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## FINANCIAL SUMMARY

	<b>Year ended 31 December 2002</b>	Period ended 31 December 2001
Income	<b>£296,000</b>	£288,000
Net revenue return before tax	<b>£5,000</b>	£35,000
Net revenue return after tax	<b>£5,000</b>	£28,000
Revenue return per share	<b>0.07p</b>	0.49p
Total return per share	<b>(2.41)p</b>	(0.48)p
Dividend per share	-	-
Net assets	<b>£7,173,000</b>	£6,441,000
Net asset value per share	<b>91.6p</b>	93.7p
Number of qualifying investments	<b>8</b>	3
Value of qualifying investments	<b>£1,317,000</b>	£300,000

## CHAIRMAN'S STATEMENT

The economic climate has remained difficult throughout the year under review and this has been fully reflected in financial markets where falls, since the peak, have been considerably more than 30% and in the case of markets dominated by technology businesses, such as techMARK and NASDAQ, even more. Against this background your Company's net asset value has fallen by just 2.2% in the year.

A substantial proportion of net assets were still in liquid resources, Gilt investments and cash, at the year end. During this coming year the majority of this will need investing in unquoted businesses to comply with the VCT requirement to hold at least 70% of total investments in qualifying companies within three years. Your Board and its Investment Adviser, Yorkshire Fund Managers Limited, are confident that there are sufficient investment opportunities at attractive valuations offering medium- to long-term high capital growth potential to enable us to meet this target.

### Investments

During the year a total of £1,194,000 was invested in six companies, including £150,000 as follow-on development funding to SynGenix Limited. At 31 December 2002, the portfolio comprised eight companies with 21% of net funds raised from Shareholders invested in qualifying businesses.

Since the year end your Company has completed an investment in Broadreach Networks Limited. The investment, totalling £125,000, completed on 14 February 2003 and was by way of a mixture of loan and equity for 5.26% of the business. This investment was the first tranche of a total £250,000 initial commitment to this company. Broadreach Networks provides broadband internet access via both fixed-terminals and wireless local area networks in public locations operated throughout the UK under the ReadytoSurf™ brand name. The network is accessed via pay-as-you go-vouchers, which can be purchased within the premises where the ReadytoSurf™ service is offered. Additionally, the company has entered into agreements with a number of leading service providers who will be providing their customers with access to the ReadytoSurf™ network.

The portfolio is still at a relatively early stage in its development and the majority of investments are still held at cost. The exceptions are Tamesis Limited, Amino Holdings Limited and Cambridge Cognition Limited.

I reported in my interim statement that Tamesis had been fully provided against. I am now pleased to report that the company made significant progress in the second half of the year closing a major contract and positioning itself for sustainable recovery. The market in which it operates remains very difficult but your Board thought it appropriate to write back 25% of the provision.

Amino Holdings has just completed a further round of funding, backed by a number of institutions, to provide the business with additional working capital. The pricing of this fund raising was at a lower level to the previous round and the carrying value of the investment has been adjusted to reflect this. It is your Board's view that Amino still has the potential for significant capital growth.

Early trading at Cambridge Cognition has been disappointing although the company is still actively developing its products and route to market. Following BVCA guidelines it was felt appropriate to take a 25% provision against cost to reflect this early under performance.

Further information on, and analysis of, the portfolio can be found in the Investment Adviser's Review following this statement.

### Financial Results

The net revenue return for the year was a small profit of £5,000, equivalent to 0.07p per share. After taking account of the capital loss, the total return for the year was a net loss of £183,000, or 2.41p per share. Consistent with the stated aim of the Company, no dividend is proposed.

The net asset value at 31 December 2002 was 91.6p per Ordinary share.

### Shareholder Relations

Your Board and its Investment Adviser have continued to explore ways in which Shareholder liquidity can be improved. In line with a number of other VCT companies, we have begun to announce net asset values to the market on a quarterly basis in an attempt to both improve information and to stimulate interest in the sector. We also continue to talk to our brokers and market makers to explore other opportunities to create better liquidity.

## CHAIRMAN'S STATEMENT

Further to improving liquidity for Shareholders, the Extraordinary General Meeting on 14 November 2002 passed the proposals put to that meeting, as recommended by your Board, to facilitate the buying in by the Company of its own shares. Procedures to complete the process for putting these arrangements in place are well advanced.

As a means of extending our communication with our Shareholders, your Board's Investment Adviser, Yorkshire Fund Managers Limited, is hosting a series of presentations to Shareholders of all three VCTs under its management. The first of these was held on 6 March in London and was very well attended. David Cartwright of PricewaterhouseCoopers LLP, our VCT status adviser, updated attendees on current and proposed VCT legislation and there were presentations from two unquoted companies that have received VCT backing through Yorkshire Fund Managers. Further presentations in London, Leeds, Birmingham and Edinburgh are planned.

### Warrants

A notice will be sent to Shareholders and Warrantholders in April alerting them to the dates on which the Warrants can be exercised in this current year.

### Outlook

The economic climate, both in the UK and internationally, remains depressed and fragile. The timing of the end to the bear market will inevitably depend upon the length of the current uncertainty and the depth of damage done to confidence in the meantime.

Your Board's investment strategy is primarily focused on companies with strong Intellectual Property Rights (IPR) and aims to invest in robust syndicates where it can be reasonably confident that subsequent financing rounds can be funded. As well as the early stage businesses that are typical to this type of portfolio your Board is also seeking to invest in some later stage technology companies that have a more developed revenue stream, although the IPR may be weaker.

Your Company has significant liquid resources on hand at the current time to meet the investment opportunities as they materialise. With a number of private equity funds exiting this market, the quality of the deal flow and the attractive valuations of businesses seeking funding gives rise to the opportunity for your Company to achieve good capital growth over the next few years.



Sir Andrew Hugh Smith  
Chairman  
9 April 2003

## INVESTMENT ADVISER'S REVIEW

### Investment Portfolio

This section describes the businesses of our investments together with a short review of progress made since investing. The website address of the investee is included to enable Shareholders to get more details on these companies. The Company's voting rights in an investee company is the same as the percentage of equity held for each investment set out below.

#### AMINO HOLDINGS LIMITED Cambridge

Cost £125,000  
Valuation £ 46,000

Date of investment:  
September 2001

*Amino is a leading developer and licensor of technologies for the secure and rapid deployment of networked, multimedia solutions. In addition to its home gateway products, Amino has developed an Ethernet-based set-top box and has already signed its first license. Other trials are ongoing with over 80 companies around the world.*

*At the end of March 2003 the company raised a further £2.24m to fund its growth and continues to increase its market penetration.*

Audited consolidated accounts for Amino Holdings Limited and its subsidiary are not produced. For the year ended 31 December 2001 pre-tax losses were £3.22m on turnover of £2.07m (2000: £1.99m and £0.90m respectively). At 31 December 2001 the aggregate net liabilities of Amino Holdings Limited and its 100 percent subsidiary Amino Communications Limited were £5.16m. Equity held: 0.83%

Valuation basis:  
Material arms-length transaction

*More information can be found at [www.aminocom.co.uk](http://www.aminocom.co.uk)*

#### CAMBRIDGE COGNITION LIMITED Cambridge

Cost £240,000  
Valuation £180,000

Date of investment:  
May 2002

*Cambridge Cognition is a cognitive test development company specialising in computerised psychological testing. It supplies licenses and software to pharmaceutical, academic and medical customers across the globe.*

*The benefit of its testing system include the ease of transportation via a PC-based touch screen test and its high sensitivity, having been proved over a period of years.*

*The investment was made to support the management buy-out from the pharmaceutical company CeNes Limited.*

Audited financial statements for the first period of trading are not yet available.

Equity held: 10.10%

Valuation basis:  
Cost less 25% provision.

*More information on can be found at [www.camcog.com](http://www.camcog.com)*

#### EXPRESSON BIOSYSTEMS LIMITED Roslin

Cost £150,000  
Valuation £150,000

Date of investment:  
October 2002

*Expresson Biosystems based in Roslin, Midlothian, specialises in the rapid design of effective antisense reagents for the treatment of neurological disorders.*

*The investment in October 2002 was part of a £675,000 syndicate of second round funding to enable the company to improve its antisense design capability and establish the necessary commercial infrastructure to market its product.*

For the year ended 30 September 2002 pre-tax losses were £0.21m on turnover of £0.07m (2001: £0.08m on £0.07m respectively). At 30 September 2002 net liabilities were £0.20m.

