which meet the qualifying company requirements of the VCT legislation. By subscribing for new shares in the Company investors are able to take advantage of the tax benefits available from investing in VCTs. These benefits are illustrated on pages 31 and 32. The Company has received provisional approval from the Inland Revenue as a VCT.

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 It remained an investment company until 2 December 1998 when registration was revoked to allow the Company to purchase its own shares by using the special reserve which was created on cancellation of the Company's share premium account.

Investment Objective

The Company's objective is to provide shareholders with an attractive return on their investment over the longer term by paying dividends out of both income and, where possible, realised capital profits.

Investment Policy

Funds raised are invested initially in gilt-edged stocks and unit trusts managed by BWD Rensburg Unit Trust Managers Ltd. New qualifying investments in a diversified portfolio of mainly AIM companies are funded through the realisation of these initial investments. Before making an investment, the manager must obtain approval from the VCT Board, which comprises experienced businessmen and professionally qualified directors.

Manager

The Board has appointed Capital for Companies (CfC), a division of BWD Rensburg Ltd, to provide investment management and secretarial services.

CfC was established in 1983 and has offices in Leeds and Liverpool. It has raised in excess of £150 million for venture capital and business expansion scheme investments.

CfC's management team has in recent years developed an expertise in making investments in companies whose shares are traded on AIM. These companies are situated throughout the UK. CfC executives maintain regular contact with the investee company and are responsible for monitoring the progress of the investment.

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Financial Headlines

for the financial year ended 31 March 2003

	2003	2002
Net assets	£10,477,000	£14,443,000
Net asset value per share	64.33p	87.54p
Revenue return before tax	£245,000	£282,000
Revenue return per share	1.40p	1.62p
Loss on ordinary activities before tax	(£390,000)	(£539,000)
Loss per share	(2.37p)	(3.32p)
Dividends per share (including interim)	2.00p	4.10p
Total dividends returned to investors (since inception)	31.00p	29.00p

Financial Calendar

Annual General Meeting	30 July 2003
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Final Dividend Payable	29 August 2003
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Interim Results Announced	November 2003
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Interim Dividend Payable	January 2004
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Chairman's Statement

Introduction

I am pleased to present my first Statement as Chairman of Capital for Companies VCT. Since taking over from Richard de Zouche in December, equity markets have continued the volatile trend experienced over the past few years, dominated by negative sentiment from terrorism, the recent Iraqi conflict and weak global growth. When Capital for Companies VCT was launched in 1996 it was difficult to envisage the dramatic increase in equity markets in the latter part of that decade and the subsequent sharp decline experienced since the technology bubble burst in early 2000. Any economic downturn over a prolonged period such as we have experienced over the past three years has a particularly marked effect on smaller companies.

Our benchmark AIM Index comprising over 700 companies, many of which are involved in the technology sector, has fallen by nearly 77% in the 2 years to 31 March 2003. Over the year to 31 March 2003 the AIM Index has declined by over 35%, the FTSE 100 Index has decreased by nearly 32% and the FTSE techMARK 100 has fallen by 75%.

Whilst our own performance has beaten all of the above indices we have nevertheless experienced a decline in net asset value (NAV) of 27% during the year to 31 March 2003. Our superior performance was achieved through our conservative investment policy and by retaining a relatively high proportion of gilts in the portfolio.

Net Asset Value

NAV at 31 March 2003 was 64.3 pence per share (2002: 87.5 pence per share) after providing for a dividend of 2.0 pence per share (2002: 4.1 pence per share) during the year.

Investments

At the year end the Company had 35 qualifying investments in AIM and unquoted companies costing £7.6 million and with a valuation of £5.1 million. During the year the Company realised £897,000 from the sale of qualifying investments, of which £358,000 represented gains on these sales. Unfortunately, as detailed in the Manager's Report, 3 investments were written off during the year incurring losses of £1,025,000. Further losses of £368,000 were incurred on the realisation of £1.7 million from the non-qualifying portfolio including unit trusts which were adversely affected by the downturn in the major equity markets.

Net losses incurred from all realisations and write-offs during the year amounted to £1,035,000, of which £670,000 had been provided for in previous years leaving £365,000 to pass through the profit and loss account this year.

We continue to invest in established companies in growth industries. During the year we invested over £1.4 million in 8 VCT qualifying companies, 6 of which were new to the portfolio.

Results and Dividends

The total return on ordinary activities before tax in the year was a loss of £390,000 (2002: loss of £539,000). In addition, unrealised losses on the valuation of investments were £3.1 million (2002: £2.0 million). The total return after tax (including unrealised losses) was a loss of 21.4 pence per share (2002: 15.7 pence per share). The Company made a positive revenue return on ordinary activities after tax of £230,000 (2002: £262,000), equivalent to 1.4 pence per

share (2002: 1.6 pence per share). We intend to distribute all of these revenue profits, together with a proportion of reserves, as a dividend.

In addition to the interim dividend of 1.0 pence per share, we now propose, subject to shareholders' approval, to pay a final dividend of 1.0 pence per share (2002: 2.1 pence per share) on 29 August 2003 to shareholders on the register at close of business on 1 August 2003. The total dividend for the year is therefore 2.0 pence per share (2002: 4.1 pence per share). As shareholders will appreciate, the losses have affected our ability to maintain our progressive dividend policy but hopefully this will be restored as soon as trading conditions permit. Including the current proposed final dividend we will have paid a total of 31.0 pence per share to shareholders since inception of the VCT.

VCT Status

The Board continues to be mindful of achieving and maintaining its VCT qualifying status. As shareholders will be aware, we must invest at least 70% of the net funds raised in any one accounting period into qualifying investments within 3 years. As the Company raised funds over several accounting periods there are separate 70% tests to be satisfied. We have previously reported that in respect of funds raised prior to 31 March 2000 over 70% has been invested in qualifying companies. In respect of funds raised in the period to 31 March 2002, the Board remains confident of exceeding the 70% test by 31 March 2004.

Share Buy-back

During the year we repurchased 256,837 ordinary shares at a cost of £168,000. Unfortunately the market for VCT shares continues to be virtually non-existent with demand being concentrated on new share issues which attract valuable tax breaks. In order to facilitate an exit for those shareholders who need to realise their investment we intend to maintain the Company's ability to act as a purchaser of its own shares, if this is in the interests of all shareholders.

We will therefore be asking shareholders to renew the Board's power to purchase the Company's shares in the market.

Reduction in Share Premium Account

We intend to seek shareholders' consent to a reduction in the Company's share premium account (currently £7,495,000) so as to enable us to credit an equivalent amount to the existing special reserve which can be utilised to purchase the Company's shares.

The necessary resolution to approve the reduction in the share premium account is set out in the notice convening the AGM. The approval of the Court (which is discretionary) is required for the reduction of the share premium account and the Company intends to apply to the Court for confirmation following the passing of the resolution at the AGM. In giving its confirmation, the Court will be concerned to ensure that the interests of the Company's creditors are not prejudiced. The Company will be required to give certain undertakings to the Court, such as, for example, that the new reserve will not be treated as representing realised profits of the Company and shall be treated as an undistributable reserve for the purposes of section 264 of the Companies Act 1985, until all creditors of the Company as at the date of the reduction of the share premium account have consented to the reduction or have been discharged or otherwise secured. The Company will give such undertakings to the Court as it may be advised are appropriate.

Chairman's Statement

continued

Share Issues

The Directors believe that it will be beneficial to have the authority to place a small number of shares (not exceeding 5% of the existing share capital). During the year we only issued 46,000 shares but when the economic climate improves we would like to be able to continue our 'top up' policy, as this is an effective and relatively inexpensive way of increasing the Company's capital base. We also intend to increase our authorised share capital to allow us to make further new issues.

Outlook

At 31 May 2003 our unaudited NAV was 67.6 pence per share after providing for the payment of the dividend referred to above. The AIM index was 13% higher than at the year end and whilst stock market conditions appear to have stabilised recently it is difficult to be optimistic in the short term. However, we continue to believe that in the longer term there are substantial attractions in owning a portfolio of small and medium sized growth companies which should do well once the economy improves. We are aware that whilst many of our investee companies' share prices are considerably 'under water' their actual trading performance has been relatively resilient. Once equity markets improve this value should be recognised in higher share prices with a consequent benefit to our shareholders.

