

# British Smaller Companies VCT plc

Offer for Subscription of up to **3,788,310 New Shares**



Diversified portfolio of  
established UK growth  
businesses

Immediate access to  
tax-free cash dividends

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# British Smaller Companies VCT plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 3134749)

Offer for Subscription of up to 3,788,310 Ordinary Shares of 10 pence to raise up to a maximum of £3.78 million\*

## **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt about the contents of this document, you should seek your own financial advice from a person authorised under the Financial Services and Markets Act 2000.**

**The whole of this document should be read. Your attention is drawn to the “Risk Factors” set out on page 31 of this document.**

This document is a financial promotion for the purposes of section 21 of the Financial Services and Markets Act 2000 (FSMA) and is issued by the Company. The contents of this document have been approved by Howard Kennedy Corporate Services LLP, which is authorised and regulated by the Financial Services Authority registration number 523524. This document does not constitute a prospectus as defined by the Prospectus Rules (the “Rules”) and has not been prepared in accordance with the requirements of the Rules.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa or their respective territories or possessions, and documents should not be distributed, forwarded or transmitted in or into such territories. The Offer Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa.

Howard Kennedy Corporate Services LLP is acting exclusively for the Company in connection with the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Howard Kennedy Corporate Services LLP in accordance with the rules of the Financial Services Authority or for advising any such person in connection with the Offer.

An investment in the Company may not be suitable for all recipients of this document. A prospective Investor should consider carefully whether the Offer is suitable for them in the light of their personal circumstances and the financial resources available to them. In making an investment decision with respect to the Offer, all recipients must rely on their own examination of the Company and the terms of the Offer, including the merits and risks involved. A prospective Investor should not subscribe for Ordinary Shares unless satisfied that he/she and his/her investment representative have asked for and received all information which would enable him/her or both of them to evaluate the merits of the proposed investment and the legal, regulatory, tax and other investment consequences and risks of doing so.

\* Issue of up to 3,788,310 Offer Shares at the Offer Price paid by Applicants for each Offer Share issued under the Offer calculated according to the Pricing Mechanism. Under the Pricing Mechanism any Net Asset Value published by the Company during the Offer period may affect the price payable by Applicants for Offer Shares.

# British Smaller Companies VCT plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 3134749)

## Offer for Subscription

A maximum of 3,788,310 Offer Shares are being offered to the public under the Offer at an Offer Price of 99.75 pence per Ordinary Share (subject to adjustment in accordance with the Pricing Mechanism set out on pages 12 to 13 of this document), which opens on 6 March 2012.

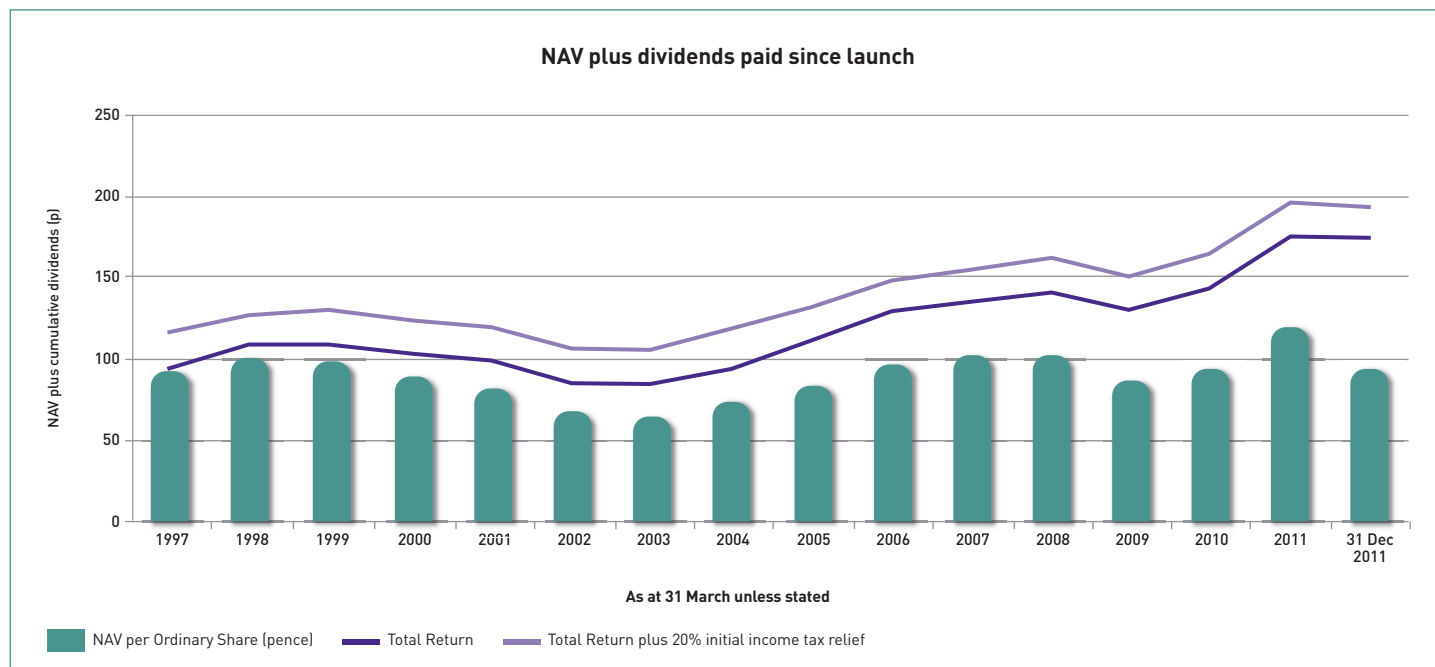
The Offer will close at 11:00 a.m. on Thursday 5 April 2012 or earlier should the Offer become fully subscribed. The Offer is not being underwritten and is not subject to reaching a minimum level of subscription.

The terms and conditions are set out on pages 34 to 36 of this document, together with the application procedure and an application form for use in connection with the Offer.

- The minimum subscription per Investor is £5,000.
- The completed application form in respect of the Offer should be sent by post (in the enclosed reply paid envelope) or delivered by hand to: The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh EH2 1DF.

# British Smaller Companies VCT plc

## Performance



Past performance is no guide to future performance and may not be repeated.

## Total Return by Fundraising Round

Fundraising Round	Offer price per Ordinary Share net of tax <sup>1</sup>	Cumulative dividends paid/declared per Ordinary Share since fundraising	Latest NAV per Ordinary Share	Total Return per Ordinary Share <sup>2</sup>	Increase over effective net issue price	Tax-free annual return <sup>3</sup>
	Pence	Pence	Pence	Pence	Pence	%
1995/96 & 1996/97 tax year	80.00	79.20	95.00	174.20	94.20	10
1996/97 & 1997/98 tax year	80.00	78.14	95.00	173.14	93.14	10
1997/98 & 1998/99 tax year	84.00	74.64	95.00	169.64	85.64	10
2004/05 & 2005/06 tax year (C Share <sup>4</sup> )	59.70	50.27	106.85	157.12	97.42	19
2005/06 tax year	60.00	48.75	95.00	143.75	83.75	22
2006/07 & 2007/08 tax year	71.75	44.25	95.00	139.25	67.50	20
2007/08 & 2008/09 tax year	74.38	39.25	95.00	134.25	59.87	22
2009/10 & 2010/11 tax year	68.08	29.25	95.00	124.25	56.17	39
2010/11 & 2011/12 tax year	89.60	23.00	95.00	118.00	28.40	54

1. Amount paid per Ordinary Share less available VCT income tax relief on investment in relevant tax year

2. Latest published unaudited NAV plus dividends paid

3. For a higher rate taxpayer assuming a top rate of income tax of 36.1%\*

4. NAV has been adjusted for the conversion of C Shares into Ordinary Shares in May 2007

\* A higher rate taxpayer is liable for tax on dividends at a rate of 42.5%, but the notional tax credit attaching to dividends reduces the effective rate on the net dividend to 36.1%. Dividends received from VCTs are not subject to income tax, provided they have been acquired within the investor's annual £200,000 limit.

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# Summary

The following summary must be read in conjunction with the full contents of this document including page 31 headed “Risk Factors”.

## Introduction

British Smaller Companies VCT plc (the Company) is seeking to raise additional funds of up to £3.78 million to allow further expansion and continued diversification of its investment portfolio at an attractive point in its investment cycle.

An investment in the Company will provide individuals with the opportunity to invest in an established VCT with a mature and diversified portfolio of mainly unlisted smaller British companies and a track record of strong and consistent dividend performance.

## Key Features

British Smaller Companies VCT plc

**At  
31 December 2011**

<b>Offer price per Ordinary Share</b>	99.75 pence
<b>Average dividend paid per Ordinary Share for the 5 years to 31 December 2011</b>	8.85 pence
<b>Equivalent to an average tax free yield per annum</b>	19.83%
<b>Number of companies invested in</b>	31
<b>Net Asset Value per Ordinary Share</b>	95.0 pence
<b>YFM Equity Partners total funds under management</b>	in excess of £375 million

## Why Invest

### HISTORIC YIELD of 11.81% since the first dividend

- The Company has paid an average annual tax free cash dividend of 5.27 pence per Ordinary Share since the Company paid its first dividend. The average annual dividend has increased over time as the portfolio has both diversified and matured.

	Cumulative dividends paid or declared per Ordinary Share	Average annual dividend paid or declared per Ordinary Share	Yield* per Ordinary Share
	Pence	Pence	%
3 years ending 31.12.11	36.25	12.08	27.07
5 years ending 31.12.11	44.25	8.85	19.83
10 years ending 31.12.11	61.60	6.16	13.81
Since first dividend paid	79.20	5.27	11.81

\*For a higher rate taxpayer assuming a top rate of income tax of 36.1%. This is based on the estimated Offer Price of 99.75 pence per Offer Share adjusted for 30% upfront income tax relief.

- IMMEDIATE ENTITLEMENT TO DIVIDENDS**

Applicants will be eligible to receive any final dividend in relation to the year ended 31 March 2012.

- BENCHMARKED PERFORMANCE**

There are a range of measures that benchmark performance of venture capital trusts. Using these measures the Company is ranked as the top performing VCT by Net Asset Value as at 22 December 2011 over 1, 3, and 10 years by Citywire, over 3 and 10 years by the Association of Investment Companies (AIC) and second by AIC over 5 years as at 31 December 2011.

- DIVIDEND REINVESTMENT and LIQUIDITY**

The Company operates a dividend reinvestment scheme (the "Scheme") allowing Shareholders to build further capital value by purchasing Ordinary Shares at 5% below their Net Asset Value. The Company is delighted that currently 23% of Shareholders are taking the opportunity to reinvest using the Scheme. Such reinvestments qualify for the full tax reliefs set out below. The Company also operates a share buy-back policy to help improve liquidity. In the 9 months to 31 December 2011 the Company bought back 199,200 Ordinary Shares.

- AWARD-WINNING FUND MANAGER**

YFM is a well-established private equity group with an experienced, geographically spread team bringing 100 years of combined experience in working with small, fast growing businesses. YFM helps to create professionally-run, robust companies with the vision and market position to attract strong interest from trade and financial buyers at exits. This provides the platform from which existing Shareholders have enjoyed a regular and consistent dividend stream.

**British Smaller Companies VCT plc (the Company) was the winner of VCT of the Year 2011 (Investor Allstars Awards) and VCT Deal of the Year 2011 (Unquote British Private Equity Awards).**

- FURTHER REDUCTION IN COSTS**

The further increase in the size of the Company will allow its fixed costs to be spread over a broader asset base which means that, subject to a full subscription under the Offer, the cost cap can be reduced by 0.25% to 3.25% per annum of Net Asset Value.