Equity held: 8.93%

Valuation basis:  
Cost

*More information can be found at [www.expresson.co.uk](http://www.expresson.co.uk)*

## INVESTMENT ADVISER'S REVIEW

### INFINITE DATA STORAGE LIMITED Dunfermline

Cost £300,000  
Valuation £300,000

Date of investment:  
March 2002 and November 2002

*Infinite data storage is a leading player in personal data storage technologies, developing, licensing and supplying its products to leading global peripheral device and consumer product companies. It specialises in the creation of products and technology designed to fit into ordinary people's lives.*

*The initial investment was made to enable the company to commercialise new designs and to further develop the engineering and commercial expertise within the company.*

For the year ended 31 December 2001 audited pre-tax losses were £1.19m on turnover of £0.17m (2000: £1.08m and £nil respectively). At 31 December 2001 net assets were £1.05m.

Equity held: 2.85%

Valuation basis:  
Cost

*More information can be found at [www.infinitedatastorage.com](http://www.infinitedatastorage.com)*

### OXONICA LIMITED Kidlington

Cost £225,000  
Valuation £225,000

Date of investment:  
May 2002 and December 2002

*Oxonica based in Kidlington, Oxfordshire, is focused on the new technology area of nanomaterials. It has strong enabling technology based on its ability to engineer nanoparticles with unique functionality and then to modify the surface of these particles to allow them to be tailored for use in specific applications.*

*The initial investment was made as part of a £6m syndicate of institutional funding to take the company through its next stages of technology commercialisation.*

For the year ended 31 December 2001 audited pre-tax losses were £0.94m on turnover of £0.03m (9 months ended 31 December 2000: £0.48m and £nil respectively). At 31 December 2001 net liabilities were £0.02m.

Equity held: 2.90%

Valuation basis:  
Cost

*More information can be found at [www.oxonica.com](http://www.oxonica.com)*

### SYNGENIX LIMITED Cambridge

Cost £250,000  
Valuation £250,000

Dates of investment:  
September 2001, October 2002  
and November 2002

*SynGenix has patented technology allowing the delivery of drugs via axonal transport or depot polymers which provide sustained release.*

*On 24 January 2003 SynGenix announced the acquisition of Dallas Burston Limited, a company developing pharmaceutical products and delivery techniques utilising proprietary sublingual spray formulations.*

*SynGenix now have their first formulation for breakthrough pain in Phase 1 clinical trials, and a second formulation in preclinical trials. To reflect the progress the company has made it will now trade as Sirus Pharmaceuticals Limited.*

For the year ended 31 August 2002 pre-tax losses were £1.71m on turnover of £0.02m (2001: £0.86m and £0.02m respectively). At 31 August 2002 net liabilities were £1.48m.

Equity held: 3.18%

Valuation basis:  
Value equating to cost.

*More information can be found at [www.syngenix.com](http://www.syngenix.com) and [www.siruspharma.com](http://www.siruspharma.com)*

## INVESTMENT ADVISER'S REVIEW

### **TAMESIS LIMITED** London

**Cost** £150,000  
**Valuation** £ 37,000

**Date of investment:**  
March 2002

*Tamesis develop and sell real-time trading software for investment banks. This provides its clients with a capability that can change the way in which they view their own risk position and, therefore, significantly enhance the way in which they handle their investment business.*

*The company has recently signed a significant contract with a major investment bank.*

For the year ended 31 December 2001 pre-tax losses were £1.20m on turnover of £1.00m (2000: £0.10m pre-tax profits and £1.66m respectively). At 31 December 2001 net assets were £1.70m.

Equity held: 1.59%

Valuation basis:  
Cost less 75% provision.

*More information can be found at*  
[www.tamesis.com](http://www.tamesis.com)

### **VIBRATION TECHNOLOGY LIMITED** Glasgow

**Cost** £129,000  
**Valuation** £129,000

**Date of investment:**  
March 2002

*Vibration Technology (Vibtech) is a developer of a land and transition zone seismic acquisition system, which uses a patented cellular radio network to telemeter seismic data from any number of sensors to a central recording unit in real-time.*

*During the year Vibtech successfully completed a significant fund raising to finance the completion of the development of the system and to fund its commercial launch. The development has been successfully completed and the commercial launch is now in process.*

For the year end 31 December 2001 audited pre-tax losses were £0.51m on turnover of £nil (2000: £0.25m and £nil respectively). At 31 December 2001 net liabilities were £0.39m.

Equity held: 1.80%

Valuation basis:  
Cost

*More information can be found at*  
[www.vibtech.com](http://www.vibtech.com)

## INVESTMENT ADVISER'S REVIEW

The environment for funding technology companies has been very difficult over the last year. Whilst there are still many good opportunities being considered, putting together strong syndicates to ensure investee companies have access to sufficient capital has lengthened the investment process. However, we believe that investing alongside strong syndicates committed to supporting their investee companies is essential to reduce the risk of company failure in the current climate.

### Investment Statistics

During the year investments were made in five additional companies totalling £1,044,000 with a further £150,000 invested in SynGenix Limited in line with our original commitment to this company. The total investment in qualifying businesses was £1,569,000 at 31 December 2002. Since that date, £125,000 has been invested in Broadreach Networks Limited as part of a total initial commitment of £250,000 and a follow-on investment has been completed in Amino Holdings of £175,000 to fund the continued growth of this business.

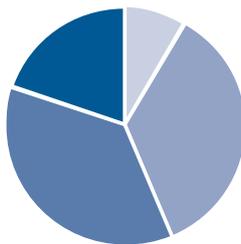
### Portfolio Overview

#### Progress in 2002

Your Company has invested in companies with strong intellectual property which should give them a clear market advantage. This has helped them develop rapidly and, as the chart below illustrates, many have achieved initial sales for their products.

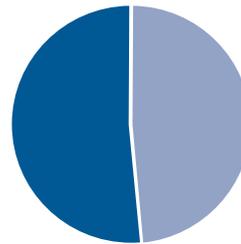
Your Company has also continued to invest in exciting early stage companies whose products are not yet market ready, but which will be completed over the next year. As shown below, these companies have products that are still at the prototype stage.

At Date of Investment



Concept  
Prototype

At 31 December 2002



Market ready product  
Early market adoption

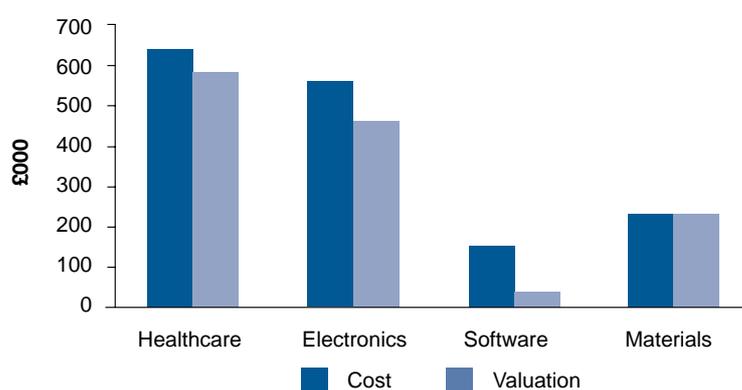
Given the relatively short period in which your Company has invested in some of these businesses, this is encouraging progress.

## INVESTMENT ADVISER'S REVIEW

### Sector Analysis

In the current uncertain market conditions for the software and telecommunications sectors, investments have been, and will continue to be, targeted at those sectors where we see opportunities for growth and where there is a strong probability of companies being able to source additional finance if it is required. Given the availability of funds, we are likely to be recommending investment in businesses that already have sales revenues.

**Sector Analysis by Cost and Value  
at 31 December 2002**



The reduction in value in the software sector arises from the provision for Tamesis due to difficult trading conditions in the financial sector following 11 September 2001.

### Provisions and Valuation Movement

Under BVCA guidelines, companies are seldom revalued upwards less than 12 months after investment. Therefore, most of your Company's investments are still held at cost. However, some companies have had provisions made against them to reflect either under-performance when compared to expectations at the time of investment or downward movements in valuations resulting from additional fund raising. The net downward movement arising during the year was £177,000 and can be analysed as:

	£000
Provision for under-performance	98
Valuation movements resulting from fund raising	79
	<hr/>
	177
	<hr/>

### Conclusion and Outlook

Whilst the current investment climate is difficult, the portfolio is developing well. The priority for 2003 will be to continue to invest our liquid resources alongside robust syndicates in both early and, more particularly, in later stage technology businesses to meet legislative targets. We believe too that the continuing economic uncertainty could lead to investments being made in exciting revenue-generating businesses at very advantageous valuations. Finally, we will be working with portfolio companies to ensure they remain well funded and continue their move along the value chain.

Philip S. Cammerman  
Yorkshire Fund Managers Limited  
9 April 2003

## VALUATION OF VENTURE CAPITAL INVESTMENTS

In valuing unlisted investments the directors follow the criteria set out below. These procedures comply with the British Venture Capital Association guidelines for the valuation of venture capital investments.

