

3145895 -

Copies of this document ("the Prospectus") which comprises a prospectus relating to Capital for Companies VCT plc ("the Company") prepared in accordance with the listing rules made under section 142 of the Financial Services Act 1986, have been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of the Company in issue, and to be issued pursuant to the Offer, to be admitted to the Official List. It is expected that such admission will become effective, and that dealings in the Ordinary Shares will commence, on 11 April 1996.

The Directors of the Company, whose names appear under "Directors, Manager and Advisers", on page 3 of this document accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Peel, Hunt & Company Limited is acting for the Company in relation to the Offer, is not advising any other person or treating any other person as a customer in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its customers. If you are in any doubt about what action to take you should immediately consult your independent financial adviser authorised under the Financial Services Act 1986.

CAPITAL FOR COMPANIES VCT plc

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

PLACING AND OFFER FOR SUBSCRIPTION

of up to 10,000,000 Ordinary Shares of 10p each at £1 per share payable in full on application

**Sponsored by Peel, Hunt & Company Limited
and distributed by BWD Rensburg Limited**

Share capital immediately following the Offer on the basis that the Offer is fully subscribed

Authorised		Issued and to be issued, fully paid	
Number	Amount	Number	Amount
11,000,000	£11,000,000	10,000,020	£1,000,002
		<i>ordinary shares of 10p each</i>	

Notices of intention to subscribe in the Placing have been received in respect of 2,568,500 Ordinary Shares. Accordingly up to 7,431,500 Ordinary Shares (together with any not subscribed in the Placing) are being offered to the public under the Offer for Subscription. The minimum subscription under the Offer is £4 million. BWD Securities PLC have agreed to subscribe for up to 1.5 million Ordinary Shares, to the extent that subscriptions for less than 4 million Ordinary Shares are received in aggregate under the Offer.

The procedure for, and the terms and conditions of, application under the Offer are set out at the end of this document and Application Forms are attached. The minimum application under the Offer for Subscription is £2,000, and under the Placing is £5,000.

Completed Application Forms must be posted or delivered by hand to Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA so as to be received by 10.00 am on 3 April 1996.

Via
LEEDS
SATELLITE
OFFICE



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Expected Timetable

Close of Offer for Subscription	3 April 1996
Basis of allocation to be announced	4 April 1996
Dealings expected to commence	11 April 1996
Despatch of definitive certificates	17 April 1996

Directors, Manager and Advisers

Non-Executive Directors

Richard Bearder de Zouche OBE, FCA *Chairman*

William Michael Cran

Richard Godfrey Battersby BA, FCA, JDipMA

Barry Aubrey Anysz BComm, AMSI

Timothy Charles Jason Wood FCA, MSI

all of

Registered Office

3 Park Court

Park Cross Street

Leeds

LS1 2QH

Secretary

Michael John Dickinson FCA, AMSI

Manager

Capital for Companies

3 Park Court

Park Cross Street

Leeds

LS1 2QH

Sponsor

Peel, Hunt & Company Limited

62 Threadneedle Street

London

EC2R 8HP

and

Carlton Tower

St. Paul's Street

Leeds

LS1 2QB

Stockbroker

BWD Rensburg Limited

100 Old Hall Street

Liverpool

L3 9AB

Solicitors to the Company and to the Offer

Walker Morris

Kings Court

12 King Street

Leeds

LS1 2HL

Auditors

Robson Rhodes

Colwyn Chambers

19 York Street

Manchester

M2 3BA

Bankers

Lloyds Bank Plc

1 Westgate

Huddersfield

HD1 2DN

Registrars and Receiving Agents

Northern Registrars Limited

Northern House

Penistone Road

Fenay Bridge

Huddersfield

HD8 0LA

Definitions

In this document the following words and expressions shall, unless the context requires otherwise, have the following meanings:

"Admission" admission of the Ordinary Shares to the Official List of the London Stock Exchange

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

"Annual Running Costs" the annual costs incurred by the Company in the ordinary course of its business (including irrecoverable VAT)

"Application Form" or "Application Forms" the application forms in respect of the Offer set out at the end of this document

"BES" Business Expansion Scheme

"Board" or "Directors" the directors of the Company whose names appear under "Directors, Manager and Advisers" on page 3 of this document

"BVCA" British Venture Capital Association

"BWD Rensburg" BWD Rensburg Limited, a subsidiary of BWD Securities PLC, a member of the London Stock Exchange and regulated by The Securities and Futures Authority Limited

"CGT" Capital Gains Tax

"Company" or "CFC VCT" Capital for Companies VCT plc

"Enduring Declaration" the Enduring Declaration contained within each of the Application Forms

"Fixed Interest Securities" principally fixed interest Government stocks and other fixed interest stocks or cash deposits

"London Stock Exchange" London Stock Exchange Limited

"Management Agreement" the agreement between the Company and BWD Rensburg, details of which are set out in paragraph 7 of Part IV of this document

"the Manager" or "CFC" Capital for Companies, a division of BWD Rensburg Limited

"Manager's Options" the options granted to BWD Rensburg to subscribe for Ordinary Shares up to a maximum number equal to 10 per cent. of the Ordinary Shares in issue following closure of the Offer, on the basis described herein

"Offer" the Placing and Offer for Subscription, taken as a whole

"Offer for Subscription" the offer for subscription of up to 7,431,500 Ordinary Shares on the terms and conditions set out herein

"Offer Price" £1 per Ordinary Share

"OFEX" Shares traded other than under the rules of the London Stock Exchange, by JP Jenkins Limited

"Official List" the Official List of the London Stock Exchange

"Option Agreement" the agreement between the Company and BWD Rensburg setting out the terms and conditions on which the Manager's Options are granted, details of which are set out in paragraph 7 of part IV of this document

"Ordinary Shares" ordinary shares of 10p each in the capital of the Company

"Peel Hunt" Peel, Hunt & Company Limited

"Placing" the placing of up to 2,568,500 Ordinary Shares by BWD Rensburg Limited on the terms and conditions set out herein

"Placing and Offer for Subscription Agreement" the agreement between the Company, the Directors, Peel Hunt and BWD Securities PLC, details of which are set out in paragraph 7 of Part IV of this document

"Qualifying Company" a company as described in Part III of this document

"Qualifying Holding" a holding as described in Part III of this document

"Shareholders" holders of Ordinary Shares

"Unquoted UK Company" a UK company whose shares are not quoted on any recognised stock exchange but which may be traded on AIM

"VAT" Value Added Tax

"Venture Capital Trust" or "VCT" a venture capital trust as defined in section 842AA of the Income and Corporation Taxes Act 1988

Key Information

The information set out below is derived from and should be read in conjunction with the full text of the Prospectus. Your attention is also drawn to the Risk Factors set out in Part II of this document.

- VCTs are designed to provide shareholders with a tax efficient vehicle in which to invest so as to achieve attractive returns from a portfolio of mainly unquoted shares and securities.
- The tax benefits available to qualifying shareholders on subscription are:
 - income tax relief at the lower rate (currently 20 per cent.) on the cost of the investment
 - capital gains deferral on gains re-invested
 - tax free dividends and capital gains.

Shareholders may be able to combine these benefits to qualify for a total initial tax relief of up to 60 per cent. Shareholders must hold shares in a VCT for at least five years in order to retain the income tax benefits gained on subscription. Attention is drawn to Part III which sets out further details.

- The Company's objective is to achieve long term capital growth combined with a progressive dividend policy. It will invest in a portfolio of mainly unquoted companies across a broad range of industrial sectors. It is anticipated that most of the investee companies will be located in the North of England.
- CFC, who will manage the Company, is a member of the British Venture Capital Association (BVCA). Since CFC was established in 1983 it has raised £96 million of which £11 million has been raised for investment in unquoted company funds. As at 31 January 1996 these funds had been invested in 61 companies, 58 of which would have been Qualifying Companies under the VCT legislation. Included in the total raised is £77.5 million which CFC currently manages on behalf of investors in 16 companies under the BES Assured Tenancy legislation.
- The Board includes a majority of directors independent of CFC, with considerable experience of quoted and unquoted companies.

- The funds not immediately required for investment in unquoted companies will be invested in Fixed Interest Securities, or quoted equities managed by BWD Rensburg's award winning unit trust managers.
- An initial gross dividend equivalent to a yield of 4 per cent. per annum is anticipated. This is equivalent to a gross annual yield of 8.3 per cent. for a higher rate taxpayer and 16.7 per cent. if in addition there is maximum CGT deferral.
- Launch costs will be limited to 5 per cent. of the total amount subscribed under the Offer excluding any irrecoverable VAT. Annual Running Costs will be no more than 3.5 per cent. (plus any applicable VAT) of the Company's net assets (inclusive of the Manager's fee).
- The initial life of the Company will be six years.
- Notices of intention to subscribe in the Placing have been received by BWD Rensburg as agent for the Company for 2,568,500 Ordinary Shares. BWD Securities PLC have agreed to subscribe for up to 1.5 million Ordinary Shares, to the extent that subscriptions for less than 4 million Ordinary Shares are received in aggregate under the Offer. Accordingly up to 7,431,500 Ordinary Shares (together with any not subscribed pursuant to the Placing) are being offered by way of the Offer for Subscription at a minimum subscription of £2,000 and in multiples of £500 thereafter.
- Application has been made to the London Stock Exchange for the Ordinary Shares, issued and to be issued under the Offer to be admitted to the Official List. The acceptance of applications by the Company will not, however, be conditional upon such admission taking place within the time scale envisaged by this document or at all.

Offer Statistics

Offer price per Ordinary Share	£1
Initial net asset value per Ordinary Share	95 pence
Estimated gross dividend	4.0 pence
Maximum number of Ordinary Shares in issue following the Offer	10 million
Maximum net proceeds of the Offer	£9.5 million
Minimum net proceeds of the Offer	£3.8 million

Background to the Company

Introduction

The Company's objective is to provide investors with a tax efficient investment opportunity offering potentially high returns paid out as dividends and capital profits.

An investment in the Company is intended to give Shareholders an interest in a diversified portfolio of mainly unquoted companies which offer the possibility of providing an above average return when they are eventually sold or achieve a listing on the London Stock Exchange, AIM or OFEX.