We also remain hopeful that the present Government will recognise the valuable role that small and medium sized companies play in the economy. Whilst VCTs enjoy substantial tax benefits, our experience over the past few years shows that there are substantial risks in investing in small and medium sized companies. If the Government wants to see an adequate flow of funds into this vital section of the economy further beneficial taxation encouragement needs to be introduced. We therefore approved of the British Venture Capital Association's 2003 Budget proposals to increase the 'upfront' income tax saving from 20% to 40% of any investment in new VCT shares. Unfortunately, this proposal was not adopted but we remain hopeful that it will be in the future. On the negative side, we are concerned that the transfer of financial resources from the private to the public sector may stifle corporate profitability which is the basis of a sound and growing Stock Market. Also, the recent Higgs Report on changes in corporate governance has been widely criticised and I share the concerns of those who feel that this level of regulation will add nothing to the effectiveness of the operation of this Company. The cost of full compliance will add very substantially to the management expenses and thereby potentially reduce shareholder returns, whilst not providing any additional protection for them. These potential additional costs may have an impact on Directors' remuneration. Whilst there is no present intention to increase the current level of Directors' remuneration, the Board has proposed a resolution to increase the limit of aggregate Directors' remuneration set by the Company's articles of association to £75,000 to cover any necessary increase in these costs.

Shareholder Communications

Shareholders wishing to keep in touch with our progress should visit our website at www.cfc-vct.co.uk. This contains publicly available information including our annual and interim accounts, recent investments and also NAV and share price. Our share price is also quoted in the Financial Times, Yorkshire Post and Daily Express under 'Investment Companies'. On behalf of all shareholders I would like to thank my fellow Directors, our Manager and professional advisers for their continued contributions over the past year.

William M. Cran
Chairman

25 June 2003

Manager's Report

Introduction

The optimistic economic background experienced in the early months of the new millennium had completely evaporated by the early part of 2003. Many companies raising funds from VCTs over the past 3 years expected global economies to continue to expand and that larger companies would continue their investment programmes resulting in substantial orders for their smaller brethren. Instead of this happy scenario we have seen massive investment cutbacks, delayed orders, reduced sales and low margins. Companies scaled up for growth leading to increased overheads and losses inevitably followed. Even companies which appeared to have raised substantial amounts of funding to see them through to profitability have hit problems. Whilst our own experience has been better than many of our VCT competitors, with only a handful of failures and several profitable exits, the valuation of many of our investee companies has fallen sharply.

Out of 12 VCTs launched in the tax year 1995–96 we are currently rated fifth* with an average annual return of 0.4%. This modest average annual return is considerably enhanced to over 14% by the tax benefits† available to investors under the VCT legislation.

As stated previously in the Chairman's Statement throughout the past three years we have maintained a cautious investment approach and have only committed such funds as are required to comply with the VCT legislation. More recently we have altered our own emphasis to predominantly invest in established, profitable and relatively low-tech companies, which offer more stability to the portfolio. We still maintain a substantial amount of shareholders' funds in gilts, unit trusts and also some blue-chip equities to provide income and growth.

Investment Policy

We continue to look to invest in AIM and unquoted companies where there is potential for capital growth over a 3 to 5 year period. When deciding on which investments to select we look for companies:

- with a track record;
- operating in growth markets;
- offering superior services or products to their competitors and which have sufficient funds to finance growth;
- with experienced, committed (in terms of share ownership and options) and balanced management teams.

Prior to making an investment we spend considerable time researching the company and the sector in which it operates. We always meet the management team and often cross-reference our views with other VCTs. During the year we reviewed 148 proposals from AIM and unquoted qualifying companies.

VCT Status Targets

We must invest at least 70% of new funds raised in any one accounting period into qualifying companies within three years. As stated in the Chairman's Report we have exceeded the 70% 'test' for funds raised prior to 31 March 2000 and are well on our way to passing the test in respect of funds raised in the two years to 31 March 2002.

* Source: *Tax Effective Investor*, May 2003.

† Income tax saving of 20% of cost and deferral of up to 40% CGT.

Manager's Report

continued

Qualifying Investments

During the year we invested over £1.4 million (2002: £1.0 million) in 8 (2002: 7) qualifying companies, of which all but one are on AIM and two were further investments in existing companies, namely Vianet Group plc and Wineworld (London) Ltd. At the year end there were 35 qualifying companies in the portfolio, of which 30 are on AIM. The new companies backed during the year include:

PM Group plc: A manufacturer and supplier of on-board vehicle weighing systems to the transport and waste collection industries. This Bradford-based company has recently expanded in Europe and is likely to benefit from increasing environmental legislation.

VI Group plc: A provider of IT software for the plastic injection moulding industry which helps in the initial design of a product through to the rapid setting up of the computer controlled plastic injection moulding machines. The company is based in the UK but serves a global market with representation in the US, Europe and the Far East.

Glisten plc: A confectionery manufacturer based in Blackburn supplying chocolate coated nuts and raisins to many of the leading supermarket chains, including Tesco, Waitrose and Morrisons. The company also produces ingredients for many well-known food manufacturers and has recently acquired the distribution rights to SunMaid products in the UK.

During the year we sold our investment in SquareSum plc for £111,000, realising a profit of £8,000. We also raised over £722,000 and realised profits of £349,000 from the sale of part of our shareholdings in Oasis Healthcare plc, CRC Group plc, Inter Link Foods plc and PM Group plc. Unfortunately, RDL Group plc went into receivership, Veos plc was de-listed from AIM and TIB plc continued to experience significant problems (and is now in receivership) resulting in all of these investments being written off in our books during the year incurring total losses of £1,025,000.

At the year end our ten largest investments by valuation, with a book cost of £2.4 million, had a valuation of £3.0 million, representing 29% of total net assets.

Non-Qualifying Investments

At the year end some 28% of net assets were represented by investments in gilts and 18% of net assets in unit trusts managed by BWD Rensburg Unit Trust Managers Ltd. A further 4% of net assets were held in blue-chip equities and some 3% were held in cash pending further investments and the payment of the final dividend.

During the year we raised some £1.7 million from the sale of part of the unit trust portfolio and gilts, realising a £368,000 loss in the process.

Outlook

We remain firmly committed to supporting AIM company shares, which continues to be a successful vehicle for raising equity finance for smaller expanding companies. In 2002, AIM companies raised over £975 million and at 31 March 2003 there were 655 UK companies trading on AIM with a total market capitalisation of £9.6 billion.* Whilst the flow of new issues has subsided over the past year there are still opportunities available for investment.

As the Chairman has stated, it is difficult to be optimistic at present faced with global uncertainties which particularly impact smaller companies of the size and type in which we invest. However, once this period of extreme volatility subsides we expect normal growth conditions to be resumed, when we look forward to an increase in the value of the Capital for Companies VCT portfolio and hence improved returns for shareholders.

Barry Anysz
Chief Executive

25 June 2003

* Source: AIM Market Statistics: March 2003 published by the London Stock Exchange

Investment Portfolio Analysis

as at 31 March 2003

Investment	Book Cost £000	Valuation £000	% of total net assets (by value)	Unrealised gain/(loss) £000
Ten largest qualifying investments				
Connaught Group plc	225	426	4.07	201
Huveaux plc	250	365	3.48	115
Glisten plc	250	356	3.40	106
PM Group plc	231	334	3.19	103
CRC Group plc	235	312	2.98	77
Primal Pictures Ltd	400	286	2.73	(114)
Radii Ltd	226	250	2.39	24
Honeycombe Leisure plc	253	237	2.26	(16)
MacLellan Group plc	171	232	2.21	61
Spring Grove Property Maintenance plc	180	221	2.10	41
	2,421	3,019	28.81	598
Other qualifying investments	5,194	2,085	19.91	(3,109)
Total qualifying investments	7,615	5,104	48.72	(2,511)
Non-qualifying investments				
Fixed interest securities				
6.5% Treasury Stock 2003	870	868	8.28	(2)
5% Treasury Stock 2004	2,001	2,039	19.46	38
	2,871	2,907	27.74	36
Unit trusts				
BWD Rensburg Equity Income Unit Trust	767	825	7.87	58
BWD Rensburg Blue Chip Growth Unit Trust	1,461	1,042	9.95	(419)
	2,228	1,867	17.82	(361)
Other non-qualifying investments				
Quoted equities	452	399	3.81	(53)
Non-qualifying AIM investments	8	18	0.17	10
	460	417	3.98	(43)
Total non-qualifying investments	5,559	5,191	49.54	(368)
Total investments	13,174	10,295	98.26	(2,879)
Net current assets		182	1.74	
Net assets		10,477	100.00	