- Investments completed within 12 months prior to the date of valuation are normally valued at cost except that adjustments are made when there has been a material change in the trading circumstances of the company or a substantial movement in the market.
- Provisions against cost, in bands of 25%, are made at any stage in a company's development if performance shows a material deviation from plan. Provisions are initially applied to the equity element of an investment as this carries the greater risk.
- Whenever practical, investments will be valued by reference to a material arm's length transaction or a quoted price. AIM listed investments are valued at their mid-market price at the balance sheet date less a discount, where appropriate, to reflect any particular restrictions or significant holdings in relation to the issued share capital.
- Mature companies are valued by applying a multiple to their fully taxed prospective earnings. The multiple is derived by taking an average of the prospective multiples of the most comparable listed companies and adjusting for differences in business mix, size, trading record and prospects. This multiple is discounted by at least 25% for illiquidity. In the event that there are no comparable listed companies, the prospective multiple of the most relevant sub-sector of the Financial Times Actuaries Share Indices is used and a similar discount applied.
- To obtain a valuation of the total Ordinary share capital held by management and the institutional investors, the value of Preference share capital is deducted from the valuation of the entire share capital. The effect of any performance related mechanisms is taken into account in determining the split of Ordinary share capital between management and institutions.
- Except when provisions have been applied as outlined above, Preference shares are valued at cost. When a redemption premium has accrued this will only be valued if there are reasonable prospects of it being paid.
- Preference shares which carry a right to convert into Ordinary share capital are valued at the higher of the cost basis and the Price/Earnings basis, both described above.
- Debenture and loan stock are valued on the same basis as Preference shares.

## DIRECTORS

**Sir Andrew Colin Hugh Smith** Chairman (71), following a career at the Bar and in industry he became a partner of Capel Cure Myers in 1970, senior partner in 1979 and left the firm in 1988 to become chairman of the London Stock Exchange. He retired from the Exchange in 1994. He is currently chairman of British Smaller Companies VCT plc and British Smaller Technology Companies VCT plc.

**John Railton Ashcroft** (51), following an early career in the UK and US pharmaceutical and chemical industries, he founded in 1984, and was, until its sale in 1996, the principal shareholder of, Optimum Group Limited, an energy services group of companies operating materials handling contracts within UK power stations and ports. Formerly the Project Director for the Yorkshire and The Humber Regional Innovation Strategy, he holds a number of non-executive directorships in hi-tech companies. He is a non-executive director of British Smaller Technology Companies VCT plc and is a board member of Yorkshire Forward, the Regional Development Agency for Yorkshire and The Humber.

**Philip Simon Cammerman** (60), has over 20 years of industrial experience in engineering and hi-tech industries and has worked in both the USA and the UK. He has spent the last 17 years in the venture capital industry and is managing director of Yorkshire Fund Managers Limited. He has been responsible for a wide range of venture capital deals in a variety of industries including hi-tech, software, computer maintenance, engineering, printing, safety equipment, design and textiles. He is a non-executive director of British Smaller Companies VCT plc and British Smaller Technology Companies VCT plc.

**Richard Last** (45), qualified as a chartered accountant with Coopers & Lybrand and is chief executive of Lynx plc, a computer software, systems and services group. He is chairman and non-executive director of Xpertise Group plc, an AIM-quoted IT training group and is a non-executive director of Pat Systems plc, British Smaller Companies VCT plc and British Smaller Technology Companies VCT plc. He was appointed a non-executive director of Tamesis Limited following our investment in this company.

**Stephen John Noar** (55), a dentist by profession, was the founder chairman and former chief executive of Denplan Limited until its successful trade sale in 1993 following its growth from start up to a turnover in excess of £70m. He was the New Business and Dental Director of PPP Limited (prior to the company's acquisition by Guardian Royal Exchange) responsible for developing dental and other services. In 1994 he was winner of the Financial Times Venturer of the Year award. He is a non-executive director of British Smaller Technology Companies VCT plc.

**Robert Martin Pettigrew** (58), a founding director of The Generics Group of companies, has extensive experience in the commercial exploitation of new technologies. He has technical expertise in opto-electronics and fibre optics, optical component and system design, lasers and laser applications. He is a non-executive director of British Smaller Companies VCT plc and British Smaller Technology Companies VCT plc.

### Secretary and Registered Office

James Ernest Peter Gervasio LL.B.  
Saint Martins House  
210-212 Chapeltown Road  
Leeds  
LS7 4HZ

**Registered No: 4084003**

## **DIRECTORS' REPORT**

### **For the Year to 31 December 2002**

The directors present their report and audited accounts of British Smaller Technology Companies VCT 2 plc ("the Company") for the year ended 31 December 2002.

### **Principal Activity and Business Review**

The Company is an investment company as defined in Section 266 of the Companies Act 1985. The Company operates as a venture capital trust and has been provisionally approved by the Inland Revenue as an authorised venture capital trust under Section 842AA of the Income and Corporation Taxes Act 1988. The directors expect that the Company will continue with this activity for the foreseeable future.

The revenue account for the year is set out on page 19.

A review of the Company's operations is given in the Chairman's Statement on pages 2 to 3 and the Investment Adviser's Review on pages 4 to 8. In the context of the economic factors and market conditions prevailing during the year, the directors consider the result for the year and the financial position at the end of the year to be satisfactory.

### **Results and Dividends**

The net revenue return for the year after taxation amounted to £5,000 (period ended 31 December 2001: £28,000).

The directors do not recommend the payment of a final dividend to Ordinary Shareholders.

The net asset value per Ordinary share at 31 December 2002 was 91.6p (2001: 93.7p). The transfer to and from reserves is given in note 13.

### **Share Capital**

In the year ended 31 December 2002 a further 956,560 10p Ordinary shares were issued with Warrants attached on a 1 for 5 basis at 100p for cash under the directors' authority to allot shares.

### **Creditor Payment Policy**

The Company's payment policy is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms (further details are given in note 11).

### **Directors and their Interests**

The directors of the Company at 31 December 2002 and their interests are set out in the Directors' Remuneration Report on pages 16 to 17.

### **Fixed Assets**

Movements on investments held as fixed assets are shown in note 7.

### **Substantial Shareholdings**

The directors are not aware of any substantial shareholdings representing 3% or more of the Company's issued share capital at the date of this report.

### **Annual General Meeting**

Shareholders will find the Notice of the Annual General Meeting on page 32 of these financial statements.

The directors wish to seek authority from Shareholders to allow them to allot new Ordinary shares from time to time to potential investors who contact the Company with a view to subscribing for new shares.

## DIRECTORS' REPORT

The Special Resolutions to be proposed at the Annual General Meeting will authorise the directors to allot relevant securities under Section 80 of the Companies Act 1985 and to accept such proposed subscriptions and to allot a limited number of equity securities for cash without regard to the pre-emption rights contained in Section 89 of the Companies Act 1985 at a price as they determine, up to an aggregate nominal amount of 10% of the issued share capital of the Company as at 31 March 2003. This authority would expire on 14 November 2004. The effect of passing both resolutions will be to enable the directors to allot shares to meet demand from potential new investors.

### Extraordinary General Meeting

The Company passed a Special Resolution in accordance with Section 378 of the Companies Act of 1985 at the Extraordinary General Meeting of the Company convened and held on 14 November 2002 by which it was resolved that the share premium account of the Company be cancelled. The cancellation of the share premium account has not (up to the date of this Report) yet taken effect since it requires the approval of the Court. The Company has applied for the Court's approval and a hearing date has been set for 7 May 2003.

### Independent Auditors

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership from 1 January 2003, PricewaterhouseCoopers resigned on 7 January 2003 and the directors appointed the new firm PricewaterhouseCoopers LLP as auditors.

A resolution to reappoint PricewaterhouseCoopers LLP will be put to the Shareholders at the Annual General Meeting.

### VCT Status Monitoring

The Company has retained PricewaterhouseCoopers LLP to advise it on compliance with the legislative requirements for venture capital trusts. PricewaterhouseCoopers LLP reviews new investment opportunities as appropriate and carries out regular reviews of the Company's investment portfolio.

### Post Balance Sheet Events

Significant events, including venture capital investments made following the year end are set out in note 21 to the financial statements.

### Statement of Directors' Responsibilities

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

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

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the Company have delegated responsibility for the maintenance and integrity of Yorkshire Fund Managers Limited website on which these financial statements appear. The legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DIRECTORS' REPORT

### Statement of Corporate Governance

The Board is committed to the principle and application of sound Corporate Governance and confirms that the Company has taken appropriate steps, relevant to its size and operational complexity, to comply with, *The Principles of Good Governance and Code of Best Practice* ("the Combined Code").

