



CAPITAL FOR COMPANIES VCT PLC



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to be taken, you should contact your stockbroker, solicitor, accountant or other professional adviser, authorised under the Financial Services Act 1986 immediately. If you have sold or otherwise transferred all your shares in the Company please complete Box 11 of the accompanying Priority Application Form and deliver it together with this document to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Copies of this document ("the 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 in accordance with section 149 of that Act.

The Directors of the Company, whose names appear on page 4, 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.

Application has been made to the London Stock Exchange for the New Ordinary Shares proposed to be issued pursuant to the Offer referred to in this document to be admitted to the Official List. It is expected that admission will become effective and dealings in the New Ordinary Shares will commence in accordance with the timetable set out on page 3 of this document.

CAPITAL FOR COMPANIES VCT plc

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

OPEN OFFER AND OFFER FOR SUBSCRIPTION

of 5,564,780 New Ordinary Shares of 10p each at 100p per share

**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

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
11,000,000	£1,100,000	<i>Ordinary Shares of 10p each</i>	10,000,000	£1,000,000

Peel, Hunt & Company Limited is acting exclusively for Capital for Companies VCT plc in connection with the Offer and no one else and will not regard any other person as its customer or be responsible to any other person for providing protections afforded to customers of Peel, Hunt & Company Limited or for providing advice in relation to the Offer.

Completed Priority 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 3.00 pm on 3 March 1997, and Application Forms must be posted or delivered by hand to the same address so as to have been received by 10.00 am on 3 April 1997 in respect of Application Forms for the tax year 1996/97, and by 10.00 am on 30 April 1997 in respect of Application Forms for the tax year 1997/98.

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Expected Timetable

Open Offer

Record date for the Open Offer	29 January 1997
Latest time for splitting Priority Application Forms	3.00 pm 27 February 1997
Latest time for receipt of completed Priority Application Forms and payment in full under the Open Offer	3.00 pm 3 March 1997
Dealings to commence in Open Offer Shares	10 March 1997
Definitive certificates for Open Offer Shares despatched by	17 March 1997

Offer for Subscription

First closing date under the Offer for Subscription (tax year 1996/97)	10.00 am 3 April 1997
Dealings to commence in Offer for Subscription Shares for tax year 1996/97	10 April 1997
Definitive certificates for Offer for Subscription Shares for tax year 1996/97 despatched by	17 April 1997
Second closing date under the Offer for Subscription (tax year 1997/98)	10.00 am 30 April 1997
Dealings to commence in Offer for Subscription Shares for tax year 1997/98	9 May 1997
Definitive certificates for Offer for Subscription Shares for tax year 1997/98 despatched by	16 May 1997

Offer Statistics

Offer Price	100p
Maximum number of New Ordinary Shares to be issued	5,564,780
Number of Open Offer Shares	5,544,025
Maximum number of New Ordinary Shares available to the Offer for Subscription (subject to clawback)	5,564,780
Minimum number of New Ordinary Shares available to the Offer for Subscription	20,755
Maximum net proceeds of the Offer	£5,277,473
Maximum expected costs of the Offer	£287,307

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

Quayside House

Canal Wharf

Leeds

LS11 5PU

Secretary

Michael John Dickinson FCA, AMSI

Manager

Capital for Companies

Quayside House

Canal Wharf

Leeds

LS11 5PU

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 and reporting accountants

KPMG Audit Plc

Station Street Buildings

Huddersfield

HD1 1LZ

and

1 The Embankment

Neville Street

Leeds

LS1 4DW

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 New 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 for Subscription set out at the end of this document
"Beneficial Shareholders"	beneficial owners of Ordinary Shares at the Record Date whose holdings are registered in the name of a nominee
"BES"	Business Expansion Scheme
"Board" or "Directors"	the directors of the Company whose names appear under "Directors, Manager and Advisers" on page 4 of this document
"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 and the Priority Application Form
"Fixed Interest Securities"	principally fixed interest Government stocks and other fixed interest stocks or cash deposits
"the Flotation"	the admission of the Company's ordinary share capital to the Official List by way of a placing and offer for subscription, as set out in the Company's prospectus dated 6 March 1996
"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(a) of Part VII of this document
"the Manager" or "CFC"	Capital for Companies, a division of BWD Rensburg
"Manager's Options"	the options granted to BWD Rensburg to subscribe for 403,202 Ordinary Shares on the basis described herein
"New Ordinary Shares"	the 5,564,780 Ordinary Shares to be issued pursuant to the Offer
"Notional Entitlement"	the number of Open Offer Shares offered to the nominee of a Beneficial Shareholder as his/her nominee under the Open Offer and not taken up by the nominee
"Offer"	the Open Offer and the Offer for Subscription taken as a whole
"Offer for Subscription"	the offer to the public to subscribe for the Offer for Subscription Shares on the terms and conditions set out herein

"Offer for Subscription Shares"	the 5,564,780 New Ordinary Shares subject to the Offer for Subscription
"Offer Price"	100p 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
"Open Offer"	the open offer to Qualifying Shareholders to subscribe for the Open Offer Shares on the terms and conditions set out herein
"Open Offer Shares"	the 5,544,025 New Ordinary Shares subject to the Open Offer
"Option Agreement"	the agreement between the Company and BWD Rensburg setting out the terms and conditions on which the Manager's Options were granted, details of which are set out in paragraph 7(b) of Part VII of this document
"Ordinary Shares"	ordinary shares of 10p each in the capital of the Company
"Peel Hunt"	Peel, Hunt & Company Limited
"Priority Application Form"	the application form despatched to Qualifying Shareholders with this document for use in connection with the Open Offer
"Qualifying Company"	a company as described in Part VI of this document
"Qualifying Holding"	a holding as described in Part VI of this document
"Qualifying Shareholders"	holders of Ordinary Shares on the register of members of the Company on the Record Date to whom (save as otherwise provided in Parts II and VIII in relation to certain overseas Shareholders) the Open Offer is made
"Record Date"	29 January 1997
"Shareholders"	holders of Ordinary Shares
"Sponsorship Agreement"	the agreement between the Company, the Directors and Peel Hunt, details of which are set out in paragraph 7(e) of Part VII of this document
"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

This information is derived from, and should be read in conjunction with, the full text of this document. Attention is also drawn to the risk factors set out in Part V of this document.

- Venture Capital Trusts (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.
- Capital for Companies VCT plc (CFC VCT) is a venture capital trust which was floated on the London Stock Exchange in April 1996, when it raised approximately £3.8 million (after costs); a further £389,000 (after costs) has been raised since.
- The Company now intends to raise up to £5,564,780 (before costs) in order to:
 - fund larger investments without the need for syndication
 - increase the number of investments
 - increase income without a corresponding increase in fixed administrative costs.
- The tax benefits available to investors on subscription for New Ordinary Shares are:
 - income tax relief at the lower rate (currently 20 per cent.) on the cost of the investment
 - CGT deferral on gains re-invested
 - tax free dividends and capital gains.

Subscribers for New Ordinary Shares may be able to combine these benefits to qualify for 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 on subscription. Attention is drawn to Part VI which sets out further details.

- CFC VCT's venture capital activities are managed by Capital for Companies (CFC), a division of BWD Rensburg, one of the largest firms of investment managers based in the North of England and a subsidiary of BWD Securities PLC. Capital for Companies is a member of the British Venture Capital Association (BVCA) and has raised and managed or invested approximately £100 million since it was established in 1983. During 1996 CFC invested £2.5 million in nine companies including three on behalf of CFC VCT. Apart from managing investments on behalf of the Company, CFC currently manages 21 investments in unquoted companies valued at approximately £4.4 million (Source: BWD Rensburg). CFC VCT is currently the Manager's only vehicle for new investments.
- Since the Flotation the Company has made three investments in Qualifying Companies at a total

cost of £983,000, and has committed £200,000 to a fourth investment. The Manager continues to receive a good flow of investment opportunities. The three completed investments represent approximately one third of the current funds which are required to be invested in Qualifying Companies.

- Funds not immediately required for investment in unquoted companies are invested in Fixed Interest Securities, quoted equities, and unit trusts. These funds are managed by BWD Rensburg and BWD Rensburg Unit Trust Managers Limited.
- The company's first interim results for the period from incorporation to 31 October 1996 reported profits before tax of £107,000, returns per share of 3.92 pence, and net assets per share of 98.4 pence, as compared with net assets per share of 94.6 pence at the time of the Flotation. Net assets per share had risen to 101 pence by 31 December 1996.
- Existing Qualifying Shareholders have the opportunity to subscribe, in priority to the public, for 5,544,025 New Ordinary Shares under the Open Offer, on the basis of 5 New Ordinary Shares for every 4 held by them at the Record Date. Existing Qualifying Shareholders will receive a Priority Application Form on which to apply for the Open Offer Shares.
- The New Ordinary Shares are also being offered to the public under the Offer for Subscription although 5,544,025 New Ordinary Shares are subject to clawback by Qualifying Shareholders under the Open Offer.
- Applications under the Offer for Subscription may be made in tax years 1996/97 and/or 1997/98. Priority applications under the Open Offer may only be made in tax year 1996/97, although Qualifying Shareholders wishing to subscribe for part of their priority entitlement in 1997/98 will be guaranteed allotment if they subscribe for that part under the Offer for Subscription before 3.00 pm on 3 March 1997.
- Since the Company is established, the Offer for Subscription will proceed irrespective of the number or value of applications received under the Open Offer or the Offer for Subscription. Application Forms for the Offer for Subscription are on page 43 for tax year 1996/97, and page 45 for tax year 1997/98.