Qualifying Investment Portfolio Analysis

as at 31 March 2003

Sector	Company	Book Cost £000	Valuation £000	% of total net assets (by value)	Unrealised gain/(loss) £000
Computer, IT and communications	CRC Group plc	235	312	2.98	77
	Primal Pictures Ltd*	400	286	2.73	(114)
	Radii Ltd*	226	250	2.39	24
	VI Group plc	215	148	1.41	(67)
	Tikit Group plc	200	144	1.37	(56)
	Rhetorical Group Ltd*	300	108	1.03	(192)
	Systems Union Group plc	162	74	0.71	(88)
	Sirius Financial Group plc	106	70	0.67	(36)
	Vianet Group plc	210	61	0.59	(149)
	XKO Group plc†	225	58	0.55	(167)
	Transcomm plc	177	51	0.49	(126)
	Zoo Digital Group plc	160	5	0.05	(155)
		2,616	1,567	14.97	(1,049)
Support services and transport	Connaught Group plc	225	426	4.07	201
	PM Group plc	231	334	3.19	103
	MacLellan Group plc	171	232	2.21	61
	Spring Grove Property Maintenance plc	180	221	2.10	41
	Xpertise Group plc	200	200	1.91	—
	Stagecoach Theatre Arts plc	178	149	1.42	(29)
	Lloyds British Testing plc	150	117	1.12	(33)
	AdVal Group plc	474	28	0.27	(446)
	SBS Group plc	167	12	0.11	(155)
		1,976	1,719	16.40	(257)
Consumer and distribution	Glisten plc	250	356	3.40	106
	Inter Link Foods plc	88	142	1.36	54
	Blooms of Bressingham (Holdings) plc	263	60	0.57	(203)
	The Longmead Group plc	135	11	0.10	(124)
		736	569	5.43	(167)
Beverages, leisure, hotel and entertaining	Honeycombe Leisure plc	253	237	2.26	(16)
	Inventive Leisure plc	107	107	1.02	—
	Blavod Black Vodka plc	250	73	0.69	(177)
	Warthog plc	226	62	0.60	(164)
	Wineworld (London) Ltd*	270	51	0.49	(219)
		1,106	530	5.06	(576)
Media and photography	Huveaux plc	250	365	3.48	115
	Forward Media Ltd	200	100	0.96	(100)
		450	465	4.44	15
Health and personal care	Oasis Healthcare plc	353	192	1.83	(161)
	Tissuemed Ltd*	200	50	0.48	(150)
	AorTech International plc	178	12	0.11	(166)
		731	254	2.42	(477)
Total qualifying investments		7,615	5,104	48.72	(2,511)

Qualifying investments are AIM investments except for those denoted by * which are unquoted and † which are fully listed.

Ten Largest Qualifying Investments

(by valuation)

Connaught Group plc — Exeter

First Investment:	December 1998	Year ended: 31 August	2002
Equity held:	0.90%		£000
Cost: (£000)	225	Turnover	108,343
Valuation: (£000)	426	Profit before tax	3,332
Valuation basis:	Mid-market price	Retained profit	4,170
Type of security	Ordinary shares	Net assets	27,896

Connaught provides facilities management and building support services throughout the UK.

Huveaux plc — London

First Investment:	March 2003	Year ended: 31 December	2002
Equity held:	1.96%		£000
Cost: (£000)	250	Turnover	1,055
Valuation: (£000)	365	Profit before tax	368
Valuation basis:	Mid-market price	Retained profit	146
Type of security	Ordinary shares	Net assets	6,095

Huveaux is the UK's leading publisher of parliamentary directories and also publishes a range of educational revision guides. *BWD Aim VCT plc holds 2.75% of the equity share capital.**

Glisten plc — Blackburn

First Investment:	June 2002	Year ended: 30 June	2002
Equity held:	3.76%		£000
Cost: (£000)	250	Turnover	—
Valuation: (£000)	356	Loss before tax	(63)
Valuation basis:	Mid-market price	Retained loss	(63)
Type of security	Ordinary shares	Net assets	5,346

Glisten manufactures and supplies a range of confectionery to many of the leading supermarket chains.

*BWD Aim VCT plc holds 6.64% of the equity share capital.**

PM Group plc — Bradford

First Investment:	April 2002	Year ended: 30 June	2002
Equity held:	1.84%		£000
Cost: (£000)	231	Turnover	5,445
Valuation: (£000)	334	Profit before tax	1,025
Valuation basis:	Mid-market price	Retained profit	552
Type of security	Ordinary shares	Net assets	4,989

PM Group manufactures and supplies on-board vehicle weighing systems to the transport and waste management industries.

*BWD Aim VCT plc holds 3.85% of the equity share capital.**

CRC Group plc — Thame

First Investment:	November 1997	Year ended: 31 December	2002
Equity held:	0.89%		£000
Cost: (£000)	235	Turnover	109,601
Valuation: (£000)	312	Profit before tax	7,559
Valuation basis:	Mid-market price	Retained profit	7,180
Type of security	Ordinary shares	Net assets	22,650

CRC Group services and repairs electronic equipment, computer equipment, mobile communications equipment and peripherals.

Primal Pictures Ltd — London

First Investment:	November 1999	Year ended: 31 December	2001
Equity held:	5.54%		£000
Cost: (£000)	400	Turnover	1,596
Valuation: (£000)	286	Loss before tax	(1,199)
Valuation basis:	Directors' value	Retained loss	(2,657)
Type of security	Ordinary & Preference shares	Net assets	1,536

Primal develops and publishes CD-ROM based three-dimensional representations of the human body aimed at the medical and educational markets. No dividends were received from this investment during the year.

*BWD Aim VCT plc holds 3.08% of the equity share capital.**

Radii Ltd — Hull

First Investment:	June 1999	Year ended: 30 June	2002
Equity held:	25.00%		£000
Cost: (£000)	226	Turnover	3,672
Valuation: (£000)	250	Profit before tax	208
Valuation basis:	Directors' value	Retained profit	214
Type of security	Ordinary & Preference shares	Net assets	573

Radii provides software and IT support primarily in the furniture industry. Ordinary dividends received during the year from this investment amounted to £18,732, whilst preference dividends received amounted to £22,100. The company also redeemed 62,000 £1 preference shares at par during the year.

Honeycombe Leisure plc — Preston

First Investment:	November 1998	Year ended: 28 April	2002
Equity held:	2.04%		£000
Cost: (£000)	253	Turnover	32,400
Valuation: (£000)	237	Profit before tax	1,061
Valuation basis:	Mid-market price	Retained loss	(349)
Type of security	Ordinary shares	Net assets	15,454

Honeycombe owns and manages a chain of pubs, nightclubs and hotels throughout the North of England.

MacLellan Group plc — Bristol

First Investment:	March 1999	Year ended: 31 December	2001
Equity held:	0.81%		£000
Cost: (£000)	171	Turnover	124,323
Valuation: (£000)	232	Profit before tax	2,015
Valuation basis:	Mid-market price	Retained profit	167
Type of security	Ordinary shares	Net assets	22,047

MacLellan provides integrated specialist facilities management services to retail, commercial, industrial and travel clients.

Spring Grove Property Maintenance plc — Hounslow

First Investment:	November 2001	Year ended: 31 January	2002
Equity held:	3.75%		£000
Cost: (£000)	180	Turnover	7,395
Valuation: (£000)	221	Profit/(loss) before tax	394
Valuation basis:	Mid-market price	Retained profit/(loss)	643
Type of security	Ordinary shares	Net assets	2,869

Spring Grove provides facilities management and building support services throughout the UK.

*BWD Aim VCT plc holds 4.58% of the equity share capital.**

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

Directors

William M. Cran (age 54) (Non-Executive Chairman)

Bill has over 25 years' experience in the property, instalment credit and leasing industries and is currently non-executive chairman of Headway plc and Leeds Group plc and a non-executive director of Burtonwood Brewery plc. He was the founder and executive chairman of Birkby plc until its merger with Mentmore Abbey plc. Bill was appointed Chairman on 18 December 2002 after serving as a non-executive Director since the Company's inception.