## Expected Timetable

Offer opens:	
<b>Offer opens</b>	6 March 2012
<b>Allotment</b>	5 April 2012 or such earlier date as the Board may determine
<b>Dealings commence</b>	Within 5 business days of allotment
<b>Share certificates issued</b>	Within 10 business days of allotment
Offer closes:	
<b>Offer closes</b>	11:00 a.m. 5 April 2012*

\* If the maximum subscription is reached before the closing date the Offer will be closed early.

## Key Details of the Offer

<b>Minimum subscription per Investor: £5,000</b>
<b>Estimated Offer Price: 99.75 pence per Offer Share</b>
(based on the unaudited Net Asset Value of 95.0 pence per Ordinary Share at 31 December 2011, adjusted for the costs of the Offer)

## Tax Benefits

- Qualifying Applicants receive a 30% upfront income tax rebate on the cost of their investment provided the Offer Shares are held for 5 years. This means that an investment of £20,000 will effectively cost an Investor £14,000.
- Dividends paid by VCTs are exempt from income tax.
- Capital gains on disposal of VCT shares are exempt from capital gains tax.
- The maximum investment which can be made in order to qualify for the tax reliefs available from a VCT is currently £200,000 per person per tax year.
- Tax rules and regulations can change over time and any benefit will depend on individual circumstances, on Investors retaining their investment for the relevant period and on the portfolio companies retaining their VCT qualifying status. The HMRC website contains guidance on the tax relief available on VCT investments, <http://www.hmrc.gov.uk/guidance/vct.htm>
- Prospective Investors are strongly recommended to take independent tax advice before investing in the Offer.

## Costs of the Offer

Offer costs: **4.75%**

Commission to intermediaries: **up to 2.50% initial or 2.00% plus annual trail commission of 0.375% for up to four years**

**Timetable:** Open from 6 March 2012 until 11:00 a.m. on 5 April 2012\*

\*If the maximum subscription is reached before the closing date the Offer will be closed early.

# Letter from the Chairman of the Company

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

6 March 2012

Dear Investor

I am delighted to be writing to you in connection with the Offer to raise up to £3.78 million by the issue of Ordinary Shares in the Company.

I believe that the current economic climate will continue to create opportunities for the Company as an investor able to take a long term view. The Company aims to invest in well run and well managed UK businesses, and in particular those businesses that need capital to expand but are facing a shortage of finance. History has shown us that cautious investments through the low point of the economic cycle can result in some of the highest portfolio returns.

## Performance

The economic conditions of the last few years have been some of the most difficult faced by the UK in many years. Against this background the Company has continued to deliver its objective of paying a consistent dividend that increases over time whilst preserving capital value. The Company's dividend record is:

	Cumulative dividends paid or declared per Ordinary Share	Average annual dividend paid or declared per Ordinary Share	Yield per Ordinary Share*
	Pence	Pence	%
3 years ending 31.12.11	36.25	12.08	27.07
5 years ending 31.12.11	44.25	8.85	19.83
10 years ending 31.12.11	61.60	6.16	13.81
Since first dividend paid	79.20	5.27	11.81

\*For a higher rate taxpayer assuming a top rate of income tax of 36.1%. This is based on the estimated Offer Price of 99.75 pence per Offer Share adjusted for 30% upfront income tax relief.

Investors in the Offer will be entitled to any final dividend paid in respect of the financial year ending 31 March 2012.

## Portfolio

The Company has a diversified portfolio of 31 investments invested across a broad range of sectors. The average length of time in which the Company has been invested in these businesses is 4.6 years.

## Further Reduction in Costs

The further increase in the size of the Company will allow the fixed costs to be spread over a broader asset base which means that, subject to a full subscription under the Offer, the cost cap (where any increase above the cap falls on the Fund Manager and not the Company) can be reduced by 0.25% to 3.25% per annum of the Net Asset Value.

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## Fund Manager

YFM has a long experience of investing in the Company's target market. With six offices throughout the UK and some 30 investment executives this gives the Company access to a wide and diversified range of investment opportunities from which to select its investments.

## Liquidity

The Company currently maintains a buy back policy where Shares are bought at a 15% discount to Net Asset Value. In the nine months to 31 December 2011 the Company bought 199,200 Ordinary Shares at an average price of 91.21 pence per Ordinary Share.

## Advantages of VCTs

Investing through a venture capital trust allows investors access to private equity deals, which may be hard for individuals to otherwise access. I believe it continues to be one of the most attractive investment opportunities currently available, with three distinct advantages over other investment products:

- allows investors to benefit from **upfront income tax relief** at 30% of the investment. For example, if you invest £20,000 in the Offer, your income tax bill for the current tax year will be reduced by up to £6,000;
- provides investors with the opportunity to enjoy the **potentially higher returns** associated with investing in the UK's privately owned businesses; and
- provides **tax free dividends**.

## Details of the Offer

The Offer Price is 99.75 pence per Offer Share calculated by reference to the most recent published Net Asset Value of 95.0 pence per Ordinary Share. This is adjusted for the issue costs of 4.75% by dividing by 0.9525 and rounded up to the nearest 0.25 pence. The Offer Price is subject to adjustment if the Net Asset Value increases or decreases by 5% or more prior to an allotment of Offer Shares under the Offer.

## Commitment of Directors and Fund Manager

Following subscriptions under the Offer, investments of the Directors, the Fund Manager and its employees in the Company will be in excess of £620,000.

The additional funds raised under the Offer will enable the Company to further increase the pace of its investment activity and both the number and size of its investments in the future. By raising more capital the running costs per Ordinary Share will be reduced as the fixed costs are spread over a larger asset base.

You will find the Application Form(s) on page 39 of this document; I look forward to welcoming new Shareholders and thank all existing Shareholders for their continued support.

Yours faithfully



**Helen Sinclair**  
**Chairman**  
**British Smaller Companies VCT plc**

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# Part 1

## Background Information on the Company

### Background of VCTs

VCTs were introduced in 1995 with tax incentives to encourage individuals to invest in smaller UK companies. VCTs are specialist investment companies similar to investment trusts listed on the London Stock Exchange.

### Background of the Company

Managed by YFM Private Equity, the Company was formed in December 1995 and targets investment in companies that are on the point of transformational growth. These comprise a mixture of more mature businesses operating in sectors such as healthcare, manufacturing, telecommunications and business services. The Company has a diverse existing portfolio and has, to date, invested some £36.1 million in 71 companies which has reduced its exposure to particular markets and individual companies.

### The Offer

The UK continues to be affected by weak growth and unparalleled levels of public sector debt which, together with the fallout from the banking crisis have combined to destabilise the economic and business environment. Valuations of unquoted companies have generally fallen over the past three years. At the same time, bank funding for those companies seeking to expand either organically or through acquisition has been significantly reduced. This means that well managed companies continue to face a shortage of capital. The Directors believe that there are opportunities for those prepared to take a longer term view to invest funds into attractive businesses at a low point in the economic cycle at favourable valuations.

The additional funds raised under the Offer will enable the Company to further increase the pace of its investment activity and both the number and size of its investments in the future. By raising more capital the running costs per Ordinary Share will be reduced as the fixed costs are spread over a larger asset base.

The Company will continue to invest predominantly in established unquoted companies. The investment policy of the Company is to create a portfolio that blends a mix of businesses operating in more mature sectors and growing companies that offer opportunities in the application and development of innovation.

The Offer enables new and existing Shareholders to invest in a mature and diverse existing portfolio to be supplemented with new investments made in line with the Company's proven investment strategy.

The Offer aims to raise up to £3.78 million through the issue of up to 3,788,310 Ordinary Shares.

The Offer Price is 99.75 pence per Offer Share, calculated by reference to the most recent published Net Asset Value, adjusted for the issue costs of 4.75%. The Offer Price is subject to adjustment if the Net Asset Value of the Company of 95.0 pence per Ordinary Share (as at 31 December 2011) increases or decreases by 5% or more prior to an allotment of Offer Shares under the Offer.

### Pricing Mechanism

As the Company is currently trading, and in order to be fair to both existing and new Shareholders, Ordinary Shares under the Offer will be allotted by reference to their latest published Net Asset Value. Therefore, the Company will allot Offer Shares at prices determined in accordance with the paragraph below.

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The Offer Price will, subject to the provisions of this paragraph, be 99.75 pence per Offer Share (being the Net Asset Value as at 31 December 2011 as adjusted for the costs of the Offer). If the Net Asset Value on the last day of the month immediately preceding any allotment of Offer Shares is more than 5% above or 5% below 95.0 pence per Ordinary Share (being the current published Net Asset Value as at 31 December 2011) then the Offer Shares will be allotted at the relevant Net Asset Value adjusted for issue costs of 4.75%, rounded up to the nearest 0.25 pence. If the price at which the Ordinary Shares allotted under the Offer is adjusted under the terms of this Pricing Mechanism then the Company will announce the fact through a regulated information service.

Investors should, therefore, indicate in the application form the monetary amount they wish to invest and the number of Offer Shares will be calculated in accordance with the principles set out above.

## Share Buy Back Policy

The Company is conscious that its share price is affected by the illiquidity of its Ordinary Shares in the market. In line with many other VCTs, the Company has a buy-back policy which it operates, when appropriate. The policy and the rate of discount at which the Ordinary Shares are bought back are regularly reviewed and the policy is subject to annual resolutions put before the Shareholders. In the 9 month period from 1 April 2011 to 31 December 2011, the Company bought back a total of 199,200 Ordinary Shares; 46,020 were bought back at a price of 92.75 pence per Ordinary Share and 153,180 were bought back at a price of 90.75 pence per Ordinary Share, with Ordinary Shares typically having been bought back at a discount of approximately 15% of the latest published Net Asset Value.

## Dividend Reinvestment Scheme

The Company currently operates a dividend reinvestment scheme providing Shareholders with the opportunity to reinvest any cash dividends paid by the Company in subscribing for new Ordinary Shares. Whilst the scheme can be withdrawn at any time, the Directors have no current plans to do so. All dividends reinvested under this scheme currently attract tax relief at the rate of 30% of the amount invested.

# Part 2

## The Fund Manager

### YFM Private Equity Limited

YFM Group was established in 1982 in the North of England with the incorporation of Yorkshire Enterprise Limited (formerly West Yorkshire Enterprise Board Limited). Today YFM manages national funds from its four principal offices and manages in excess of £350 million and has become an integral part of many local small business communities across the UK's various regions.

### Experienced, Well-Positioned Team

YFM has a long history as an active investor in the UK's lower mid-market companies. The firm has coverage of UK regional activity through a network of four principal offices. It will continue to draw on its market position, contacts and resources of the full YFM network.

In all, the six principal investment directors bring over 100 years of combined experience in working with small, fast-growing businesses to create professionally-run, robust companies with the vision and market position to attract strong interest from trade and financial buyers at exit.

Prior to the Offer, the Investment Management Team and employees of the Fund Manager and YFM Equity Partners have, together, subscribed for over £620,000 of Ordinary Shares.

### Investment Accolades

Funds managed by YFM Private Equity were awarded:

#### **Winner 'VCT Deal of the Year'**

The Unquote British Private Equity Awards 2011

British Smaller Companies VCT plc (managed by YFM Private Equity Ltd)

#### **Winner 'VCT of the Year'**

Investor Allstars 2011

British Smaller Companies VCT plc (managed by YFM Private Equity Ltd)

#### **Shortlisted 'VCT of the Year'**

Investor Allstars Awards 2010

YFM Equity Partners (formerly YFM Group Limited) Fund Manager's parent company

#### **Shortlisted 'VCT Manager of the Year'**

The Unquote British Private Equity Awards 2010

British Smaller Companies VCT plc (managed by YFM Private Equity Ltd)

#### **Best Shareholder Communication Award 2009**

Association of Investment Companies

#### **Small/Medium Size Private Equity Firm of the Year 2009**

Acquisition Finance Awards

#### **VCT Fund Manager of the Year 2007 (British Smaller Companies VCT plc)**

The Growth Company Investor Awards

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## The Investment Team

**David Hall – Managing Director** David became the managing director of YFM Private Equity Limited in 2003 and of YFM Equity Partners in 2009, having had responsibility for the Manchester office since 2000. Prior to this he had been Head of Investment for AIM-Listed Enterprise Plc. David trained as a Chartered Accountant with PricewaterhouseCoopers qualifying in 1986. He holds a BA (Hons) in Economics from the University of Manchester.