PART I

Background to the Company

Introduction

VCTs are companies, similar to investment trusts, which are quoted on the Official List of the London Stock Exchange and specialise in investment in unquoted companies. VCTs were introduced by the Finance Act 1995 to encourage investment in unquoted companies, and can offer significant tax benefits to the private investor, particularly to those subscribing for new shares. The range of tax benefits and an illustration of their effect are set out in Parts III and VI of this document. The tax benefits available to a VCT and the private investor are subject to a range of qualifying criteria, details of which are set out in Part VI of this document.

The Government is keen to stimulate the flow of funds into the unquoted companies sector which is of growing 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. VCTs are now seeking to fill this "equity gap" by targeting venture capital investments at the smaller developing company.

Investment in unquoted companies whilst a long term process, can be highly profitable. Over the three years ended 31 December 1996 the average annual compound return from shares in listed investment trusts (excluding VCTs) specialising in unquoted companies was 17 per cent. (*Source: Association of Investment Trust Companies, Monthly Information Service, December 1996*). However, investment in unquoted companies is subject to the risks which are set out in Part V of this document.

Capital for Companies VCT plc

CFC VCT started trading in April 1996 with the objective of providing investors with a tax efficient investment opportunity offering potentially high returns paid out as dividends and capital profits. The Company's Ordinary Shares were admitted to the Official List on 15 April 1996 when it issued 4,032,000 Ordinary Shares, and raised approximately £3.8 million (after costs) by means of a placing and offer for subscription. Since the

Flotation, the Directors have issued a further 403,200 Ordinary Shares at £1 each to raise approximately £389,000 after costs.

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.

Current trading

The Company released its interim results for the period from incorporation to 31 October 1996 on 10 December 1996, which reported profits before tax of £107,000, returns per share of 3.92 pence, and a net asset value per share of 98.4 pence, as compared with net assets per share of 94.6 pence per share at the time of the Flotation. A full accountants' report on the interim results is presented in Part IV of this document. Net asset value per share had increased to 101 pence by 31 December 1996.

Since the Flotation, the Company has made three investments in Qualifying Companies at a total cost of £983,000. The investments made have been in Chadwick Web Processing plc, a manufacturer of printing machinery for the packaging industry, Cirqual plc, a manufacturer of aluminium extrusions, thermoplastics and precision fabrications; and Goldstar (Natural Fruit Juices) Ltd which manufactures and packages soft still drinks and fruit juices. Further details of these investments are set out in paragraph 9 of Part VII of this document. A further £200,000 has been committed to a fourth investment which is conditional upon the Manager's final review and investigation.

The three investments in Qualifying Companies made to date represent 24 per cent. of the total funds available for investment, and 33.8 per cent. of the current funds which are required to be invested in Qualifying Companies. The VCT legislation requires that 70 per cent. of the total funds available for investment by a VCT are invested in Qualifying Companies.

The balance of the Company's fund currently not invested in Qualifying Companies remains

invested in Fixed Interest Securities, quoted equities and unit trusts.

The Company continues to receive a good flow of investment opportunities, a number of which are in an advanced stage of negotiation. The Directors are confident that the remaining funds available for investment in Qualifying Companies will be invested well within the timetable set out by the VCT legislation as described in the section headed "VCT requirements" in Part II of this document.

Management

The Company's venture capital activities are managed by Capital for Companies, a division of BWD Rensburg, one of the largest firms of investment managers based in the North of England. BWD Rensburg is a subsidiary of BWD Securities PLC which is quoted on the London Stock Exchange. CFC has offices in Leeds and Liverpool, with four investment executives and one investment consultant supported by five administrative and accounting staff. CFC is a member of the British Venture Capital Association (BVCA).

Apart from managing the Company, CFC also manages 21 investments in unquoted companies with a current value of approximately £4.4 million. CFC VCT is currently the Manager's only vehicle for making new investments. There is therefore no conflict of interest with any other fund managed by CFC. Since CFC was established in 1983 it has raised and managed or invested approximately £100 million, including £77.5 million on behalf of 16 companies under the BES Assured Tenancy Legislation (*Source: BWD Rensburg*).

As an established provider of equity capital in the North of England, CFC receives a steady deal flow which the Directors believe is an essential ingredient to successful venture capital investment. In 1996 the Manager invested £2.5 million in nine unquoted companies including three on behalf of CFC VCT (*Source: BWD Rensburg*). The Manager has an extensive network of accountants, bankers, corporate finance advisers and other venture capital institutions which refer proposals for appraisal and selection.

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.

Those funds not immediately required by CFC VCT for investment in unquoted companies will continue to be invested by BWD Rensburg in Fixed Interest Securities and quoted equities, or unit trusts managed by BWD Rensburg Unit Trust Managers Limited. The Company has invested in

BWD Rensburg's UK Equity Income Trust and UK Smaller Companies Trust which were ranked respectively 5th out of 87, and 7th out of 75 similar unit trusts for the year to 31 December 1996 (*Source: Micropal*).

Investment team

CFC's investment team comprises:

Barry Anysz (47), who has more than 25 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 BWD Securities PLC 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.

Michael Dickinson (47), 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. He is responsible for the Company's accounting and administration. He is group finance director and Company Secretary of BWD Securities PLC.

Kenneth Abbott (56), 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 (32), 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 (42), 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.

Investment policy

The Company intends to continue to invest in new issues of ordinary and preference shares or loan stock primarily in established, developing Qualifying Companies. The Manager will not invest in start-ups, but may invest in

companies at an early stage of their development. Investee companies are expected to be:

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

These companies are likely, though not exclusively, to be in the North of England. Most of the companies in which CFC has invested in to date have been in the North of England.

Manager's fees and performance incentive

CFC VCT has entered into the Management Agreement with BWD Rensburg, under the terms of which CFC is responsible for managing the Company and its portfolio of assets, procuring and paying for the services of other BWD Securities PLC group companies on behalf of the Company and delegating the management of the Company's quoted shares and Fixed Interest Securities portfolio to BWD Rensburg, and unit trusts to BWD Rensburg Unit Trust Managers Limited. The Management Agreement places a ceiling on the management fees paid by the Company to CFC. The Management Agreement, further details of which are set out in paragraph 7(a) of Part VII of this document, is subject to overall supervision by the Directors.

CFC VCT has also entered into the Option Agreement with BWD Rensburg as a performance incentive for the Manager, under which BWD Rensburg holds options on behalf of the Manager over 403,202 Ordinary Shares (being 10 per cent. of the Company's issued share capital at the time of the Flotation and 4 per cent. of the Company's issued share capital assuming the Offer is subscribed for in full), exercisable at 80 pence per share between 2001 to 2005 subject to the Company's share price reaching at least £1.20. Further details of the Option Agreement are set out in paragraph 7(b) of Part VII of this document. It is the Directors' intention to increase the options available to the Manager at a later date, so as to give the Manager options over 10 per cent. of the Company's enlarged issued share capital following closure of the Offer.

Dividend policy

The VCT legislation requires that the Company must distribute at least 85 per cent. of its income from shares and securities in each year. As indicated in the Company's prospectus dated 6 March 1996, the Directors anticipate that the initial dividend will be paid as a final dividend for the period from the Flotation to 30 April 1997 and will produce an initial gross dividend yield equivalent to 4 per cent. per annum. The Directors expect to pay interim and final dividends from the period commencing 1 May

1997 onwards. As the portfolio of Qualifying Holdings grows, investments in Qualifying Companies will continue to be structured so as to produce a high yield by the use of preference shares and loan stock. **New Ordinary Shares issued pursuant to the Offer will not rank for the final dividend paid in respect of the period from the Flotation to 30 April 1997 but will rank for all dividends thereafter.**

The Company is structured as an investment company for the purposes of the Companies Act 1985, and will remain as such until the Directors decide otherwise.

Annual Running Costs

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 in paragraph 7(a) of Part VII of this document). BWD Rensburg has agreed that should the Annual Running Costs exceed 2.5 per cent. per annum in the first period from 1 April 1996 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 Annual Running Costs may be charged to capital.

Life of the Company

The Directors intend to propose an ordinary resolution at the Company's annual general meeting in 2002 to confirm 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.

Accounts

It is the Directors' intention to change the accounting reference date of the Company from 30 April to 28 February in order to ensure that the Company has the maximum period available to satisfy VCT requirements regarding investments in Qualifying Holdings. Accordingly the second financial period of the Company will be for the 10 months ending on 28 February 1998.

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 of the investee company before completing any investment. The Company's solicitors and auditors will also review the investment portfolio on a regular basis and will work closely with the Manager who will report directly to the Board.

Barry Artysz BComm, AMSI (47), is a Non-Executive Director. His details are given on page 9 of this document.

Timothy Wood FCA, MSI (54), 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.

Directors

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

Richard de Zouche OBE, FCA (64), 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.