The Board has complied throughout the year, and up to the date of this report, with Section 1 of the Combined Code, except for those provisions relating to the appointment of a recognised senior independent non-executive director and those relating to the establishment of an independent Remuneration or Nomination Committee (see below).

### The Board

The Company has a Board of six non-executive directors, four of whom are independent of the Company's Investment Adviser and that company's Technology Adviser.

There are no executive officers of the Company. Given the structure of the Board and the fact that the Company's administration is conducted by Yorkshire Fund Managers Limited, the Company has not appointed a chief executive officer or a senior independent non-executive director.

Any new appointments to the Board will be subject to agreement by the whole Board and subsequent confirmation by Shareholders at the following Annual General Meeting. One third of all directors are subject to re-election each year. Biographical details of the two directors seeking re-election this year may be found at page 10. Due to the size of the Board and the appointment and remuneration procedures currently in place, in the directors' opinion, there is no requirement for an independent Remuneration or Nomination Committee. The Directors' Remuneration Report may be found on pages 16 and 17.

The full Board meets at least six times per year and additionally as the need arises and has a list of matters that are specially reserved for the Board's attention.

The directors have been appointed on terms which allow them to have access to the advice of the Company Secretary and to take independent advice at the Company's expense.

The Board confirms the procedures to implement the guidance, *Internal Control: Guidance for Directors on the Combined Code* ("the Turnbull Report"), were in place throughout the year ended 31 December 2002 and up to the date of this report.

- The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.
- The Board has arranged its meeting agenda so that risk management and internal control is considered on a regular basis and a full risk and control assessment takes place no less frequently than annually.
- There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for longer than the year under review and up to the date of approval of the Report and Accounts.
- The process is formally reviewed bi-annually by the Board. However, due to the size and nature of the Company the Board has concluded that it is not necessary at this stage to set up an internal audit function. This decision will be kept under review.

The directors are satisfied that the systems of risk management that they have introduced are sufficient to comply with the terms of the Turnbull Report.

The Board considers reports on the main areas of risk facing the Company on a regular basis and reviews the systems for the management of risk no less frequently than annually.

## DIRECTORS' REPORT

### Internal Control

The Board receives operational and financial reports on the current state of the business and on appropriate strategic, financial, operational and compliance issues. These matters include, but are not limited to:

- A clearly defined investment strategy for Yorkshire Fund Managers Limited, the Investment Adviser to the Company. All decisions concerning the acquisition or disposal of investments are taken by the Board after due consideration of the recommendations made by the Investment Adviser.
- Regular reviews of the Company's investments, liquid assets and liabilities, revenue and expenditure.
- Regular reviews of compliance with the venture capital trust regulations to retain status.
- The Audit Committee reviews the internal control procedures adopted by the Investment Adviser and the Board approves annual budgets prepared by the Investment Adviser.
- The Board receives copies of the management accounts on a regular basis showing comparisons with budget. These include a report by the Investment Adviser with a review of performance. Additional information is supplied on request.

An Audit Committee was established on 24 August 2001 with written terms of reference. The members of the Committee are independent of the Investment Adviser and are Sir Andrew Hugh Smith, J R Ashcroft, R Last and S J Noar. The Committee meets at least twice a year with a representative from the auditors being present each time. This Committee deals with matters relating to audit, financial reporting and internal control systems.

The directors acknowledge their responsibility for the Company's systems of internal control and have reviewed the effectiveness of those systems for the year to the date of this report. The directors are of the opinion that the Company's systems of internal financial and other controls are appropriate to the nature of its business activities and methods of operation given the size of the Company. Internal control systems are designed to meet the particular risks to which the Company is exposed and, by their nature, can provide reasonable, but not absolute, assurance against material misstatement or loss.

### Going Concern

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

## **DIRECTORS' REPORT**

### **Relations with Shareholders**

This year's AGM will be held on 15 May 2003. The Notice of Meeting is circulated not less than 20 working days before the AGM in compliance with the recommendation contained in the Combined Code.

The Board will be present at the AGM and Shareholders will be given the opportunity to ask questions. Separate resolutions are proposed for each separate issue. Proxy votes will be counted and the results announced at the AGM.

### **Investment policy**

The Investment Adviser, Yorkshire Fund Managers Limited, is responsible for the sourcing and screening of initial enquiries, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments. Once approved, further due diligence is carried out as necessary and Inland Revenue clearance is obtained for approval as a qualifying VCT investment.

The Board regularly monitors the performance of the portfolio and the investment targets set by the relevant VCT legislation. Reports are received from Yorkshire Fund Managers Limited as to the trading and financial position of each investee company and members of the investment team regularly attend Board meetings. Monitoring reports are also received at each Board meeting on compliance with VCT investment targets so that the Board can ensure that the status of the Company is maintained and take corrective action where appropriate.

Prior to the investment of funds in suitable qualifying companies the liquid assets of the Company are invested in a portfolio of Government stocks or other similar fixed interest securities. Reporting to Yorkshire Fund Managers Limited, the portfolio is managed by Brewin Dolphin Securities Limited on a discretionary basis. The Board receives regular reports on the make-up and market valuation of this portfolio. Government stocks are classified as current assets due to their use as temporary holdings whilst venture capital opportunities arise.

### **Financial Assets**

Investments made in suitable qualifying holdings will predominantly comprise Ordinary shares with, in some instances, either fixed rate coupon Preference shares or debenture loans. Each investment is valued in accordance with the British Venture Capital Association guidelines, a summary of which is set out on page 9 of this report. Investments in fixed interest Government securities are valued at their market value as at the balance sheet date. To this end, the directors consider that the carrying value of the portfolio at 31 December 2002 and 2001 equated to its fair value.

The Company invests in financial assets to comply with the VCT legislation and provide capital growth for Shareholders that can eventually be distributed by way of dividends. Unquoted venture capital investments normally take a number of years to mature and are, by nature, illiquid. Therefore, realised capital gains on these investments are a medium- to long-term aim.

Due to the structure of certain investments, Preference share redemptions and loan stock repayments may become due during the term of the investment. These are usually at fixed dates, although in some instances the investee company will have the option of repaying earlier. In some instances the redemption may carry a premium repayment.

Investments in Government stocks are held solely for the purpose of liquidity whilst waiting for suitable qualifying investment opportunities to arise. Therefore, trading in these stocks is determined mainly by the demand for venture capital funds.

Details of financial assets held at 31 December 2002 can be found in the Investment Adviser's Report and notes 8 and 9 to these Financial Statements.

### **By order of the Board**

J E P Gervasio  
Company Secretary  
9 April 2003

## DIRECTORS' REMUNERATION REPORT

The Board does not have a separate Remuneration Committee as due to the size of the Board and the remuneration procedures currently in place, in the directors opinion and under the Listing Rules, there is no requirement for an independent Remuneration Committee. All fees continue to be paid to the directors in accordance with the statements in the Company's Listing Particulars.

### Directors and their Interests

The directors of the Company at 31 December 2002 and their beneficial interests in the share capital of the Company (including those of immediate family members) were as follows:

	<b>Number of Ordinary shares at 31 December 2002</b>	<b>Number of Warrants at 31 December 2002</b>	Number of Ordinary shares at 31 December 2001	Number of Warrants at 31 December 2001
Sir Andrew Hugh Smith	<b>25,000</b>	<b>5,000</b>	25,000	5,000
J R Ashcroft	<b>8,000</b>	<b>1,600</b>	8,000	1,600
P S Cammerman	<b>10,000</b>	<b>2,000</b>	10,000	2,000
R Last	<b>10,000</b>	<b>2,000</b>	10,000	2,000
S J Noar	<b>10,000</b>	<b>2,000</b>	10,000	2,000
R M Pettigrew	<b>27,225</b>	<b>5,445</b>	27,225	5,445

None of the directors have subscribed for further shares since the year end.

Except for the Warrant rights attaching to their existing shares, none of the directors held any option to acquire additional shares at any time during either year.

Brief biographical notes on the directors are given on page 10. In accordance with the Company's Listing Particulars, no director has a contract of service with the Company that entitles him to any benefit other than the remuneration disclosed below and, save as described under "Administration" below, no contract subsisted during or at the end of the year in which any director was materially interested and which was significant in relation to the Company's business. The Company does not generally offer compensation for loss of office when a director leaves office.

The Company had no employees in either year.

### Administration

Yorkshire Fund Managers Limited, of which Mr Cammerman is a director with no beneficial shareholding interest, has acted as Investment Adviser and performed administrative and secretarial duties for the Company since 28 November 2000. The principal terms of the agreement are set out in note 3 to the financial statements. Yorkshire Fund Managers Limited is authorised by the Financial Services Authority.