Barry Anysz B Com (Hons), MSI (age 53) (Non-Executive Director)

Barry is a director of BWD Securities PLC and a non-executive director of BWD Aim VCT plc, which are both listed companies. He has over 30 years' experience of the venture capital industry including 12 years with 3i plc. He has held directorships in a number of private and public companies.

Richard Battersby BA, FCA, J Dip MA (age 60) (Non-Executive Director)

Richard is non-executive chairman of BWD Aim VCT plc and MobileFuture plc (a company traded on AIM). He is also a non-executive director of BWA Group plc and a number of unquoted companies. He was previously chairman of AG Holdings plc and a director of Plaxton Group plc. Since the mid-1970s he has had substantial venture capital experience and for a number of years was a director of several subsidiaries of The Royal Bank of Scotland plc involved in this sector.

Dr Robert Toomey ACMA (age 54) (Non-Executive Director)

Rob has considerable experience in the smaller company sector, having been with 3i plc for 16 years and as a director of Edward Billington and Son Ltd, a privately owned company in the food industry, since 1994. He is currently a non-executive director of a number of smaller businesses and Chairman of the Investment Panel of Alliance Fund Managers Ltd, a venture capital business with funds of over £90 million.

Timothy Wood FCA, MSI (age 61) (Non-Executive Director)

Tim is a Chartered Accountant and became a partner in the stockbroking firm of Rensburg & Co. in 1969. Upon the acquisition of Rensburg & Co. by BWD Securities PLC in 1988 he was appointed to the Board of BWD Securities PLC and since his retirement as an executive director in 1995 he has been a non-executive director of that company.

All the above directors are members of the Nominations and Audit committees.

Directors' Report

The Directors present their report and audited financial statements for the year to 31 March 2003.

Review of the Business and Principal Activity

The principal activity of the Company during the year under review was the making of long-term equity and loan investments, mainly on AIM.

The Company is a venture capital trust that has been listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange since April 1996. It was incorporated on 15 January 1996 and was registered as an investment company under Section 266 of the Companies Act 1985. On 2 December 1998 the registration was revoked to give the Company trading status which allows it to distribute realised capital gains and purchase its own shares by using a new reserve which was created on cancellation of the Company's share premium account.

The Directors consider that the Company has conducted its affairs in such a manner that will enable it to comply with Section 842AA of the Income and Corporation Taxes Act 1988 ('ICTA 1988'). The Directors also 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 ICTA 1988. The Company has received provisional approval as a venture capital trust from the Inland Revenue.

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 2006 and, if applicable, every third year thereafter, to consider and vote on a special resolution that the Company be wound up voluntarily.

Results and Dividend

The loss after taxation of the Company for the year was £390,000. The Directors propose the payment of a final dividend for the year of 1.0 pence per share in addition to an interim dividend of 1.0 pence per share and recommend that the balance be transferred from reserves.

Directors' Interests

The Directors who held office at the year end had the following interests in the 10p Ordinary Shares of the Company:

	31 March 2003	31 March 2002
W. M. Cran (Chairman)	11,250	11,250
B. A. Anysz	30,750	30,750
R. G. Battersby	25,000	25,000
Dr R. R. Toomey (Appointed: 18 December 2002)	15,000	15,000
T. C. J. Wood	51,299	51,299

All of the Directors' share interests shown above were held beneficially. There have been no changes in the Directors' share interests between 31 March 2003 and the date of this report. In addition to the above, B. A. Anysz holds 10,000 shares in Zoo Digital plc.

T. C. J. Wood and R. G. Battersby retire from the Board by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. R. B. de Zouche served as Chairman of the Company during the year until his resignation on 18 December 2002.

Dr R. R. Toomey also retires from the Board and this being the first opportunity since his appointment, offers himself for election at the Annual General Meeting.

Except as mentioned on page 14 under the heading 'Manager', no contract existed during or at the end of the year in which any Director was materially interested and 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 Company's average creditor payment period at 31 March 2003 was 37 days (2002: 28 days).

Charitable Donations

The Company contributed £nil (2002: £nil) to charities during the year.

Directors' Report

continued

Manager

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

Related Parties

Fees paid by this Company for services provided by CfC (a division of BWD Rensburg Ltd) and BWD Rensburg Ltd, which are related parties, amounted to £304,000 (2002: £414,000) in the year. The outstanding balance due to CfC at the year end was £52,106 (£2002: £95,393).

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

Resolutions will be proposed as special business to increase the authorised share capital from £1.8 million to £2.5 million by the creation of 7 million ordinary shares of 10p each and to enable the Directors to allot unissued shares and subject to the limits therein contained, to allot shares for cash other than to existing shareholders in proportion to their shareholdings. The resolutions enabling Directors to allot unissued shares and to allot shares for cash other than to existing shareholders in proportion to their shareholdings will be limited to the allotment of shares up to a maximum amount of £81,437, which represents 5% of the total ordinary share capital in issue as at 25 June 2003. The Directors do not have any present intention of exercising such authority and the authority will expire at the conclusion of the next Annual General Meeting after the passing of the proposed resolution.

In addition, a resolution is proposed to authorise the Company to purchase its own shares, subject to certain specific limits. The maximum and minimum prices that may be paid for ordinary shares in exercise of such powers is as set out in resolution 10 of the Notice of Annual General Meeting on pages 33 and 34. The Directors undertake to shareholders that they will not exercise the Company's authority to purchase its own shares unless to do so would be in the best interest of shareholders generally. The Directors do not have any present intention to exercise such authority and the authority will expire at the conclusion of the next Annual General Meeting after the passing of the proposed resolution.


A further resolution is proposed to increase the limit set by the Company's articles of association for aggregate Directors' remuneration for their services as officers of the Company from £50,000 to £75,000. Although there is no present intention to increase the current level of remuneration payable to the Directors, the Board believes that, going forward, additional costs may need to be incurred as a result of the proposals set out in the Higgs report.

As detailed in the Chairman's Statement on page 3, a resolution is proposed as special business to reduce the Company's share premium account so as to enable us to credit an equivalent amount to the existing special reserve which can be utilised to purchase the Company's shares.

Auditors

A resolution to re-appoint KPMG Audit Plc and to authorise the Directors to agree their remuneration will be put to the members at the Annual General Meeting.

By order of the Board


J. P. Wragg, BSc (Hons), ACA
Secretary

25 June 2003

Corporate Governance

The Directors are committed to achieving a high standard of corporate governance and to compliance with the best practice provisions of the Combined Code on corporate governance introduced by the London Stock Exchange and adopted by the UK Listing Authority of the Financial Services Authority (FSA).

The following statement describes how the Company has applied the principles set out in the Combined Code.

Board Responsibilities

The Board consists solely of Non-Executive Directors who, with the exception of Mr Anysz and Mr Wood, are considered to be independent. Biographical details of all Directors are given on page 12.

The Board meets regularly throughout the year to review financial performance and strategy and has a formal schedule of matters reserved to it for decision. Board papers comprising an agenda and formal reports and briefing papers are sent to the Directors in advance of each meeting. All Directors have access to the advice and services of the Company Secretary and external professional advice, if required, at the Company's expense.

Board Committees

Committees comprising the entire Board carry out the functions of Audit and Nominations Committees. The Company is exempt from the requirements of Section B of the Combined Code, which deals with Directors' remuneration by virtue of its VCT status and the fact that the Board is composed solely of Non-Executive Directors. Given this, the Board considers it inappropriate to operate a Remuneration Committee.

Audit Committee

The Audit Committee is scheduled to meet twice a year and is able to meet more frequently where business needs require. The role of the Audit Committee is to assist the Board in discharging its duties and responsibilities for financial reporting, corporate governance, internal control and the appointment and remuneration of independent auditors. The Committee's duties include keeping under review the scope and results of the audit work and its cost-effectiveness and the independence and objectivity of the auditors. The Committee also monitors the volume and nature of non-audit services provided by the auditors to ensure that a balance is maintained between objectivity and value added.