The Company's unquoted investments will be managed by CFC who has wide experience in venture capital investment management.

Investment in unquoted companies can be highly profitable. Over the three years ended 29 December 1995 the average annual compound return from shares in investment trusts specialising in unquoted companies was 17.7 per cent. (*Source: Association of Investment Trust Companies, Monthly Information Service, January 1996*).

Investment in unquoted companies is subject to the risks which are set out in Part II of this document.

Background

VCTs were introduced by the Finance Act 1995 and are companies, similar to investment trusts, which are quoted on the London Stock Exchange. They provide potentially valuable tax incentives to shareholders, particularly those subscribing to the original offer.

The Government is keen to stimulate the flow of funds into the unquoted companies sector which is growing in importance to the UK economy. There is still an "equity gap" where smaller developing companies find difficulty in raising new share capital to fund their continued growth, especially with transactions below £0.5 million where set-up costs, including legal and investigation fees, can take up a relatively high proportion of the total investment. It is the Government's intention that VCTs will fill this "equity gap" by targeting venture capital investments at the smaller developing company.

Despite the rapid growth of the venture capital industry over the past few years with the industry investing £1,668 million in UK companies in 1994, this represents investments in a total of just 0.07 per cent. by number of VAT registered companies as at the end of 1993. Only £76 million (5 per cent. of the

total) of venture capital investments were made in 177 transactions to companies at an early stage of their development, and just £415 million (25 per cent. of the total) was provided for expansion capital in 706 transactions with established companies. The overall average size of venture capital transactions was £1.3 million, considerably higher than the maximum permitted investment of £1 million for a Qualifying Company (*Source: BVCA Report on Investment Activity, 1994*). Investments in Qualifying Companies made by CFC VCT are expected to be in the range of £250,000 to £750,000, with an average of about £500,000.

The Directors believe that the current conditions in the UK economy are favourable for the launch of a VCT. Unquoted companies should benefit from this economic environment and offer investors the potential for high returns when finance is provided to companies run by experienced and well motivated management teams. VCTs provide investors with an opportunity to achieve a spread of risk by investing in a portfolio of unquoted companies.

Investors in a VCT will have the advantage of some liquidity for their investment if the company's shares are listed on the London Stock Exchange. This is in contrast with a direct investment in an unquoted company, or with an investment in a company under the Enterprise Investment Scheme where there is no regulated market.

Venture capital

Venture capital is, by nature, a long term investment. It can take several years before an objective valuation of a fund specialising in investments in unquoted companies can be made. However, a recent BVCA survey of 84 funds established in the period 1980 to 1990 which had invested £2,605 million by the end of 1994 showed that by the end of that year £2,256 million or 87 per cent. had been distributed to investors in cash or quoted shares. In addition, the valuation of the remaining assets was £1,600 million, giving a total of £3,856 million and overall a 48 per cent. increase over cost. If all of the cash flow and assets of these funds are pooled, the internal rate of return generated for the sector at the end of 1994 was 12.1 per cent. per annum. This figure is expected to improve as the portfolio of investments matures and its inherent value is revealed by trade sales and flotation (*Source: BVCA Performance Measurement Survey, 1994*).

Tax benefits of VCTs for investors

VCTs offer substantial tax advantages to the individual investor of 18 years of age or more, on investments of up to £100,000 per annum:

- **Income Tax Relief:** Subscribers for new ordinary shares in a VCT can usually claim income tax relief at the lower rate (currently 20 per cent.) of the amount subscribed against their income tax liability in the tax year in which the ordinary shares are issued.
- **Deferral of CGT:** It is possible for a UK resident to defer CGT on realised chargeable gains by investing an amount equal to that gain in an issue of new ordinary shares in a VCT and claiming reinvestment relief.

This may be particularly attractive to an investor who may be reluctant to sell an asset because a disposal would crystallise a CGT liability, even though, on purely investment grounds disposal is desirable. Subscription of an amount equal to the gain in a VCT leaves the investor free to utilise the remaining proceeds elsewhere.

- **Other Tax Reliefs:** Investors subscribing for new VCT shares or purchasing shares in the market will be exempt from income tax on dividends paid out of income or realised capital profits by the VCT.
- **CGT Exemptions:** Investors will be exempt from CGT on the disposal of VCT shares. However, any deferred gain crystallises on such disposal.

Eligible individuals subscribing for new shares in a VCT may be able to combine the income tax relief and deferral of CGT for a total initial tax relief of up to 60 per cent. The cumulative tax benefits could therefore have a significant impact on the effective return from that investment.

Illustration of tax benefits on income

The examples set out below are shown for the purpose of illustrating, on the basis of the assumptions described below, the potential effects of the VCT tax reliefs. The examples are not forecasts and are intended as guides only. Whilst the Directors consider that the assumptions in the examples are fair and reasonable, it should be noted that the actual dividend yield of the Company's shares cannot be predicted with any certainty and may differ materially from the examples shown.

Assumptions:

1. The investor is a higher rate taxpayer and has chargeable gains of £10,000 after utilising all other reliefs.
2. The investor subscribes £10,000 for shares in a VCT. He claims both income tax relief, resulting in a tax repayment of £2,000 and maximum CGT deferral, reducing the immediate cost of his investment by a further £4,000.
3. The VCT produces a net dividend yield of 3.2 per cent. (equivalent to a gross yield of 4 per cent.) and

therefore provides for the payment of a net dividend of £320 to the investor.

4. The manager of the VCT arranges for the repayment of the associated tax credit of £80, which means that the investor actually receives £400.

The net returns for the investor, on the basis of the above assumptions, are set out in Table 1 below. Table 1 also contrasts these returns with those for an investor who claims the 'up front' income tax reliefs only and is not eligible to claim CGT reinvestment relief, and those for an investor in a fund or company which does not entitle him to any tax reliefs.

Table 1

	Income tax and CGT deferral claimed £	Income tax relief claimed £	Assuming no tax reliefs claimed £
Initial investment	10,000	10,000	10,000
Tax relief claimed:			
Income tax (20 per cent.)	(2,000)	(2,000)	
CGT deferral (40 per cent.)*	(4,000)		
	<u>£4,000</u>	<u>£8,000</u>	<u>£10,000</u>
Dividend	320	320	320
Refund of tax credit	80	80	80
Income tax due			(160)
Cash dividend received	<u>£400</u>	<u>£400</u>	<u>£240</u>
Net annual return	<u>10.0%</u>	<u>5.0%</u>	<u>2.4%</u>
Equivalent gross return before tax	<u>16.7%</u>	<u>8.3%</u>	<u>4.0%</u>

* Deferral only. The original gain is liable to be taxed on disposal of the VCT shares.

For a basic rate taxpayer (currently 25 per cent.), again with chargeable unrealised gains of £10,000, the net return would be:

Table 2

	Income tax and CGT deferral claimed	Income tax relief claimed	Assuming no tax reliefs claimed
Net annual return for basic rate taxpayer	<u>7.3%</u>	<u>5.0%</u>	<u>3.2%</u>

As the tables above illustrate, the income returns to investors are significantly enhanced by the available reliefs. The benefit of any increase in capital values will be a tax free addition to this.

Prospective investors should regard an investment in the Company as long term in nature, particularly in the light of its investment objectives and policy. Attention is also drawn to the risk factors set out in Part II of this document.

Prospective investors should be aware that:

- All of the above tax reliefs are limited to investments of up to £100,000 in total in VCTs in each tax year.
- Reliefs are only available to individuals aged 18 or over.

- Sales of shares in a VCT or loss of approved VCT status by the Company within five years of subscription will give rise to a liability to repay the 20 per cent. income tax relief.
- CGT deferral is available only in respect of gains realised on or after 6 April 1995 and within a period of no more than 12 months before or 12 months after the VCT subscription.
- CGT on deferred chargeable gains becomes payable on the disposal of the VCT shares, if the VCT loses its approved VCT status, or if the investor ceases to be a UK resident.

Shareholders will receive within 30 days of the closing of the Offer a certificate specifying the details necessary to enable income tax relief and deferral of CGT to be claimed. Further details relating to the tax reliefs available to individual investors and how to claim them are set out in Part III of this document. This document contains only an outline of the main provisions relating to VCTs and should be read in conjunction with the relevant provisions of the Income and Corporation Taxes Act 1988 and the VCT regulations, which are also summarised in Part III.

Directors

The Board includes a majority of directors independent of the Manager consisting of:

Richard de Zouche OBE, FCA (63), is Non-Executive Chairman. Having qualified as a chartered accountant in 1955, he became a partner at Wilson de Zouche Mackenzie in 1957, and was senior partner there from 1981 until September 1995. He is currently Deputy Chairman of Birmingham Midshires Building Society, and Chairman of The Merseyside Estates Limited. He has held a range of public appointments, and is currently a member of the Economic Affairs Committee of the Association of British Chambers of Commerce.

William Cran (46), is a Non-Executive Director. He has over 22 years experience in the instalment credit and leasing industries. He formed and managed Rydale Finance (Commercial) Limited in 1979 which he sold to Cattles plc in 1984. In the same year he founded The Birkby Group Limited, which was a provider of instalment credit, workshop and office units, and commercial vehicle hire. In August 1992 The Birkby Group Limited was acquired by the Finlan Group plc in a reverse takeover, which subsequently changed its name to Birkby plc. He has been Chief Executive of Birkby plc since the time of the reverse takeover, and is also currently Non-Executive Chairman of Headway plc, a manufacturer of acoustic enclosures, packaging materials, and sofa-beds.

Richard Battersby BA, FCA, JDipMA (53), is a Non-Executive Director. Following his early career as a chartered accountant in public practice he moved into industry, initially with The Royal Bank of Scotland plc, then with Heenan Spark Limited. He was a Director of The Royal Bank of Scotland

Group's development capital subsidiaries from 1974 to 1983. In 1984 he joined the management buy-out team that acquired Kirkby Central Group Limited. After the sale of that company in 1987 to Plaxton Group plc, a listed coach and motor vehicle dealer and coach builder, he became Finance Director of the enlarged group until 1991. He is currently Chairman of AG Holdings plc, a position he took up prior to the company's flotation in June 1993, Chairman of Crowe Underwriting Agency Limited, a Lloyd's members agent, and Neric Limited, a family investment and finance group.