Until 22 November 2002 Mr Pettigrew was a director of The Generics Group Limited which acts as Technology Adviser to Yorkshire Fund Managers Limited pursuant to an agreement dated 28 November 2000. No notice has been given by either party to terminate this agreement.

Under the Subscription Rights Agreement dated 28 November 2000 Yorkshire Fund Managers Limited and Generics Asset Management Limited have a performance-related incentive, structured so as to entitle them to an amount (satisfied by the issue of Ordinary shares) equivalent to 20% of the amount by which the cumulative cash dividends paid as at the last business day in December in any year plus the average of the middle market quotation per Ordinary share exceeds 120p per Ordinary share on that same day multiplied by the number of Ordinary shares in issue and the shares under option (if any). The subscription rights are exercisable in the ratio 50:50 between Yorkshire Fund Managers Limited and Generics Asset Management Limited. No shares have been issued in either year under this agreement.

## DIRECTORS' REMUNERATION REPORT

Total directors' remuneration for the year amounted to £34,500 (2001: £23,000) of which £29,000 (2001: £18,000) was paid to four individuals for services as directors and £6,000 (2001: £5,000) was paid to third parties in respect of directors' services.

The total fees paid in respect of individual directors were as follows:

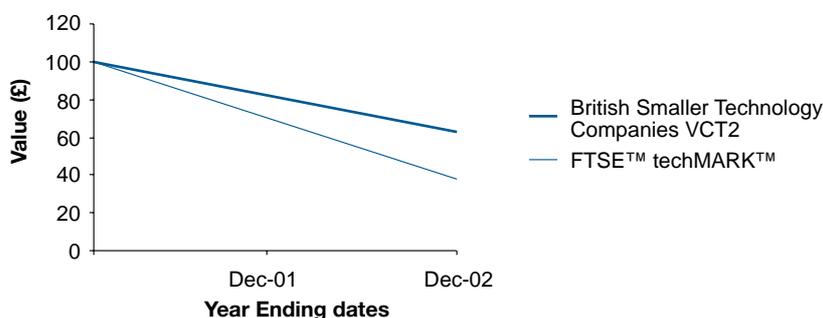
	<b>Year ended 31 December 2002 £</b>	Period ended 31 December 2001 £
Sir Andrew Hugh Smith	<b>12,000</b>	8,000
J R Ashcroft	<b>7,500</b>	5,000
P S Cammerman	-	-
R Last	<b>7,500</b>	5,000
S J Noar	<b>7,500</b>	5,000
R M Pettigrew	-	-

There are no directors who are remunerated as executive directors (2001: Nil). Mr Cammerman, who is the managing director of the Company's Investment Adviser, and Mr Pettigrew received no fees for their services as directors of the Company in either year.

It is the Company's policy not to provide any performance related emoluments, benefits in kind, any other emoluments or pension contributions to any director. Other than the Warrants attaching to the existing Ordinary shares, no director is entitled to shares under any share option or long-term incentive schemes.

## Performance Graph

The graph below shows a comparison between the Company's total Shareholder return performance compared with the companies in the FTSE™ techMARK™ All-Share Index for the period from the first allotment of shares to 31 December 2002. The return from the Company is based on a Shareholder receiving basic tax relief on his or her investment but ignores any capital gains rollover relief. The graph looks at the value, by the end of 2002, of £100 invested in the Company's shares with the value of £100 invested in the FTSE™ techMARK™ All-Share Index. The directors consider this to be the most appropriate published index on which to report on comparative performance given the technology focus of your Company's investment criteria, whilst recognising that the Company's investments are invariably in relatively early stage unquoted companies.



Signed on behalf of the Board

Sir Andrew Hugh Smith  
Director  
9 April 2003

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITISH SMALLER TECHNOLOGY COMPANIES VCT 2 PLC**

We have audited the financial statements which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

### **Respective Responsibilities of Directors and Auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the chairman's statement, the investment adviser's review, the directors' report and the unaudited part of the directors' remuneration report.

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

### **Basis of Audit Opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs and of its total return and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

#### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Leeds

9 April 2003

## STATEMENT OF TOTAL RETURN (INCORPORATING THE REVENUE ACCOUNT)

### FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	Year ended 31 December 2002			Period ended 31 December 2001		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Net losses on investments	7	-	(127)	(127)	-	(13)	(13)
Income	2	296	-	296	288	-	288
Investment advisory fee	3	(141)	(61)	(202)	(114)	(49)	(163)
Other expenses	3	(150)	-	(150)	(139)	-	(139)
<b>Net return on ordinary activities before taxation</b>		<b>5</b>	<b>(188)</b>	<b>(183)</b>	35	(62)	(27)
Tax on ordinary activities	4	-	-	-	(7)	7	-
<b>Net return on ordinary activities after taxation</b>		<b>5</b>	<b>(188)</b>	<b>(183)</b>	28	(55)	(27)
Dividends	5	-	-	-	-	-	-
<b>Transfer to (from) reserves</b>	13,14	<b>5</b>	<b>(188)</b>	<b>(183)</b>	28	(55)	(27)
Return per Ordinary share Basic and diluted	6	<b>0.07p</b>	<b>(2.48)p</b>	<b>(2.41)p</b>	0.49p	(0.97)p	(0.48)p

#### Notes

The revenue column of this statement is the profit and loss account of the Company.

All activity has arisen from continuing operations.

There is no difference between the net revenue return on ordinary activities before taxation and the transfer to (from) reserves in either period and their historic cost equivalents.

The accompanying notes are an integral part of these financial statements.

## BALANCE SHEET

at 31 December 2002

	Notes	2002 £000	2001 £000
<b>Fixed Assets</b>			
Investment portfolio	7	<u>1,317</u>	<u>300</u>
<b>Current Assets</b>			
Investments	7	5,737	5,631
Debtors	10	116	109
Cash		34	437
		<u>5,887</u>	<u>6,177</u>
Creditors: amounts payable within one year	11	(31)	(36)
<b>Net Current Assets</b>		<u>5,856</u>	<u>6,141</u>
<b>Total Net Assets</b>		<u>7,173</u>	<u>6,441</u>
<b>Capital and Reserves</b>			
Called-up share capital	12	783	688
Share premium account	13	6,595	5,780
Warrant reserve	13	5	-
Capital reserve			
Realised	13	(35)	30
Unrealised	13	(208)	(85)
		<u>(243)</u>	<u>(55)</u>
Revenue reserve	13	33	28
Equity Shareholders' funds	14	<u>7,173</u>	<u>6,441</u>
<b>Net asset value per Ordinary share</b>	15	<u>91.6p</u>	<u>93.7p</u>

Signed on behalf of the Board

**Sir Andrew Hugh Smith**

**Director**

9 April 2003

The accompanying notes are an integral part of these financial statements.

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	Year ended 31 December 2002 £000	Period ended 31 December 2001 £000
<b>Net cash outflow from operating activities</b>	16	<b>(68)</b>	(87)
<b>Investing activities</b>			
Purchase of investments		<b>(1,194)</b>	(375)
<b>Net cash outflow before management of liquid resources and financing</b>		<b>(1,262)</b>	(462)
<b>Management of liquid resources</b>			
Purchase of fixed interest Government stocks		<b>(650)</b>	(17,524)
Proceeds from the sale of fixed interest Government stocks		<b>594</b>	11,955
<b>Net cash outflow from management of liquid resources</b>		<b>(56)</b>	(5,569)
<b>Financing</b>			
Issue of Ordinary shares		<b>956</b>	6,876
Issue expenses		<b>(41)</b>	(408)
<b>Net cash inflow from financing</b>		<b>915</b>	6,468
<b>(Decrease) increase in cash in the period</b>	17,18	<b>(403)</b>	437

The accompanying notes are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2002

#### 1. Principal Accounting Policies

The Company has adopted the new Financial Reporting Standard 19 (FRS19) in its accounts for the year ended 31 December 2002. Implementation of FRS19 did not result in any prior year adjustments to the financial statements.

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

##### Basis of Accounting

The financial statements are prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain investments as stated below, and comply with applicable United Kingdom accounting standards, and with the Statement of Recommended Practice, *Financial Statements of Investment Trust Companies*, issued by the Association of Investment Trust Companies in December 1995.

##### Income

Dividend income on unquoted equity shares is recognised at the time when the right to the income is established. Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. All other income is recognised on an accruals basis.

##### Expenses

Expenses are accounted for on an accruals basis and, except for a proportion of the investment advisory fee, are charged through the revenue account.

The element of the investment advisory fee which does not relate to the administrative services is allocated between capital and revenue in accordance with the estimated long-term split of returns in the form of capital gains and income respectively. The investment management fee has therefore been allocated 75% to capital reserve and 25% to revenue account.