Nominations Committee

The Board as a whole is responsible for the appointment of new Directors and for nominating them for election by shareholders at the first opportunity after their appointment. They operate a formal procedure for such nominations.

Relationships with Shareholders

The Company attaches significant importance to communication with its shareholders. Annual and Interim Reports are distributed to all parties who may have an interest in the Company's performance. These reports, together with other useful information, are available on the Company's website. Shareholders are encouraged to attend the Annual General Meeting (AGM) at which an opportunity is provided to ask questions. At the AGM, the Company intends to continue its policy of announcing the number of proxy votes cast in respect of each resolution. Details of the resolutions to be proposed at the AGM can be found on pages 33 and 34.

Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

Day-to-day operations are delegated, through a management agreement, to Capital for Companies (CfC). Under the terms of that agreement CfC provides investment management, accounting and secretarial services to the Company. A clearly defined investment strategy is set out for the Manager and monitored by the Board, which regularly reviews

Corporate Governance

continued

the Company's investments, liquid transactions and revenue and expenditure. CfC's system of internal controls includes organisational arrangements with clearly defined lines of responsibility and delegated authority, as well as control procedures and systems that are regularly evaluated. Being a member of the BWD Securities PLC group (BWD), CfC operates under the supervision of BWD's Audit Committee and Risk Management Committee.

Following publication of guidance for directors on internal control 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull Guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

The Board confirms that it has reviewed the effectiveness of the system of internal control for the year ended 31 March 2003 and has taken account of material developments between 31 March 2003 and the date of approval of the Report and Financial Statements.

Following an assessment, the Company has decided that the monitoring and control procedures in place are such that the establishment of an internal audit function is not justified at present. The need for such a function will be assessed on an annual basis moving forward.

Compliance with the Code

The Directors consider that the Company has been in full compliance with the provisions set out in section one of the Combined Code throughout the year except as follows:

- *provision A2.1* which requires there to be a recognised Senior Independent Non-Executive Director other than the Chairman to whom concerns can be conveyed. The Board considers that in view of its nature it is not appropriate to appoint a senior member other than the Chairman;
- *provision A6.1* which requires Non-Executive Directors to be appointed for specified terms. At the time of their appointment each of the current Non-Executive Directors was not appointed for a specified term, with the exception of Dr R. R. Toomey who was appointed during the year. The Board has agreed that all new Non-Executive Directors should be subject to appointment for a specified term.

Going Concern

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

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the Company and of the profit or loss for that year. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and 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.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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 prevent and detect fraud and other irregularities.

Directors' Remuneration Report

Introduction

This report is prepared in accordance with Schedule 7A of the Companies Act 1985, which applies to the Company for the first time this year.

The Company's auditor is required to report on certain information contained within this report. Where information set out below has been audited it is indicated as such. The auditor's opinion is included within the independent auditor's report on page 19.

Consideration by the Board of matters relating to Directors' Remuneration

The Board currently comprises five non-executive Directors. The Board as a whole is responsible for determining Directors' remuneration. For the reasons already detailed in the Corporate Governance section of this Report and Financial Statements, a Remuneration Committee has not been established. The Board has access to the advice and services of the Company Secretary and external professional advice at the Company's expense in respect to its determination of the Directors' remuneration. During the year no such advice was sought by the Board, although they expect from time to time to review the fees paid to the boards of directors of other venture capital trusts.

Remuneration Policy

The Board's policy is that the remuneration of non-executive Directors should reflect time spent and the responsibilities borne by the Directors on the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The Company's articles of association currently limit fees payable to the Directors to £50,000 in aggregate, although as detailed on page 14, approval is being sought at the forthcoming Annual General Meeting to increase this limit to £75,000. Directors' fees payable during the year totalled £48,958 as set out in the table below. No Directors' remuneration is performance related and Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. It is considered appropriate that no aspect of Directors' remuneration should be performance related in light of the Directors' non-executive status.

It is the current intention of the Board that the above remuneration policy will continue to apply in the forthcoming financial year and subsequent years.

Directors' Fees (audited)

Fees are either paid directly to Directors or to third parties in consideration for the services of Directors.

	Fees paid direct £	Fees paid to 3rd parties £	Employers NIC £	Total £
2003				
W. M. Cran*	12,000	—	873	12,873
R. B. de Zouche†	10,125	—	789	10,914
B. A. Anysz	—	—	—	—
R. G. Battersby	—	11,500	—	11,500
R. R. Toomey‡	—	3,833	—	3,833
T. C. J. Wood	7,667	3,833	996	12,496
	29,792	19,166	2,658	51,616
2002				
R. B. de Zouche (Chairman)	13,671	—	1,055	14,726
B. A. Anysz	—	—	—	—
R. G. Battersby	—	11,674	—	11,674
W. M. Cran	11,674	—	805	12,479
T. C. J. Wood	11,674	—	805	12,479
	37,019	11,674	2,665	51,358

* Appointed as Chairman 18 December 2002

† Resigned 18 December 2002

‡ Appointed 18 December 2002

Directors' Remuneration Report

continued

Directors' Fees (audited)

The services of B. A. Anysz are provided to the Company under the terms of the investment management agreement set out in note 3. This agreement covers all aspects of the management services provided by Capital for Companies ('CfC'), a division of BWD Rensburg Ltd. Consequently, the amount of consideration paid to CfC for making available the services of B. A. Anysz is not separately identifiable. However, of the consideration paid to CfC under the investment management agreement, none relates to making B. A. Anysz available as a Director of the Company.

Directors' Contracts

None of the Directors has a service contract with the Company. The Company's articles of association provide that Directors shall retire at the first Annual General Meeting after their appointment. As the Board comprises five Directors, it is possible that under the Company's existing articles of association a Director may not be subject to re-election until an interval of five years has passed. However, the Board has resolved that any Director who has held office for three years should be subject to re-election even where this would not be required under the articles of association. No compensation is payable to Directors on leaving office.

Dr R. R. Toomey, who was appointed during the year, has specific terms of engagement which include that he has been appointed for an initial period of twelve months and on a rolling basis thereafter, terminable on three months' notice.

Total Shareholder Return

The following graph charts the cumulative total return to ordinary shareholders (being net asset value plus cumulative dividends paid to date) over the past 5 years. This return is compared to the cumulative total shareholder return on a notional investment in the FTSE Aim Index which the Company considers is the most appropriate index against which to measure Company performance. The data has been rebased to 100 at 31 March 1998.

Approval of this Report

This Directors' Remuneration Report was approved by the Board on 25 June 2003 and was signed on its behalf by:

B. A. Anysz
Director



An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

Independent Auditor's Report

to the members of Capital for Companies VCT plc

We have audited the financial statements on pages 20 to 29. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company or the Company's members, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 16, this includes responsibility for preparing financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

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

We review whether the statement on pages 15 and 16 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2003 and of the loss of the Company for the year then ended; and the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

25 June 2003

Profit and Loss Account

for the year ended 31 March 2003

	Notes	2003 Revenue £000	2003 Capital £000	2003 Total £000	2002 Revenue £000	2002 Capital £000	2002 Total £000
Losses on disposals of investments	8c	—	(365)	(365)	—	(470)	(470)
Income	2	367	—	367	426	—	426
Investment management fee	3	(76)	(228)	(304)	(103)	(311)	(414)
Other expenses	4	(46)	(42)	(88)	(41)	(40)	(81)
Profit/(loss) on ordinary activities before tax		245	(635)	(390)	282	(821)	(539)
Tax on profit/(loss) on ordinary activities	5	(15)	15	—	(20)	20	—
Profit/(loss) on ordinary activities after tax		230	(620)	(390)	262	(801)	(539)
Equity dividends	6	(230)	(101)	(331)	(262)	(411)	(673)
Retained loss for the year	12	—	(721)	(721)	—	(1,212)	(1,212)
Earnings/(loss) per ordinary share	7	1.40p	(3.77)p	(2.37)p	1.62p	(4.94)p	(3.32)p

Statement of Total Recognised Gains and Losses

for the year ended 31 March 2003

	Notes	2003 Revenue £000	2003 Capital £000	2003 Total £000	2002 Revenue £000	2002 Capital £000	2002 Total £000
Profit/(loss) on ordinary activities after tax		230	(620)	(390)	262	(801)	(539)
Unrealised losses on revaluation of investments	8d	—	(3,119)	(3,119)	—	(2,014)	(2,014)
Total recognised gains and losses during the year		230	(3,739)	(3,509)	262	(2,815)	(2,553)
Total recognised gains and losses per ordinary share	7	1.40p	(22.75)p	(21.35)p	1.62p	(17.35)p	(15.73)p

Note of Historical Cost Profits and Losses

for the year ended 31 March 2003

	2003 £000	2002 £000
Loss on ordinary activities before tax	(390)	(539)
Realisation of revaluation (losses)/gains of previous years	(670)	530
Historical cost loss on ordinary activities before tax	(1,060)	(9)
Historical cost loss for the year retained after taxation and dividends	(1,391)	(682)

All items in the above statements derive from continuing activities.