**David Gee – Director of Investments** David has 23 years' experience in the venture capital field with YFM Private Equity. He is a non-executive director of several investee companies and has been responsible for a significant number of realisations and listings of investments made by funds under management. He qualified as a Chartered Accountant with Grant Thornton, latterly specialising in corporate finance and holds a degree in Mathematics from Imperial College.



**Paul Cannings – Director** Paul joined YFM Private Equity in 2006 to raise new funds and to make and manage investments. He is a director of YFM Private Equity. Prior to joining YFM he spent 14 years at 3i where he was also director and had extensive experience of making and managing private equity investments. Latterly, he held the position of director of the small buyouts and growth capital team. He has led several new investments and currently sits on the board of Harvey Jones Holdings Limited, and works closely with the management teams of GO Outdoors, Fishawack and Deep-Secure. He has a first class degree in Economics from Bristol University and qualified as a Chartered Accountant with PricewaterhouseCoopers.



**David Bell – Portfolio Director** David joined YFM Private Equity in 2009 to lead portfolio management activities and is a director of YFM Private Equity. Prior to joining YFM he spent 10 years at 3i where he was also portfolio director and had extensive experience of managing and realising in excess of 40 private equity investments in SMEs. He is on the board of RMS Group Holdings Limited and represents the Company's interests on several other investments. He has a first class degree in Mathematics from Imperial College and also spent 5 years working as a management consultant focusing on supply chain solutions.



**Joseph Bergin – Investment Director** Joseph joined YFM Equity Partners in March 2011 to head up the Manchester and Liverpool offices with their six strong investment team and their current portfolio of 40 companies. His main responsibility is to identify and complete new investments. Joseph has an extensive network of contacts in businesses and corporate finance advisers in the North West of England. In addition to focusing on new deals Joseph also represents YFM Equity Partners on the board of Waterfall Services Limited. Prior to joining YFM Private Equity, Joseph was a director at NBGI Private Equity. He has over 16 years' experience in private equity (both in the UK and Continental Europe) and has held senior positions at Octopus Investments (where he completed a number of highly successful VCT investments) and 3i Group plc. He has significant board experience in both public and private companies both in the UK and in Germany.

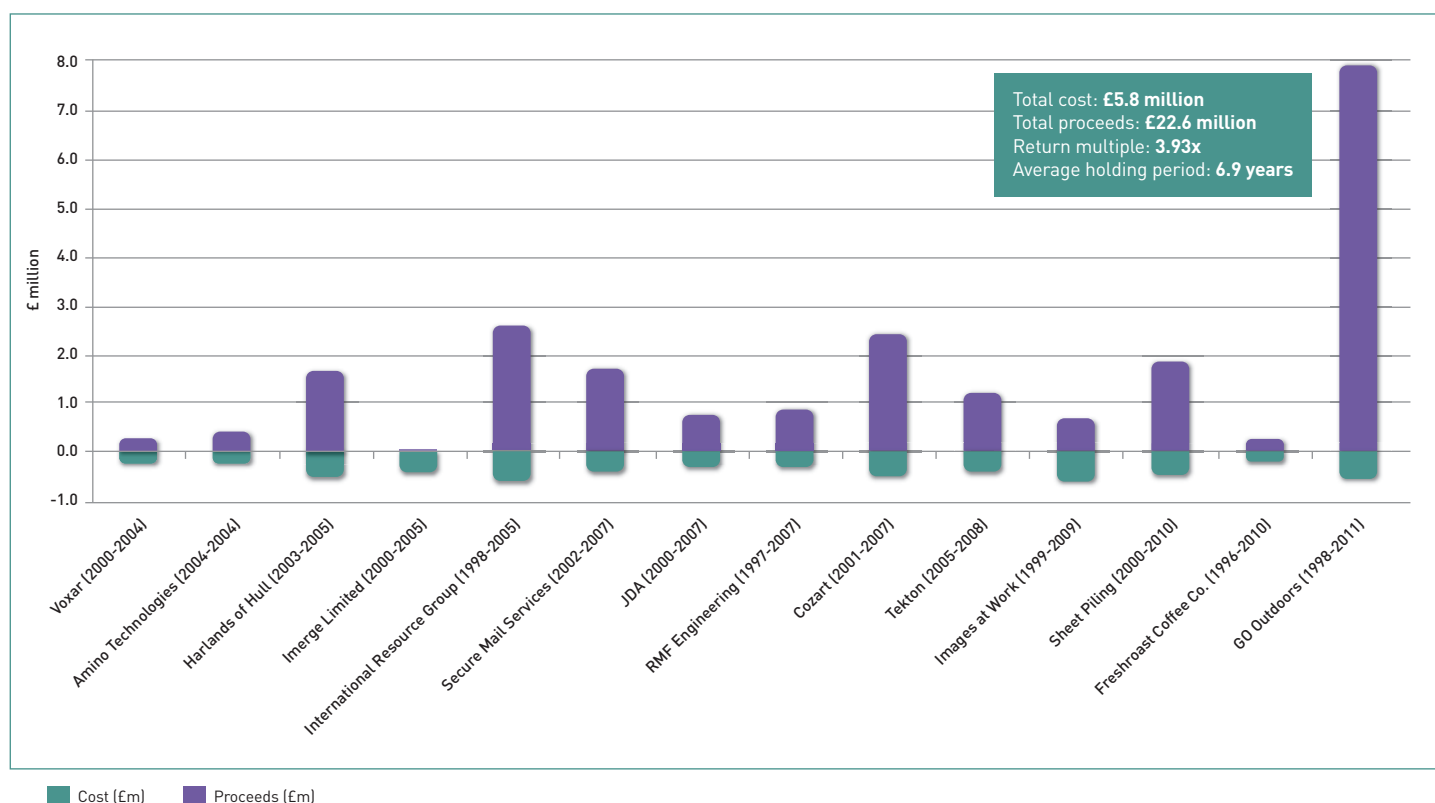


**Mike White – Investment Director** Mike joined YFM Private Equity in 1999. Prior to that, he spent 10 years working in the software industry, co-founding and subsequently listing on NASDAQ a software company in the USA that specialised in selling business intelligence and performance management solutions. During his software career Mike focused on business development, strategy formulation and the establishment of new business partnerships. As investment director, Mike is focused on making and managing investments.



## Performance

The Company has a track record of realising investments that provide a platform to support the payment of tax free cash dividends. The table below shows the returns from all the Company's unquoted investments that have been either fully or partly realised since 2004.



## Shareholder Returns

	Cumulative dividends paid or declared per Ordinary Share	Average annual dividend paid or declared per Ordinary Share
	Pence	Pence
3 years ending 31.12.11	36.25	12.08
5 years ending 31.12.11	44.25	8.85
10 years ending 31.12.11	61.60	6.16
Since first dividend paid	79.20	5.27

## Dividend Policy

The Company is aiming to continue to pay net tax free dividends of 5.0 pence per annum and has delivered net tax free dividends averaging 5.27 pence per annum since the Company paid its first dividend. **This is a targeted dividend, and not guaranteed. No forecast or projection is to be implied or inferred.**

## Investment Objectives

### The Company's objectives are:

- to continue to expand its diversified portfolio of investments with a focus on maintaining a consistent level of dividends while preserving and then growing capital value;
- to invest in smaller private UK companies which may not be directly accessible to the private investor;
- to continue to broaden its portfolio of investments by investing across a range of companies and sectors, thereby reducing an Investor's exposure to particular markets and individual companies; and
- to invest at least 70% and up to 85% of its total assets in VCT Qualifying Investment companies to maintain the Company's VCT status.

## Investment Strategy

The Company will continue to invest predominantly in UK unquoted companies with growth opportunities. The investment policy of the Company is to create a portfolio that blends a mix of businesses from mature companies to growing companies that offer opportunities in the application and development of innovation. The investment strategy of the Company is to invest in companies that are generally both revenue and profit generating. Investing in these more established companies within its investment remit has allowed the Company to achieve a balance between exciting growth opportunities and mature companies and sectors, reducing the portfolio's exposure to particular markets and individual companies.

The Company's investments typically involve funding for management buy-outs and buy-ins, acquisition funding and business development. The Fund Manager looks for businesses with a strong, balanced and well-motivated management team and seeks to support them in the creation of shareholder value. The continued growth of certain businesses within the portfolio has generated some interesting "buy and build" opportunities through the acquisition of smaller competitors and the Directors expect this to increase as the portfolio grows. The majority of the Company's unquoted investments included a significant element of loan stock at the time the investment was made, in order to enhance the security of the portfolio and to provide investment income for the Company.

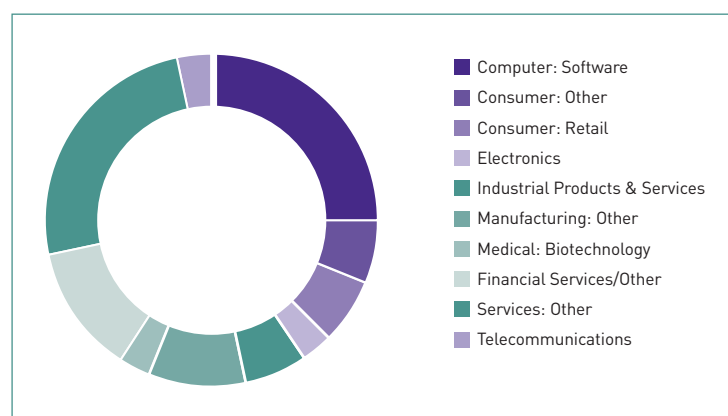
The Fund Manager sources its deals from many areas. The Fund Manager's extensive regional office network and contacts with local advisers provides excellent access to these opportunities. In its 30th year of investing and managing a current combined portfolio in excess of 200 unquoted investments, YFM has built an extensive network of chairmen, chief executives and management teams who regularly introduce opportunities to the Fund Manager.

The Fund Manager seeks to add value to the Company's investments through an active involvement in the investee companies from initial investment through to realisation.

## Investment Portfolio

### Sector Distribution

The sector distribution of the Company's portfolio by number of companies as at 31 December 2011:



## List of Investments as at 31 December 2011

The list of the largest investments set out below represents a comprehensive analysis of the Company's portfolio as at the date of this document, the values being as at 31 December 2011, the end of the last financial period for which unaudited financial information has been published.

As at 31 December 2011 the Company's unaudited Net Asset Value was 95.0 pence per Ordinary Share, as determined by its Board.

Ten largest investments by value	Carrying cost £'000's	Value £'000's	% of Net Asset Value
GO Outdoors Limited	113	4,737	13.6
President Engineering Group Limited	1,000	2,288	6.5
Deep-Secure Ltd	1,000	2,206	6.3
Adex Bridge Investments Limited	1,750	1,750	5.0
Waterfall Services Limited	767	1,561	4.5
Displayplan Holdings Limited (formerly North Western Investments Limited)	1,000	1,000	2.9
4G Capital Limited	1,000	1,000	2.9
Fishawack Limited	878	909	2.6
Harvey Jones Holdings Limited	777	781	2.2
Hargreaves Services plc	316	679	1.9
	8,601	16,911	48.4
Other Investments	8,410	7,798	22.3
	17,011	24,709	70.7
Non venture capital investments		2,514	7.2
Cash		9,902	28.3
Other Net Current Assets		(2,174)	(6.2)
Net Assets		34,951	100

Other investments comprise £2,746,120 in AiM listed stocks and the remainder in unquoted equity and loan stocks. The Company holds surplus funds (non-venture capital investments) in a small portfolio of Government stocks and other similar fixed interest securities. This portfolio is managed by Brewin Dolphin Securities Limited.