Barry Anysz BComm, AMSI (46), is a Non-Executive Director. He has more than 24 years experience in the venture capital industry having started his career in 1971 with the Industrial and Commercial Finance Corporation (ICFC), now 3i plc. He was with 3i plc until 1983, latterly as area manager of their Leeds office. In 1983 he formed CFC which in 1988 became part of the BWD Securities PLC financial services group, just prior to its flotation. He is a non-executive director of Wescol Group plc, a company in which CFC invested in 1988 and which is now quoted on the London Stock Exchange. He is also a director of BWD Securities PLC, and a number of other companies in which CFC has invested.

Timothy Wood FCA, MSI (53), is a Non-Executive Director. Having qualified as a chartered accountant in 1966, he joined Rensburg and Co., stockbrokers, in 1968 where he became a partner in 1969. In 1988 he became a Director of BWD Securities PLC, following their acquisition of Rensburg and Co. He retired as an Executive Director of BWD Securities PLC in November 1995, and is now retained as a Non-Executive Director.

Manager

CFC was formed in 1983 to manage funds investing in small and medium sized unquoted companies based in the North of England. In 1988 CFC became a member of the BWD Securities PLC financial services group which is quoted on the London Stock Exchange.

CFC has three offices in Leeds, Liverpool and Huddersfield, with four investment executives and one investment consultant supported by five secretarial, administrative and accounting staff. CFC is a member of the British Venture Capital Association (BVCA).

CFC has raised 11 venture capital funds which at 31 January 1996 had invested £9 million in 61 unquoted companies of which 58 would have qualified under the VCT legislation as Qualifying Companies in which a VCT could invest and also met the Company's investment criteria. The unrealised portfolio as at 31 January 1996 comprised investments in 22 companies with a value of £3.9 million. Most of the companies in which CFC has invested have been in the North of England.

Four of the funds have reached maturity and have been distributed to investors in cash or shares resulting in a total gain of 31.5 per cent. over cost.

Three of the companies in which CFC has invested are now quoted on the London Stock Exchange, three others are quoted on AIM or OFEX and 19 have been the subject of trade sales or management buy-outs. Ten of the 11 funds were raised under the terms of the Business Expansion Scheme. The aggregate of these funds would have produced a net return of 163 per cent. on cost to higher rate taxpayers who invested over the ten years to 5 April 1993 taking into account realisations and current valuations in accordance with BVCA guidelines.

As an established provider of equity capital in the North of England, CFC receives a steady deal flow which is an essential ingredient to successful investment. CFC has an extensive network of accountants, solicitors, bankers, corporate finance advisers and other venture capital institutions which refer proposals for appraisal and selection. CFC also receives introductions from the eight regional offices of BWD Rensburg.

CFC is a division of BWD Rensburg, one of the largest firms of investment managers based in the North of England. BWD Rensburg Unit Trust Managers Limited were recently placed third overall in the United Kingdom category of the Sunday Times 1995 Unit Trust Awards which are ranked according to the performance of their full range of funds in different markets.

CFC has developed effective procedures for post investment monitoring and support of investee companies by means of board representation and regular review of management accounts, budgets and capital expenditure. CFC has extensive experience in obtaining and maintaining tax relief on behalf of investors through its involvement with the Business Expansion Scheme since 1983. Such experience is highly relevant to the effective management of a VCT. This is an advantage over most other VCT managers who have not had previous experience of the BES legislation or dealing with private investors.

Since CFC was established it has raised £96 million including £77.5 million raised and managed on behalf of 16 companies under the BES Assured Tenancy legislation.

Investment policy

CFC intend to make investments in new issues of ordinary and preference shares, loans and loan stock primarily in established, developing unquoted companies with gross assets of under £10 million in order to satisfy the qualifying criteria for VCTs. The Manager will not invest in start-ups but may invest in companies at an early stage of their development. Target companies are expected to be:

- Those seeking expansion capital
- Management buy-outs and buy-ins
- Those admitted or seeking admission to AIM

As stated above these companies are likely to be in the North of England but CFC VCT may invest in companies located elsewhere in the UK. Investments in Qualifying Companies made by CFC VCT are expected to be in the range of £250,000 to £750,000, with an average of about £500,000.

It is anticipated that the majority of the proceeds of the Offer will be initially invested in Fixed Interest Securities, and the balance of the proceeds will be invested in a portfolio of quoted equities managed by BWD Rensburg Unit Trust Managers Limited in their Balanced Unit Trust which is currently the number one ranking balanced unit trust in the UK over one year and three years (*Source: Micropal*). These funds will then be drawn down by the Manager over the three years required by the VCT legislation until at least 70 per cent. of the proceeds of the Offer are invested in Qualifying Companies. The balance of up to 30 per cent. will continue to be invested in Fixed Interest Securities or quoted equities. It is not intended that the Company will enter into any long term borrowing commitments but may borrow a maximum of 25 per cent. of its net asset value for further investment from time to time.

The Company will be CFC's principal vehicle for making new investments. It is anticipated that by the time of the initial investment by the Company CFC will have utilised most of the remaining balances available in the CFC Venture Capital Fund and therefore avoid any conflict of interest. In the event that this is not the case then each investment will be made *pari passu* according to the size of the respective funds, subject to a minimum amount of £200,000. At 31 January 1996 the CFC Venture Capital Fund had £1.4 million available for investment.

As a demonstration of its commitment to the Company the Manager's parent company, BWD Securities PLC, has agreed to subscribe for up to 1.5 million Ordinary Shares to the extent that subscriptions for less than 4 million Ordinary Shares in aggregate are received under the Offer.

Management and administration

The Company has entered into the Management Agreement with BWD Rensburg, under the terms of which CFC will be responsible for managing the Company and its portfolio of assets, subject to overall supervision by the Directors.

The Management 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 to 30 April 1998 and 2.5 per cent. per annum thereafter of the net assets of the Company (in each case plus VAT), out of which it will pay all costs of services provided by other BWD Securities PLC group companies pursuant to the Management Agreement.

Under the terms of the Management Agreement CFC will manage the Company's investments in unquoted UK companies and delegate the management of the quoted shares and Fixed Interest Securities portfolio to BWD Rensburg. CFC has undertaken to provide secretarial, administrative and custodian services to the Company out of the above fees but will not be responsible for the payment of fees in respect of the Directors, nor the interim and annual accounts, which will not be more than £40,000 in aggregate during the first period to 30 April 1997.

Further details of the Management Agreement are set out in paragraph 7 of Part IV.

Performance incentive

BWD Rensburg has, on behalf of the Manager, been given an incentive in the form of options to subscribe for Ordinary Shares which may not exceed 10 per cent. of the issued ordinary share capital of the Company following closure of the Offer. The options will be exercisable in whole or in part at 80 pence per share (being an amount equivalent to the net subscription price of the Ordinary Shares under the Offer after deducting lower rate income tax relief) within 30 days after the annual accounts or the interim accounts for the Company are despatched to Shareholders in any of the years 2001 to 2005 inclusive provided that the average middle market quotation of the Ordinary Shares, as derived from the London Stock Exchange Daily Official List for a five day consecutive period in the month prior to despatch to Shareholders of the Company's annual accounts or interim accounts (as the case may be) is at least £1.20. The figure of £1.20 is to be adjusted upwards by the aggregate shortfall, if any, in the annual gross dividend paid to Shareholders below 4 pence per share in the years since the Company's incorporation and prior to exercise. The figure of £1.20 will be subject to a downwards adjustment in the event of an aggregate surplus, if any, in the annual gross dividend to Shareholders above 4 pence per share in the years prior to exercise.

The option exercise price of 80 pence and the target share price of £1.20 referred to above, will be both subject to a downwards adjustment in the event of any capital distributions made by the Company in the years prior to exercise.

Further details of the Option Agreement are set out in paragraph 7 of Part IV.

Investment team

CFC's investment team has considerable experience in making investments in small and medium sized unquoted companies. The investment team comprises:

Barry Anysz (46), chief executive of CFC, whose details are given on page 8.

Michael Dickinson (46), is a Chartered Accountant. He worked for Price Waterhouse for ten years until leaving to establish his own consultancy business in 1985. He joined CFC in 1987 and is currently a director of a number of companies in which CFC has

invested. He is responsible for CFC's Huddersfield office. He is also group finance director and Company Secretary of BWD Securities PLC.

Kenneth Abbott (53), is a Chartered Accountant. He is responsible for CFC's Liverpool office, and also manages the CLM Unit Trust which specialises in investing in companies based in the North West of England. He is a director of a number of companies in which CFC has invested.

Andrew Needham (31), graduated in Mechanical Engineering and spent ten years in marketing and management roles with David Brown Gear Industries Limited and Brook Crompton Parkinson Limited, then part of the Hawker Siddeley group. He then moved into the leisure industry before obtaining an MBA. He joined CFC as an investment executive in early 1995.

Melanie Perkins (41), graduated from Oxford University with a degree in physics. She was with 3i plc from 1977 to 1993, latterly as investment director in the Yorkshire region. She is retained by CFC as an investment consultant with extensive contacts in the South Yorkshire and Derbyshire area.

Dividend policy

In accordance with the requirements of the VCT legislation the Company must distribute at least 85 per cent. of its income from shares and securities in each year. The Directors anticipate that the initial gross dividend yield will be in the region of 4 per cent. per annum. As the portfolio of Qualifying Holdings is established, investments in Qualifying Companies will be structured to produce a high yield over a period of time by the use of preference shares and loan stock.

Initially the Company will be structured as an investment company for the purposes of the Companies Act 1985, to enhance its ability to distribute income by way of dividends during the initial period. Whilst it is an investment company the Company may not distribute capital profits. However the directors may change this status at any time if sufficient capital profits are realised for distribution as dividends.

The first dividend will be a final dividend in respect of the period from the closing of the Offer to 30 April 1997, the Company's financial year end, which is expected to be declared in July 1997 and paid in August 1997. The Directors expect to pay interim and final dividends from the second year onwards. CFC will be responsible, on behalf of the Company and Shareholders, for claiming the tax credit on dividends.