The accompanying notes are an integral part of these statements.

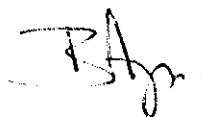
Balance Sheet

as at 31 March 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Investments	8a	10,295	14,141
Current assets			
Debtors	9	99	125
Cash at bank and on deposit		317	644
		416	769
Creditors (amounts falling due within one year)	10	(234)	(467)
Net current assets		182	302
Net assets		10,477	14,443
Capital and reserves			
Called-up share capital	11	1,629	1,650
Share premium account	12	7,495	7,457
Capital redemption reserve	12	70	45
Revaluation reserve	12	(2,879)	(430)
Special reserve	12	5,368	5,867
Profit and loss account	12	(1,206)	(146)
Equity shareholders' funds	13	10,477	14,443
Net asset value per share	14	64.33p	87.54p

The financial statements on pages 20 to 29 were approved by the Board of Directors on 25 June 2003 and were signed on its behalf by:

B. A. Anysz
Director



The accompanying notes are an integral part of these statements.

Cash Flow Statement

for the year ended 31 March 2003

	2003 £000	2002 £000
Operating activities		
Loss on ordinary activities before tax	(390)	(539)
Decrease/(increase) in debtors	22	(33)
Decrease in creditors	(54)	(119)
Decrease in tax withheld at source	4	1
Loss on disposal of investments	365	470
Net cash outflow from operating activities	(53)	(220)
Taxation	—	—
Capital expenditure and financial investment		
Purchases of investments	(2,258)	(3,435)
Proceeds from sales/repayments of investments	2,620	1,531
Net cash inflow/(outflow) from capital expenditure and financial investment	362	(1,904)
Dividends		
Equity dividends paid	(510)	(490)
Financing		
Issue of ordinary shares	44	3,411
Expenses paid in connection with share issues	(2)	(204)
Buy-back of ordinary shares	(168)	(297)
Net cash (outflow)/inflow from financing	(126)	2,910
(Decrease)/increase in cash	(327)	296
Analysis of changes in net funds		
Net cash at 1 April 2002	644	348
Net cash (outflow)/inflow for the year	(327)	296
Net cash at 31 March 2003	317	644

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items that 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 in accordance with applicable accounting standards.

Investments

Listed investments and investments traded on AIM are stated at closing middle market price. Unquoted investments are stated at Directors' valuation in accordance with the British Venture Capital Association guidelines for the valuation of venture capital investments. In determining this valuation the Directors give consideration to the period of investment, the performance of the investment against plan, appropriately discounted comparative listed companies' price earnings ratios and any recent transactions.

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 Company's objectives it would be inappropriate to treat any such investments as associated undertakings.

Income

Equity dividends are brought to account on the ex-dividend date. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. All other income is recognised on an accruals basis.

Expenditure

All expenditure is accounted for on an accruals basis and is charged wholly to the profit and loss account with the following exceptions:

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

Revenue/Capital

The revenue column of the profit and loss account includes all income and expenses. The capital column accounts for the realised profit and loss on investments and the proportion of management fees and Directors' remuneration charged to capital.

Revaluation reserve

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

Financial instruments

During the course of the year the Company held fixed asset investments and cash balances. The Company holds financial assets in UK listed, AIM and unquoted companies. The fair value is not materially different from the carrying value of all financial assets and liabilities. Further information on financial instruments and the risks associated with holding such assets can be found in note 15 to these financial statements.

Notes to the Financial Statements

continued

2 Income

	2003 £000	2002 £000
UK franked investment income	169	182
Unfranked investment income	—	10
Interest receivable from fixed interest government stocks	185	195
Deposit interest	13	38
Other income	—	1
	367	426

3 Investment management fee

	2003 £000	2002 £000
Investment management fee	257	349
Irrecoverable value added tax thereon	47	65
	304	414

Capital for Companies (CfC), a division of BWD Rensburg Ltd, provides investment management and secretarial services to the Company under an agreement dated 5 March 1996. This agreement was for an initial fixed term of three years and may be terminated by either party on not less than twelve months' notice expiring at the end of the fixed term or any time thereafter.

CfC receives 2.5% per annum of the net assets at the year end of the Company (plus value added tax). There is no bonus element attached to this fee.

Investment management fees have been charged 25% to revenue and 75% to capital to represent an estimate of the time spent by the manager on administration and investment management respectively.

4 Other expenses

	2003 £000	2002 £000
Directors' remuneration (see pages 17 and 18)	52	51
Auditors' remuneration		
— audit	7	7
— other services to the Company	1	1
Other	23	18
Irrecoverable value added tax	5	4
	88	81

Directors' remuneration has been charged 25% to revenue and 75% to capital to represent an estimate of the time spent by the Directors on administration and investment management respectively.

5 Taxation

The Company is subject to corporation tax at 20% (2002: 20%). Applying this rate to the loss on ordinary activities before tax would give a tax credit of £78,000 (2002: £107,800). However UK dividends are not liable to corporation tax. Accordingly, the tax deductible expenses substantially exceed the taxable income of the Company and as a result, there is no tax charge.

At 31 March 2003 the Company had surplus tax deductible expenses of £1,056,000 (2002: £919,000) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future period in excess of deductible expenses of that period and accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

Corporation tax of £15,000 (2002: £20,000) has been charged to the revenue account which represents a charge of 20% (2002: 20%) of the excess of taxable revenue income over allowable expenses charged to the revenue account. An equivalent tax credit is charged to the capital account which represents a tax allowance relating to the excess of allowable expenses charged to the capital account over capital income.

6 Equity dividends

	2003 £000	2002 £000
Ordinary 10p shares		
Interim paid — 1.00p (2002: 2.00p)	168	328
Final proposed — 1.00p (2002: 2.10p)	163	345
	331	673

7 Returns per share

Losses per share of 2.37p (2002: 3.32p) are based on the loss on ordinary activities after tax of £390,000 (2002: £539,000) and on 16,434,110 (2002: 16,226,372) ordinary shares, being the weighted average number of shares in issue during the year.

Total recognised losses per share of 21.35p (2002: 15.73p) are based on the total recognised losses for the year of £3,509,000 (2002: £2,553,000) and on 16,434,110 (2002: 16,226,372) ordinary shares, being the weighted average number of shares in issue during the year.

Notes to the Financial Statements

continued

8 Investments

	2003 £000	2002 £000
a) Investment summary by value		
Unquoted investments	905	1,763
Investments traded on AIM	4,159	4,973
Listed investments	5,231	7,405
	10,295	14,141

b) Movements during the year:	Listed £000	Traded on AIM £000	Unquoted £000	Total £000
Opening book cost	7,357	4,999	2,215	14,571
Opening unrealised appreciation/depreciation	48	(26)	(452)	(430)
Opening valuation	7,405	4,973	1,763	14,141
Transfer book cost	(284)	284	—	—
Purchases at cost	794	1,354	110	2,258
Disposals proceeds	(1,723)	(835)	(62)	(2,620)
Realised losses on disposals	(368)	(60)	(607)	(1,035)
Change in unrealised appreciation/depreciation	(593)	(1,557)	(299)	(2,449)
Closing valuation	5,231	4,159	905	10,295
Closing book cost	5,776	5,742	1,656	13,174
Closing unrealised depreciation	(545)	(1,583)	(751)	(2,879)
	5,231	4,159	905	10,295

c) Analysis of realised gains and losses:	2003 £000	2002 £000
Realised (losses)/gains on disposals from above analysis	(1,035)	60
Transfer realisation of revaluation gains and losses of previous years	670	(530)
Losses on investments	(365)	(470)

d) Analysis of unrealised gains and losses:	2003 £000	2002 £000
Change in unrealised appreciation from above analysis	(2,449)	(2,544)
Transfer realisation of revaluation gains and losses of previous years	(670)	530
Unrealised losses on revaluation of investments	(3,119)	(2,014)

e) Investments can be analysed as follows:	2003 £000	2002 £000
Qualifying equity shares	4,772	6,681
Qualifying non-equity shares	273	335
Qualifying loans	60	—
Non-qualifying equity shares	416	—
Unit trusts and fixed interest securities	4,774	7,125
	10,295	14,141