Tax relief is allocated to the capital reserve using an effective rate basis.

##### Capital Reserves

###### Capital Reserve – Realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments,
- expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies.

###### Capital Reserve – Unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end.

##### Investments

Investments in unquoted companies are treated as fixed assets and stated in the balance sheet at directors' valuation in accordance with the British Venture Capital Association guidelines for the valuation of venture capital investments. In determining this value, the directors give consideration to the period of investment, the performance of the investment against plan, comparative listed companies' earnings multiples suitably discounted and any recent transactions. Further details can be found on page 9 of this report.

Although the Company holds more than 20% of the equity of certain companies, it is considered that the investments are held as part of an investment portfolio. Accordingly, and as permitted by FRS9 'Associates and Joint Ventures,' their value to the Company lies in their marketable value as part of that portfolio. It is not considered that any of our holdings represents investments in associated undertakings.

Quoted investments are valued at middle market prices. Quoted venture capital investments in AIM quoted companies are treated as fixed assets. Quoted investments held as Government securities are treated as current assets due to their use as temporary holdings until venture capital investment opportunities arise and are held at market value as at the Balance Sheet date. Gross income derived from these securities is credited to the revenue account whereas any changes in market value are debited or credited directly to capital reserve.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal Accounting Policies (continued)

#### Taxation

Corporation tax payable is provided on taxable profit at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis. Any tax relief obtained in respect of management fees allocated to capital is reflected in the realised capital reserve and a corresponding amount is charged against revenue. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

### 2. Gross Income

	Year ended 31 December 2002 £000	Period ended 31 December 2001 £000
Fixed interest Government securities	274	195
Interest on deposits	22	93
	<u>296</u>	<u>288</u>

### 3. Administrative Expenses

	Year ended 31 December 2002 £000	Period ended 31 December 2001 £000
Investment advisory fee (including irrecoverable VAT)	202	163
Administration fee	35	25
Directors' remuneration	35	23
Auditors' remuneration:		
-audit fees	11	10
-other	8	7
General expenses	61	74
	<u>352</u>	<u>302</u>
Allocated to capital reserve:	(61)	(49)
Investment advisory fee	<u>291</u>	<u>253</u>

Yorkshire Fund Managers Limited provides investment advisory services to the Company under an agreement dated 28 November 2000. The agreement runs for an initial period of four years with effect from this date and may be terminated by not less than twelve months' notice given by either party at any time after the fourth anniversary of the agreement.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Administrative Expenses (continued)

Yorkshire Fund Managers Limited receives an investment advisory fee, payable quarterly in advance, at the rate of 3% on the first £5m of gross funds raised and 2½% of the remaining gross funds raised in excess of £5m, calculated at half-yearly intervals as at 30 June and 31 December. The investment advisory fee comprises an investment administration fee of £121,000 (2001: £98,000), including irrecoverable VAT, and an investment management fee of £81,000 (2001: £65,000). The investment administration fee is charged to the revenue account and the investment management fee is allocated between capital reserve and revenue account as described in note 1.

Under this same agreement Yorkshire Fund Managers Limited also provides administrative and secretarial services to the Company for a fee of £35,000 per annum plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged 100% to revenue account.

The total remuneration payable to Yorkshire Fund Managers Limited in the period (excluding VAT) was £207,000 (2001: £164,000). The details of directors remuneration are set out in the Directors' Remuneration Report on pages 16 to 17.

### 4. Taxation Charge (Credit)

	Year ended 31 December 2002			Period ended 31 December 2001		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Corporation tax payable at 19.25% (2001: 20%)	-	-	-	7	(7)	-
Net return on ordinary activities before taxation	<b>5</b>	<b>(188)</b>	<b>(183)</b>	35	(62)	(27)
Net return on ordinary activities multiplied by standard small company rate of corporation tax in UK of 19.25% (2001: 20%)	-	<b>(36)</b>	<b>(36)</b>	7	(12)	(5)
<b>Effect of:</b>						
Non taxable losses on investments (i)	-	<b>24</b>	<b>24</b>	-	-	-
Excess management expenses (ii)	-	<b>12</b>	<b>12</b>	-	5	5
Current tax charge for period	-	-	-	7	(7)	-

(i) Venture capital trusts are not subject to corporation tax on these items.

(ii) The Company has no deferred tax liability.

Deferred tax assets of £69,000 (2001: £13,000) in respect of trading losses have not been recognised as management do not currently believe that it is more likely than not that sufficient taxable profits will be available against which assets can be recovered.

### 5. Dividends

No dividends have been paid or proposed in the year (2001: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Return per Ordinary Share

The basic revenue return per Ordinary share is based on net revenue return from ordinary activities after tax of £5,000 (2001: £28,000) and 7,566,000 (2001: 5,682,000) shares being the weighted average number of shares in issue during the year.

The basic capital return per Ordinary share is based on net capital loss from ordinary activities after tax of £188,000 (2001: £55,000) and 7,566,000 (2001: 5,682,000) shares being the weighted average number of shares in issue during the year.

The company has no securities that would have a dilutive effect in either period and hence the basic and diluted return per share are the same.

### 7. Investment Portfolio

Movements in investments during the year to 31 December 2002 are summarised as follows:

	Unquoted Investments £000	Fixed Income Securities £000	Total £000
Opening cost	375	5,641	6,016
Opening unrealised loss	(75)	(10)	(85)
Opening valuation	300	5,631	5,931
Additions at cost	1,194	650	1,844
Disposal proceeds	-	(594)	(594)
Realised losses on disposal	-	(4)	(4)
Unrealised (loss) gain in the year	(177)	54	(123)
	<b>1,317</b>	<b>5,737</b>	<b>7,054</b>
Closing cost	1,569	5,693	7,262
Closing unrealised (loss) gain	(252)	44	(208)
<b>Closing valuation</b>	<b>1,317</b>	<b>5,737</b>	<b>7,054</b>

UK Government stocks are classified as current assets due to their use as temporary holdings until venture capital investment opportunities arise.

### 8. Investments

The cost and carrying value of investments held at 31 December 2002, all of which are registered in England and Wales, except where noted, are detailed as follows:

	2002			2001		
	Cost £000	Valuation £000	%	Cost £000	Valuation £000	%
<b>Tamesis Limited</b>						
Ordinary shares of 0.04p each	<u>150</u>	<u>37</u>	<u>0.5</u>	<u>150</u>	<u>75</u>	<u>1.2</u>
<b>Amino Holdings Limited</b>						
Ordinary shares 1p each	<u>125</u>	<u>46</u>	<u>0.6</u>	<u>125</u>	<u>125</u>	<u>1.9</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Investments (continued)

	2002			2001		
	Cost £000	Valuation £000	%	Cost £000	Valuation £000	%
<b>SynGenix Limited</b>						
Ordinary shares of 1p each	10	10		10	10	
Convertible unsecured loan stock	240	240		90	90	
	<u>250</u>	<u>250</u>	<u>3.5</u>	<u>100</u>	<u>100</u>	<u>1.6</u>
<b>Infinite Data Storage Limited</b> <i>(Registered in Scotland)</i>						
Ordinary shares of £1 each	180	180		-	-	
Preferred Ordinary shares	120	120		-	-	
	<u>300</u>	<u>300</u>	<u>4.2</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Vibration Technology Limited</b> <i>(Registered in Scotland)</i>						
Ordinary shares of 1p each	129	129	1.8	-	-	-
<b>Cambridge Cognition Limited</b>						
Ordinary shares of £1 each	240	180	2.5	-	-	-
<b>Oxonica Limited</b>						
Ordinary shares of 1p each	107	107		-	-	
Convertible secured loan stock	118	118		-	-	
	<u>225</u>	<u>225</u>	<u>3.1</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expresson Biosystems Limited</b> <i>(Registered in Scotland)</i>						
Ordinary shares of 0.25p	150	150	2.1	-	-	-
<b>Total venture capital investments</b>	<u>1,569</u>	<u>1,317</u>	<u>18.3</u>	<u>375</u>	<u>300</u>	<u>4.7</u>
<b>Government Stocks</b>						
13.5% Treasury stock 2000	-	-	-	36	36	0.6
3.5% Treasury stock 2004	2,901	2,968	41.4	2,813	2,806	43.6
6.5% Treasury stock 2003	2,792	2,769	38.6	2,792	2,789	43.3
<b>Total Government stocks</b>	<u>5,693</u>	<u>5,737</u>	<u>80.0</u>	<u>5,641</u>	<u>5,631</u>	<u>87.5</u>
<b>Total financial asset investments</b>	<u>7,262</u>	<u>7,054</u>	<u>98.3</u>	<u>6,016</u>	<u>5,931</u>	<u>92.2</u>
Cash		34	0.5		437	6.8
Other net current assets		85	1.2		66	1.0
<b>Shareholders' funds</b>		<u>7,173</u>	<u>100.0</u>		<u>6,434</u>	<u>100.0</u>

Yorkshire Fund Managers Limited also acts as investment adviser to certain other funds under its management, namely British Smaller Companies VCT plc, British Smaller Technology Companies VCT plc and the Baring English Growth Fund (North) Limited Partnership, that have invested in the companies within the current portfolio of this Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Investments (continued)

Details of these investments are summarised below. The amounts shown are the investments made at cost as at 31 December 2002.