Since 31 December 2011 the Company has invested £0.3 million into North Western Investments Limited, to enable it to fund £1.3 million in the management buy-out of Displayplan Holdings Limited which provides retailers with a full service from shopper insight to design services, prototype and production, supply chain management and point-of-sale fixtures, through its investment vehicle North Western Investments Limited. In addition an unconditional offer has been received for Patsystems plc. On 10 February 2012 the Company received sale proceeds of £0.115 million for its entire shareholding in that company. The valuation of Patsystems plc as at 31 December 2011 was £0.109 million.

## Further details of the Company's ten largest investments, by value are:

### GO Outdoors Limited

Sheffield  
www.gooutdoors.co.uk

Cost	£113,000	
Valuation	£4,737,000	
Dates of investment	May 1998, March 2002 and April 2007	
Enterprise value	£59.5 million	
Equity held	14.10%	
Valuation basis	Earnings multiple	
Dividends received	£297,911 (2011: £190,606)	
52 weeks ended 30 Jan 2011 (2010: 53 weeks ended)	<b>30 Jan 2011</b> <b>£million</b>	24 Jan 2010 £million
Sales	<b>115.24</b>	75.43
EBITA	<b>6.14</b>	4.95
Profit before tax	<b>5.20</b>	4.25
Retained profits	<b>8.55</b>	4.89
Net assets	<b>12.93</b>	10.32

**GO Outdoors** is a retailer of outdoor clothing and equipment. The original investment of £500,000 in May 1998 supported the buyout with a second investment in March 2002 to support the company's first acquisition. The company has continued its expansion opening a further eight stores since January 2011, taking the total number of outlets to thirty-seven. The £28 million investment from 3i plc in April 2011 was in part to fund a continuation of the rollout of this successful retail concept whilst at the same time purchasing approximately one-third of the company's investment.

## President Engineering Group Limited

Sheffield  
www.conflo.com/www.bestobellvalves.com

Cost	£1,000,000
Valuation	£2,288,000
Date of investment	September 2010
Enterprise value	£10.9 million
Equity held	20.00%
Valuation basis	Price of recent investment, reviewed for change in fair value
Interest	£60,750 (2011: £37,966)

Period ended 31 October	<b>2011 £million</b>
Sales	<b>15.98</b>
EBITDA	<b>2.83</b>
Profit before tax	<b>1.95</b>
Retained profits	<b>1.23</b>
Net assets	<b>1.42</b>

**President Engineering** is a niche manufacturer of branded engineering products sold through agents to a diverse international customer base. The company produces mining safety systems sold to developed and developing economies under the Conflow brand and also cryogenic valves sold to the oil & gas sector under the Bestobell brand. The Company backed a management buyout by the existing management team. Since that time the company has been extremely successful in continuing the international development of its brands.

## Deep-Secure Ltd

Reading  
www.deep-secure.com

Cost	£1,000,000
Valuation	£2,206,000
Date of investment	December 2009
Enterprise value	£10.2 million
Equity held	12.86%
Valuation basis	Earnings multiple
Interest	£45,268 (2011: £54,000)

Year ended 31 December	<b>2010 £million</b>
Sales	<b>2.61</b>
EBITDA	<b>0.63</b>
Loss before tax	<b>(0.50)</b>
Retained losses	<b>(0.50)</b>
Net liabilities	<b>(0.12)</b>

**Deep-Secure's** market leading products protect against threats to IT security through high security network border gateway technology, which enables customers to maintain network separation and apply content inspection so as to defend sensitive and protected information from intruders. As working practices change and more information is shared electronically, increasing levels of exposure to leakage and attack demands that more businesses rely on higher levels of security to protect their data. Its main customers are in the international government, cross border forces and defence sectors where extremely high levels of security are essential.

## Adex Bridge Investments Limited

Midlands

Cost	£1,750,000
Valuation	£1,750,000
Dates of investment	March 2010 and March 2011
Enterprise value	£1.8 million
Equity held	50.00%
Valuation basis	Price of recent investment, reviewed for change in fair value
Interest	£13,100 (2011: £8,922)

Year ended 31 March	<b>2011 £million</b>
Income	<b>0.01</b>
Loss before tax	<b>(0.02)</b>
Retained losses	<b>(0.02)</b>
Net assets	<b>0.16</b>

**Adex Bridge** was formed to provide investment to SME businesses whose performance needs to be improved. With a successful turnaround record and an extensive network of trusted business contacts, this company is particularly focused on the Midlands and South West regions. With links to banks and other lenders it is well placed to expand its activities in the turnaround sector. Managing director Peter Bridge has previously run several engineering groups and has a successful track record of leading performance improvements within a wide range of private equity backed businesses.

## Waterfall Services Limited

Warrington  
www.caterplus.co.uk

Cost	£767,000
Valuation	£1,561,000
Dates of investment	February 2007
Enterprise value	£8.4 million
Equity held	18.45%
Valuation basis	Earnings multiple
Dividends received	£17,452 (2011: £23,333)
Interest	£40,182 (2011: £53,333)

Year ended 31 March	2011 £million	2010 £million
Sales	43.26	36.66
EBITDA	2.25	1.76
Profit before tax	1.30	0.85
Retained profits	1.57	0.83
Net assets	2.45	1.59

**Waterfall** is a contract caterer specialising in the care home sector. Since the original investment the company has expanded its original catering services business from supplying residential and care homes to supplying the educational market. There has been both organic and acquisitive growth which has broadened and diversified the customer base with significant progress being made in expanding the services provided to both the education and care home sectors.

## Displayplan Holdings Limited (formerly North Western Investments Limited)

North West

Cost	£1,000,000
Valuation	£1,000,000
Date of investment	February 2010
Enterprise value	£1.0 million
Equity held	50.00%
Valuation basis	Price of recent investment, reviewed for change in fair value
Interest	£nil (2011: £9,250)

Year ended 31 March	2011 £million
Income	0.007
Loss before tax	(0.014)
Retained losses	(0.014)
Net assets	0.09

**North Western Investments** has significant contacts across the North West of England which makes it well-placed to expand its activities which are principally focused on acquiring and improving under-performing businesses. In January 2012 a further investment of £0.3 million was made into North Western Investments Limited which then acquired an investment in Displayplan Holdings Limited which provides a complete retail display consultancy service from concept through design and sourcing to finished product delivery. Typical products include bespoke point of purchase (POP) stands in high street retail stores.

## 4G Capital Limited

North West

Cost	£1,000,000
Valuation	£1,000,000
Date of investment	March 2010
Enterprise value	£1.0 million
Equity held	50.00%
Valuation basis	Price of recent investment, reviewed for change in fair value
Interest	£7,358 (2011: £8,054)

Year ended 31 March	2011 £million
Income	0.008
Loss before tax	(0.025)
Retained losses	(0.025)
Net assets	0.08

**4G Capital** is an investment company led by an experienced serial entrepreneur in the software sector. With significant experience of running software businesses and developing teams and business strategies the company has identified the opportunity to fund more traditional software companies to transition by providing web-based services. The entrepreneur's past successes in growth and improvement programmes have delivered shareholder value in a variety of technology, manufacturing and service businesses.

## Fishawack Limited

Knutsford  
www.fishawack.com

Cost	£878,000
Valuation	£909,000
Dates of investment	January 2008, December 2009 and May 2010
Enterprise value	£8.7 million
Equity held	8.39%
Valuation basis	Earnings multiple
Interest	£47,728 (2011: £53,815)

Year ended 31 March	2011 £million	2010 £million
Sales	7.87	4.80
EBITDA	0.95	0.66
Loss before tax	(0.15)	(0.44)
Retained losses	(1.11)	(0.82)
Net liabilities	(0.34)	(0.19)

**Fishawack** is an established specialist healthcare communications agency focusing on the medical sector, with a strong reputation for providing specialist support for many of the world's top global pharmaceutical companies. Three acquisitions have been made, of its US partner, a UK medical communications business and a Swiss based medical communications business. This has significantly increased its international reach and service capacity as well as broadening its customer base. Fishawack continues to seek further sales growth, both organically and through acquisition.

## Harvey Jones Holdings Limited

London  
www.harveyjones.com

Cost	£777,143
Valuation	£781,000
Date of investment	May 2007
Enterprise value	£5.4 million
Equity held	6.88%
Valuation basis	Earnings multiple
Interest	£52,457 (2011: £69,943)

Year ended 31 December	2010 £million	2009 £million
Sales	10.87	8.63
EBITA	0.98	0.08
Profit (loss) before tax	0.27	(0.37)
Retained profits	0.09	-
Net assets	0.63	0.53

**Harvey Jones** is a manufacturer/retailer of kitchen furniture. The business has a manufacturing facility in the UK and stores in London and affluent provincial towns and cities principally in the South of England. Its strong brand positioning has helped Harvey Jones to retain volumes through the economic downturn. The business has continued to selectively open new stores increasing its footprint to 17 from 10 at the time of investment. This increased market share coupled with a low level of gearing positions Harvey Jones well to benefit as market conditions improve.

## Hargreaves Services plc

Durham  
www.hargreavesservices.co.uk

Cost	£316,000
Valuation	£679,000
Dates of investment	December 2007, January, February and March 2008
Enterprise value	£293.9 million
Equity held	0.23%
Valuation basis	Quoted bid price
Interest	£8,752 (2011: £13,277)

Year ended 31 May	2011 £million	2010 £million
Sales	552.26	459.78
EBITA	46.65	38.83
Profit before tax	36.93	30.72
Retained profits	74.16	51.81
Net assets	114.65	89.78

In the years following its foundation in 1994 **Hargreaves Services** established itself as the largest independent bulk haulage company in Britain. The group has a national network of depots and facilities, and specialises in supplying and processing carbon-based minerals. It expanded into energy trading in mainland Europe and operates a colliery and coke plant. Interim results for the half-year to 30 November 2011 were broadly in line with management expectations, with particularly strong performance from the energy trading division.

Other than the investment in Displayplan Holdings Limited and the realisation of its investment in Patsystems plc there have been no material changes to the Company's investment portfolio since 31 December 2011.

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## The Board

The Company benefits from a highly experienced Board consisting of three non-executive directors, who are listed below. The Board has overall responsibility for the Company's investment policy and administration and has appointed YFM Private Equity as its Fund Manager.

**Helen Sinclair – Chairman** Helen has an MA in Economics from the University of Cambridge and an MBA from INSEAD Business School. After working in investment banking Helen spent nearly 8 years at 3i plc focusing on MBO and growth capital investments. She later co-founded Matrix Private Equity raising a successful technology fund, the Matrix Venture Fund VCT plc. She subsequently became Managing Director of Matrix Private Equity before moving to take on a portfolio of non-executive Director roles in 2005. She is currently a non-executive director of The Income & Growth VCT plc, Matrix Income & Growth 4 VCT plc, Spark Ventures plc, Framlington Aim VCT plc and Octopus Eclipse 3 VCT plc.



**Philip Cammerman – Non Executive Director** Philip has an engineering degree from Imperial College and an MBA from Stanford University. He has over 20 years of industrial experience in engineering and technology orientated industries and has worked in both the USA and the UK. He has spent the last 25 years in the venture capital industry and was Chairman of YFM Private Equity Limited and a Director of YFM Group (Holdings) Limited until he retired in April 2008. He has been responsible for a wide range of venture capital deals in a variety of industries including software, computer maintenance, engineering, printing, safety equipment, design and textiles. He is a non-executive director of Pressure Technologies plc and Hargreave Hale AiM VCT 2 plc. He has been a director of the Company since its establishment as a venture capital trust.