9 Debtors

	2003 £000	2002 £000
Prepayments and accrued income	99	125

10 Creditors (amounts due within one year)

	2003 £000	2002 £000
Trade creditors	63	110
Accruals and deferred income	8	15
Proposed dividend	163	342
	234	467

11 Called up share capital

	2003 £000	2002 £000
Authorised		
18,000,000 Ordinary shares of 10p each (2002: 18,000,000)	1,800	1,800
Allotted, issued and fully paid up		
16,287,302 Ordinary shares of 10p each (2002: 16,498,139)	1,629	1,650

Since 31 March 2002 the issued share capital has been changed as follows:

	Date	£000	£000
As at 1 April 2002			1,650
<i>Allotments:</i>			
46,000 at 96p	April 2002		4
<i>Purchases:</i>			
50,000 at 76p	June 2002	(5)	
17,000 at 70p	August 2002	(2)	
55,137 at 69p	August 2002	(5)	
9,500 at 65p	November 2002	(1)	
5,000 at 65p	December 2002	(1)	
55,000 at 60p	December 2002	(5)	
12,200 at 60p	January 2003	(1)	
35,000 at 55p	February 2003	(3)	
18,000 at 55p	March 2003	(2)	(25)
As at 31 March 2003			1,629

Notes to the Financial Statements

continued

12 Reserves

	Non-distributable reserves			Distributable reserves	
	Share premium £000	Capital redemption reserve £000	Revaluation reserve £000	Special reserve £000	Profit and loss account £000
At 31 March 2002	7,457	45	(430)	5,867	(146)
Issue of new shares	38	—	—	—	—
Purchase of own shares	—	25	—	(168)	—
Change in unrealised appreciation	—	—	(3,119)	—	—
Transfer of prior years' revaluation	—	—	670	—	(670)
Transfer of distribution to profit & loss account	—	—	—	(331)	331
Retained loss for the year	—	—	—	—	(721)
At 31 March 2003	7,495	70	(2,879)	5,368	(1,206)

Increases or decreases in the valuation of the Company's investments are accounted for in the revaluation reserve. When an investment is sold any balance held on the revaluation reserve is transferred to the profit and loss account as a movement on reserves.

13 Reconciliation of equity shareholders' funds

	2003 £000	2002 £000
Loss on ordinary activities after tax	(390)	(539)
Dividends	(331)	(673)
Transfer from reserves	(721)	(1,212)
Change in unrealised depreciation	(3,119)	(2,014)
New share capital issued including premium, net of expenses	42	3,207
Purchase of own shares	(168)	(297)
Net deduction from equity shareholders' funds	(3,966)	(316)
Opening equity shareholders' funds	14,443	14,759
Closing equity shareholders' funds	10,477	14,443

14 Net asset value per share

The net asset value per share at 31 March 2003 is based on net assets of £10,477,000 and on 16,287,302 ordinary shares, being the number of ordinary shares in issue on that date.

15 Financial instruments

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

- Equity shares, unit trusts, non-equity preference shares, fixed interest gilts and cash;
- Liquid resources, short-term debtors and creditors that arise directly from operations.

The main risks arising from the Company's financial instruments are interest rate, market price, and liquidity risks. The Directors maintain policies for managing these risks, details of which are set out below. These policies have been in operation throughout the period under review. The fair value of the financial assets and liabilities is not materially different from the carrying value.

a) Interest rate risk

(i) Floating rate

The Company from time to time may hold part of its portfolio in cash. Any changes in interest rates will therefore affect the income of the Company. The amount held in cash and subject to floating rate risk at the year end was £317,000 (2002: £644,000). (Benchmark: Bank of England REPO rate less 0.25%.)

(ii) Fixed rate

	2003 Total fixed rate portfolio £000	2003 Weighted average interest rate %	2003 Weighted average period to maturity Days	2002 Total fixed rate portfolio £000	2002 Weighted average interest rate %	2002 Weighted average period to maturity Days
Financial assets	2,907	5.45	508	3,531	5.83	562

The Directors meet monthly to consider the interest rate risk to ensure that the risk reward profile is acceptable.

b) Market price risk

The Company's portfolio is exposed to market price fluctuations, which are monitored by the Manager and reviewed regularly by the Directors in pursuance of the investment objectives and policies. Adherence to the investment and borrowing powers set out in the original prospectus mitigates the risk of excessive exposure to any particular type of security or issuer. Although the Company is permitted to do so, the Directors do not use derivative instruments to hedge the investment portfolio against market risks. The Manager reviews the cost of such derivatives but would only recommend the purchase of such instruments to the Directors if the perceived benefits outweighed the costs to investors. To date this has proved not to be the case.

c) Liquidity risk

The principal exposure of the Company is due to the equity held in AIM and other unquoted companies as a result of the possible failure of such companies. The Manager reviews the liquidity risk daily with a view to ensuring that the element of investors' funds that are held in cash or more readily realisable securities is sufficient to meet potential liabilities that may arise. The manager and Directors are aware that the Company's investment portfolio could be difficult to realise and the fact that a share is traded on AIM does not guarantee its liquidity.

Trading History

	Year ended 31 March 2003	Year ended 31 March 2002	Year ended 31 March 2001	Year ended 31 March 2000	Year ended 31 March 1999*
Income	£367,000	£426,000	£340,000	£314,000	£493,000
Revenue return before tax	£245,000	£282,000	£228,000	£181,000	£395,000
Revenue return per share	1.40p	1.62p	2.11p	1.62p	1.96p
(Loss)/profit on ordinary activities before tax	(£390,000)	(£539,000)	(£928,000)	£1,262,000	(£764,000)
(Loss)/earnings per share	(2.37p)	(3.32p)	(8.30p)	12.15p	(8.21p)
Dividend per share	2.0p	4.1p	6.0p	7.0p	4.0p
Net assets	£10,477,000	£14,443,000	£14,759,000	£15,327,000	£9,934,000
Net asset value per share	64.33p	87.54p	106.93p	148.72p	96.30p
Number of qualifying investments	35	34	36	30	16
Value of qualifying investments	£5,104,000	£7,015,000	£8,925,000	£9,918,000	£4,639,000

* As restated

Useful Information for Shareholders

Annual General Meeting

This year's Annual General Meeting will be held at Quayside House, Canal Wharf, Leeds, LS11 5PU on Wednesday 30 July 2003 at 10:30 am.

Payment of Dividend

Cash dividends will be sent by cheque on 29 August 2003, to the first named Shareholder on the Register at close of business on 1 August 2003 to their registered address. At the request of Shareholders, dividends may instead be paid direct into the Shareholder's bank account through the Banker's Automated Clearing System (BACS). This may be arranged by contacting the Company's registrar on 01484 600900.

Price and Performance Information

The Company's ordinary shares are traded on the London Stock Exchange and the prices are shown in the Financial Times, Yorkshire Post and Daily Express under 'Investment Companies'.

Share price information is also available:

- on our website at www.cfc-vct.co.uk. The share price is updated every 15 minutes;
- on Channel 4 teletext. The price is updated regularly throughout the day;
- from BWD Rensburg Ltd on 0113 245 4488;
- from any stockbroker.

Venture Capital Trusts (VCTs)

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

- Income tax relief of 20% in the year of subscription on investments of up to £100,000 in any tax year, provided that the VCT shares are held for at least three years (five years if the investment was made prior to 5 April 2000);
- Up to 40% CGT deferral by investing taxable capital gains up to a maximum of £100,000 per tax year.