William Cran (47), 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 (54), 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 that company's flotation in June 1993, Chairman of Crowe Advisers Limited, a Lloyd's members agent, and Neric Limited, a family investment and finance group. He is also a Non-Executive Director of Castle Mill International plc.

PART II

The Offer

Background to and reasons for the Offer

In the circular sent to Shareholders on 10 January 1997, the Directors set out their intention to raise approximately a further £5.56 million (before costs) so as to increase the size of the fund, which they are confident will be of benefit to the Company. The VCT legislation currently states that the maximum investment by a VCT in a Qualifying Company is 15 per cent. of the total funds available for investment. However, the Directors believe it is prudent to invest no more than 10 per cent. in any one Qualifying Company, giving a current maximum investment size of approximately £440,000. This limits the Company's ability to consider larger investment proposals which have either been declined or syndicated, as was the case with Goldstar (Natural Fruit Juices) Limited, which required £750,000. This amount was syndicated with another VCT.

The raising of further funds will:

- enable the Company to fund larger investments on its own without the need for syndication
- increase the number of investments made by the Company
- increase the Company's income without a corresponding increase in fixed administrative costs.

Accordingly 5,544,025 New Ordinary Shares are being offered to Qualifying Shareholders (representing 99.6 per cent. of the New Ordinary Shares) *pro rata* to their existing holding of Ordinary Shares on the register at the Record Date under the Open Offer. The New Ordinary Shares are being offered to the public under the Offer for Subscription, although 5,544,025 New Ordinary Shares are subject to clawback to satisfy valid applications under the Open Offer which will close at 3.00 pm on 3 March 1997. Further details of the Offer are set out below.

The Offer for Subscription is made pursuant to the authority granted to the Directors at the extraordinary general meeting held on 3 February 1997, which gave the Directors the authority to issue Ordinary Shares for cash other than on a pre-emptive basis to existing

Shareholders. This authority will be used only in connection with the Offer for Subscription as set out in this document and will, to the extent unused, lapse at the close of the Offer for Subscription.

The New Ordinary Shares will not rank for any final dividend in respect of the period from incorporation to 30 April 1997. In all other respects the New Ordinary Shares will rank *pari passu* with the existing Ordinary Shares in issue. The allotment and issue of New Ordinary Shares under the Offer is not conditional on the passing of any Shareholder resolutions, or the admission of the New Ordinary Shares to the Official List, but is conditional on the Sponsorship Agreement referred to in paragraph 7(e) of Part VII of this document having become unconditional in all respects not later than 5.30 pm on 7 February 1997 or such later time as the Company and Peel Hunt may agree and Peel Hunt not having terminated its obligations thereunder.

VCT requirements

In order to maintain the Company's VCT status under current law, at least 70 per cent. of any additional funds raised by the Offer, together with those raised at the time of the Flotation and subsequently will require to be invested in Qualifying Holdings by no later than 1 March 1999, being the commencement of the proposed new financial period of the Company, not more than three years after 3 April 1996, the day on which the Inland Revenue gave provisional approval of VCT status to the Company. This will give the Company approximately two years in which to satisfy the criteria for any new funds raised by the Offer. If the criteria is not satisfied, approval of the VCT may be withdrawn and may be deemed never to have been given. Attention is drawn to paragraph 6 of Section B of Part VI of this document which sets out the consequences of withdrawal of such approval. The Directors are confident, however, that the Company can satisfy the criteria within the two year period. Furthermore, under draft legislation proposed by the Finance Bill 1997, additional funds raised by a VCT may be subject to a new three year period in which to satisfy the criteria.

Costs of the Offer

The costs of the Offer are subject to an indemnity agreement with BWD Rensburg, further details of which are set out in paragraph 7(d) of Part VII of this document. Under this agreement the costs of the Offer (inclusive of commissions paid to independent financial advisers), under any circumstances, will be exactly five per cent. of the gross Offer proceeds, plus any irrecoverable VAT.

Open Offer to Qualifying Shareholders

The Company, hereby invites Qualifying Shareholders, subject to the terms and conditions set out in Part VIII of this Document and in the Priority Application Form, to apply for the Open Offer Shares at the Offer Price, free of all expenses, payable in full on application, on the basis of:

5 Open Offer Shares for every 4 existing Ordinary Shares

held at the Record Date, and so in proportion for any other number of Ordinary Shares then held. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares. Fractional entitlements that would otherwise have arisen will not be allotted to Qualifying Shareholders but will be aggregated and offered under the terms of the Offer for Subscription for the benefit of the Company, as described herein.

Qualifying Shareholders will receive a Priority Application Form accompanying this document and should use this form in making an application under the Open Offer. In order to obtain the available tax reliefs in tax year 1996/97 Qualifying Shareholders are required to complete the Enduring Declaration contained in the Priority Application Form. Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their maximum entitlement, indicated in Box 2 on the Priority Application Form. No application in excess of the maximum entitlement will be met under the terms of the Open Offer, and any Qualifying Shareholder so applying will be deemed to have applied only for his/her maximum entitlement.

Qualifying Shareholders wishing to subscribe for New Ordinary Shares in excess of their maximum *pro rata* entitlement or for part of their *pro rata* entitlement to New Ordinary Shares in tax year 1997/98 may do so under the terms of the Offer for Subscription, details of which are set out below, using the Application Forms at the back of this document. Allotment of New Ordinary Shares to Qualifying Shareholders under the Offer for Subscription in excess of their *pro rata* entitlement is not guaranteed, but will be at the absolute discretion of the Company after consultation with Peel Hunt, in accordance with the terms of the Offer for Subscription.

Application under the Open Offer may only be made on the enclosed Priority Application Form, which is personal to the Qualifying Shareholder named therein and may not be assigned, transferred or split except to satisfy bona fide market claims. Qualifying Shareholders who have sold or transferred all or part of their registered holdings are advised to consult their stockbroker, bank or other agent through or by whom the sale or transfer was effected as soon as possible since the benefits arising under the Open Offer may be claimed from them by purchasers under the Rules of the London Stock Exchange. The Priority Application Form represents a right to apply for Open Offer Shares. It is not a document of title and cannot be traded. Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that those Open Offer Shares not taken up by them will not be sold in the market for their benefit upon closure of the Open Offer. After 3 March 1997 Qualifying Shareholders' preemptive rights to subscribe for the Open Offer Shares will lapse and such Ordinary Shares may then be issued to those members of the public or Beneficial Shareholders who have applied for New Ordinary Shares under the terms of the Offer for Subscription. The latest time for receipt of completed Priority Application Forms and payment in full under the Open Offer is 3.00 pm on 3 March 1997.

Subscription for the Open Offer Shares is only possible in tax year 1996/97. If Qualifying Shareholders have insufficient tax liabilities in respect of tax year 1996/97 to fully utilise VCT tax reliefs in tax year 1996/97, or wish to invest an amount which, when aggregated with other VCT investments in tax year 1996/97 exceeds £100,000, they may wish to subscribe for New Ordinary Shares in tax year 1997/98 under the Offer for Subscription. Qualifying Shareholders who are in any doubt about what action to take should consult their independent financial adviser authorised under the Financial Services Act 1986.

Qualifying Shareholders wishing to subscribe for New Ordinary Shares in excess of their maximum *pro rata* entitlement, or for all, or part of their *pro rata* entitlement of New Ordinary Shares in tax year 1997/98 should do so under the terms of the Offer for Subscription as described below and in Parts VIII and IX of this document. Qualifying Shareholders wishing to apply for part of their *pro rata* entitlement in tax year 1997/98 must complete and return Application Form B at the back of this document so as to arrive at Northern Registrars by no later than 3.00 pm on 3 March 1997. Qualifying Shareholders subscribing under the Offer for Subscription are guaranteed allotment of those New Ordinary Shares only to the extent that the total number of New Ordinary Shares they are subscribing for (whether under the Open Offer or the Offer for Subscription) is

less than or equal to their maximum *pro rata* entitlement as indicated in Box 2 of their Priority Application Form. Allotment of Offer for Subscription Shares applied for in excess of this amount is not guaranteed, but will be at the absolute discretion of the Company after consultation with Peel Hunt. There is no minimum subscription level under the Offer for Subscription for Qualifying Shareholders who take up part of their *pro rata* entitlement in tax year 1997/98. Applications from Qualifying Shareholders under the Offer for Subscription in excess of their *pro rata* entitlement are subject to the minimum subscription requirements set out below.

Where the register of members indicates that a Qualifying Shareholder has an authorised financial intermediary, this will be indicated in Box A on the Priority Application Form. The authorised financial intermediary so indicated will be entitled to a commission of 3 per cent. of the value at the Offer Price of the Open Offer Shares allotted to that Qualifying Shareholder, unless the Qualifying Shareholder indicates to the contrary by ticking Box B on the Priority Application Form. Qualifying Shareholders may instruct payment of such commissions to an alternative authorised financial intermediary to that indicated by Box A, by ticking Box B and entering into Box C the name of the alternative authorised financial intermediary to whom such commissions should be paid.

The terms and conditions of the Open Offer are set out in Part VIII of this Document, and on the Priority Application Form. The procedure for application under the Open Offer is set out in the Priority Application Form. The Open Offer is not underwritten.