Accounts

The Company's annual report and accounts will be made up to 30 April each year and will normally be sent to Shareholders in the following July. Shareholders will also receive unaudited interim reports. The first report to be sent to Shareholders will be the interim accounts in respect of the period to 31 October 1996.

It is intended that investments in unquoted companies will be valued in line with the guidelines issued by the BVCA.

VCT status monitoring

As it is essential to ensure that the Company maintains VCT status, CFC intends to consult both the Company's solicitors and auditors before completing any investment. These firms will also review the Company's investment portfolio on a regular basis and will work closely with the Manager who will report directly to the Board.

Costs of the Offer

The costs of the Offer are limited to 5 per cent. of the gross proceeds. In the event that costs exceed this amount, BWD Rensburg has agreed to indemnify the Company for any excess in return for an acceptance by the Company that should the expenses be less than 5 per cent. of the gross proceeds of the Offer then the Company will pay BWD Rensburg an amount equal to the shortfall.

Annual Running Costs

The Annual Running Costs will be no more than 3.5 per cent. (plus any applicable VAT) of the net assets of the Company (inclusive of the annual management fee payable to CFC as explained above). BWD Rensburg has agreed that should Annual Running Costs exceed 2.5 per cent. per annum in the first period to 30 April 1997, 3 per cent. per annum in the second year to 30 April 1998, and 3.5 per cent. per annum thereafter (in each case plus any applicable VAT) of the net assets of the Company any excess will be refunded by CFC or BWD Rensburg to the Company by way of an adjustment to the management fee. Up to 50 per cent of the management expenses may be charged to capital.

Life of the Company

Application has been made for the shares of the Company to be listed on the London Stock Exchange which should enhance their marketability. However an investment in the Company is likely initially to be illiquid due in part to the requirements for subscribers to retain shares for five years in order not to lose the tax benefits of a VCT.

The Directors therefore intend to propose an ordinary resolution at the Company's annual general meeting in 2002 to seek the confirmation of Shareholders that it should continue as a VCT. If the resolution is not passed the Directors will, within 12 months of the date of the relevant meeting, prepare and submit to Shareholders (for approval under a special resolution) proposals for the re-organisation or reconstruction of the Company and if such proposals are not passed, a special resolution requiring the Company to be wound up voluntarily. If Shareholders decide to continue the Company as a VCT, similar resolutions will be proposed at every third subsequent annual general meeting.

The Offer

The Company is offering by way of a Placing and Offer for Subscription up to 10 million Ordinary Shares at £1 per Ordinary Share payable in full on application. The Offer will raise a maximum of £9.5 million net of expenses. The minimum subscription under the Offer for Subscription is £2,000 and under the Placing is £5,000, and in each case in multiples of £500 thereafter. Full tax relief on a subscription for Ordinary Shares will only be given to the extent that an individual's total investment in VCTs (including the Company) in the tax years ending 5 April 1996 or 5 April 1997 does not exceed £100,000 in each tax year. In order to obtain the available tax reliefs for the relevant tax year subscribers under the Offer are required to complete an Application Form incorporating an Enduring Declaration for the tax year in which they are subscribing.

The Offer is subject to a minimum of £4 million. To the extent that subscribers are found for less than 4 million Ordinary Shares pursuant to the Offer, BWD Securities PLC has agreed to subscribe for the shortfall up to 1.5 million Ordinary Shares.

BWD Rensburg has, as agent for the Company, received notices of intention to subscribe in the Placing in respect of 2,568,500 Ordinary Shares, including commitments by the Directors in respect of 50,000 Ordinary Shares. Accordingly up to 7,431,500 Ordinary Shares (together with any not subscribed in the Placing) are being offered by way of the Offer for Subscription.

Applications received under the Offer for Subscription will be accepted in order of receipt in the event that the total applications received under the Offer exceed the maximum amount of 10 million Ordinary Shares. **Applications received under the Placing will be met in full.**

Whilst the Offer is primarily intended to attract subscriptions for Ordinary Shares in respect of the tax year 1995/96, it is also open to an investor to subscribe for Ordinary Shares under the Offer in respect of the tax year 1996/97. The advantage of this option is that an investor can subscribe for Ordinary Shares under the Offer which would not be eligible for relief in relation to the tax year 1995/96 because the investor has insufficient tax liabilities in that tax year or wishes to invest an amount which, when aggregated with other VCT investments in the tax year 1995/96, exceeds £100,000 in shares.

An investor wishing to subscribe for Ordinary Shares in the tax year 1996/97 should complete Application Form B. All other Investors should complete Application Form A. Investors may also subscribe in both tax years using the two separate Application Forms set out at the end of this document.

By subscribing for Ordinary Shares in respect of the tax year 1996/97 an investor will NOT obtain any tax

relief in respect of such investment in the tax year 1995/96.

Completion of Application Form B constitutes a revocable offer by the investor to subscribe for Ordinary Shares on 9 April 1996. The offer made by submitting Application Form B may only be revoked if notification in writing of such revocation is received by Northern Registrars Limited no later than 10.00 am on 9 April 1996.

A commission of 3 per cent. of the issue price will be paid to authorised financial intermediaries in respect of an Application Form stamped by them. It is expected that dealings will commence on 11 April 1996 and that share certificates will be posted to successful applicants on 17 April 1996.

Application has been made to the London Stock Exchange for the Ordinary Shares issued and to be issued pursuant to the Offer to be admitted to the Official List. The acceptance of applications by the Company will not, however, be conditional upon such admission taking place within the timescale envisaged by the documents, or at all. The Ordinary Shares will be in registered form, will be transferable and rank for all dividends and all other distributions hereafter declared, paid or made on the Ordinary Shares.

The Offer for Subscription will be open from 7 March 1996 until 10.00 am on 3 April 1996 at the latest, though it may be closed at any time before this date. Further details of the terms and conditions of acceptance of the Offer are set out in Part V of this document.

Risk Factors

Prospective investors should be aware that the value of shares in the Company may go down as well as up, and the income from them may fluctuate. In addition there is no guarantee that the market price of shares in VCTs will fully reflect their underlying net asset value.

As well as the general risk factors outlined above, investing in a VCT and in smaller unquoted companies carries some particular risks:

- It is the intention of the Manager that the Company will be managed to the best of its abilities at all times so as to qualify as a VCT. However, due to the nature of the requirements of the legislation concerning maintenance of VCT status, there is no guarantee that such status will be maintained.
- Although application has been made to the London Stock Exchange for the Ordinary Shares issued and to be issued pursuant to the Offer to be admitted to the Official List, the Offer is not conditional on this happening. The Ordinary Shares must be admitted to the Official List during the present or next following accounting period of the Company in order to satisfy VCT status.
- A failure to meet the qualifying requirements for a VCT could result in some or all of the following: the loss of tax reliefs in relation to corporation tax on capital gains made by the VCT itself, repayment of the lower rate of income tax relief obtained on subscription by investors for Ordinary Shares in the VCT, capital gains tax liability deferred by investors on subscription for Ordinary Shares in the VCT becoming payable and income tax becoming payable on subsequent payments of dividends by the VCT. Interest on overdue tax may also become due. A disposal of shares in a company which has lost VCT status may be liable to tax on capital gains although any part of a gain attributable to the period for which the VCT was approved will be exempt. Investors should refer to the detailed description of the consequences of loss of VCT status set out in paragraph 6 of Section B of Part III of this document.
- The levels and bases of reliefs from taxation may change. The tax reliefs referred to in paragraph 3 of Section B of Part III of this document are those currently available and their value depends on the individual circumstances of investors.
- As investments in VCTs are free from tax on capital gains, any realised losses on a disposal of shares cannot be offset against any chargeable realised gains.
- Due to the qualifying requirements for tax reliefs there may not be a liquid market in the Company's shares and it may prove difficult for investors to sell their shares.
- The Company's investments will be mainly in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.
- The Company's ability to obtain maximum value from its investments (for example through sale or takeover) may be limited by the requirements imposed in order to maintain the tax status of the Company (such as the obligation to have 70 per cent. by value of its investments in Qualifying Holdings).
- Small unquoted companies can be young companies undergoing significant expansion and change. Such businesses may carry substantially more risk than established businesses.

Venture Capital Trust Legislation

Section A: Summary of the Venture Capital Trust provisions

The following is a summary of the legislation relating to VCTs which is contained in the Finance Act 1995.

1. Qualifying as a VCT

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

- (a) have each class of its ordinary share capital quoted on the London Stock Exchange throughout its most recent accounting period;
- (b) derive its income wholly or mainly from shares or securities;
- (c) have at least 70 per cent. by value of its investments represented throughout its most recent accounting period by shares or securities in Qualifying Holdings, of which 30 per cent. by value (that is 21 per cent. of all investments) must be in ordinary shares carrying no preferential rights;
- (d) have not more than 15 per cent. by value of its investments represented throughout its most recent accounting period by shares or securities in a single company or group (other than a VCT or similar company); and
- (e) have not retained more than 15 per cent. of its income derived from shares and securities in its most recent accounting period.

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

2. Qualifying Holding

A Qualifying Holding is a holding of shares or securities issued by a Qualifying Company where the amount raised by the Qualifying Company from the issue of shares or securities in a period of up to 12 months is no more than £1 million (and less in certain circumstances).

3. Qualifying Companies and Qualifying Subsidiaries

A Qualifying Company must be unquoted (companies the shares of which are traded on AIM are treated as unquoted). It must carry on a qualifying trade and/or be a holding company only of Qualifying Subsidiaries and have gross assets pre-investment of £10 million or less and post-investment of £11 million or less. The trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a Qualifying Subsidiary at the time of issue of its shares or securities to the VCT (and at all times thereafter). In the case of a company intending to

carry on a qualifying trade, the qualifying trade must begin within two years of the issue of shares or securities to the VCT and continue thereafter. The trade must be carried on wholly or mainly in the UK but the company need not be UK resident. Certain trades (or companies of which a substantial part of their activities are similar to those trades) for example, dealing in land or shares or banking or other financial services are excluded. The money raised must be invested for the purposes of the qualifying trade within certain time periods.

A Qualifying Company must not be controlled by another company.

