

£30 million Offers for subscription

British Smaller Companies VCT plc ("BSC")
British Smaller Companies VCT2 plc ("BSC2")

20 October 2014

2014/15
and 2015/16
tax years

Summary

Summaries are made up of disclosure requirements known as 'Elements'. The Elements are numbered in Sections A—E (A.1—E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A: Introduction and Warnings

Element	Disclosure requirement	Disclosure
A. 1	Warning	<p>This summary should be read as an introduction to the Prospectus, which is comprised of this Summary, a Registration Document and a Securities Note each dated 20 October 2014. Any decision to invest in the securities of the VCTs being offered should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the securities being offered.</p>
A. 2	Use of Prospectus by financial intermediaries	<p>The VCTs and their directors consent to the use of the Prospectus and accept responsibility for the contents of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries from the date of the Prospectus until the close of the Offer. The Offer is expected to close on or before 4 April 2015 for the 2014/15 tax year and on or before 30 April 2015 for the 2015/16 tax year, unless previously extended by the Directors to a date not later than 19 October 2015. There are no conditions attaching to this consent.</p> <p>Financial intermediaries must give investors information on the terms and conditions of the offer at the time they introduce the offer to Investors.</p>

Section B – Issuers

Element	Disclosure requirement	Disclosure																																																		
B.1	Legal and commercial name.	British Smaller Companies VCT plc (“BSC”) and British Smaller Companies VCT2 plc (“BSC2”).																																																		
B.2	Domicile and legal form	<p>BSC was incorporated and registered in England and Wales on 6 December 1995 as a public company limited by shares under the Companies Act 1985 with registered number 03134749.</p> <p>BSC2 was incorporated and registered in England and Wales on 4 October 2000 as a public company limited by shares under the Companies Act 1985 with registered number 04084003.</p> <p>The VCTs operate under the Companies Act 2006 (the “Act”) and regulations made under the Act.</p> <p>Each of the VCTs is registered by the Financial Conduct Authority as a small registered Alternative Investment Adviser.</p>																																																		
B.5	Group description	Not applicable. The VCTs are not part of a group.																																																		
B.6	Major shareholders	<p>Neither VCT is aware of any person who has as at the date of this document, or who immediately following the issue of the Offer Shares under the Offers (assuming full subscription under the Offers), will or could have, directly or indirectly, voting rights representing 3% or more of the issued share capital of that VCT or who can, or could following the Offers, directly or indirectly exercise control over that VCT.</p> <p>There are no different voting rights for any Shareholders.</p>																																																		
B.7	Selected key financial information	<table><tr><th>BSC</th><th>31 March 2014*</th><th>31 March 2013*</th><th>31 March 2012*</th></tr><tr><td>Net Assets £000</td><td>62,584</td><td>42,089</td><td>37,894</td></tr><tr><td>Net Asset Value per Share (p)</td><td>102.0p</td><td>97.0p</td><td>99.6p</td></tr><tr><td>Total Return per Share (p)</td><td>192.7p</td><td>181.2p</td><td>178.8p</td></tr><tr><td>Cumulative dividend paid per Share (p)</td><td>90.7p</td><td>84.2p</td><td>79.2p</td></tr></table> <p><i>*Audited</i></p> <p>There have been no significant changes in the financial condition and operating results of BSC during or subsequent to the period covered by the historical financial information set out above.</p> <table><tr><th>BSC2</th><th>30 June 2014</th><th>30 June 2013</th><th>31 Dec 2013*</th><th>31 Dec 2012*</th><th>31 Dec 2011*</th></tr><tr><td>Net Assets £000</td><td>39,330</td><td>30,238</td><td>30,458</td><td>27,152</td><td>15,982</td></tr><tr><td>Net Asset Value per Share (p)</td><td>63.2p</td><td>65.3p</td><td>65.6p</td><td>65.5p</td><td>68.5p</td></tr><tr><td>Total Return per Share (p)</td><td>104.6p</td><td>102.3p</td><td>104.6p</td><td>100.0p</td><td>98.5p</td></tr><tr><td>Cumulative dividend paid per Share (p)</td><td>41.5p</td><td>37.0p</td><td>39.0p</td><td>34.5p</td><td>30.0p</td></tr></table> <p><i>*Audited</i></p> <p>There have been no significant changes in the financial condition and operating results of BSC2 during or subsequent to the period covered by the historical financial information set out above.</p>	BSC	31 March 2014*	31 March 2013*	31 March 2012*	Net Assets £000	62,584	42,089	37,894	Net Asset Value per Share (p)	102.0p	97.0p	99.6p	Total Return per Share (p)	192.7p	181.2p	178.8p	Cumulative dividend paid per Share (p)	90.7p	84.2p	79.2p	BSC2	30 June 2014	30 June 2013	31 Dec 2013*	31 Dec 2012*	31 Dec 2011*	Net Assets £000	39,330	30,238	30,458	27,152	15,982	Net Asset Value per Share (p)	63.2p	65.3p	65.6p	65.5p	68.5p	Total Return per Share (p)	104.6p	102.3p	104.6p	100.0p	98.5p	Cumulative dividend paid per Share (p)	41.5p	37.0p	39.0p	34.5p	30.0p
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B.8	Selected key pro forma financial information	Not Applicable. There is no pro forma financial information in this document.																																																		
B.9	Profit forecast	Not applicable. No profit forecast or estimate made.																																																		