**Edward Buchan – Non Executive Director** Edward is a Fellow of the Institute of Chartered Accountants in England and Wales, starting his career with Deloitte before moving to Hill Samuel Bank Limited where he became Head of Corporate Finance and a member of the Bank Executive Committee. He subsequently joined Close Brothers Corporate Finance Limited and then West LB Panmure, specialising in the transport and logistics industry sectors. He is currently Managing Director, Corporate Finance at LCF Edmond De Rothschild Securities and is a non-executive Director of Wallem Group Limited and Downing Absolute Income VCT 1 plc.



# Part 3

## General Information

### The Company

The Company was incorporated and registered in England and Wales under the Companies Act 1985 as a public company limited by shares on 6 December 1995, with registered number 3134749 under the name British Smaller Companies VCT plc, which is the current legal and commercial name of the Company.

The registered office and principal place of business of the Company is Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ. The telephone number of the Company is 0113 294 5000.

### Share Capital

At 31 December 2011 the issued share capital of the company was £3,916,104 million made up of 39,161,035 Ordinary Shares of 10 pence each of which 2,360,485 were held in Treasury. On 20 January 2012 the Company issued a further 152,398 Ordinary Shares.

### Director's Shareholdings and other interests

The Company is not aware of any person who is, or immediately following the Offer, will be, directly or indirectly interested in 3% or more of the issued share capital of the Company, or who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

The interests (all of which are or will be beneficial) of the directors, their immediate families and persons connected with the directors within the meaning of section 252 of the Companies act 2006 (a "Connected Person") in the share capital which:

1. have been notified to the Company; or
2. are required to be entered into the register of director's interests; or
3. are interests of a Connected Person are as follows:

	At present	Following this Offer*
Director	Shares	Shares
Helen Sinclair	13,407	13,407
Philip Cammerman	35,880	40,892
Edward Buchan	1,972	1,972

\*Assuming full subscription under the Offer and that the Offer Price is as set out on page 8.

None of the Directors have subscribed for or acquired in the market any Ordinary Shares since 31 March 2011.

All of the Directors are non-executive directors and so do not have a service agreement with the Company. They each provide their services to the Company pursuant to letters of appointment. The Directors' current annual fees are as follows:

Director	Agreement Date	Fees per annum
Helen Sinclair	19 February 2008	£35,000
Philip Cammerman	28 February 1996	£20,000
Edward Buchan	30 July 2010	£20,000

The appointments of Helen Sinclair, the Chairman, and Edward Buchan as directors of the Company were last renewed by Shareholders at the Company's annual general meeting on 29 July 2011, for a period of 3 years until the conclusion of the Company's annual general meeting to be held in 2014. Philip Cammerman's appointment was also renewed at last year's annual general meeting, for a period of 12 months until the conclusion of the Company's next annual general meeting.

The Directors do not have any commission or profit sharing agreements with the Company.

## Material Contracts

Administration and Investment Advisory Agreement dated 28 February 1996 between the Company and YFM Private Equity Limited ("IAA") under which YFM Private Equity Limited provides administrative, company secretarial and investment advisory services to the Company in relation to its VCT qualifying portfolio. The IAA is terminable by either party on not less than 12 months' notice.

Under the IAA, the Fund Manager is entitled to receive an annual investment advisory fee of 2% of the Gross Assets of the Company (as determined on 31 March and 30 September each year), plus VAT, payable quarterly in advance on 1 January, 1 April, 1 July and 1 October in each year together with an annual secretarial fee of £35,000 (subject to annual adjustment) and currently £51,206, plus VAT. The Fund Manager is also entitled to all arrangement, syndication and monitoring fees payable in respect of unquoted investments. The Company indemnifies the Fund Manager against all things lawfully and properly done under the IAA.

## Reduction in Management and Operating costs Cap

Subject to a full subscription under this Offer the Company will be able to reduce its Cap on management and operating costs by 0.25% per annum to 3.25% per annum. The Cap is expressed as a proportion of Net Asset Value. The annual operating expenses (including the management fee but excluding any payment of the performance incentive fee, details of which are set out on page 26, and excluding VAT and trail commissions) of the Company would be capped at 3.25% of Net Asset Value.

# Part 4

## Other Information

The Offer is being made by way of an offer to the UK public of up to 3,788,310 Offer Shares. The maximum amount to be raised under the Offer is £3.78 million.

There is no minimum subscription required for the Offer to proceed.

### Terms of the Offer

- The maximum number of new Shares being issued under the Offer is 3,788,310 representing approximately 9.6% of the Company's existing issued Ordinary Shares as at 6 March 2012.
- Investors are invited to subscribe for Offer Shares subject to a minimum application of £5,000.

Applicants are invited to subscribe an amount in pounds sterling. The number of Offer Shares issued to an Applicant will be determined by reference to the Pricing Mechanism as follows:

- Offer Price per Offer Share equals Net Asset Value (most recently announced prior to the date of allotment) divided by 0.9525 to allow for Issue costs of 4.75% calculated to two decimal places and rounded up to the nearest 0.25 pence.
- The unaudited Net Asset Value as at 31 December 2011 (the latest date for which the Net Asset Value has been announced prior to the date of this document) was 95.0 pence per Ordinary Share. If this is the final announced Net Asset Value prior to the date of allotment of the Offer Shares they will be issued at a price of 99.75 pence per Offer Share.
- The minimum subscription amount for each Applicant is £5,000 and, provided this condition is met, applications may be for any amount. There is no maximum individual subscription level

under the Offer but the maximum investment on which tax reliefs on investments in VCTs are currently available is £200,000 in the 2011/12 tax year. All applications should be made on an individual basis as VCT tax reliefs are not available for Offer Shares held in joint names or for applications made in the name of nominee accounts.

- The Offer will remain open until 11.00 a.m. on 5 April 2012 unless fully subscribed at an earlier date.
- Authorised financial intermediaries will be paid commission of 2.5% (or 2.00% plus a trail of 0.375% per annum for 4 years) of the gross amount subscribed for Offer Shares allotted under the Offer in respect of all accepted applications which bear the stamp of the relevant authorised financial adviser. The Offer is not being underwritten. There is no minimum subscription level for the Offer as a whole and, accordingly, the Offer will proceed irrespective of whether or not it is fully subscribed.
- Authorised financial intermediaries may agree to waive all or part of the introductory commission available to them, and, by marking the relevant box on the application form, authorise the Receiving Agent to apply an amount equal to the amount of commission that would otherwise be payable to the authorised financial intermediary in the subscription for further Offer Shares on behalf of the Applicant.

### Costs

#### Capital Raising Fees

A charge of 4.75% will be deducted from each Application Amount to pay for the costs of this transaction.

#### Annual Fees

YFM Private Equity's fee for fund management services is 2.0% per annum of the Gross Assets of the Company. The annual fee is calculated twice a year on 31 March and 30 September and is payable quarterly in advance, together with any applicable VAT. In addition, YFM Private Equity currently receives an annual fee of £51,206 plus VAT subject to annual increases in accordance with the Retail Price Index for the provision of administrative and secretarial services.

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## Performance Incentive

YFM Private Equity through the YFM Private Equity Trust, a trust established for the benefit of employees of YFM Equity Partners Limited, receives a performance-related incentive. Under the incentive scheme the Fund Manager will receive an incentive payment equal to 20% of the amount by which dividends paid in the relevant period exceed 4 pence per Ordinary Share, once cumulative dividends of 10 pence (from 31 March 2009) have been paid. These incentive payments are subject to cumulative shortfalls in any prior accounting periods being made up and the average Net Asset Value in the relevant accounting period being not less than 94 pence per Ordinary Share. As at 31 December 2011, £1.4 million has been accrued in the accounts to meet the estimated incentive fee for the year ended 31 March 2012.

## Dividends

The Offer Shares will rank *pari passu* in all respects with the existing Ordinary Shares.

## Duration of the Company

Although it is not intended that the Company should have a limited life, the Articles of the Company contain provisions requiring the Directors to put to Shareholders at five yearly intervals a resolution that the Company should continue as a VCT for a further five years. According to the Articles, the next opportunity for such a resolution to be put to Shareholders will be at the Company's Annual General Meeting to be held in 2016.

## Reporting to Shareholders

The Company's annual report and accounts are produced to 31 March in each year and will normally be sent to Shareholders in July. Shareholders will also receive unaudited interim reports to 30 September in each year.

## Share Buyback

The Board is conscious that the Company's share price is affected by the illiquidity of its shares in the market, resulting from the requirement that the Shareholders must retain their shares for at least five years in order to retain their tax benefits. In line with accepted practices with VCTs, the Company currently operates a share buy-back policy. The policy and the rate of discount at which shares are bought back are regularly reviewed and the policy is subject to resolution put before Shareholders at the Company's AGM. In the nine months to 31 December 2011 the Directors used this power to acquire 199,200 Ordinary Shares at an average price of 91.21 pence per Ordinary Share.

## Dividend Reinvestment Scheme

The Company currently operates a dividend reinvestment scheme, providing Shareholders with the opportunity to reinvest the cash dividends paid by the Company through the issue of new Ordinary Shares. The scheme can be withdrawn at any time.

## Taxation and HMRC Approval

The Directors intend to continue to conduct the affairs of the Company so that it satisfies the conditions for approval as a VCT and that such approval will be maintained. HMRC has granted the Company approval under Section s274 ITA 2007 as a VCT and the Company has continued to meet the requirements for maintaining approval since that date. The Company intends to continue to carry on its business such that its VCT status will be maintained and has retained PricewaterhouseCoopers to advise it on VCT taxation matters.

## Admission to Listing

Application will be made to the UK Listing Authority for the Offer Shares to be admitted to the premium segment of the Official List of the London Stock Exchange and to trading on the London Stock Exchange's main market for listed securities.

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# Part 5

## Directors and Advisers

### Directors

Helen Sinclair (Chairman)  
Philip Cammerman  
Edward Buchan  
(all non-executive)

All of:

Saint Martins House  
210-212 Chapeltown Road,  
Leeds, West Yorkshire LS7 4HZ

### Company Secretary

KHM Secretarial Services Limited  
Old Cathedral Vicarage  
St James Row  
Sheffield, South Yorkshire S1 1XA

### Registered Office

Saint Martins House  
210-212 Chapeltown Road  
Leeds, West Yorkshire LS7 4HZ

### Fund Manager

YFM Private Equity Limited  
Saint Martins House  
210-212 Chapeltown Road,  
Leeds, West Yorkshire LS7 4HZ

### Solicitors to the Offer

Howard Kennedy LLP  
19 Cavendish Square  
London W1A 2AW

### Stockbrokers

Singer Capital Markets  
One Hanover Street  
London W1S 1YZ

### Fixed Interest Securities Adviser

Brewin Dolphin Securities Limited  
34 Lisbon Street  
Leeds LS1 4LX

### Registered Auditors

Grant Thornton UK LLP  
2 Broadfield Court  
Sheffield S8 0XF

### VCT Tax Advisers

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

### Bankers

The Royal Bank of Scotland plc  
27 Park Row  
Leeds LS1 5QB

### Receiving Agents

The City Partnership (UK) Limited  
Thistle House  
21-23 Thistle Street  
Edinburgh EH2 1DF

### Registrars

Capita Registrars Limited  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

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# Part 6

## Taxation

The following information is based on the law and practice currently in force in the United Kingdom. It assumes that an Investor is resident or ordinarily resident in the UK and not in any other jurisdiction. If potential Investors are in any doubt as to their tax position, they should consult their professional advisers.

### VCTs: Summary of the Applicable Legislation

#### 1. Approval

To obtain VCT status a company must be approved by HMRC as a VCT.