Qualifying Subsidiaries must be at least 90 per cent. owned and must exist wholly for the purpose of carrying on a qualifying trade, be dormant or outside the scope of UK corporation tax or own or manage properties occupied by group members.

4. Approval as a VCT

A VCT must be approved at all times by the Inland Revenue. Approval has effect from the time specified in the approval, which cannot be earlier than when the application for approval is made or in the case of an approval given in the tax year 1995/96, 6 April 1995.

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

5. Withdrawal of approval

Approval of a VCT may be withdrawn if the conditions set out in paragraph 1 are not met. Withdrawal of approval generally has effect from the time when notice of withdrawal is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to no earlier than the start of the accounting period commencing immediately after the last accounting period in which all the tests were met. If approval is withdrawn because the tests have never been met for at least a complete twelve month period, approval is deemed never to have been given. The taxation consequences of approval being withdrawn or being deemed never to have been given are set out in paragraph 6 of Section B below.

Section B: Taxation considerations

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

1. For the VCT

The VCT is exempt from corporation tax on capital gains. In other respects, it will be subject to the usual corporation tax regime. It will be exempt from corporation tax on dividends received from UK resident companies and will pay advance corporation tax in respect of dividends which it pays to shareholders to the extent this is not covered by a tax credit on dividends it has received from UK resident companies.

2. For individuals

The tax benefits described in paragraph 3 and 4 below are available to investors from the date of investment in VCT shares up to a qualifying maximum of £100,000 per tax year in all VCT shares.

3. Tax benefits available to an individual investor subscribing for shares in the VCT

- (a) Income tax relief on investment in newly subscribed shares issued by the VCT is available for individuals at the lower tax rate (currently 20 per cent.). Relief cannot, however, exceed such amount as reduces the individual's income tax liability to nil. Relief may not be available if there is a loan linked with the investment. Relief ceases to be available in whole or in part if there is any disposal (except on death) of shares (or of an interest in them or right over them) before the end of the period of five years beginning with the date of issue of those shares to that individual.
- (b) Reinvestment relief is available to a UK resident or ordinarily resident investor in respect of capital gains realised on or after 6 April 1995, provided that the VCT shares are subscribed for within 12 months either before or after the realisation of the gain. This relief only defers the gain and the deferred gain crystallises on the disposal of the VCT shares or the occurrence of certain other events, for example, the investor becoming non-UK resident within five years of making such investment.
- (c) A gain or loss accruing to an individual on a disposal of ordinary shares in a company which was a VCT at the time he acquired the shares and is still a VCT at the time of the disposal is neither a chargeable gain nor an allowable loss (except where the gain is one which was deferred through the reinvestment relief described in (b) above).
- (d) Dividend income is exempt from tax. Tax credits in respect of such dividends (equal, at present, to one quarter of the dividend) will be recoverable from the Inland Revenue by the VCT on behalf of the investor.

4. Tax benefits available to individuals purchasing shares in the VCT after issue

Purchasers can claim tax relief on dividend income and relief from capital gains tax on any chargeable gain on their investment in the VCT, as described in paragraphs 3(c) and 3(d) above, but cannot claim either the income tax relief on investment or the reinvestment relief, as described in paragraphs 3(a) and 3(b) above, which are only available to investors subscribing for shares.

5. Tax recovery procedures

(a) Dividends

The Inland Revenue have issued regulations governing the recovery of the tax credit on dividends as described in paragraph 3(d) above. The VCT will be responsible for claiming the tax credit on behalf of the investors. In order for claims to be made on their behalf, investors will

have to make a declaration to the VCT that they qualify for payment of the tax credit. The form of such a declaration is contained in the Application Forms and investors subscribing for shares in the VCT will be required to complete this to ensure that income tax relief on dividends is received. Investors purchasing shares in the VCT will be sent a declaration to complete with their share certificate.

(b) Income tax relief on investment

Investors wishing to claim the relief described in paragraph 3(a) above will have to claim relief from their local tax inspector. The Company will within 30 days of closing the Offer despatch a certificate specifying details of the Shareholder, the date the shares were issued, the amount paid and will certify that the shares have been issued to the investor and that certain other conditions are met to the best of the Company's knowledge and belief. This relief may not be available unless the investor holds such a certificate.

6. Loss of VCT status

(a) For the VCT

The exemption from corporation tax on capital gains will not apply to any gain realised after the time from which VCT status is lost. Any tax credit previously claimed by the VCT on behalf of its shareholders may be recovered by the Inland Revenue from the VCT.

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

(i) Income tax relief on investment

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

(ii) Reinvestment relief

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

(c) For all individual investors

(i) Dividend income

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

(ii) Capital gains

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

Additional Information

1. Incorporation and administration

- (a) The Company was incorporated in England and Wales and registered in England on 15 January 1996 under the Companies Act 1985 (the "Act") with limited liability as a public limited company with the name YPCS 43 PLC and changed its name to Capital for Companies VCT plc on 8 February 1996. It operates under the Act and the regulations made thereunder. The Company is registered with the Registrar of Companies in England and Wales with number 3145895 and its registered office and principal place of business in the United Kingdom is at 3 Park Court, Park Cross Street, Leeds, LS1 2QH.
- (b) The Directors confirm that, since the incorporation and registration of the Company on 15 January 1996, the Company has neither traded nor prepared any accounts.
- (c) The Company was issued with a certificate under section 117 of the Act by the Registrar of Companies on 1 March 1996.
- (d) Robson Rhodes Chartered Accountants, of Colwyn Chambers, 19 York Street, Manchester M2 3BA have been the only auditors of the Company since its incorporation.
- (e) The Company has given notice to the registrar of companies pursuant to section 266 of the Act of its intention to carry on business as an investment company.
- (f) The Inland Revenue have provisionally approved the Company under section 842AA Income and Corporation Taxes Act 1988 with effect from 3 April 1996 and it is intended that the business of the Company be carried on so as to comply with that section.

2. Share capital

- (a) The authorised share capital of the Company on incorporation was £100,000, divided into 100,000 ordinary shares of £1 each, two of which were in issue and nil paid and the remainder was unissued. Since incorporation, the authorised and issued share capital of the Company has been changed as follows:

By ordinary and special resolutions passed on 28 February 1996:

- (i) the authorised share capital of the Company was increased 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;
- (ii) 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;
- (iii) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act (and in substitution for any existing power to allot relevant securities) to exercise all powers of the

Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,099,998 such authority to expire on the earlier date falling 15 months after the date on which the resolution was passed and the first annual general meeting of the Company;

- (iv) the Directors were empowered (pursuant to section 95 of the Act) to allot equity securities (as defined by section 94(2) of the Act) pursuant to the authority referred to in paragraph 2(a)(iii) above, as if section 89(1) of the Act did not apply to such allotment provided that such power which was expressed to expire on the earlier of the date falling 15 months after the date on which the resolution was passed and the next annual general meeting of the Company, was limited to:

- (a) the allotment of equity securities pursuant to the Offer;

- (b) the allotment of equity securities in connection with a rights issue in favour of the existing holders of Ordinary Shares in the Company; and

- (c) the allotment of equity securities in connection with the exercise of any of the Manager's Options;

- (v) the shares comprised in the authorised but unissued share capital created by the redemption of the Redeemable Shares would be redesignated as such redemption as Ordinary Shares.

- (b) On 15 January 1996, the two subscriber shares were transferred to BWD Rensburg and £2 was paid to the Company.

- (c) To enable the Company to obtain a certificate under section 117 of the Act, on 28 February 1996, 500,000 Redeemable Shares were allotted to BWD Rensburg fully paid up. Such Redeemable Shares will be redeemed in full out of the proceeds of the Offer. The shares comprised in the authorised but unissued share capital thereby created will automatically be redesignated as Ordinary Shares.

- (d) Following the Offer, the authorised share capital of the Company will be £11 million divided into 11 million Ordinary Shares of which 10,000,020 Ordinary Shares will be issued and 999,980 Ordinary Shares will be unissued if the Offer is subscribed for in full.

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

- (f) Save as disclosed in this Part IV of this document:
- (i) no alteration has been made in the share capital of the Company;
 - (ii) no share or loan capital of the Company has been issued or is now proposed to be issued fully or partly paid either for cash or otherwise;
 - (iii) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option; and
 - (iv) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of share or loan capital of the Company.
- (g) Subject to any special rights or restrictions attaching to any class of shares issued by the Company in the future, and to the provisions of the Option Agreement, the holders of Ordinary Shares are entitled, *pari passu* amongst themselves, but in proportion to the nominal amount of Ordinary Shares held by them, to share in the whole of the profits of the Company paid out as dividends and in the whole of any surplus in the event of the liquidation of the Company.
- (h) The Ordinary Shares will be in registered form. Temporary documents of title will not be issued.

3. Memorandum and Articles of Association

(a) Memorandum of Association

The Company's principal objects include carrying on the business of a venture capital trust company. The objects of the Company are set out in full in clause 4 of its Memorandum of Association which is available for inspection at the address specified in paragraph 10 below.

(b) Articles of Association

The Articles of Association of the Company, which were adopted on 28 February 1996 contain, *inter alia*, provisions to the following effect:

(i) Voting rights

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

(ii) Rights attaching to the Redeemable Shares

Each of the Redeemable Shares carries the right to a fixed dividend of 0.01p per annum but confers no right to vote except as otherwise agreed by the holders of a majority of the Ordinary Shares. On a winding-up the Redeemable Shares confer the right to be paid the nominal amount on such shares. The Redeemable Shares are redeemable at any time by the Company subject to their being paid up in full.

(iii) Variation of rights

Rights attached to any class of shares may be varied with the written consent of the holders of not less than three quarters in nominal value of the issued shares of that class, or the sanction of any extraordinary resolution passed at a separate general meeting of the holders of those shares.

The quorum at such a general meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one third in nominal value of the issued shares of the class in question.

(iv) Changes in capital

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

(v) Transfer of shares

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

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

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

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

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

(vi) Dividends

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

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

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

The Board may withhold dividends payable on shares after there has been a failure to provide the Company with information concerning interests in

those shares under the Articles or the Act until such failure has been remedied.