The Offer for Subscription

The New Ordinary Shares are being offered to the public under the Offer for Subscription, subject to the terms and conditions set out in Part VIII of this document, although 5,544,025 New Ordinary Shares are subject to clawback to satisfy valid applications under the Open Offer. Investors subscribing for Offer for Subscription Shares must use the Application Forms attached at the back of this document.

Authorised financial intermediaries will be entitled to a commission of 3 per cent. of the value, at the Offer Price, of the Offer for Subscription Shares allotted pursuant to valid Application Forms which bear their stamp. The minimum subscription under the Offer for Subscription (except by Beneficial Shareholders subscribing for their Notional Entitlement) is £2,000 and in multiples of £500 thereafter. There is no minimum subscription under the Offer for Subscription for Beneficial Shareholders

subscribing for amounts up to their Notional Entitlement in either tax year 1996/97 and/or tax year 1997/98. The Offer for Subscription is not underwritten but will proceed irrespective of the total number or value of applications received thereunder or the level of acceptances received under the Open Offer.

If the Offer for Subscription is over-subscribed, applications will be scaled back at the absolute discretion of the Company after consultation with Peel Hunt, although priority will be given to Qualifying Shareholders subscribing for part of their *pro rata* entitlement in tax year 1997/98 and Beneficial Shareholders subscribing for part of their Notional Entitlement in either tax year 1996/97 and/or tax year 1997/98, and thereafter will be given to the earliest received Application Forms.

The Offer for Subscription may be subscribed for in either tax year 1996/97 and/or tax year 1997/98. The advantage of this option is that an investor can apply for New Ordinary Shares which would not be eligible for relief in relation to the tax year 1996/97 because he 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 1996/97, exceeds £100,000.

Investors wishing to subscribe under the Offer for Subscription in either/or both tax years should use the Application Forms on pages 43 and 45 of this document. An investor wishing to subscribe for Ordinary Shares in tax year 1997/98 should complete Application Form B. All other investors under the Offer for Subscription should complete Application Form A. In order to obtain the available tax reliefs for the relevant tax years subscribers to the Offer for Subscription are required to complete the Enduring Declaration contained in the Application Form(s) for the tax year(s) in which they are subscribing. The Offer for Subscription will be open to the public from 7 February 1997 until 10.00 am on 3 April 1997 in respect of Application Forms for tax year 1996/97, and until 10.00 am on 30 April 1997 in respect of Application Forms for tax year 1997/98 although the Company reserves the right to allot New Ordinary Shares prior to the closing dates in respect of completed Application Forms received prior to the relevant closing date. Qualifying Shareholders subscribing for part of their *pro rata* entitlement in tax year 1997/98, must complete and return Application Form B at the back of this document so as to arrive at Northern Registrars by no later than 3.00 pm on 3 March 1997. Beneficial Shareholders subscribing for part of their Notional Entitlement in either tax year 1996/97 and/or tax year 1997/98 must complete and return Application Form A and/or Application Form B so as to arrive at Northern

The Company and Peel Hunt reserve the right not to treat as valid any application for New Ordinary Shares under the Offer if it appears to the Company or its agents that such application or acceptance thereof may involve a breach of the laws or regulations of any jurisdiction or if in respect thereof the Company is not given the relevant warranty set out in the Application Forms or Priority Application Form. Notwithstanding any other statement in this document, the

In particular, the New Ordinary Shares have not and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any State of the United States of America nor have the relevant clearances been, nor will they be obtained from the Securities Commission of any province or territory in Canada. No document in relation to the New Ordinary Shares has been or will be lodged with or registered by the Australian Securities Commission. Accordingly New Ordinary Shares may not be offered, sold, taken up or delivered within the United States of America, its territories and possessions, in Canada or in the Commonwealth of Australia, its states, territories or possessions.

It is expected that the results of the Open Offer will be announced on 3 March 1997 and the Open Offer Shares will be allotted on 4 March 1997. Dealings are expected to commence on 10 March 1997 with definitive certificates despatched by 17 March 1997.

It is expected that the basis of allotment for the Offer for Subscription in respect of tax year 1997/98 will be announced on 30 April 1997, and that allotment will take place on the same day. Dealings in Offer for Subscription Shares allotted for tax year 1997/98 are expected to commence on 9 May 1997 with definitive certificates despatched by 16 May 1997.

PART III

Illustration of the Tax Benefits of VCTs for Investors

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. Broadly the tax reliefs are:

- **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 distributed 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, 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 which 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 VCT shares.

For a basic rate taxpayer (currently 24 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>7.1%</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 V of this document.

Subscribers for New Ordinary Shares under the Offer will receive within 30 days of the closing of the Open Offer and within 30 days of the relevant closing date under the Offer for Subscription, 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 VI 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 VI.

Prospective investors should be aware that:

- All of the 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.
- Disposals of shares in a VCT within 5 years of subscription will give rise to a liability to repay the 20 per cent. income tax relief unless the disposal is a sale on an arms length basis giving rise to a loss. Where there is such a loss, the amount of income tax relief which the individual will be liable to repay will vary depending on the amount received for the shares.
- 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 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.

PART IV

Accountants' Report on the Company

KPMG Audit Plc

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The Directors
Capital for Companies VCT plc
Quayside House
Canal Wharf
Leeds LS11 5PU

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

7 February 1997

Dear Sirs

Capital for Companies VCT plc

We have examined the audited accounts of Capital for Companies VCT plc (the Company) for the period from incorporation to 31 October 1996; our examination has been carried out in accordance with the Auditing Guideline: Prospectuses and the reporting accountant. These accounts, prepared for the purposes of this Prospectus, are the first audited accounts of the Company, the interim statement issued on 10 December 1996 not having been subject to audit.

Following the resignation of the first auditors, Robson Rhodes, KPMG Audit Plc were appointed auditors of the Company on 31 January 1997.

No audited accounts of the Company have been made up in respect of any period subsequent to 31 October 1996.

The financial information set out at paragraphs 1 to 4 prepared on the basis described in note 4.1 is based on the audited accounts of the Company to which no adjustments were considered necessary.

In our opinion the financial information gives, for the purposes of the Prospectus, a true and fair view of the profit and cash flow and of the state of affairs of the Company for the period from incorporation to 31 October 1996 and as at that date.

1 Statement of total return (incorporating the revenue account)

The statement of total return (incorporating the revenue account) of the Company for the period from incorporation to 31 October 1996 is as follows:

	Note	Period ended 31 October 1996		
		Revenue £000	Capital £000	Total £000
Gains/(losses) on investments	4.8	—	97	97
Income	4.2	134	—	134
Investment management fee	4.3	(17)	(17)	(34)
Other expenses	4.4	(10)	(9)	(19)
Return on ordinary activities before tax		107	71	178
Tax on ordinary activities	4.6	(28)	8	(20)
Return on ordinary activities after tax for the period		79	79	158
Dividends		—	—	—
Transfer to reserves		79	79	158
Return per ordinary share	4.7	1.96p	1.96p	3.92p

The movements on reserves are set out in note 4.13. The historical cost return is the same as the return shown above.

2 Balance Sheet

The balance sheet of the Company as at 31 October 1996 is as follows:

	Note	At 31 October 1996	
		£000	£000
Fixed assets			
Investments	4.8		3,414
Current assets			
Debtors	4.10	83	
Cash at bank and in hand		836	
		919	
Creditors: amounts falling due within one year	4.11	(38)	
Net current assets			881
Net assets			4,295
Capital and reserves			
Called up share capital	4.12		437
Share premium account	4.13		3,700
Capital reserve – realised	4.13		(8)
– unrealised	4.13		87
Revenue reserve	4.13		79
			4,295
Net asset value per share	4.16		98.4p

3 Cash flow statement

The cash flow statement of the Company for the period from incorporation to 31 October 1996 is as follows:

		Period ended 31 October 1996	
	Note	£000	£000
Net cash inflow from operating activities	4.15(a)		17
Returns on investment and servicing of finance			
Dividends paid			—
Taxation			
Corporation tax paid			—
Investing activities			
Purchase of investments		(3,956)	
Sale of investments		639	
Net cash outflow from investing activities			(3,317)
Net cash outflow before financing			(3,300)
Financing			
Issue of ordinary shares		4,365	
Expenses paid in connection with share issues		(229)	
Net cash inflow from financing activities			4,136
Increase in cash and cash equivalents	4.15(b)		836

4 Notes to the financial information

4.1 Basis of preparation and statement of accounting policies

Basis of preparation

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

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

Statement of accounting policies

Investments

Quoted investments and investments in Unquoted UK Companies are stated at middle market prices, discounted where necessary to reflect lack of liquidity.

Other unquoted equity shares are valued as follows:

- where the latest accounts show a trading profit, the valuation is made by reference to a price based on the application to the latest reported earnings of price-earnings ratios appropriate to similar listed investments;
- where the latest accounts show a loss, the valuation is based on half the book amount of net assets reflected in those accounts.

In both of these cases, the valuations are also modified to take account of special factors relating to each investment which are considered to affect the valuation and an appropriate discount has been applied to reflect restricted marketability.

Where no accounts have been received for a period following the initial investment, the investment is valued at cost.

Although the company may hold more than 20 per cent. of the equity share capital of a particular company, the directors consider that in view of the current investment objectives of the Company it would not be appropriate to treat any such holdings as investments in associated undertakings.