	British Smaller Companies VCT £000	British Smaller Technology Companies VCT £000	Baring English Growth Fund (North) £000	Total £000
Tamesis Limited	350	350	325	1,025
Amino Holdings Limited	-	687	-	687
SynGenix Limited	-	250	-	250
Vibration Technology Limited	-	328	-	328
Cambridge Cognition Limited	325	-	-	325

### 9. Financial Instruments

The Company has no derivative financial instruments and has no financial asset or liability for which hedge accounting has been used in either period. All financial assets in both periods are held in Sterling, hence there is no foreign currency exchange rate exposure. The fixed asset investments are valued in accordance with the British Venture Capital Association guidelines and, therefore, the directors consider all assets to be carried at a valuation which equates to fair value.

Investments are made in a combination of equity and fixed rate financial instruments so as to comply with venture capital trust legislation and provide potential high future capital growth.

Surplus funds are held in fixed rate Government stocks until suitable qualifying investment opportunities arise.

At 31 December 2002 and 31 December 2001, the financial assets, by value, excluding short-term trade debtors and creditors, as permitted by FRS13, comprised:

	2002		2001	
	£000	%	£000	%
<b>Qualifying venture capital investments</b>				
Ordinary shares	854	12.0	210	3.3
Loan stock	343	4.9	90	1.4
Preferred Ordinary shares	120	1.7	-	-
	<u>1,317</u>	<u>18.6</u>	<u>300</u>	<u>4.7</u>
Fixed interest Government stocks	5,737	80.9	5,631	88.4
Cash	34	0.5	437	6.
	<u>7,088</u>	<u>100.0</u>	<u>6,368</u>	<u>100.0</u>

There are no fixed rate financial assets in venture capital investments held at 31 December 2002 (2001: Nil). For all financial assets, including investments in Government stocks, the weighted average interest rate on fixed rate assets was 5.0% (2001: 5.0%) with a weighted average period of 1 year and 3 months (2001: 2 years and 3 months).

Ordinary share investments are excluded from the weighted average interest rate risk analysis in both years as there is no pre-defined maturity date on these investments.

The Company invests in financial assets to comply with the venture capital trust legislation and provide capital growth for Shareholders that can eventually be distributed by way of dividends. Unquoted venture capital investments normally take a number of years to mature and are, by their nature, illiquid. Therefore, realised capital gains on these investments are a medium- to long-term aim.

Due to the structure of certain investments, loan stock repayments may become due during the term of the investment. These are usually at fixed dates, although in some instances the investee company has the option of repaying earlier. Investments in Government stocks are held solely for the purpose of liquidity whilst waiting for suitable qualifying investment opportunities to arise. Therefore, trading in these stocks is determined mainly by the demand for venture capital funds. There are no undrawn committed borrowing facilities at either year end.

## NOTES TO THE FINANCIAL STATEMENTS

### 9. Financial Instruments (continued)

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements. The investments in equity and fixed interest stocks of unquoted companies the Company holds are thinly traded, and as such, the prices are more volatile than those of more widely backed securities. In addition, the ability of the Company to purchase or sell investments is also constrained by requirements set down for venture capital trusts.

### 10. Debtors

	2002	2001	£000	£000
<b>Amounts receivable within one year:</b>				
Prepayments and accrued income			<u>116</u>	<u>109</u>

### 11. Creditors

	2002	2001	£000	£000
<b>Amounts payable within one year:</b>				
Accrued expenses			<u>31</u>	<u>36</u>

The average number of creditor payment days during the year was 38 (2001: 21).

### 12. Called-up Share Capital

	2002	2001	2002	2001
	Authorised £000	Allotted, Called-up and Fully paid £000	Authorised £000	Allotted, Called-up and Fully paid £000
Ordinary shares of 10p				
Authorised: 50,000,000 (2001: 50,000,000)				
Issued: 7,832,693 (2001: 6,876,133)	<u>5,000</u>	<u>783</u>	<u>5,000</u>	<u>688</u>

The movement in the year was as follows:

	Date	No of Shares	Share Capital £000	Share Premium* £000
As at 1 January 2002		6,876,133	688	5,780
Allotments	Jan 02	193,160	19	173
	Mar 02	336,860	34	301
	Apr 02	176,640	17	159
	May 02	196,600	19	177
	July 02	18,300	2	16
	Aug 02	25,000	3	21
	Nov 02	5,000	1	9
	Dec 02	5,000	-	-
		<u>7,832,693</u>	<u>783</u>	<u>6,636</u>
Expenses of share issue			-	(41)
As at 31 December 2002			<u>783</u>	<u>6,595</u>

All Ordinary shares have Warrants attached on a 1 for 5 basis. Each Warrant entitles the Warrant holder to subscribe in cash in whole or in part on 30 April in each of the years 2003 to 2005 for one Ordinary share at a price of 100p payable in full in cash on subscription.

\* net of amounts attributed to Warrants.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Reserves

The movement in the year was as follows:

	Share Premium £000	Warrant Reserve £000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Revenue Reserve £000
Beginning of the year	5,780	-	30	(85)	28
Issue of shares	861	-	-	-	-
Expenses of share issue	(41)	-	-	-	-
Issue of Warrants	(5)	5	-	-	-
Unrealised loss on fixed asset investment portfolio	-	-	-	(177)	-
Realisation of current asset investments	-	-	(4)	-	-
Unrealised gain on current asset investment portfolio	-	-	-	54	-
Capital expenses	-	-	(61)	-	-
Retained revenue for the year	-	-	-	-	5
As at 31 December 2002	<u>6,595</u>	<u>5</u>	<u>(35)</u>	<u>(208)</u>	<u>33</u>

### 14. Reconciliation of Movements in Shareholders' Funds

	Year ended 31 December 2002 £000	Period ended 31 December 2001 £000
Opening Shareholders' funds	6,441	-
Total return after tax	(183)	(27)
Net proceeds of share issue	915	6,468
As at 31 December 2002	<u>7,173</u>	<u>6,441</u>

### 15. Net Asset Value per Ordinary Share

The net asset value per Ordinary share is calculated on attributable assets of £7,173,000 (2001: £6,441,000 and 7,833,000 (2001: 6,876,000) shares in issue at the year end.

### 16. Reconciliation of Net Revenue Return on Ordinary Activities before Taxation to Net Cash Outflow from Operating Activities

	Year ended 31 December 2002 £000	Period ended 31 December 2001 £000
Net revenue return on ordinary activities before taxation	5	35
Increase in prepayments and accrued income	(7)	(109)
(Decrease) increase in accruals	(5)	36
Investment advisory fees charged to capital reserve	(61)	(49)
Net cash outflow from operating activities	<u>(68)</u>	<u>(87)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Reconciliation of Net Cash Flow to Movement in Net Funds

	<b>Year ended 31 December 2002 £000</b>	Period ended 31 December 2001 £000
(Decrease) increase in cash in the period	<b>(403)</b>	437
Cash outflow from increase in liquid resources	<b>56</b>	5,569
Changes in net funds resulting from cash flows	<b>(347)</b>	6,006
Other non-cash items:		
Unrealised gain (loss) on fixed interest quoted investments	<b>50</b>	(10)
Realised gain on disposal of fixed interest quoted investments	-	72
Net funds at beginning of year	<b>6,068</b>	-
<b>Net funds at 31 December 2002</b>	<b>5,771</b>	6,068

### 18. Analysis of Net Funds

	1 January 2002 £000	Cash flow £000	Other non- cash changes £000	<b>31 December 2002 £000</b>
Cash	437	(403)	-	<b>34</b>
Fixed interest quoted investments	5,631	56	50	<b>5,737</b>
	<u>6,068</u>	<u>(347)</u>	<u>50</u>	<u><b>5,771</b></u>

### 19. Financial Commitments

There were no investments (2001: £850,000) not reflected in these accounts which had been approved by the Board of Directors at 31 December 2002. Since the year end further investments totalling £554,000 (2001: £450,000) had been approved by the Board.