To maintain approval, the conditions summarised below must continue to be satisfied throughout the life of the VCT:

- (i) the VCT's income must have been derived wholly or mainly from shares and securities (in the case of securities issued by a company, meaning loans with a five-year or greater maturity period);
- (ii) no holding in a company (other than a VCT or a company which would, if its shares were listed, qualify as a VCT) by the VCT may represent more than 15%, by value, of the VCT's total investments at the time of investment; and
- (iii) the VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period.

The VCT must not be a close company. Its ordinary share capital must be quoted on a European Regulated Stock Exchange by no later than the beginning of the accounting period following that in which the application for approval is made.

The following conditions must also continue to be satisfied throughout the life of the VCT:

- (i) at least 70%, by value, of its investments is represented by shares or securities comprising Qualifying Investments;
- (ii) for funds raised prior to 6 April 2011, at least 30%, by value, of its qualifying investments is represented by holdings of ordinary shares which carry no present or future preferential rights to dividends, return of capital or any redemption rights; and
- (iii) for funds raised on or after 6 April 2011, have at least 70% by value of the Company's Qualifying Investments in "eligible shares". "Eligible shares" for this purpose includes shares which have no preferential rights to a return of capital, but may have certain preferential rights to dividends.

"Qualifying Investments" comprise shares or securities (including loans with a five year or greater maturity period but excluding guaranteed loans and securities) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades. The trade must be carried on by, or be intended to be carried on by, the investee company or a qualifying subsidiary at the time of the issue of the shares or securities to the VCT (and by such company or by any other subsidiary in which the investee company has not less than a 90% interest at all times thereafter). A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter. The definition of a qualifying trade excludes dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving royalties or licence fees in certain circumstances, leasing, the provision of legal and accounting services, farming and market gardening, forestry and timber production, property development, shipbuilding, coal and steel production and operating or managing hotels, guest houses, nursing, residential care homes and the generation of electricity from solar or wind power which results in the receipt of feed-in tariffs. The funds raised by the investment must be used for the purposes of the qualifying trade within certain time limits.

Qualifying Investments are limited to investments of up to £1 million per investee company in any one tax year or in any six month period straddling two tax years. It is proposed to abolish this limit with effect from 6 April 2012. A qualifying investment can also be made in a company which is a parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades. An investee company must at all times have a permanent establishment in the UK. Neither the VCT nor any other company may control the investee company. At least 10% of the VCT's total investment in the investee company must be in ordinary non-preferential shares. For VCT funds raised after 5 April 2007, the investee company's gross assets must not exceed £7 million immediately prior to the investment and £8 million immediately thereafter, must have fewer than 50 full time equivalent employees and must not receive more than £2 million from VCTs or from investors under the Enterprise Investment Scheme in any 12 month period. There are proposals to increase these limits for investments made on or after 6 April 2012, subject to EU State Aid approval.

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Companies whose shares are traded on AIM are treated as unquoted companies for the purposes of calculating Qualifying Investments. Shares in an unquoted company which subsequently become listed may still be regarded as a Qualifying Investment for a further five years following listing, provided all other conditions are met.

The draft 2012 Finance Bill includes a “no disqualifying purposes” test designed to exclude companies set up for the purpose of accessing the tax reliefs. For VCT funds raised after 5 April 2012 it is proposed that there will be an exclusion on the use of those funds for the purchase of shares in another company.

## 2. Taxation of a VCT

VCTs are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT, subject to the requirements of company law. The Company will be subject to corporation tax on its income (excluding dividends received from UK companies) after deduction of attributable expenses.

## 3. Tax Reliefs for Individual Investors Resident in the UK

Individuals who subscribe for Shares under the Offer must be aged 18 or over to qualify for the tax reliefs outlined below.

### Relief from income tax

An investor subscribing up to £200,000 in any tax year for eligible shares in a VCT will be entitled to claim income tax relief on the investment, in the year in which the investment is made, at the rate of 30% for investments in the tax years 2011/12, although this relief will be withdrawn if either the shares are sold within five years or an investor takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of such shares. Relief is restricted to the amount which reduces the investor's income tax liability to nil. However, tax credits on dividends are notional and cannot be repaid and, therefore, investors should take this into account when calculating the value of the income tax relief.

### Dividend relief

An investor who subscribes for or acquires ordinary shares in a VCT will not be liable for UK income tax on dividends paid by the VCT in respect of investments of up to a maximum of £200,000 in any one tax year. Dividends carry a tax credit at the rate of one-ninth of the net dividend which is not repayable and which cannot be utilised in any other way. The income received by the VCT will usually constitute either interest (on which the VCT may be subject to tax) or a dividend from a UK company (on which the VCT would not be subject to tax). The VCT's income, reduced by the payment of tax (if applicable), can then be distributed tax-free to investors who benefit from this dividend relief.

### Capital gains tax relief

A disposal by an individual investor of his shares in a VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is also limited to disposals of shares acquired within the £200,000 limit described above.

### Loss of tax reliefs

- (i) If a company which has been granted approval or provisional approval as a VCT subsequently fails to comply with the conditions for approval, VCT status may be withdrawn or treated as never having been given. The exemptions from corporation tax and capital gains will not apply to any gains realised by the VCT after this time.
- (ii) For investors, the withdrawal of VCT status may (depending upon the timing of such withdrawal) result in:
  - repayment of the 30% income tax relief on subscription for new VCT shares;
  - income tax becoming payable on payments of dividends by the Company; and
  - a liability to tax on capital gains being suffered in the normal way on the disposal of shares in the Company, except that any part of the gain attributable to the period for which the VCT was approved would be exempt.
- (iii) The consequences for investors in a company which never obtains full unconditional approval as a VCT are as follows:
  - repayment of the 30% income tax relief on subscriptions for new VCT shares and interest on overdue tax may arise;
  - income tax becoming payable on payments of dividends by the Company; and
  - any gain arising on a disposal of the shares would be liable to capital gains tax and losses on the shares would be allowable losses for capital gains tax purposes.

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## 4. Consequences of an Investor Dying or a Transfer of Shares Between Spouses

### (i) Initial income tax

If an investor dies within five years of making an investment in a VCT, the transfer of shares on death is not treated as a disposal and, therefore, the initial income tax relief is not withdrawn. However, the shares will become part of the deceased's estate for inheritance tax purposes.

### (ii) Tax implications for the beneficiary

Provided a number of conditions are met, the beneficiary of any VCT shares will be entitled to tax free dividends and will not pay capital gains tax on any disposal, but will not be entitled to any initial income tax relief.

### (iii) Transfer of shares between spouses

Transfers of shares in a VCT between spouses are not deemed to be a disposal and therefore all tax reliefs will be retained.

## 5. General

### (i) Investors who are not resident in the UK

Non resident investors, or investors who may become non resident, should seek their own professional advice as to the consequences of making an investment in the Company, as they may be subject to tax in other jurisdictions.

### (ii) Stamp duty and stamp duty reserve tax

No stamp duty or (unless shares in a VCT are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax will be payable on the issue of such shares. The transfer on the sale of shares would normally be subject to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) stamp duty reserve tax generally, in each case at the rate of 50p for every £100 or part of £100 of the consideration paid. Such duties would be payable by a person who purchases such shares from the original subscriber.

### (iii) Purchases in the market after listing

Any subsequent purchaser of existing shares, as opposed to a subscriber for new shares, will not qualify for income tax relief on investment but may benefit from dividend relief and from capital gains tax relief on the disposal of their shares.

### (iv) The VCT Regulations 2004

The VCT Regulations came into force on 17 September 2004. Under the VCT Regulations, monies raised by any further issue of shares by an existing VCT must be applied by that VCT for the purposes of investment which meets the 70% and 30% tests described above. These tests will be deemed not to have been met if any of the money raised (except for amounts which HMRC agrees are insignificant in the context of the whole issued ordinary share capital of the VCT) is used by the VCT to purchase its own shares.

This is only a brief summary of the law concerning the tax position of individual investors in VCTs. Any potential investor in doubt as to the taxation consequences of an investment in a VCT should consult an appropriately qualified professional adviser.

# Part 7

## Risk Factors

The attention of Investors is drawn to the following risk factors that may affect the performance of the Company and the availability of tax reliefs.

The past performance of the Company and/or investments managed by the Fund Manager should not be regarded as an indication of the future performance of the Company. The value of a VCT depends on the performance of the underlying assets. The value of the Shares and the income from them can fluctuate. In addition, there is no guarantee that the market price of the Offer Shares will fully reflect their underlying Net Asset Value or the ability to buy and sell at that price. Shareholders may get back less than they invested even after taking advantage of the tax incentives.

**Investment in the Company should be regarded as long term in nature and Investors must hold their Offer Shares for five years to retain their income tax relief. The Directors strongly recommend that all potential Investors consult an appropriate authorised independent financial adviser before deciding whether to invest.**

In the opinion of the Directors, all known material risks relating to the Company, its industry and the Offer Shares are set out below.

### Taxation related risks

- Although it is intended that the Company will be managed so as to retain its VCT status, there is no guarantee that such status will be maintained. Further details of the taxation implications of an investment in the Company are set out on pages 28 to 30 of this document. However, if the Company fails to meet its qualifying requirements for a VCT and as a result loses its status as a VCT this could result in:
  - (i) the loss of income tax relief received if Investors have not held their Offer Shares for the required qualifying period;
  - (ii) the loss of income tax relief on dividends paid (or subsequently payable) to Investors;
  - (iii) the loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company; and
  - (iv) a liability to tax on capital gains on any disposal of new Shares.
- The levels and bases of reliefs from taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of Investors.
- An investment in a VCT is free from tax on capital gains for a qualifying Investor. Consequently, any realised losses on disposal of the Offer Shares cannot be used to create an allowable loss for capital gains tax purposes.
- Investors should be aware that the sale of Offer Shares within five years of their subscription will require repayment of the income tax relief available upon investment. Accordingly, investment in the Company is not suitable as a short or medium term investment.
- Changes in legislation, concerning VCTs in general, Qualifying Investments and VCT qualifying trades in particular, may restrict or adversely affect the ability of the Company to continue its current objectives and/or reduce the level of returns which would otherwise have been achievable.

### Listing and Market risks

- Although the Offer Shares will be admitted to a premium listing on the Official List and traded on the London Stock Exchange, it is unlikely that a liquid market in the Shares will develop and there may never be two competitive market makers. It may, therefore, prove difficult for Shareholders to sell their Offer Shares.
- There is a limited secondary market for VCT shares and most trade below their net asset values.

### Investment and Performance risks

- The Company's investments are likely to be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.
- In order to comply with VCT legislation, the Qualifying Companies, in which the Company invests, must have gross assets of not more than £7 million immediately prior to investment, must have fewer than 50 full time employees and must not in any 12 month period receive more than £2 million from state aid sources, including VCT money raised on or after 6 April 2007 and the Enterprise Investment Scheme (there are proposals to increase these limits from 6 April 2012, subject to EU approval). These restrictions may limit the number of attractive investment opportunities available to the Company.
- The restrictions regarding Qualifying Companies set out in the preceding paragraph mean that the Company is only able to invest in relatively small companies. An investment in unquoted, AIM-traded or PLUS-traded companies, by its nature involves a higher degree of risk than investment in the main market. In particular, small companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Proper information for determining their value or the risks to which they are exposed may also not be available.
- The valuations of the unquoted companies in which the Company is likely to be investing are determined in accordance with current financial reporting standards. The valuation of unquoted portfolio companies often takes into account discounted stock market multiples and therefore the valuation of the Company's portfolio and opportunities for realisation may depend on stock market conditions.
- There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be available.
- The Company's ability to obtain maximum value from its investments (for example, through sale) may be limited by the requirements imposed in order to maintain the VCT tax status of the Company (such as the obligation to have at least 70% by value of its investments in Qualifying Investments).
- If Shareholders decline to extend the Company's life beyond 2016.