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

Income

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

Dividends received on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, providing there is no reasonable doubt that payment will be received in due course.

Expenditure

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

- expenses incidental to the acquisition or disposal of an investment which are included within the cost of the investment or deducted from the disposal proceeds as appropriate; and
- the investment management and directors' fees which have been charged 50 per cent. to the revenue account and 50 per cent. to the realised capital reserve.

Taxation

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

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

4.2 Income

	Period ended 31 October 1996 £000
Franked investment income	1
Unfranked investment income	23
Interest receivable in respect of government stocks and bonds	77
Deposit interest	29
Commissions	4
	<u>134</u>

4.3 Investment management fee

	Period ended 31 October 1996	
	Revenue £000	Capital £000
Investment management fee	15	15
Irrecoverable VAT thereon	2	2
	<u>17</u>	<u>17</u>

Capital for Companies (CFC), a division of BWD Rensburg Limited provides investment management and secretarial services to the Company under an agreement dated 5 March 1996. The agreement is for an initial fixed term of three years and may be terminated by either of the parties on twelve months' notice expiring at the end of the fixed term or at any time thereafter.

CFC will receive an annual management fee equivalent to 1.5 per cent. per annum of the net assets of the Company in the first period to 30 April 1997, 2 per cent. per annum of the net assets of the Company in the second year to 30 April 1998 and 2.5 per cent. per annum thereafter of the net assets of the Company (in each case plus value added tax).

4.4 Other expenses

	Period ended 31 October 1996	
	Revenue £000	Capital £000
Directors' remuneration	7	7
Auditors' remuneration	2	—
Other	1	2
	<u>10</u>	<u>9</u>

4.5 Directors' emoluments

	Period ended 31 October 1996 £000
Amounts paid to third parties in consideration for the services of directors	<u>14</u>
The fees paid in respect of individual directors were as follows:	£
RB de Zouche <i>Chairman</i>	5,250
RG Battersby	4,375
WM Cran	4,375
BA Anysz	—
TCJ Wood	—

4.6 Taxation

	Period ended 31 October 1996	
	Revenue £000	Capital £000
Tax attributable to franked investment income	—	—
Corporation tax payable/(receivable)	28	(8)
	<u>28</u>	<u>(8)</u>

4.7 Return per share

The revenue return per share is based on net revenue from ordinary activities after taxation of £79,000 and on 4,032,020 shares, being the weighted average number of shares in issue during the period.

The capital return per share is based on net realised and unrealised capital gains of £79,000 and on 4,032,020 shares.

4.8 Investments

	At 31 October 1996 £000
Listed investments	2,789
Unlisted investments	625
	<u>3,414</u>

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

	Listed £000	Unlisted £000	Total £000
Cost and valuation at start of period	—	—	—
Movements in the period:			
Purchase at cost	3,349	607	3,956
Disposals – proceeds	(639)	—	(639)
– realised gain	10	—	10
Increase in unrealised appreciation	69	18	87
Valuation at 31 October 1996	<u>2,789</u>	<u>625</u>	<u>3,414</u>
Book cost at 31 October 1996	2,720	607	3,327
Unrealised appreciation at 31 October 1996	<u>69</u>	<u>18</u>	<u>87</u>
	<u>2,789</u>	<u>625</u>	<u>3,414</u>

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

	Period ended 31 October 1996 £000
Realised gains on disposal	10
Increase in unrealised appreciation	<u>87</u>
	<u>97</u>

4.9 Unlisted investments

	At 31 October 1996	
	Cost	Carrying value
	£000	£000
Chadwick Web Processing plc		
Ordinary shares	20	20
Redeemable preference shares	380	380
	<hr/> 400	<hr/> 400

The holding represents 25 per cent. of the ordinary share capital and 37.8 per cent. of the preference share capital of the company.

	At 31 October 1996	
	Cost	Carrying
	£000	value
	£000	£000
Cirqual plc		
Ordinary shares	207	225

The holding represents 0.75 per cent. of the ordinary share capital of the company.

4.10 Debtors

	At 31 October 1996 £000
Prepayments and accrued income	<u>83</u>
	<u>83</u>

All debtors are due within one year.

4.11 Creditors: amounts falling due within one year

	At 31 October 1996
	£000
Trade creditors and accruals	18
Corporation tax payable	20
	<u>38</u>

4.12 Called up share capital

	At 31 October 1996	
	Number of shares	£000
<i>Authorised</i>		
Ordinary shares of 10p each	11,000,000	<u>1,100</u>
<i>Allotted, issued and fully paid</i>		
Ordinary shares	4,365,420	<u>437</u>

Since its incorporation on 15 January 1996 the authorised and issued share capital of the Company has been changed as follows:

- on 15 January 1996, the two subscriber shares were transferred to BWD Rensburg and £2 was paid to the Company;
- on 28 February 1996, the Company increased its authorised share capital from £100,000 to £1,100,000 by the creation of 500,000 redeemable shares of 10p each ("Redeemable Shares") and 9,500,000 Ordinary Shares;
- on 28 February 1996 each of the two issued shares and each of the 99,998 unissued ordinary shares of £1 each in the Company were sub-divided into 10 ordinary shares of 10p each and were re-designated as Ordinary Shares;
- on 28 February 1996, 500,000 Redeemable Shares were allotted to BWD Rensburg fully paid up;
- on 4 April 1996, the Company allotted 3,815,500 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Flotation;
- on 4 April 1996, the Company redeemed the Redeemable Shares at par which were redesignated as Ordinary Shares;
- on 9 April 1996, the Company allotted 186,500 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Flotation;
- on 1 May 1996, the Company allotted 30,000 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Flotation;
- on 31 October 1996, the Company allotted 333,400 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share.

4.13 Reserves

	Share premium £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
At start of period	—	—	—	—
On issue of shares	3,700	—	—	—
Realised on disposal of investments	—	10	—	—
Expenses net of associated taxation	—	(18)	—	—
Unrealised appreciation	—	—	87	—
Net revenue retained for the period	—	—	—	79
At end of period	<u>3,700</u>	<u>(8)</u>	<u>87</u>	<u>79</u>

4.14 Reconciliation of movements in shareholders' funds

	Period ended 31 October 1996
Return on ordinary activities for the period after taxation	159
Dividends	—
Transfer to reserves	159
New share capital issued including premium, net of expenses	4,136
	4,295
Opening shareholders' funds	—
Closing shareholders' funds	4,295

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

	Period ended 31 October 1996 £000
Net revenue from ordinary activities before tax	107
Increase in debtors	(83)
Increase in creditors	19
Tax withheld at source on franked investment income	—
Fees charged to capital reserve	(26)
Net cash inflow from operating activities	17

(b) Analysis of changes in cash and cash equivalents during the year

	Period ended 31 October 1996 £000
Cash at bank and in hand	836
Bank loans and overdrafts	—
Net cash and cash equivalents	836

4.16 Net asset value per share

The calculation of net asset value per share at 31 October 1996 is based on net assets of £4,295,000 divided by the 4,365,420 ordinary shares in issue on that date.

4.17 Post balance sheet events

- On 29 November 1996, the Company allotted 23,800 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share.
- On 8 January 1997, the Company allotted 46,000 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share.

Yours faithfully,
KPMG Audit Plc

PART V

Risk Factors

- **Qualifying Shareholders, Beneficial Shareholders** and 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.
- 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.
- A failure to meet the qualifying requirements for a VCT could result in the loss of some or all of the tax reliefs available to the VCT and individual investors. 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 VI of this document.
- Under current VCT legislation, the Company will have approximately 2 years in which to invest any additional funds raised by the Offer and satisfy the criteria for VCTs. Failure to do so could result in loss of the beneficial tax reliefs available to the VCT and individual investors. The Directors are confident, however, that the Company can satisfy the criteria within the two year period. Furthermore, under draft legislation proposed in the Finance Bill 1997, additional funds raised by a VCT may be subject to a new three year period in which to satisfy the criteria.
- The levels and bases of reliefs from taxation may change. The tax reliefs referred to in paragraph 3 of Section B of Part VI 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 Offer is not conditional on admission of the New Ordinary Shares to the Official List.
- 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.
- **Qualifying Shareholders, Beneficial Shareholders** and prospective investors should be aware that the value of the Company's investments in Fixed Interest Securities, quoted equities and unit trusts may go down as well as up, and the income from them may fluctuate.

PART VI

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 subsidiaries carrying on a qualifying trade ("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.

Under draft legislation proposed by the Finance Bill 1997, a holding company may still be a Qualifying Company if it or any of its otherwise Qualifying Subsidiaries carry on certain non-qualifying activities provided such activities form only an insubstantial part of the activities of the group as a whole.

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.

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 paragraphs 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 New Ordinary Shares in the VCT

(a) Income tax relief on investment in newly subscribed shares issued by the VCT under the Offer 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 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 new shares.

5. Tax recovery procedures**(a) Dividends**

The Inland Revenue has 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 the Priority Application Form and investors subscribing for New Ordinary 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 Open Offer and within 30 days of the relevant closing date for the Offer for Subscription, 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 New Ordinary Shares in the VCT under the Offer**(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.