### 20. Related Party Transactions

Mr Cammerman is the managing director of Yorkshire Fund Managers Limited, the Investment Adviser to the Company. Mr Cammerman has no beneficial shareholding in Yorkshire Fund Managers Limited in either period.

Until 22 November 2002 Mr Pettigrew was a director of Generics Asset Management Limited, the technology adviser to Yorkshire Fund Managers Limited.

During the period Yorkshire Fund Managers Limited received remuneration amounting to £207,000 (2001: £164,000) in respect of services provided in accordance with the Investment Advisory Agreement dated 28 November 2000. At 31 December 2001 there were no amounts owing to Yorkshire Fund Managers Limited (2001: Nil owed to or from Yorkshire Fund Managers Limited).

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Related Party Transactions (continued)

Mr Last, a director of the Company, is a non-executive director of Tamesis Limited. The appointment was made pursuant to the Subscription Rights agreement following the investment made in that company. During the year Mr Last received £7,000 (2001: £5,000) from Tamesis Limited in respect of his services.

During the year Mr Ashcroft, a director of the company, became a director of Cambridge Cognition Limited and subscribed at par for shares representing 7.2% of the Ordinary share capital of that company. Mr Ashcroft's participation in Cambridge Cognition Limited ceased for all purposes on 22 November 2002.

Under the Subscription Rights Agreement dated 28 November 2000 Yorkshire Fund Managers Limited and Generics Asset Management Limited have a performance-related incentive, structured so as to entitle them to an amount (satisfied by the issue of Ordinary shares) equivalent to 20% of the amount by which the cumulative cash dividends paid as at the last business day in December in any year plus the average of the middle market quotation per Ordinary share exceeds 120p per Ordinary share multiplied by the number of Ordinary shares in issue and the shares under option (if any). The subscription rights are exercisable in the ratio 50:50 as between Yorkshire Fund Managers Limited and Generics Asset Management Limited. No entitlement has vested in either period.

### 21. Post Balance Sheet Events

On 14 February 2003 the Company purchased 456,773 'A' Ordinary shares for 5.00% of the equity in Broadreach Networks Limited for a consideration of £125,000.

On 28 February 2003 the Company purchased a further 625,000 Ordinary shares in Amino Holdings Limited for a consideration of £175,000. The Company now holds 2.84% of the enlarged share capital of Amino Holdings Limited.

## NOTICE OF THE ANNUAL GENERAL MEETING

No: 4084003

### BRITISH SMALLER TECHNOLOGY COMPANIES VCT 2 PLC

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at Saint Martins House, 210-212 Chapeltown Road, Leeds LS7 4HZ on 15 May 2003 at 4pm for the following purposes:

To consider and, if thought fit, pass the following resolutions:

#### As Ordinary Business

#### ORDINARY RESOLUTIONS

- (1) That the Annual Report and Accounts for the year ended 31 December 2002 be received.
- (2) That the Directors' Remuneration Report be approved.
- (3) That Mr R Last who retires by rotation be re-elected as a Director.
- (4) That Mr J R Ashcroft who retires by rotation be re-elected as a Director.
- (5) To re-appoint PricewaterhouseCoopers LLP as auditors to the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and special notice having been received of the invitation to propose the resolution) and to authorise to fix their remuneration.

#### As Special Business

#### SPECIAL RESOLUTIONS

- (1) THAT in substitution for any existing authorities pursuant to section 80 of the Companies Act 1985 ("the Act"):
  - 1.1 the Directors shall have unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in section 80(2) of the Act) of the Company to such persons, at such time and generally on such terms and conditions as the Directors may determine. The authority hereby conferred shall expire on 14 May 2008, (unless previously renewed, varied or revoked by the Company in general meeting) and the maximum nominal value of such relevant securities as aforesaid which may be allotted pursuant to such authority shall be £421,673 being the authorised but unissued share capital of the Company at 31 March 2003;
  - 1.2 the Directors shall be entitled under the authority conferred or under the renewal thereof to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly.
- (2) THAT subject to the passing of the previous resolution and in substitution for any existing authorities pursuant to section 95 of the Companies Act 1985 ("the Act"):
  - 2.1 the Directors be and that they are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred upon them by resolution 1.1 above as if section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the allotment of Ordinary Shares of 10p each in the capital of the Company up to a total of 783,269 shares (being 10 per cent of the issued Ordinary Share capital of the Company on 31 March 2003) during the period commencing on the date of the passing of the resolution and ending on 14 May 2008 (unless previously revoked, extended or varied by the Company in general meeting) except that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

## NOTICE OF THE ANNUAL GENERAL MEETING

- (3) THAT in substitution for any existing authority the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) of Ordinary Shares of 10p in the capital of the Company ('Ordinary Shares') provided that:
- 3.1 the maximum aggregate number of Ordinary Shares authorised to be purchased is 783,269;
  - 3.2 the minimum price which may be paid for an Ordinary Share is 10p;
  - 3.3 the maximum price which may be paid for an Ordinary Share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
  - 3.4 this authority shall take effect from 15 May 2003 and shall expire on 14 November 2004; and
  - 3.5 the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

## BY ORDER OF THE BOARD

**J E P Gervasio**  
**Secretary**  
**9 April 2003**

Registered office:  
Saint Martins House  
210-212 Chapeltown Road  
Leeds LS7 4HZ

### Notes:

- (1) A member of the Company entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy must be lodged with the Company's registrars, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA not later than 48 hours before the time of appointment for holding the Meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he so wishes.
- (3) In accordance with Regulation 41 of The Uncertified Securities Regulations 2001, only those members entered on the Company's register of members not later than 4pm on 13 May 2003, or if the meeting is adjourned, Shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the meeting.
- (4) Completion and return of a form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting if he wishes to do so.
- (5) Biographical details concerning the two Directors retiring by rotation and offering themselves for re-election can be found at page 10 of the Annual Report.



## BRITISH SMALLER TECHNOLOGY COMPANIES VCT 2 PLC FORM OF PROXY

To be used at the Annual General Meeting of the Company  
to be held at Saint Martins House, 210-212 Chapeltown Road, Leeds LS7 4HZ  
on 15 May 2003 at 4pm

I/We ..... being a member/members of the above named Company entitled to attend and vote at the Annual General Meeting of the Company hereby appoint the Chairman of the Meeting or (see note a) ..... of .....  
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 15 May 2003 at 4pm and at any adjournment thereof.

My/our proxy is to vote as indicated below.

<b>ORDINARY RESOLUTIONS</b>	<b>FOR</b>	<b>AGAINST</b>
1. To receive the Annual Report and Accounts	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director Mr R Last	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director Mr J R Ashcroft	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint PricewaterhouseCoopers LLP as auditors	<input type="checkbox"/>	<input type="checkbox"/>

<b>SPECIAL BUSINESS</b>	<b>FOR</b>	<b>AGAINST</b>
1. To authorise Directors to allot securities under Section 80 of the Companies Act	<input type="checkbox"/>	<input type="checkbox"/>
2. To authorise Directors to allot securities under Section 95 of the Companies Act	<input type="checkbox"/>	<input type="checkbox"/>
3. To authorise the Company to make market purchases under Section 163 of the Companies Act	<input type="checkbox"/>	<input type="checkbox"/>

Signature ..... Dated ..... 2003

### NOTES

- (a) If you wish to appoint a proxy or proxies other than the Chairman of the Meeting please insert that person's name and address and delete (initialling the deletion) "the Chairman of the Meeting or." A proxy need not be a Member of the Company. You may attend and vote at the Meeting instead of any proxy appointed by you if you so wish.
- (b) Please indicate by inserting "x" in the appropriate box the way in which your proxy is to vote. If you do not do so, your proxy may vote or abstain as he thinks fit. Your proxy will have the authority to vote at his discretion on any amendment or other motion proposed at the Meeting, including any motion to adjourn the Meeting. This proxy will only be used in the event of a poll being directed or demanded.
- (c) This form of proxy must be signed by the appointor or his attorney duly authorised in writing or if the appointor is a corporation this proxy must be given under its Common Seal or be signed by an officer or attorney duly authorised in writing.
- (d) To be valid, this form of proxy duly completed and any power of attorney or other authority (if any) under which it is notarially certified, or office copy of such power or authority, must be deposited at the office of the Company's Registrars, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA not less than 48 hours before the time appointed for holding the above Meeting or (as the case may be) adjourned Meeting.
- (e) The resolutions are set out in full in the Notice of Annual General Meeting.



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BUSINESS REPLY SERVICE  
LICENCE NO HD106

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**NORTHERN REGISTRARS LIMITED  
NORTHERN HOUSE  
WOODSOME PARK  
FENAY BRIDGE  
HUDDERSFIELD  
HD8 0LA**

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