# Part 8

## Definitions

In this document the following words and expressions have the following meanings:

<b>“Act”</b>	the Companies Act 2006 (as amended) and in force from time to time;
<b>“AIM”</b>	the Alternative Investment Market of the London Stock Exchange;
<b>“Applicant”</b>	an Investor who applies to subscribe for Offer Shares;
<b>“Articles”</b>	the articles of association of the Company (as amended from time to time);
<b>“Board” or “Directors”</b>	the directors of the Company at the date of this document;
<b>“Company” or “BSC”</b>	British Smaller Companies VCT plc;
<b>“Capita Registrars”</b>	a trading name of Capita IRG Plc;
<b>“Fixed Costs”</b>	the costs incurred by the Company in the ordinary course of its business (including irrecoverable VAT);
<b>“FSA”</b>	the Financial Services Authority;
<b>“Gross Assets”</b>	the aggregate of the gross assets of the Company including assets represented by any principal monies borrowed by the Company less all current liabilities of the Company (other than any principal monies borrowed);
<b>“HMRC”</b>	HM Revenue & Customs;
<b>“Howard Kennedy”</b>	Howard Kennedy Corporate Services LLP;
<b>“Investment Management Team”</b>	those persons whose details are set on page 15 under the heading “The Investment Team”;
<b>“Investor”</b>	an individual who subscribes for Offer Shares;
<b>“ITA”</b>	Income Tax Act 2007, as amended;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Net Asset Value” or “NAV”</b>	Net Asset Value per Ordinary Share;
<b>“Offer”</b>	the offer for subscription of Ordinary Shares to a value not exceeding £3.78 million in respect of the tax year 2011/12, details of which are set out in this document;
<b>“Offer Price”</b>	99.75 pence per Offer Share, being the unaudited Net Asset Value per Ordinary Share as at 31 December 2011 plus 4.75% (being the costs of the Offer), rounded up to the nearest quarter pence, subject to adjustment in the event of the publication of a revised NAV of more than 5% during the Offer;

<b>“Offer Shares”</b>	Shares to be issued under the Offer;
<b>“Official List”</b>	the Official List of the UK Listing Authority;
<b>“Ordinary Shares” or “Shares”</b>	Ordinary shares of 10p each in the capital of the Company;
<b>“Pricing Mechanism”</b>	the basis on which the price at which Ordinary Shares will be allotted pursuant to the Offer, calculated in accordance with the procedure set out on pages 12 to 13 of this document;
<b>“Qualifying Company”</b>	an unquoted (including AIM-traded) company carrying on a qualifying trade wholly or mainly in the UK satisfying the conditions in Chapter 4 of Part 6 ITA, which is summarised in the ‘Taxation’ section of this document;
<b>“Qualifying Holdings” or “Qualifying Investments”</b>	shares in, or securities of, a Qualifying Company held by a VCT which meets the requirements described in Chapter 4 of Part 6 ITA;
<b>“Receiving Agent”</b>	The City Partnership (UK) Limited;
<b>“Shareholder(s)”</b>	holder(s) of Ordinary Shares;
<b>“Total Return”</b>	latest published NAV plus dividends paid;
<b>“UK Listing Authority”</b>	the FSA acting in its capacity as the competent authority under the Financial Services and Markets Act 2000;
<b>“VAT”</b>	value added tax;
<b>“Venture Capital Trust” or “VCT”</b>	a venture capital trust as defined in Section 259 ITA;
<b>“YFM Group”</b>	YFM Group (Holdings) Limited (Company Number 03194987) together with all subsidiary companies;
<b>“YFM Private Equity” or “the Fund Manager” or “YFM”</b>	YFM Private Equity Limited registered number 2174994, authorised and regulated by the FSA;
<b>“YFM Equity Partners”</b>	YFM Private Equity Limited (Company Number 2174994) together with YFM Venture Finance Limited (Company Number 4195617). Both companies are authorised and regulated by the FSA with Firm Reference Numbers 122120 and 224728 respectively and each, together with other companies, being subsidiary companies of YFM Group (Holdings) Limited (Company Number 3194987).

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# Part 9

## Terms and Conditions of Application

1. The contract created by the acceptance of an Application will (unless the Board resolves otherwise) be conditional on the admission of the Offer Shares becoming effective.
2. The Offer Shares will be issued at the Offer Price calculated on the basis of the following formula ("the Pricing Mechanism" see definition on page 33);
  - Offer Price per Offer Share equals Net Asset Value (most recently announced prior to the date of allotment) adjusted for any dividend, divided by 0.9525 to allow for issue costs of 4.75% of the gross sum subscribed calculated, in pence, rounded up to the nearest 0.25 pence.
  - The Offer Price will be determined by the Pricing Mechanism so as to avoid dilution in the Net Asset Value attributable to existing Shares.
  - The unaudited Net Asset Value of the Company as at 31 December 2011 (the latest date for which the Net Asset Value has been announced prior to the publication of this document) was 95.0 pence per Ordinary Share. Based on this, and after adjusting for the costs of the Offer, the Offer Shares would be issued at a price of 99.75 pence per Offer Share.
3.
  - (a) The right is reserved to present all cheques and banker's drafts for payment on receipt and to retain share certificates and subscription monies, pending clearance of successful Applicant cheques and banker's drafts. The Company may treat Applications 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 prior to the closing of the Offer. If any Application is not accepted in full, or any contract created by acceptance does not become unconditional, or if any Application is accepted for fewer Offer Shares than the number applied for, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the Applicant.
  - (b) Applications will be accepted generally on a first come, first served basis (but always subject to the absolute discretion of the Directors). Subscriptions which are not accompanied by cheques available for immediate presentation or by other valid payment means will be dealt with at the Directors' discretion. If any dispute arises as to the date or time at or on which an Application is received, the Directors' determination shall be final and binding.
  - (c) The Company reserves the right to allot and arrange for the listing of Offer Shares under the Offer prior to the stated closing date and generally vary the allotment and Admission timetable.
4. By completing and delivering an Application Form, you as the Applicant (and, if you sign an Application Form on behalf of somebody else, that person):
  - (a) irrevocably offer to subscribe the amount of money specified in your Application Form for Offer Shares subject to the provisions of this document, these Terms and Conditions and the Memorandum and Articles of Association of British Smaller Companies VCT plc;
  - (b) authorise the Registrar to send share certificates in respect of the Offer Shares for which your Application is accepted, and/or a crossed cheque for any monies returnable by post without interest at your risk to your address as set out on your Application Form and to procure that your name is placed on the register of members of the Company in respect of such Offer Shares;
  - (c) agree that, in consideration of the Company agreeing to process your Application, your Application will not be revoked until after the closing date of the Offer and that this paragraph constitutes 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 Agent of your Application Form subject to your statutory rights of withdrawal in the event of the publication of a supplementary prospectus by the Company;
  - (d) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a share certificate for the Offer Shares applied for or to enjoy or receive any rights or distributions in respect of such Offer Shares unless and until you make payment in cleared funds for such Offer Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured

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on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such Offer Shares, the Company may (without prejudice to their other rights) treat the agreement to allot such Offer Shares as void and may allot such Offer Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such Offer Shares (other than return of such late payment);

- (e) agree that in respect of those Offer Shares for which your Application Form has been received and is not rejected, your Application may be accepted at the election of the Company either by notification to the UK Listing Authority of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
- (f) agree that any monies in respect of your Application together with any other monies received in respect of all Applications may be held on trust for the payment of the Offer Price in respect of Offer Shares for which you have subscribed or failing such payment be returned to you without interest and that any interest earned in respect of such monies will be paid to the Company;
- (g) agree that the monies returnable to you may be retained pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agent may consider to be, required by the Money Laundering Regulations 2007 and that such monies will not bear interest;
- (h) agree that, having had the opportunity to read the document, you are deemed to have had notice of all information and statements concerning the Company and the Offer Shares contained therein;
- (i) confirm that (save for advice received from your financial adviser) in making such Application you are not relying on any information and representation in relation to the Company other than the information contained in the document or any part thereof and accordingly you agree that no person responsible solely or jointly for the document or any part thereof or involved in preparation thereof will have any liability for any such other information or representation;
- (j) agree that all Applications, acceptances of Applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the rights of the Company to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (k) irrevocably authorise the Receiving Agent or any other person authorised by it, as your agent, to do all things necessary to effect registration of any Offer Shares subscribed by you into your name and authorise any representatives of the Receiving Agent to execute any document required therefore;
- (l) agree to disclose promptly in writing to the Company any information which it may reasonably request in connection with your Application, including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 2007 and authorise it to disclose any information relating to your Application as it considers appropriate;
- (m) confirm that you have reviewed the restrictions contained in paragraphs 5 and 6 below and warrant that you are not a "US person" as defined in the United States Securities Act of 1933, as amended, nor a resident of Canada and that you are not applying for any Offer Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada, Australia, South Africa or Japan;
- (n) declare that you are aged 18 years or over;
- (o) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have due authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- (p) declare that a loan has not been made to you or any associate, which would not have been made, or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, Offer Shares and that the Offer Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
- (q) declare that the Application Form has been completed to the best of your knowledge;
- (r) undertake that you will notify the Company if you are not, or cease to be, either a qualifying Applicant or beneficially entitled to the Offer Shares;
- (s) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent will be sent at your risk.

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5. No person receiving a copy of the document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application thereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
  6. The Offer Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. No Application will be accepted if it bears an address in the USA.
  7. Dealings prior to the issue of certificates for Offer 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.
  8. Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms (bearing their stamp/full postal address and FSA number) will be entitled to commission on the amount payable in respect of the Offer Shares allocated for each such Application Form. IFAs may choose an introductory commission of 2.5% of sums subscribed or an introductory commission of 2.00% of sums subscribed. If the latter is chosen the IFA would also receive annual trail commission at a rate of 0.375% for four years. Authorised financial advisers may agree to waive part or all of their introductory commission in respect of an application. If this is the case, then the application amount will be increased by an amount equivalent to the amount of commission waived. Financial advisers should keep a record of Application Forms submitted bearing their stamp/full postal address and FSA number to substantiate any claim for their commission.
  9. The section headed Notes on the Application Form forms part of these Terms and Conditions of Application.
  10. It is a condition of this Offer that compliance with the Money Laundering Regulations 2007 is ensured. The Receiving Agent is therefore entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person 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 Agent to be acting on behalf of some other person. Pending the provision of evidence satisfactory to the Receiving Agent as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, the Receiving Agent may, at its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or the Registrar may not enter the Applicant on the registers of members of the Company or issue any share certificates in respect of such application. If verification of identity is required, this may result in a delay in dealing with an application and in rejection of the application. The Company reserves the right, at its absolute discretion, for it or the Receiving Agent to reject any application in respect of which the Receiving Agent considers 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 at its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such 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 shares in question (but in each case without prejudice to any rights 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 an Application Form will constitute an undertaking by the Applicant to provide promptly to the Receiving Agent such information as may be specified by it as being required for the purpose of the Money Laundering Regulations 2007.
  11. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application for the Offer or not in all respects complying with the Notes on the Application Form. In particular, but without limitation, the Company may accept applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner acceptable to the Company to apply in accordance with these Terms and Conditions of Application.

# Notes on the Application Form

It is essential that you complete all relevant parts of the Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or banker's draft, by post, or deliver it by hand (during normal business hours), to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF. If you have any questions on how to complete the Application Form please contact YFM Private Equity Limited on 0800 854 057, email [tracey.nice@yfmepl.com](mailto:tracey.nice@yfmepl.com) or speak to your financial adviser.

## Page 1 – Subscription Details

- 1 Amount for which you wish to subscribe: Insert (in figures) in Box 1 the amount for which you wish to apply in relation to income tax year 2011/12. The Application must be for a minimum of £5,000 and above that minimum in multiples of £1,000.