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

(vii) Distribution of realised capital profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period"), distribution of the Company's capital profits (within the meaning of section 266(2)(c) of the Act) shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the Act, any expenses, loss or liability (or provision thereof) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that notwithstanding any other provision of the Articles during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the Act) or be applied in paying dividends on any shares in the Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the Act) or applied in paying dividends on any shares in the Company.

(viii) Duration and distribution of assets on winding up

The Board shall procure that at the Company's annual general meeting in 2002 an ordinary resolution will be proposed to the effect that the Company shall continue in being as a VCT. If, at that meeting, such resolution is not passed, the Board shall, within 12 months of such meeting, convene an extraordinary general meeting to propose a special resolution for the reorganisation or reconstruction of the Company or if that resolution is not passed, a special resolution to wind-up the Company voluntarily. In the case of the special resolution relating to voluntary winding up only, any member may demand a poll and each holder of shares present in person or by proxy and who votes in favour of the special resolution shall have such number of votes in

respect of each share held by him (including fractions of a vote) that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of shares in respect of which votes are cast against the resolution and each holder of shares who votes against the resolution shall have one vote for each share held by him. If the Shareholders resolve to continue the Company in being as a VCT, similar resolutions will be proposed at every third subsequent general meeting of the Company.

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

(ix) Borrowing powers

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

(x) Directors

(a) Number of Directors

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

(b) Age of Directors

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

(c) Remuneration of Directors

Each of the Directors may be paid a fee at such rate as may from time to time be determined by the Board, but the aggregate of all such fees so paid to the Directors shall not exceed £50,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or of the Company or any other meeting

which as a Director he is entitled to attend and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. In addition, any Director who performs services which in the opinion of the Board are beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine.

(d) Restrictions on voting

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

- (1) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;
- (2) the giving of any guarantee, indemnity or security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries in relation to which he himself has granted an indemnity, guarantee or security in whole or in part;
- (3) the subscription or purchase by him of shares, debentures or other securities of the Company or any of its subsidiaries pursuant to any offer to members or debenture holders of the Company or the public or underwriting by him of any shares, debentures or other securities;
- (4) any transaction in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason or any other interest in or through the Company;
- (5) any transaction concerning any other company in which he is interested directly or indirectly unless he is interested in one per cent. or more of the equity share capital or voting rights;
- (6) any proposal concerning the adoption, modification or operation of a scheme or arrangement for the benefit of employees of the Company or any of its subsidiaries which does not provide in respect of any Director as such any privilege or advantage not accorded to the relevant employees; and
- (7) any proposal for the purchase or maintenance of insurance for the benefit of the Directors.

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

(e) Retirement by rotation

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

(xi) Purchase of own shares

The Company may, subject to the requirements of the Act or the rights of the holders of any class of shares, purchase its own shares.

(xii) Untraced Shareholders

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

(xiii) Non-United Kingdom Shareholders

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

4. Directors and other interests

- (a) The Directors named below have committed to subscribe under the Placing for the following number of Ordinary Shares:

Director	Number of Ordinary Shares
Richard de Zouche	5,000
William Cran	5,000
Richard Battersby	5,000
Barry Anysz	5,000
Timothy Wood	30,000
Total	50,000

- (b) Save as disclosed above, none of the Directors (nor any person connected with them within the meaning of section 346 of the Act) has any interest in the share capital of the Company or any of its subsidiaries.
- (c) None of the Directors has a service contract with the Company and no such contract is proposed.
- (d) Save as disclosed above, the Directors are not aware of any interest (within the meaning of part VI of the Act) which will represent 3 per cent or more of the issued share capital of the Company following the Offer and Admission or any person who will, directly or indirectly, jointly or severally, exercise or could then exercise control of the Company.
- (e) Save for the interest of BA Anysz, as a director of BWD Rensburg, in the Management Agreement, the Option Agreement and the costs indemnity referred to in paragraph 7(d) below and BA Anysz and TCJ Wood, as directors of BWD Securities PLC, in the Placing and Offer for Subscription Agreement each referred to in paragraph 7 below, none of the Directors is or has been interested in any transaction with the Company which was or is unusual in its nature or conditions or significant to the Company which was effected by the Company since incorporation and remains in any respect outstanding or unperformed.
- (f) There are no outstanding loans by the Company to any Director nor are there any outstanding guarantees provided by the Company for the benefit of any Director.

- (g) The aggregate of the emoluments of the Directors, including pension contributions and the estimated value of benefits in kind, in respect of the financial period ending 30 April 1997 under the arrangements in force at the date of this document is expected to be approximately £24,000.

5. Taxation

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

(a) Taxation of dividends

Under current law, no tax will be withheld by the Company when it pays a dividend. However, when paying a dividend, the Company has to account to the Inland Revenue for advance corporation tax ("ACT"), currently at the rate of one-quarter of the amount of the dividend.

A UK resident individual Shareholder who receives a dividend will be entitled to a tax credit of an amount equal to the ACT on the dividend. If the Company qualifies as a VCT and the Shareholder is an individual then, to the extent that the Ordinary Shares fall within his qualifying limit, he will be entitled to payment of the tax credit. For example, on a dividend of £80, the tax credit would be £20 and the individual would be entitled (through the Manager) to recover £20.

Where the Company does not qualify as a VCT or if it qualifies but the Ordinary Shares fall outside the qualifying limit of the Shareholder, Shareholders resident in the UK for taxation purposes will generally be liable to income tax on the aggregate of the dividend and the tax credit. The tax credit satisfies in full the income tax liability in respect of the dividend where Shareholders are liable to income tax at the basic or lower rate only. Shareholders resident in the UK whose income tax liability is less than the aggregate of the amount of income tax deducted from other income paid to them and the tax credit in respect of dividends, are entitled to an appropriate repayment of tax. UK resident Shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax to the extent that tax at such rate on the aggregate of the dividend and tax credits exceeds the tax credit. For example, on a dividend of £80, such a taxpayer would have to account for additional tax of £20. For this purpose, dividends will be treated as the top slice of the individual's income.

A UK resident corporate Shareholder will generally not be liable to UK corporation tax on any dividend received and the dividend received or related tax credit will normally constitute franked investment income.

Subject to certain exceptions for individuals who are Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands and certain others, the right of a holder of a share who is not resident in the UK (for tax purposes) to claim any part of the tax credit will depend upon the existence and terms of any double tax treaty between the UK and the country in which that person is resident. Persons who are not resident in the UK should consult their own tax advisers concerning their tax liabilities (in the UK and any other country) on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so, or any double taxation relief is due in any country in which they are subject to tax.

(b) Stamp duty and stamp duty reserve tax

The Company has been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of the Ordinary Shares. The Company has been advised that the transfer of shares of any class in the Company will, subject to any applicable exceptions, be liable to ad valorem stamp duty at the rate of 50p for every £100 (or part thereof) of the consideration paid. An unconditional agreement to transfer such shares if not completed by a duly stamped transfer (in the case of an agreement prior to 1 July, 1996, within two months of the date such an agreement becomes unconditional) will be subject to stamp duty reserve tax generally at the rate of 50p per £100 (or part thereof) of the consideration paid.

(c) Close company

The Directors have been advised that, immediately following Admission, the Company will not be a close company within the meaning of section 414 of the Income and Corporation Taxes Act 1988.

6. Investment policy

- (a) The Company intends that its income will be derived wholly or mainly from shares or other securities. The Company intends to direct its affairs in respect of each of its accounting periods so as to qualify as a venture capital trust under the provisions of section 842AA of the Income Corporation Taxes Act 1988. Accordingly not more than 15 per cent. of the Company's gross assets will be invested in the securities of one company or group at the time such investment is made (aggregating for this purpose any existing holder in the company concerned).
- (b) Not more than 20 per cent. of the Company's gross assets will be invested in the securities of property companies, i.e. any companies primarily engaged in property activities which include:
- (i) the holding of properties and development of properties for letting and retention as investments; or
 - (ii) the purchase or development of properties for subsequent sale, or both.
- (c) The investment policy set out in this paragraph 6 and in Part I will, in the absence of unforeseen circumstances, be adhered to for at least three years following Admission. Any material change to the Company's investment policy within that three year period will only be made with the approval of Shareholders by ordinary resolution.

7. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:

- (a) the Management Agreement dated 5 March 1996 between the Company and BWD Rensburg under which the Manager has been appointed, subject to a minimum of 2,500,000 Ordinary Shares being subscribed for pursuant to the Offer, to act as manager of the Company's investments and to provide general management, administrative, secretarial, and accounting services to the Company at an annual fee of 1.5 per cent. per annum in the first period to 30 April 1997, 2 per cent. per annum in the second year to 30 April 1998 and 2.5 per cent. per annum thereafter (in each case plus VAT) of the gross assets of the Company less current liabilities. The fee shall not include audit fees, legal fees, bank charges, stamp duties, banker's fees, commissions and any other professional fees which shall be borne by the Company.

CFC will be responsible for ensuring that the Company's investments and affairs are managed (unless the Board determines otherwise) in order to qualify as a VCT and as an investment company. The seeking out, making and monitoring of investments in Qualifying Holdings will be carried out by CFC but no such investments shall be made without the approval of the Board. CFC is entitled to delegate to BWD Rensburg its responsibility for managing the Company's investments in Fixed Interest Securities and companies listed on the London Stock Exchange in accordance with the investment policies set out in this document.

BWD Rensburg has agreed that if the Annual Running Costs exceed 2.5 per cent. per annum in the first period to 30 April 1997, 3 per cent. per annum in the second year to 30 April 1998, and 3.5 per cent. per annum thereafter of the gross assets of the Company less current liabilities (plus any applicable VAT), the Company shall be entitled to a rebate on the fees paid to BWD Rensburg or CFC to the extent of the excess.