PART VII

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 Quayside House, Canal Wharf, Leeds, LS11 5PU.
- (b) The Company was issued with a certificate under section 117 of the Act by the Registrar of Companies on 1 March 1996.
- (c) 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.
- (d) The Inland Revenue have provisionally approved the Company under section 842AA Income and Corporation Taxes Act 1988 with effect from 3 April 1996 and the business of the Company has been, and it is intended that the business of the Company shall continue to be, carried on so as to comply with that section.

2. Share capital

- (a) Since its incorporation the authorised and issued share capital of the Company has been changed as follows:
 - (i) On 15 January 1996, the two subscriber shares were transferred to BWD Rensburg and £2 was paid to the Company;
 - (ii) on 28 February 1996, the Company increased its authorised share capital from £100,000 to £1,100,000 by the creation of 500,000 redeemable shares of 10p each ("Redeemable Shares") and 9,500,000 Ordinary Shares;
 - (iii) on 28 February 1996 each of the two issued shares and each of the 99,998 unissued ordinary shares of £1 each in the Company were sub-divided into 10 ordinary shares of 10p each and were re-designated as Ordinary Shares;
 - (iv) on 28 February 1996, 500,000 Redeemable Shares were allotted to BWD Rensburg fully paid up;
 - (v) on 4 April 1996 the Company allotted 8,815,500 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Flotation;
 - (vi) on 4 April 1996, the Company redeemed the Redeemable Shares at par which were redesignated as Ordinary Shares;
 - (vii) on 9 April 1996, the Company allotted 186,500 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Flotation;
 - (viii) on 1 May 1996, the Company allotted 30,000 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share pursuant to the Flotation;
 - (ix) on 31 October 1996, the Company allotted 333,400 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share;
 - (x) on 29 November 1996, the Company allotted 23,800 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share; and
 - (xi) on 8 January 1997, the Company allotted 46,000 Ordinary Shares for cash at a premium of 90 pence per Ordinary Share.
- (c) At an extraordinary general meeting of the Company held on 28 February 1996 it was resolved *inter alia*:
 - (i) that the Directors were generally authorised pursuant to section 80(1) of the Act to allot relevant securities (as defined by section 80(2) of the Act) to a maximum aggregate nominal value 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 next annual general meeting of the Company; and
 - (ii) that the Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in sub-paragraph (i) above as if section 89(1) of the Act did not apply to the 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 Flotation;
 - (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.
- (d) At an extraordinary general meeting of the Company held on 3 February 1997, it was resolved that the Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in sub-paragraph (c)(i) above as if section 89(1) of the Act did not apply to the 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 the allotment of equity securities up to a maximum aggregate nominal value of £556,478 pursuant to the Offer.

- (e) The present authorised share capital of the Company is £1,100,000 divided into 11,000,000 Ordinary Shares of which 4,435,220 Ordinary Shares have been issued fully paid or credited as fully paid. Immediately following the implementation of the Offer, the authorised share capital of the Company will be £1,100,000 divided into 11,000,000 Ordinary Shares of which 10,000,000 Ordinary Shares will have been issued fully paid or credited as fully paid and 1,000,000 Ordinary Shares will be unissued if the Offer is subscribed for in full. A total of 403,202 Ordinary Shares will be reserved for issue under the terms of the Option Agreement as disclosed in paragraph 7(b) below.
- (f) 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 such rights are not disapplied by the resolutions referred to in paragraphs (c) (ii) and (d) above.
- (g) Save as disclosed in this Part VII of this document since the incorporation of the Company:
 - (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.

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 11 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) 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 share of the class in question.

(iii) 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.

(iv) 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 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 that is not a fully paid up share (provided that this discretion will not be exercised so as to prevent dealings in the shares on the London Stock Exchange taking place on an open and proper basis) 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 reasonably 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.

(v) 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 on the shares during any portion or portions 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.

(vi) 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 or other dealing with any capital asset in excess of the book value thereof and all other monies thereof 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 therefor) 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.

(vii) 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, the same resolutions will be proposed at every third subsequent annual general meeting of the Company.

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.

(viii) 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 (present and future) 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 borrowings 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).

(ix) 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 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, 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 transaction 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 by the Company 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 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 or sub-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 of 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 generally accorded to the relevant employees; and
- (7) any proposal for the purchase or maintenance of insurance for the benefit of the Directors.

Subject to the Act, 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.

(c) 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 (as determined by provisions contained in the Articles) or, if their number is not a multiple of three, then the number nearest to but not exceeding one third shall retire from office. Any Director so retiring shall be eligible for re-appointment.

(x) Purchase of own shares

The Company may, subject to the provisions of the Act, the Articles, or the rights of the holders of any class of shares, purchase its own shares (including redeemable shares).

(xi) 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.

(xii) 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 interests (all of which are beneficial unless stated otherwise) both as at 7 February 1997 (the latest practicable date prior to the posting of this document) and as they are expected to be immediately following the Offer which:
- (i) are required to be notified by each Director of the Company pursuant to section 324 or 328 of the Act; or
 - (ii) are required pursuant to section 325 of the Act to be entered in the register referred to therein; or
 - (iii) are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under sub-paragraph (i) or (ii) above and the existence of which is known or could with reasonable diligence be ascertained by that Director
- are as follows

Director	Number of Ordinary Shares before the Offer	Percentage of issued ordinary share capital as at the date of this document	Number of Ordinary Shares after closure of the Offer	Percentage of issued ordinary share capital immediately following the Offer*
Richard de Zouche	5,000	0.11	11,250	0.11
William Cran	5,000	0.11	11,250	0.11
Richard Battersby	5,000	0.11	15,000	0.15
Barry Anyz	5,000	0.11	11,250	0.11
Timothy Wood	37,500	0.85	50,000	0.50

* Assuming all New Ordinary Shares subscribed for.

- (b) BWD Rensburg has been granted an option by the Company over 403,202 Ordinary Shares (representing approximately 9.1 per cent. of the current issued share capital and 4 per cent. of the issued share capital following the Offer, assuming it is subscribed for in full) further details of which are contained in paragraph 7(b) of this Part VII. Mr B Anyz and Mr T Wood are directors of BWD Rensburg.
- (c) Save as disclosed in paragraphs 4(a) and (b) 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.
- (d) None of the Directors has a service contract with the Company and no such contract is proposed.
- (e) Save as disclosed in paragraph 4(b) above, the Directors are not aware of any interest (within the meaning of Part VI of the Act) which will represent 5 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.
- (f) Save for the interests of Mr B Anyz and Mr T Wood as directors of BWD Rensburg and BWD Securities PLC in the Management Agreement, the Option Agreement, the costs indemnity, the Placing and Open Offer Agreement and Sponsorship Agreement, referred to in paragraphs 7(a) to 7(e) inclusive 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.
- (g) 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.
- (h) 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, individual 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 and 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 whether 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 will be subject to stamp duty reserve tax generally at the rate of 0.5 per cent. of the consideration paid.

(c) Close company

The Directors believe that the Company is not and expect that following completion of the Offer 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, ie 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 has been, and will continue to be, in the absence of unforeseen circumstances, 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 was appointed 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 (in each case plus VAT) 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 of the gross assets of the Company less current liabilities. If any financial period of the Company is for a period shorter than twelve months the relevant payment shall be apportioned on a time basis. The fee shall not include Directors' fees, audit fees, legal fees, bank charges, stamp duties, banker's fees, commissions and any other professional fees which shall be borne by the Company.

The Manager 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 the Manager but no such investments shall be made without the approval of the Board. The Manager is entitled to delegate to BWD Rensburg its responsibility for managing the Company's investments in Fixed Interest Securities, unit trusts 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 (plus any applicable VAT) 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 5.5 per cent. per annum thereafter of the gross assets of the Company less current liabilities, the Company shall be entitled to a rebate on the fees paid to BWD Rensburg or the Manager to the extent of the excess. If any financial period of the Company is for a period shorter than twelve months the amount of the Annual Running Costs shall be apportioned on a time basis.

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 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 403,202 Ordinary Shares. The Option 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 Daily 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 cash dividend); or

- (iii) the Company makes any capital distributions to Shareholders as a result of capital gains made on disposals of investments

then the number of Ordinary Shares subject to the Options, the Option Price and/or the Share 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 Option 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) An agreement dated 5 March 1996 between the Company (1), the Directors (2), Peel Hunt (3) and BWD Securities (4) (the "Placing and Open Offer Agreement") pursuant to which BWD Securities agreed to subscribe for such number of Ordinary Shares as may be required to reach the minimum subscription of 4 million Ordinary Shares under the Flotation and Peel Hunt agreed to act as sponsor in connection with the Flotation. In the agreement the Company and the Director gave certain warranties and the Company gave certain indemnities to Peel Hunt and BWD Securities.
- (d) An indemnity dated 7 February 1997 pursuant to which BWD Rensburg agreed to indemnify the Company for any costs (excluding VAT) incurred by the Company in connection with the Offer in excess of 5 per cent. of the gross proceeds of the Offer. In consideration for the indemnity, the Company agreed with BWD Rensburg that if the costs (excluding VAT) incurred by the Company were less than 5 per cent. of the gross proceeds of the Offer, it would pay to BWD Rensburg an amount equal to the shortfall.
- (e) The Sponsorship Agreement entered into on 7 February 1997 between the Company (1) the Directors (2) and Peel Hunt (3) pursuant to which Peel Hunt has agreed pursuant to the terms of the Sponsorship Agreement to act as sponsor for the Company in connection with the Open Offer and Offer for Subscription.