Attach a cheque or banker's draft to the Application Form for the exact amount shown in Box 1. Your cheque or banker's draft must be made payable to "BSC VCT plc" and crossed "A/C Payee only". Your payment must relate solely to this application. Cheques may be presented for payment on receipt. Application Forms accompanied by a postdated cheque will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date.

Your cheque or banker's draft must be drawn in Sterling on an account with a United Kingdom or European Union regulated credit institution, and which is in the sole or joint name of the Applicant and must bear the appropriate sort code in the top right-hand corner.

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. Any monies returned will be sent through the post at the risk of the persons entitled thereto by cheque crossed "A/C Payee only" in favour of the Applicant without interest.

Money Laundering Notice – Important procedures for applications of the Sterling equivalent of €15,000 (approximately £12,700) or more. The verification of identity requirements in the Money Laundering Regulations 2007 will apply and verification of the identity of the Applicant may be required. Failure to provide the necessary evidence of identity may result in your Application being treated as invalid or result in a delay.

If the amount of your application is for the Sterling equivalent of €15,000 or more (or is one of a series of linked applications, the value of which exceeds that amount) and

### A

Payment is made through an IFA then verification of the Applicant's identity may be provided by means of a Letter of Introduction from an IFA or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC financial institution (such as a bank). The City Partnership (UK) Limited will supply specimen wording on request;

### OR

### B

Payment is made direct (not through an IFA) you must ensure that the following documents are enclosed with the Application Form:

1. A certified copy of either your passport or driving licence; **AND**
2. A recent (no more than 3 months old) original bank or building society statement,  
OR  
utility bill, or recent tax bill, in your name.

Copies should be certified by a solicitor or a bank. Original documents will be returned by post at your risk. If a cheque is drawn by a third party, the above will also be required from that third party.

- 2 Name and address, etc: Insert (using block capitals please) in Section 2 your full name, full address including the postcode, daytime telephone number, National Insurance number and date of birth.
- 3 Signature and date: Sign and date the Application Form in Section 3. By signing and dating this form you agree to invest in British Smaller Companies VCT plc in accordance with the Terms and Conditions as set out on pages 34 to 36 of the Offer Document dated 6 March 2012.

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## Administration of Shareholder Account

Dividends paid by the Company can be taken as cash. Sections 4 and 5 of the Application Form allow you to indicate whether you would like to have them paid directly into your bank account. Dividends paid by cheque will be sent to the Shareholder's registered address using the standard mail delivery at the Shareholder's own risk if neither Section 4 nor 5 is completed. The Company's Registrar will charge administration fees for re-issuing cheques.

- 4 Payment to your bank account: In order to facilitate the payment of dividends on any shares held in the Company directly to your bank or building society account, please complete Section 4 of the Application Form. Dividends paid directly into your account will be paid in cleared funds on the dividend payment date. Your bank or building society statement will identify details of the dividends as well as the dates and amounts paid.
- 5 Signature, date and postcode: Please sign and date the Administration of Shareholder Account section of the Application Form. Please also include your postcode as this will allow the Registrar to match your details with those that the Receiving Agent will have recorded with respect to your Application. By signing and dating this section of the form you authorise the Company's Registrar to administer your shareholding in accordance with the instructions noted in the Shareholding Administration section of the Application Form.

## Page 2 – Details of your Financial Adviser

- 6 **Financial Advisers' Details:** appropriately authorised financial advisers who are entitled to receive commission should complete Sections 6 and 7, giving their contact name and address and their FSA number. Please note the financial advisers' obligations to advise their clients of the risk factors set out on page 31 of this Document.
- 7 **Commission:** Introductory commission will be paid to authorised financial advisers at a rate of either 2.5% or 2.00% (with additional annual trail commission) on the amount invested. Under the Offer authorised financial intermediaries can waive some or all of the commission and have it invested in Offer Shares for their clients.
  - 7A1 Introductory commission of 2.5% – no annual trail commission is to be paid.
  - 7A2 The amount of introductory commission to be waived and invested.
  - 7B1 Introductory commission of 2.00% – annual trail commission.
  - 7B2 The amount of introductory commission to be waived and invested.
- 8 **Bank details:** Financial advisers who are entitled to receive commission can choose to have their commission paid directly to their bank account. In order to facilitate this, please complete section 8 of the Application Form.

# British Smaller Companies VCT plc

## Application Form

If you are in any doubt about the action to take you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. **IMPORTANT – before completing this form please read the accompanying notes. PLEASE USE BLOCK CAPITALS to complete the form – thank you.**

Make your cheque or bankers draft out to "BSC VCT plc" and cross it with the words "A/C Payee only". Return this form by post or by hand (during normal business hours) to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF so as to arrive by no later than 11:00 a.m. on 5 April 2012. If you post your Application Form you are recommended to use first class post and allow at least four days for delivery.

### Subscription Details:

#### 1. The Offer (income tax year 2011/2012)

Box 1 £

The amount in Box 1 to be not less than £5,000 (multiples of £1,000 thereafter)

#### 2.

Title

Email

Full Name

Daytime  
Tel No.

Address

Date of Birth



National  
Insurance No.

Postcode

If you are not currently in the Dividend Reinvestment Scheme and would like to receive further information please tick this box

☐

#### 3.

Signature

Date

By signing this form I HEREBY DECLARE THAT I have read the Terms and Conditions of Application and agree to be bound by them. I understand this is a LONG TERM investment and have read the RISK FACTORS.

### Administration of Shareholder Account Please complete any relevant section.

#### 4. Payment of Dividends to your Bank Account

If you would like your dividends to be paid directly into your bank or building society please tick this box.

☐

Please provide your Bank or Building Society account details below. The Company cannot accept responsibility if any details provided by you are incorrect.

Account Name

Account No.

Name of Bank or  
Building Society

(please quote all digits and zeros)

Branch

Sort Code

Branch Address

Postcode

Please forward, until further notice, all dividends that may from time to time become due on any Shares now standing or which may hereafter stand, in my name in the registers of members of the Company to the account noted above.

#### 5.

Full  
Name

Postcode

Signature

Date

## 6. Details of Financial Advisers

To be completed by intermediaries only. FSA number must be quoted. All financial advisers **MUST** advise their clients of the Risk Factors set out on page 31 of this document.

Firm Name	<input type="text"/>
Contact	<input type="text"/> (Adviser/Administrator) (delete as appropriate)
Email Address	<input type="text"/>
FSA No.	<input type="text"/>
Tel No.	<input type="text"/>
Fax No.	<input type="text"/>
Address	<input type="text"/>
	<input type="text"/>
	<input type="text"/> Postcode

## 7. Commission Options

Please complete section 7A or 7B (NOT BOTH).

### 7A

7A Introductory commission of 2.5%.

7A1 To receive commission of 2.5%  
place an 'X' in this box ☐

7A2 Insert the amount of the 2.5% commission that you wish to  
be waived and reinvested in additional  
Offer Shares for your client e.g. 0%,  
1%, 1.5%, 2% or ALL

### 7B

7B Introductory commission of 2.00% plus trail commission

7B1 To receive 2.00% commission plus annual trail  
commission place an 'X' in this box ☐

7B2 Insert the amount of 2.00% introductory commission you  
wish to be waived and reinvested in  
additional Offer Shares for your  
client e.g. 0%, 1%, 1.5% or ALL

## 8. Direct Payments of Commission/s to a Bank Account

If you would like your commission/s to be paid directly into your Bank or Building Society please tick this box ☐

Please provide your Bank or Building Society account details below. The Company and The City Partnership (UK) Limited cannot accept responsibility if any details provided by you are incorrect.

Account Name	<input type="text"/>	Account No.	<input type="text"/>
Name of Bank or Building Society	<input type="text"/>	(please quote all digits and zeros):	
Branch	<input type="text"/>	Sort Code	<input type="text"/>
Branch Address	<input type="text"/>		

Please forward, until further notice, all commission/s that may from time to time become due as a result of my client's investment in the Company.

Signature	<input type="text"/>	Date	<input type="text"/>
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**British Smaller Companies VCT plc**

Saint Martins House, 210 - 212 Chapeltown Road, Leeds LS7 4HZ

# British Smaller Companies VCT plc

## Application Form

If you are in any doubt about the action to take you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. **IMPORTANT – before completing this form please read the accompanying notes. PLEASE USE BLOCK CAPITALS to complete the form – thank you.**

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### Subscription Details:

#### 1. The Offer (income tax year 2011/2012)

Box 1 £

The amount in Box 1 to be not less than £5,000 (multiples of £1,000 thereafter)

#### 2.

Title

Email

Full Name

Daytime  
Tel No.

Address

Date of Birth



National  
Insurance No.

Postcode

If you are not currently in the Dividend Reinvestment Scheme and would like to receive further information please tick this box

☐

#### 3.

Signature

Date

By signing this form I HEREBY DECLARE THAT I have read the Terms and Conditions of Application and agree to be bound by them. I understand this is a LONG TERM investment and have read the RISK FACTORS.

### Administration of Shareholder Account Please complete any relevant section.

#### 4. Payment of Dividends to your Bank Account

If you would like your dividends to be paid directly into your bank or building society please tick this box.

☐

Please provide your Bank or Building Society account details below. The Company cannot accept responsibility if any details provided by you are incorrect.

Account Name

Account No.

Name of Bank or  
Building Society

(please quote all digits and zeros)

Branch

Sort Code

Branch Address

Postcode

Please forward, until further notice, all dividends that may from time to time become due on any Shares now standing or which may hereafter stand, in my name in the registers of members of the Company to the account noted above.

#### 5.

Full  
Name

Postcode

Signature

Date

## 6. Details of Financial Advisers

To be completed by intermediaries only. FSA number must be quoted. All financial advisers **MUST** advise their clients of the Risk Factors set out on page 31 of this document.

Firm Name	<input type="text"/>
Contact	<input type="text"/> (Adviser/Administrator) (delete as appropriate)
Email Address	<input type="text"/>
FSA No.	<input type="text"/>
Tel No.	<input type="text"/>
Fax No.	<input type="text"/>
Address	<input type="text"/>
	<input type="text"/>
	<input type="text"/> Postcode

## 7. Commission Options

Please complete section 7A or 7B (NOT BOTH).

### 7A

7A Introductory commission of 2.5%.

7A1 To receive commission of 2.5% place an 'X' in this box ☐

7A2 Insert the amount of the 2.5% commission that you wish to be waived and reinvested in additional Offer Shares for your client e.g. 0%, 1%, 1.5%, 2% or ALL

### 7B

7B Introductory commission of 2.00% plus trail commission

7B1 To receive 2.00% commission plus annual trail commission place an 'X' in this box ☐

7B2 Insert the amount of 2.00% introductory commission you wish to be waived and reinvested in additional Offer Shares for your client e.g. 0%, 1%, 1.5% or ALL

## 8. Direct Payments of Commission/s to a Bank Account

If you would like your commission/s to be paid directly into your Bank or Building Society please tick this box ☐

Please provide your Bank or Building Society account details below. The Company and The City Partnership (UK) Limited cannot accept responsibility if any details provided by you are incorrect.

Account Name	<input type="text"/>	Account No.	<input type="text"/>
Name of Bank or Building Society	<input type="text"/>		(please quote all digits and zeros):
Branch	<input type="text"/>	Sort Code	<input type="text"/>
Branch Address	<input type="text"/>		

Please forward, until further notice, all commission/s that may from time to time become due as a result of my client's investment in the Company.

Signature	<input type="text"/>	Date	<input type="text"/>
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**British Smaller Companies VCT plc**

Saint Martins House, 210 - 212 Chapeltown Road, Leeds LS7 4HZ



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# British Smaller Companies VCT plc



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

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Transforming Small Businesses  
[yfmepl.com](http://yfmepl.com)

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