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

- (b) the Option Agreement entered into on 5 March 1996 between the Company and BWD Rensburg pursuant to which the Company has granted BWD Rensburg the options (the "Options") to subscribe for Ordinary Shares at a price of 80 pence per share (the "Option Price") in consideration of the services to be provided by the Manager under the Management Agreement. The Option Agreement entitles BWD Rensburg to subscribe for a number of Ordinary Shares equal to 10 per cent. of the issued ordinary share capital of the Company following closure of the Offer. The Options shall be exercisable by BWD Rensburg in whole or in part (in tranches of not less than 10,000 Ordinary Shares) twice annually during the period of 30 days following the despatch by the Company to its Shareholders of its annual accounts and interim accounts during the years 2001 to 2005 provided that the average middle market quotation of the Ordinary Shares, as derived from the London Stock Exchange Official List for a five day consecutive period in the month immediately prior to despatch, to the Shareholders of those accounts is at least £1.20 (the "Share Price"). The Share Price shall be subject to upwards adjustment by the aggregate amount by which the gross dividends paid or recommended for payment to Shareholders in respect of the years preceding the exercise of the Options were less than 4 pence in aggregate per annum. The Share Price shall be subject to downwards adjustment by the aggregate amount by which the gross dividends paid or recommended for payment to Shareholders in respect of the years preceding the exercise of the Options were greater than 4 pence in aggregate per annum. The Options are assignable to any other member of BWD Rensburg's group (other than the Company).

In the event that prior to exercise of any of the Options:

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

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

then the number of Ordinary Shares subject to the Options and the Option Price shall be adjusted to take into account any such event.

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

- (i) if a third party makes an offer to acquire the whole or part of the issued ordinary share capital of the Company, which for these purposes includes the publication of a scheme of arrangement under section 425 of the Act the Options shall become exercisable provided that the price contained in the offer is an amount equal to or in excess of the Share Price; or
- (ii) if an order is made or an effective resolution is passed for winding up the Company BWD Rensburg shall be entitled to participate in the distribution of any surplus assets provided that in such winding up all Shareholders have, in respect of their Ordinary Shares, received an amount at least equal to the Share Price.

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

- (c) The Placing and Offer for Subscription Agreement entered into on 5 March 1996 between the Company (1) the Directors (2) Peel Hunt (3) and BWD Securities PLC (4) pursuant to which BWD Securities has agreed to subscribe for such number of Ordinary Shares as may be required to reach the minimum subscription under the Offer of £4 million, conditional on a minimum of £2.5 million being raised pursuant to the Offer. Peel Hunt has agreed pursuant to the terms of the Placing and Offer for Subscription Agreement to act as sponsor for the Company in connection with the Placing and the Offer for Subscription.

Under the Placing and Offer for Subscription Agreement:

- (i) the Company has agreed to pay Peel Hunt a fee equal to $\frac{1}{2}$ per cent. of the gross proceeds of the Offer, together with any applicable VAT in connection with the application for the Ordinary Shares issued and to be issued pursuant to the Offer to be admitted to the Official List;
- (ii) the Company has agreed to pay all other costs and expenses of and incidental to the Offer and related arrangements together with VAT thereon;
- (iii) the Company has given certain warranties and indemnities to Peel Hunt and BWD Securities PLC as to the accuracy of the information in this document and as to other matters in relation to the Company. The Directors have warranted to Peel Hunt and BWD Securities PLC the accuracy of the replies to questionnaires supplied by Peel Hunt and completed by each Director and that there are no matters relating to any Director which are material to the Offer not disclosed in the Prospectus;
- (iv) either Peel Hunt or BWD Securities may terminate the Placing and Offer for Subscription Agreement in certain circumstances prior to 3 April 1996; and

- (v) The Company shall determine in its absolute discretion the basis of allocating the Ordinary Shares pursuant to the Offer.
- (d) The costs indemnity provided by BWD Rensburg to the Company referred to under the heading "Costs of the Offer" in Part I of this document.

8. Overseas investors

- (a) No person receiving a copy of this document or either Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase Ordinary Shares.
- (b) No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offer will be required to warrant that they are not a US person as defined in paragraph (d)(x) of Part V of this document.

9. General

- (a) The Offer Price represents a premium of 90p over the nominal value of 10p of each Ordinary Share.
- (b) The Directors estimate that the total expenses payable by the Company in connection with the Offer and Admission will be 5 per cent. of the amount raised (exclusive of value added tax which is assumed to be irrecoverable). These expenses will include commissions payable to authorised intermediaries which will be at the rate of 3 per cent. of the gross proceeds in the Placing and the Offer for Subscription. If the maximum of £10 million is raised under the Offer the net proceeds to the Company of the Offer will be £9.5 million. If the minimum of £4 million is raised the net proceeds will be £3.8 million. The proceeds will be applied in accordance with the Company's investment policy and to redeem the Redeemable Shares.
- (c) The Company does not have nor has it had since its incorporation any subsidiaries, subsidiary undertakings, employees and it neither owns nor occupies any premises.
- (d) Save as disclosed in this document there has been no significant change in the financial or trading position of the Company since its incorporation.
- (e) The Company has not, since incorporation, been engaged in any legal or arbitration proceedings which may have or have had a significant effect on the Company's financial position and no legal or arbitration proceedings are pending or threatened against the Company.
- (f) It is intended that the following conditions will continue to be met:
 - (i) that the Directors and any investment manager of the Company will have sufficient and satisfactory experience in the management of investments of the type in which the Company intends to invest;
 - (ii) that the Directors of the Company will act independently of the investment manager of the Company's investments and in particular a majority of the Board will not be directors or employees of or former directors or employees of or professional advisers to the investment manager or any other company in the same group as the investment manager;

- (iii) that the Company will not have control of the companies in which it invests in accordance with its investment policy in such a way as to render them subsidiary undertakings;
- (iv) adherence to the restrictions on investment set out in paragraphs 6(a) and 6(b) above.
- (g) The application for Admission is sponsored by Peel Hunt which is regulated by The Securities and Futures Authority Limited and is a member of the London Stock Exchange.
- (h) The Ordinary Shares in issue at the date of this document are, and the further Ordinary Shares to be in issue following closure of the Offer will be, in registered form. Following Admission, the Ordinary Shares will be listed on the London Stock Exchange.
- (i) None of the Ordinary Shares has now been sold to, nor are any Ordinary Shares available in whole or in part to, the public in conjunction with the application for listing other than in conjunction with the Offer.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.
- (k) The Offer is underwritten up to a maximum of £1.5 million by BWD Securities PLC to the extent that subscriptions under the Offer do not reach the minimum subscription of £4 million. BWD Securities PLC is registered in England with the registered number 2146011 and has its registered office at Woodsome House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0JG.

10. Documents available for inspection

- Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company and at the offices of Peel Hunt, 62 Threadneedle Street, London EC2 8HP from the date of this document until the close of the Offer for Subscription period:
- (a) the Memorandum and Articles of Association of the Company; and
 - (b) the material contracts referred to in paragraph 7 above.

Terms and Conditions of Application

In these terms and conditions, which apply to the Offer: "Applicant" means a person whose name appears as such in an Application Form; "Application" means the offer by an Applicant by completing either Application Form and posting (or delivering) it to Northern Registrars Limited (the "Receiving Agents") or as otherwise indicated in the Prospectus or the mini prospectus ("the Mini Prospectus") dated 6 March 1996 issued in connection with the Offer.

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

The section headed "How to complete the Application Forms and Enduring Declarations" set out below forms part of these terms and conditions of Application.

- (a) The contract created by the acceptance of an Application under the Offer will be conditional on the Placing and Offer for Subscription Agreement referred to in paragraph 7 of Part IV of the Prospectus becoming unconditional in all respects, and not being terminated in accordance with its terms before the closing date for the Offer for Subscription.
- (b) The right is reserved by the Company to present all cheques and banker's drafts for payment on receipt and to retain share certificates and application monies, pending clearance of successful Applicants' cheques and bankers' drafts. The Company may treat Applications (including those contained in Application Form B and not revoked before 9 April 1996) as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company prior to the closing of the Offer. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agents in a separate account.
- (c) By completing Application Form A you agree that, in consideration of the Company agreeing that it will not on or prior to 3 April 1996 issue or allot any Ordinary Shares the subject of the Offer to any person other than by means of the procedures referred to in the Prospectus, your Application will not be revoked until after 3 April 1996 and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon dispatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agents of your Application Form;
- (d) By completing and delivering either of the Application Forms, you:
 - (i) offer to subscribe for the number of Ordinary

Shares specified in your Application Form (or such lesser number for which your Application is accepted) at the Offer Price on the terms of and subject to the Prospectus, including these terms and conditions, and subject to the Memorandum and Articles of Association of the Company;

- (ii) agree and warrant that your cheque or banker's draft may be presented for payment on receipt in the case of completion of Application Form A, or on 9 April 1996, in the case of completion of Application Form B, and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the Ordinary Shares until you make payment in cleared funds for such shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it, Peel Hunt and the Receiving Agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe such shares and may issue or allot such shares to some other person, in which case you will not be entitled to any payment in respect of such shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your Application, without interest;
- (iii) agree that, in respect of those Ordinary Shares for which your Application has been received and is not rejected, your Application may be accepted at the election of the Company either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Receiving Agents;
- (iv) agree that any monies refundable to you may be retained by the Receiving Agents pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agents may consider to be, required for the purposes of the Money Laundering Regulations 1993 and that such monies will not bear interest;
- (v) authorise the Receiving Agents to send share certificate(s) in respect of the number of Ordinary Shares for which your Application is accepted and/or a crossed cheque for any monies returnable, by post, without interest, to your address set out in the Application Form(s) and to procure that your name is placed on the register of members of the Company in respect of such Ordinary Shares;