Under the Sponsorship Agreement:

- (i) the Company has agreed to pay Peel Hunt a fixed fee of £10,000 and a commission of 0.5 per cent. of the gross proceeds of the Offer, subject to a minimum commission of £10,000 and a maximum commission of £20,000, plus any applicable VAT in connection with the Offer and the application for the New Ordinary Shares 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 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 that there are no matters relating to any Director which are material to the Offer not disclosed in the Prospectus;
- (iv) Peel Hunt may terminate the Sponsorship Agreement in certain circumstances prior to 30 April 1997; and
- (v) the Company and Peel Hunt shall determine in their absolute discretion the basis of allocating the New Ordinary Shares pursuant to the Offer for Subscription.

8. Overseas investors

- (a) No person receiving a copy of this document or an 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 VIII of this document or a resident of Canada or Australia.

9. Details of investments

As at the date of this prospectus the Company has made three investments in Qualifying Companies, the details of which are as follows:

Name	Chadwick Web Processing plc	Cirqual plc	Goldstar (Natural Fruit Juices) Limited
Registered office	Century Works Webster Street Oldham OL8 1JY	Whitley Way Airfield Industrial Estate Ashbourne Derbyshire DE6 1LG	Sonex House Sharston Road Wythenshawe Manchester M22 4RX
Activity	Design and manufacture of a range of flexographic printing machinery for the packaging industry	Holding company for specialist businesses involved in aluminium extrusions, thermoplastics and precision fabrications for aerospace, electronics and automotive markets	Manufacturer and packaging of soft still drinks and fruit juices
Total issued share capital	60,000 "A" ordinary shares of £1 each 20,000 "B" ordinary shares of £1 each 500,000 6 per cent. redeemable preference shares of £1 each 304,000 12 per cent. redeemable preference shares of £1 each	20,944,512 ordinary shares of 4 pence each	104,000 "A" ordinary shares of £1 each 56,000 "B" ordinary shares of £1 each 599,920 "A" 12.5 per cent. redeemable preference shares of £1 each 157,000 "B" 7 per cent. preference shares of £1 each
Capital held and proportion of equity held	20,000 "B" ordinary shares (25 per cent. of ordinary equity) 304,000 12 per cent. preference shares (37.8 per cent. of preference share capital)	153,919 ordinary shares (0.75 per cent. of equity)	28,000 "B" ordinary shares (17.5 per cent. of ordinary equity) 299,960 "A" 12.5 per cent. redeemable preference shares (39.6 per cent. of preference share capital)
Voting rights attributable to shares held	"B" ordinary shares: 1 vote per share on a poll Preference shares: Non-voting unless preference dividends in arrears or redemption of preference shares not made on due date when the preference shares shall have 1 vote per share on a poll or 1 vote on a show of hands	1 vote per share on a poll	"B" ordinary shares: 1 vote per share on a poll Preference shares: Non-voting unless preference dividends in arrears or redemption of preference shares not made on due date when the preference shares shall have 1 vote per share on a poll or 1 vote on a show of hands
Cost of investment	£400,000	£207,791	£375,000
Amounts to be paid on shares held	Nil	Nil	Nil
Valuation at last practicable date, and basis of valuation	£400,000 (cost)	£300,142 daily official list mid market price as at 6 February 1997	£375,000 (cost)
Valuation in the Company's last accounts ⁽¹⁾	£400,000	£225,000	N/A
Net assets	N/A ⁽⁴⁾	£1,413,000 ⁽²⁾	£42,000 ⁽³⁾
Reserves	N/A ⁽⁴⁾	£753,000 ⁽²⁾	£32,000 ⁽³⁾
Retained profit	N/A ⁽⁴⁾	£925,000 ⁽²⁾	(£43,005) ⁽³⁾
Profit/(loss) before tax	N/A ⁽⁴⁾	£2,370,000 ⁽²⁾	(£99,878) ⁽³⁾
Profit/(loss) on ordinary activities after tax	N/A ⁽⁴⁾	£1,598,000 ⁽²⁾	(£89,495) ⁽³⁾
Dividends received	Nil	Nil	Nil
Amounts owed to the Company	Nil	Nil	Nil
Amounts owed by the Company	Nil	Nil	Nil

(1) Valuations taken from the interim results for the period to 31 October 1996

(2) Audited, year to 31 August 1996

(3) Audited, year to 31 December 1995

(4) New company created as MBO investment vehicle.

PART VIII

Terms and Conditions of Application under the Offer

In these terms and conditions, which apply to the Offer:

"Applicant" means a person whose name appears as such in a Priority Application Form or Application Form; "Application" means the offer by an Applicant by completing the Priority Application Form or either of the Application Forms and posting (or delivering) it to Northern Registrars Limited (the "Receiving Agents") or as otherwise indicated in the Prospectus dated 7 February 1997 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 Priority Application Form and/or Application Forms and explanatory notes in relation thereto.

The section headed "How to complete the Application Forms and Enduring Declarations" set out on page 42 and the statements set out in the Priority Application Form form 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 Sponsorship Agreement referred to in paragraph 7(e) of Part VII of the Prospectus becoming unconditional in all respects, and not being terminated in accordance with its terms before the relevant closing date for the Offer.
- (b) The right is reserved by the Company to present all cheques and banker's drafts for payment on receipt (other than post dated cheques which may be presented on or after the date specified on the cheque) and to retain share certificates and application monies, pending clearance of successful Applicants' cheques and banker's drafts. The Company may treat Applications (including those contained in Application Form B and returned prior to and not revoked before 7 April 1997) 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. The right is also reserved to reject in whole or in part, or scale down or limit, any Application, other than an Application by a Qualifying Shareholder for his *pro rata* entitlement. 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 the Priority Application Form or the Application Forms you agree that, in consideration of the Company agreeing that it will consider and process Applications for New Ordinary Shares under the Open Offer and the Offer for Subscription in accordance with the procedures referred to in this document, your Application (other than an Application on Application Form B submitted prior to 6 April 1997 and thereafter

revoked on or before 7 April 1997) will not be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agents of your Priority Application Form or Application Forms (other than an Application on Application Form B submitted prior to 6 April 1997 and revoked on or before 7 April 1997);

- (d) By completing and delivering either the Priority Application Form or Application Forms, you:
 - (i) offer to subscribe for the number of New Ordinary Shares specified in your Priority Application Form or Application Forms (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 (except in the case of the completion of Application Form B prior to 6 April 1997, in which case you agree and warrant that your cheque or banker's draft may be presented for payment after 7 April 1997) 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 New 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 New 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 New 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 Priority Application Form or Application Forms and to procure that your name is placed on the register of members of the Company in respect of such New 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 and accordingly you agree that no person responsible solely or jointly for the 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 New 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 New 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 or Australia and that you are not applying for any New 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 or Australia;
- (xi) warrant that, in connection with your Application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your Application in any territory and that you have not taken any action which will or may result in the Company, Peel Hunt or the Receiving Agents acting in breach of the regulatory or legal requirements of any territory in connection with the Open Offer and/or the Offer for Subscription or your Application;
- (xii) declare that you are an individual aged 18 or over;
- (xiii) agree that all documents and cheques sent by post to you, by or on behalf of the Company or the

Receiving Agents, will be sent at the risk of the person entitled thereto;

- (xiv) 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;
 - (xv) 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 New Ordinary Shares or the suitability for you of the New Ordinary Shares or be responsible to you for providing the protections afforded to its customers;
 - (xvi) 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;
 - (xvii) declare that the Priority Application Form or Application Forms has or have been completed to the best of your knowledge;
 - (xviii) 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; and
 - (xix) 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, New Ordinary Shares and that the New 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.
- (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) the Enduring Declaration contained within your completed Priority Application Form or Application Forms. 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, a Priority Application Form or Application Forms 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 Priority Application Form or Application Forms unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Priority Application Form or 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 New 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"). No relevant clearances have been obtained or documents been lodged with the Securities Commission of any province or

territory in Canada or with the Australian Securities Commission. 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, Canada or Australia.

- (h) It is a term of the Open Offer and the Offer for Subscription that, to ensure compliance with the Money Laundering Regulations 1993, each of the Company or the Receiving Agents is entitled to require, at its absolute discretion, verification of identity from any Applicant including an Applicant who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to the Receiving Agents to be acting on behalf of some other person. Pending the provision of evidence satisfactory to the Receiving Agents as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, the Receiving Agents may, in its absolute discretion, retain a Priority Application Form or an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or not enter the Applicant in the register of members or issue any share certificate in respect of them.

If verification of identity is required, this may result in delay in dealing with an Application and in rejection of the Application. The Company reserves the right, in its absolute discretion, for it or the Receiving Agents to reject any Application in respect of which the Receiving Agents consider that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an Application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Priority Application Form or Application Form (in which event the money payable or paid in respect of the Application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the New Ordinary Shares in question (but in each case without prejudice to any right the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of a Priority Application Form or an Application Form will constitute a warranty and undertaking by the Applicant to provide promptly to the Receiving Agents, such information as may be specified by it as being required for the purpose of the Money Laundering Regulations 1993.