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

Effect of initial tax reliefs

	No VCT tax relief £	20% income tax relief £	20% income tax relief and capital gains tax deferral £
Initial investment	100,000	100,000	100,000
20% income tax relief	—	(20,000)	(20,000)
Capital gains tax deferral*	—	—	(40,000)
	100,000	80,000	40,000

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

Useful Information for Shareholders

continued

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

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

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

The tax reliefs available to individuals mean that the returns from dividend payments made by a VCT are enhanced. For example, for a higher rate taxpayer with the full VCT reliefs who receives a dividend of 2p on a 100p subscription price, the dividend which the taxpayer would have to receive from a non-VCT equity to generate the same after tax yield would be a dividend of 6.67p. This is illustrated below.

Illustration of VCT reliefs

	No VCT relief	20% income tax relief	Full VCT reliefs
Effective cost per share	100p	80p	40p
Cash dividend paid	2.00p	2.00p	2.00p
Effective dividend yield	2.00%	2.50%	5.00%
Cash dividend received from non-VCT equity	2.67p	3.33p	6.67p

Explanation of terms

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

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

Companies whose shares are dealt in on AIM are regarded as unquoted for these purposes. Shares in companies who move from AIM to the Official List are regarded as unquoted for a period of five years from the date of listing on the Official List.

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

Notice of Annual General Meeting

Notice is given that the seventh Annual General Meeting of Capital for Companies VCT plc will be held at Quayside House, Canal Wharf, Leeds, LS11 5PU at 10:30 a.m., on 30 July 2003 for the following purposes:

Ordinary Business

1. To receive and adopt the report of the Directors and the audited accounts for the year ended 31 March 2003.
2. To approve the Directors' Remuneration Report for the year ended 31 March 2003.
3. To declare a final dividend for the year ended 31 March 2003.
4. To re-elect Timothy Charles Jason Wood, a Director retiring by rotation.
5. To re-elect Richard Godfrey Battersby, a Director retiring by rotation.
6. To elect Robert Richard Toomey as a Director.
7. To re-appoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting at which accounts are laid before the Company and to authorise the Directors to agree their remuneration.

Special Business

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

Ordinary Resolutions

8. That the Company's authorised share capital be increased from £1.8 million to £2.5 million by the creation of 7 million ordinary shares of 10p each and each such ordinary share shall rank *pari passu* with existing ordinary shares of 10p each in the capital of the Company.
9. That the Directors of the Company be and are generally granted and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ('the Act') to exercise all the powers of the Company:
 - i. to allot, grant options over, offer or otherwise deal with or dispose of relevant securities (within the meaning of Section 80 (2) of the Act) up to an aggregate nominal value of £45,074; 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

provided that the authority conferred by this resolution 9 shall expire on 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 passing of this resolution 9 unless varied, revoked or renewed 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 conferred by this resolution 9 had not expired. This authority shall be in substitution for all previous authorities under Section 80 of the Act which are pursuant to this resolution 9 revoked but without prejudice to any allotment, offer or agreement made or entered into prior to the date of this resolution 9.

Special Resolutions

10. That, in accordance with article 52 of the articles of association of the Company, the Company be and is generally and unconditionally authorised for the purpose of Section 66 of the Act 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 ordinary shares of 10p each in the capital of the Company ('Ordinary Shares') on the terms set out below:
 - i. the maximum aggregate number of Ordinary Shares authorised to be purchased by the Company pursuant to this resolution 10 is 814,365 (representing five per cent of the number of Ordinary Shares in issue); and
 - ii. the minimum price which may be paid for each of those Ordinary Shares (exclusive of expenses) is 10p; and
 - iii. the maximum price (exclusive of expenses) which may be paid for each of those Ordinary Shares is not more than five per cent above the average of the middle market quotations for Ordinary Shares (as derived from the Official List of the United Kingdom Listing Authority) for the five 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 conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the date of the passing of this resolution 10, save that the Company may before the expiry of this authority conclude any contract for the

Notice of Annual General Meeting

continued

purchase of its own shares pursuant to the authority conferred by this resolution which contract would or might be executed wholly or partially after the expiration of this authority as if the authority conferred by this resolution 10 had not expired.

11. That, subject to and conditional upon the passing of resolution 9 above, the Directors be and are 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 resolution 9 above 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 any rights issue in favour of ordinary shareholders, where the equity securities respectively attributable to the interests of all ordinary shareholders 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 deemed to be 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 legal or practical problems arising in respect of any territory or the requirements of any regulatory body or stock exchange; and
- ii. the allotment (otherwise than pursuant to subparagraph i) of equity securities to an aggregate nominal value of £81,437 (representing five per cent of the number of Ordinary Shares in issue);

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 11 unless renewed or extended prior to such expiry, save that the Company may before such expiry 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 any such offer or agreement notwithstanding that the power conferred by this resolution 11 has expired.

12. That article 87 of the Company's Articles of Association be amended by deleting the figure "£50,000" from the third line of that article and inserting the figure "£75,000" in its place, such amendment to take effect from the passing of this resolution.
13. That the amount standing to the credit of the share premium account for the Company be and the same is reduced by the sum of £7,495,000.

By Order of the Board

J. P. Wragg, BSc (Hons), ACA

Secretary

Registered Office:

Quayside House

Canal Wharf

Leeds

LS11 5PU

4 July 2003

Notes

- i. A member entitled to attend and vote at the meeting is entitled to appoint one or more person(s) as a proxy to attend and in the event of a poll to vote on his/her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice for use at the meeting.
- ii. To be valid, the instrument appointing a proxy (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) must be deposited at or posted to the office of the Registrars of the Company, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA, to be received no later than 48 hours before the fixed time of the meeting. Completion and return of the form of proxy will not preclude a shareholder from attending or voting at the meeting in person if he/she wishes.
- iii. Copies of the Register 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 office hours and at the place of the meeting from fifteen minutes preceding it until its conclusion.
- iv. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered in the Company's register of members as at 10:30 a.m. on 28 July 2003, or if the meeting is adjourned, shareholders entered on the Company's register of members as at 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the meeting.

Form of Proxy

for use at the Annual General Meeting of Capital for Companies VCT plc to be held at 10:30 a.m. on 30 July 2003

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 on my/our behalf at the Annual General Meeting of the Company to be held at 10:30 a.m. on 30 July 2003 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 adopt the report of the Directors and the audited accounts for the year ended 31 March 2003		
2 To approve the Directors' Remuneration Report for the year ended 31 March 2003		
3 To declare a final dividend for the year ended 31 March 2003		
4 To re-elect Timothy Charles Jason Wood as a Director		
5 To re-elect Richard Godfrey Battersby as a Director		
6 To elect Robert Richard Toomey as a Director		
7 To re-appoint KPMG Audit Plc as auditors of the Company and to authorise the Directors to agree their remuneration		
8 To increase the Company's authorised share capital		
9 To authorise the Directors to allot shares		
10 To authorise the buy-back of shares*		
11 To disapply pre-emption rights*		
12 To increase the limit on the aggregate Directors' remuneration to £75,000*		
13 To reduce the share premium account by £7,495,000*		

* Special Resolution

Please sign and insert date Signed Date2003

Notes

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 other joint holders. For this purpose, seniority shall be determined by the order in which names stand in the register of members.
2. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him/her. 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, Woodsome Park, 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.
5. The Register of Directors' interests in the Share Capital of the Company is available for inspection during normal office hours on weekdays at the Registered Office of the Company and at the place of the meeting from 15 minutes preceding it until its conclusion.
6. If approved, the final dividend on ordinary shares will be paid to shareholders on the register at the close of business on 1 August 2003. Dividend cheques will be posted on 29 August 2003.

Second fold

BUSINESS REPLY SERVICE
Licence No. HF 106

1



Northern Registrars Ltd
Registrars for Capital for Companies VCT plc
Northern House
Woodsome Park
Fenay Bridge
HUDDERSFIELD
HD8 0JQ

First fold

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Company Information

Secretary and Registered Office

J. P. Wragg, BSc (Hons), ACA
Quayside House
Canal Wharf
Leeds
LS11 5PU

Manager

Capital for Companies
Quayside House
Canal Wharf
Leeds
LS11 5PU

Auditors

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Company Registration Number

3145895 in England and Wales

Registrars

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

Solicitors

Walker Morris
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Leeds
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Stockbroker

Williams de Broë Plc
4 Park Place
Leeds
LS1 2RU

and

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Birmingham
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Capital for Companies VCT plc

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