- (vi) agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed in accordance with English law; and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company or Peel Hunt to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
 - (vii) confirm that, in making such Application, you are not relying on any information or representation in relation to the Company other than the information contained in the Prospectus or the Mini Prospectus and accordingly you agree that no person responsible solely or jointly for the Prospectus or the Mini Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
 - (viii) irrevocably authorise the Receiving Agents and/or Peel Hunt or any person authorised by either of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agents or of Peel Hunt to execute any document required therefor;
 - (ix) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and statements concerning the Company and the Ordinary Shares contained therein;
 - (x) confirm that you have reviewed the restrictions contained in paragraph (g) below and warrant that you are not a "US Person" as defined in the Securities Act of 1933, as amended, nor a resident of Canada and that you are not applying for any Ordinary Shares with a view to their offer, sale or delivery to or for the benefits of any US Person or a resident of Canada.
 - (xi) declare that you are an individual aged 18 or over;
 - (xii) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agents will be sent at the risk of the person entitled thereto;
 - (xiii) agree, on request by the Company, or Peel Hunt on behalf of the Company, to disclose promptly in writing to the Company, any information which the Company or Peel Hunt may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 1993 and authorise the Company and Peel Hunt to disclose any information relating to your Application as it considers appropriate;
 - (xiv) agree that Peel Hunt will not treat you as its customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the Ordinary Shares or the suitability for you of the Ordinary Shares or be responsible to you for providing the protections afforded to its customers;
 - (xv) where applicable, authorise the Company and/or the Manager to make on your behalf any claim to relief from income tax in respect of any dividends paid by the Company;
 - (xvi) declare that the Application Form(s) has or have been completed to the best of your knowledge;
 - (xvii) undertake that you will notify the Company if you are aged 18 or over or not, or cease to be beneficially entitled to the shares;
 - (xviii) declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring, Ordinary Shares and that the Ordinary Shares are being acquired for *bona fide* commercial purposes and not as part of a scheme or arrangement the main purpose of which is the avoidance of tax; and
- (e) In order for the Company to reclaim on your behalf the tax credit attributable to dividends paid by the Company, you will be required to complete (and return with your Application(s)) the Enduring Declaration contained within your completed Application Form(s). It is important that this is completed fully and accurately. The Inland Revenue may reclaim the tax credit from the Company if it is not so completed and in these circumstances the Company reserves the right to claim compensation from you.
 - (f) No person receiving a copy of the Prospectus, the Mini Prospectus or either Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Forms unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Forms could lawfully be used without contravention of any regulation or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
 - (g) The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its Jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager will not be registered under the United States Investment Advisers Act of 1940, as amended. No Application will be accepted if it bears an address in the USA.
 - (h) The basis of allocation will be determined by the Company in its absolute discretion after consultation with Peel Hunt. If the Offer is over subscribed clients of BWD Rensburg, who participated in the Placing, will rank in priority ahead of other applicants. All other Applications will be accepted in order of receipt without regard to the tax year for which the Application is made. The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and scale down and/or ballot any Application or any part thereof including, without limitation Applications in respect of which any verification of identity which the Company or the Receiving Agents consider may be required for the purpose of the Money Laundering Regulations 1993 has not been satisfactorily supplied. Dealings prior to the issue of certificates for Ordinary Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.

Availability of the Prospectus and the Mini Prospectus

Copies of the Prospectus and the Mini Prospectus are available for collection from the Company Announcements Office, London Stock Exchange, Stock Exchange Tower, Bartholomew Lane, London EC2 for two business days following 6 March 1996 and until the date on which the Offer for Subscription closes, from the Company and from:

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

Peel, Hunt & Company Limited
62 Threadneedle Street
London
EC2R 8HP

Capital for Companies
3 Park Court
Park Cross Street
Leeds
LS1 2QH

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

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

Woodsome House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0JG

Meadowhall House
Meadowcourt
3 Hayland Street
Sheffield
S9 1BY

100 Old Hall Street
Liverpool
L3 9AB

Broadway House
9 Bank Street
Bradford
BD1 1HJ

3 Park Court
Park Cross Street
Leeds
LS1 2QH

St. Georges House
99/101 High Street
Belfast
BT1 2AH

18 Railli Court
Manchester
M3 5FT

De Quincey House
48 West Regent Street
Glasgow
G2 2RB

Dated 6 March 1996

How to complete the Application Forms and Enduring Declarations

In order to obtain the tax reliefs in respect of your investment, it is essential that you complete all parts of the Application Form(s) in accordance with the instructions in these notes. Application Form A should be used if you wish to subscribe for Ordinary Shares during the tax year 1995/96 and Application Form B should be used if you wish to subscribe for Ordinary Shares during the tax year 1996/97. Both forms should be used if you wish to subscribe for Ordinary Shares in both tax years.

1 Insert (in figures) in Box 1 the number of Ordinary Shares for which you wish to apply. Each Ordinary Share costs £1. The minimum Application under the Offer for Subscription is £2,000 and under the Placing is £5,000, and in each case in multiples of £500 thereafter. The maximum subscription permitted is £100,000. Applications for any other number or multiples of Ordinary Shares may be rejected or treated as an Application for the next smaller number of Ordinary Shares that complies with the requirements of this paragraph.

2 Insert (in figures) in Box 2 the amount you are paying. This is the same amount as the number of Ordinary Shares shown in Box 1.

Pin a separate cheque or banker's draft to each completed Application Form for the exact amount shown in Box 2 of that Application Form. Your cheque(s) or banker's draft(s) must be made payable to "Northern Registrars Limited A/C Capital for Companies VCT plc" and crossed "A/C Payee only". Your payment(s) must relate solely to either Application Form A or B. No receipt(s) will be issued.

Your cheque(s) or banker's draft(s) must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and bankers drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses, and must bear a bank sort code in the top right-hand corner. **In the case of Application Form B the cheque should be postdated 9 April 1996.**

The right is reserved to reject any Application in respect of which the Applicant's cheque or banker's draft has not been cleared on first presentation and by 10.00 am on 3 April 1996 in the case of Application Form A and by 10.00 am on 9 April 1996 in the case of Application Form B. Any monies returned will be sent by cheque crossed "A/C Payee only" in favour of the Applicant.

Money Laundering Regulations 1993 – Important note for Applications of £10,000 or more

If an Application for £10,000 or more by an individual is accompanied by a cheque or

banker's draft drawn by someone other than the Applicant named in Box 1 (for example, a building society cheque), one of the following additional documents must be enclosed with the Application Form: a copy of the Applicant's passport or driving licence or a recent original bank or building society statement or utility bill in the Applicant's name. A copy passport or driving licence should be certified by a solicitor or a bank. Original documents will be returned by post at the Applicant's own risk. **Please note that if the above requirements are not fulfilled and suitable evidence of identity cannot be obtained, your Application may not be accepted.**

3 Insert in Box 3 your full name, full address and daytime telephone number.

4 Insert in Box 4 your date of birth. Applicants may only be made by persons aged 18 or over.

5 Insert in Box 5 your national insurance number. You should be able to find your national insurance number on a payslip, notice of coding, tax return or letter from your tax office.

6 Investments made by individuals aged 18 or over, of up to £100,000 ("permitted maximum") per tax year (6th April to 5th April) in VCTs qualify for tax exemption on dividends and the other VCT tax reliefs. **If you are subscribing for Ordinary Shares in the current tax year and the aggregate of amounts you have already invested in VCTs in the current tax year and the amount which you are applying to invest in Capital for Companies VCT plc exceeds £100,000 you must state the amount of the excess in Application Form A. Similarly, if you are subscribing for Ordinary Shares in the tax year 1996/97 on Application Form B and the aggregate of amounts you have agreed to invest in VCTs in that tax year and the amount which you are applying to invest in Capital for Companies VCT plc exceeds £100,000 you must state the amount of the excess in that Application Form. If you have not subscribed for shares in excess of the permitted maximum in the tax year for which you are applying for Ordinary Shares please state nil in Box 6.**

7 The Applicant must date and sign Box 7 personally. Execution of the Application Forms and Enduring Declarations by an attorney is not acceptable.

Capital for Companies VCT plc

1995/96

APPLICATION FORM AND ENDURING DECLARATION **A**

IMPORTANT: Before completing this form please read the accompanying notes.

Make your cheque or banker's draft out to "Northern Registrars Limited A/C Capital for Companies VCT plc" and cross it "A/C Payee only" and return this form with the payment to arrive by **10.00 am on 3 April 1996**, to **Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA** or delivered by hand only to the same address.

If you post your Application Form you are recommended to use first class post and to allow four days for delivery.

PLEASE USE BLOCK CAPITALS

1

I offer to subscribe for

Ordinary Shares at £1 each or such lesser number of Ordinary Shares for which this application may be accepted in the event of over-subscription on the terms and conditions set out in Part V of the Prospectus dated 6 March 1996.

2

The amount I am paying for the Ordinary Shares is

(This should be the number of Ordinary Shares for which you are applying multiplied by £1)

£

3

Title and name in full

Permanent address in full

Post Code

Daytime Tel:

4

Date of birth

Day

Month

Year

5

National Insurance Number/I have no National Insurance Number
(delete whichever is not applicable)

Please send me a certificate confirming my entitlement to VCT tax reliefs. I will acquire Ordinary Shares in Capital for Companies VCT plc on 4 April 1996 (the expected date of issue of the Ordinary Shares in the tax year 1995/96).

6

Specify the extent to which the Ordinary Shares for which you are applying are being acquired in excess of the permitted maximum for the tax year to 5 April 1996.
(State Nil if appropriate). (Important: See note 6 before completing this form).

£

7

By signing this form I HEREBY DECLARE THAT:

(i) I have received the Prospectus dated 6 March 1996 and have read the terms and conditions of application contained therein and agree to be bound by them.

(ii) I will be the beneficial owner of the Ordinary Shares in Capital for Companies VCT plc issued to me pursuant to the Offer.

(iii) To the best of my knowledge and belief, the particulars I have given Capital for Companies VCT plc are correct. If the Ordinary Shares are issued on a different date or if the Offer is over-subscribed I hereby authorise Capital for Companies VCT plc to complete the boxes designated for official use below, and for this information to be treated by the Inland Revenue as modifying the information provided in boxes 1, 2 and 6 and the date on which the Ordinary Shares are issued.

Signature

Date

1996

For official use only

Date on which Ordinary Shares issued	Amount paid for Ordinary Shares issued	The excess of the aggregate subscription price over the permitted maximum for the tax year to 5 April 1996 is (state nil if appropriate) £	Number of Ordinary Shares issued

<p>Intermediaries should stamp and complete this box.</p> <p>Firm name</p> <hr/> <p>Contact name</p> <hr/> <p>SRO/RPB Registration No:</p> <hr/> <p>Address</p> <hr/> <hr/> <p>Postcode</p> <hr/> <p>Tel:</p> <hr/> <p>Fax:</p> <hr/>	<p>Stamp</p>
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