Neither the Company nor the Receiving Agents nor Peel Hunt shall be responsible or have any liability for loss or damage (whether actual or alleged) arising from the election by the Company to treat an Application as invalid or to terminate the contract of allotment as a result of the Company or the Receiving Agents not having received evidence as to the identity of the person lodging the relevant Application Form or Priority Application Form reasonably satisfactory to it within a reasonable time of having requested such information.

- (i) The basis of allocation under the Offer for Subscription will be determined by the Company in its absolute discretion after consultation with Peel Hunt provided that Applications from Qualifying Shareholders in tax year 1997/98 up to their *pro rata* entitlement under the Open Offer, and Applications from Beneficial Shareholders in either tax year 1996/97 and/or tax year 1997/98 up to their Notional Entitlement will have priority. All other

Applications under the Offer for Subscription will be accepted in order of receipt without regard to the tax year for which the Application is made and the right is reserved for the Company to allot New Ordinary Shares prior to the closing dates for the Offer for Subscription in respect of completed Application Forms received prior to the relevant closing date. The right is reserved, notwithstanding the basis so determined, to reject in whole or in part, scale down and/or ballot any Application under the Offer for Subscription 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 New 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

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

Peel, Hunt & Company Limited
Carlton Tower
St. Paul's Street
Leeds
LS1 2QB
Contact: Sue Bainbridge
Tel: 0113 234 2411

Peel, Hunt & Company Limited
62 Threadneedle Street
London
EC2R 8HP
Contact: Caroline Stace
Tel: 0171 418 8911

Capital for Companies
Quayside House
Canal Wharf
Leeds
LS11 5PU
Contact: Barry Anysz
Tel: 0113 243 8043

Northern Registrars Limited
Northern House
Penistone Road
Fenay Bridge
Huddersfield
HD8 0LA
Contact: Alison Sykes
Tel: 01484 606664

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

100 Old Hall Street
Liverpool
L3 9AB
Contact: Stephen Trowbridge
Tel: 0151 227 2030

Meadowhall House
Meadowcourt
3 Hayland Street
Sheffield
S9 1BY
Contact: Robert Allen
Tel: 0114 261 7744

Quayside House
Canal Wharf
Leeds
LS11 5PU
Contact: Andrew Goodchild
Tel: 0113 245 4488

St. Georges House
99/101 High Street
Belfast
BT1 2AH
Contact: Patrick Mahoney
Tel: 01232 321002

18 Railli Court
Manchester
M3 5FT
Contact: Roderick Mather
Tel: 0161 832 6868

De Quincey House
48 West Regent Street
Glasgow
G2 2RB
Contact: Stuart Light
Tel: 0141 333 9323

0171 454 0962

CAPITAL FOR COMPANIES

Part IX — 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 New Ordinary Shares during the tax year 1996/97 and Application Form B should be used if you wish to subscribe for New Ordinary Shares in both tax years.

1 Insert (in figures) in Box 1 the number of New Ordinary Shares for which you wish to apply.

Each New Ordinary Share costs £1. The minimum Application under the Offer for Subscriptions is £2,000 and in multiples of £500 thereafter. The maximum subscription permitted is £100,000. Applications for any other number of multiples of New Ordinary Shares may be rejected or treated as an Application for the next smaller number of New Ordinary Shares that complies with the requirements of this paragraph. There is no minimum subscription level under the Offer for Subscriptions for

Qualifying Shareholders who take up part of their *pro rata* entitlement in tax year 1997/98 using Application Form B, or for Beneficial Shareholders who take up part of their Notional Entitlement in either tax year 1996/97 using Application Form A and/or tax year 1997/98 using Application Form B. Qualifying Shareholders wishing to apply for part of their *pro rata* entitlement in tax year 1997/98 must complete and return Application Form B so as to arrive at Northern Registrars by no later than 3.00 pm on 3 March 1997. Beneficial Shareholders wishing to apply for part of their Notional Entitlement in either tax year 1996/97 and/or tax year 1997/98 must complete and return Application Form B so as to arrive at Northern Registrars by no later than 3.00 pm on 3 March 1997. Applications from

Qualifying Shareholders and Beneficial Shareholders in excess of their *pro rata* entitlement or Notional Entitlement respectively must be for a minimum of £2,000 and in multiples of £500 thereafter.

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

Put 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 separate cheque(s) or banker's draft(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. If you are applying before 5 April 1997 for New Ordinary Shares in tax year 1997/98 using Application Form B, your separate cheque in respect of that part of the Application should be postdated 7 April 1997.

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 1997 in the case of Application Form A and by 10.00 am on 30 April 1997 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 Applicants 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. Applications 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 pay slip, 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 (6 April to 5 April) in VCTs qualify for tax exemption on dividends and the other VCT tax reliefs. If you are subscribing for New 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 New Ordinary Shares in the tax year 1997/98 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 New 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

RECEIVED TIME 7 FEB 12:31

1996/97

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 1997, to Northern Registrars Limited, Northern House, Penistone Road, Fenny 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.....	New Ordinary Shares at £1 each or such lesser number of New Ordinary Shares for which this application may be accepted in the event of over-subscription on the terms and conditions set out in Part VIII of the prospectus dated 7 February 1997.
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2	The amount I am paying for the New Ordinary Shares is..... (This should be the number of New Ordinary Shares for which you are applying multiplied by £1)	£
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3	Title and name in full..... Permanent address in full..... Post Code..... Daytime Tel:.....
----------	---

4	Date of birth.....	Day	Month	Year
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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 New Ordinary Shares in Capital for Companies VCT plc on 4 April 1997 (the expected date of issue of the New Ordinary Shares in the tax year 1996/97).
----------	---

6	Specify the extent to which the New Ordinary Shares for which you are applying are being acquired in excess of the permitted maximum for the tax year to 5 April 1997. (State Nil if appropriate). (Important: See note 6 before completing this form).	£
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7	By signing this form I HEREBY DECLARE THAT:		
(i) I have received the Prospectus dated 7 February 1997 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 New Ordinary Shares in Capital for Companies VCT plc issued to me pursuant to the Offer for Subscription.			
(iii) To the best of my knowledge and belief, the particulars I have given Capital for Companies VCT plc are correct. If the New Ordinary Shares are issued on a different date or if the Offer for Subscription 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 New Ordinary Shares are issued.			
Signature.....		Date.....	1997

For official use only			
Date on which New Ordinary Shares issued	Amount paid for New Ordinary Shares issued	The excess of the aggregate subscription price over the permitted maximum for the tax year to 5 April 1997 is (state nil if appropriate) £	Number of New Ordinary Shares issued

CAPIT 2960 454 171 0

ES VCT PLC 48

LITHA CITY

2000 01 11 10:30 FAX 0171 424 0922

<p>Intermediaries should stamp and complete this box.</p> <p>Firm name</p> <p>_____</p> <p>Contact name</p> <p>_____</p> <p>SRO/RPB Registration No:</p> <p>_____</p> <p>Address</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>Postcode</p> <p>_____</p> <p>Tel:</p> <p>_____</p> <p>Fax:</p> <p>_____</p>	<p>Stamp</p>
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Capital for Companies VCT plc

RECEIVED TIME 7 FEB 12:31

1997/98

APPLICATION FORM AND ENDURING DECLARATION

B

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 30 April 1997, 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	Offer to subscribe for	New Ordinary Shares at £1 each or such lesser number of New Ordinary Shares for which this application may be accepted in the event of over-subscription on the terms and conditions set out in Part VIII of the prospectus dated 7 February 1997.
----------	------------------------	--

2	The amount I am paying for the New Ordinary Shares is	£
	(This should be the number of New 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 New Ordinary Shares in Capital for Companies VCT plc on 30 April 1997 (the expected date of issue of the New Ordinary Shares in the tax year 1997/98).

6	Specify the extent to which the New Ordinary Shares for which you are applying are being acquired in excess of the permitted maximum for the tax year to 5 April 1998.	£
	(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 7 February 1997 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 New Ordinary Shares in Capital for Companies VCT plc issued to me pursuant to the Offer for Subscription.
	(iii) To the best of my knowledge and belief, the particulars I have given Capital for Companies VCT plc are correct. If the New Ordinary Shares are issued on a different date or if the Offer for Subscription 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 New Ordinary Shares are issued.
	Signature
	Date
	1997

For official use only			
Date on which New Ordinary Shares issued	Amount paid for New Ordinary Shares issued	The excess of the aggregate subscription price over the permitted maximum for the tax year to 5 April 1998 is (state nil if appropriate)	Number of New Ordinary Shares issued
		£	

CAPITAL 0171 454 0962

ES VCT PLC 45

<p>Intermediaries should stamp and complete this box.</p> <p>Firm name</p> <hr/> <p>Contact name</p> <hr/> <p><u>SRO/RPB Registration No:</u></p> <hr/> <p><u>Address</u></p> <hr/> <hr/> <p><u>Postcode</u></p> <hr/> <p><u>Tel:</u></p> <hr/> <p><u>Fax:</u></p> <hr/>	<p>Stamp</p>
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07/02 '97 FRI 13:57 FAX 0171 454 0962

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