B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The audit reports on the historical financial information contained within this document are not qualified.
B.11	Working capital	Not applicable. The VCTs are of the opinion that the working capital available to the VCTs is sufficient for the VCTs' present requirements (that is, for at least the next twelve months from the date of this document).
B.34	Investment policy	<p>The investment policy of each of the VCTs is as follows:</p> <p>The investment strategies of the VCTs are to create a portfolio with a mix of companies operating in traditional industries and those that offer opportunities in the development and application of innovation.</p> <p>The legislation governing venture capital trusts requires that at least 70 per cent by value of its holdings must be in Qualifying Holdings. The maximum value of any single investment is 15 per cent at the time of investment.</p> <p><i>Diversification</i></p> <p>The VCTs invest in UK businesses across a broad range of sectors including, but not limited to, Software, IT & Telecommunications, Business Services, Manufacturing & Industrial Services, Retail & Brands and Healthcare, in VCT qualifying and non-qualifying unquoted and AIM traded securities.</p> <p>The VCTs invest in a range of securities including but not limited to ordinary and preference shares, corporate bonds and other fixed income securities. Unquoted investments are structured so as to spread risk and enhance revenue yields, usually as a combination of ordinary shares, preference shares and loan stocks, while AIM securities are generally held in ordinary shares.</p> <p>Borrowing</p> <p>The VCTs fund the investment programmes out of their own resources and have no borrowing facilities for this purpose.</p> <p>Co-investment</p> <p>The VCTs have first choice of all investment opportunities requiring up to £4.5 million of equity. Amounts above £4.5 million will be allocated one third to YFM's institutional co-investment fund and two thirds to the VCTs. Where there are opportunities for the VCTs to co-invest with each other, the agreed initial basis for allocation is 60 per cent to BSC and 40 per cent to BSC2. The Board of each VCT has discretion as to whether to take up their allocation of such investment opportunities, or to take up a different participation.</p> <p>Asset mix</p> <p>Pending investment in VCT-qualifying and VCT non-qualifying unquoted or AIM traded securities, surplus cash is primarily held in interest bearing instant access, notice and fixed term bank accounts or in UK Gilts.</p>
B.35	Borrowing limits	The Articles restrict the borrowings of the VCTs and their subsidiaries (together the "group") so that the aggregate amount at any time outstanding in respect of money borrowed by the group (excluding intra-group borrowings), does not without the previous sanction of an ordinary resolution of that VCT exceed a sum equal to the paid up share capital and the amount standing to the credit of the consolidated revenue reserves of the group as shown by the latest audited consolidated balance sheet of the group adjusted as specified in that VCT's Articles.

B.36	Regulatory status	The VCTs are not regulated entities. The VCTs were registered by the Financial Conduct Authority as small registered Alternative Investment Fund Managers.
B.37	Typical investor	A typical Investor for whom the Offers are designed is a UK income taxpayer aged 18 or over, who is professionally advised, with an investment range of between £6,000 and £200,000, who may already have a portfolio of non-venture capital trust investments such as unit trusts/OEICs, investment trusts and direct shareholdings in listed companies, who is willing to invest over the medium to long term and who, having regard to the risk factors specific to the VCTs, their industry and the securities, key information on which is set out in this document, considers the investment policy of the VCTs to be attractive. That is to say, an investment policy with potential returns and associated risks that may be higher than investment in the FTSE All-Share Index. This may include retail, institutional and sophisticated investors and high net-worth individuals.
B.38	Investment of 20% or more in a single underlying asset or investment company	Not applicable. The VCTs will not invest more than 20% in a single underlying asset or investment company.
B.39	Investment of 40% or more in a single underlying asset or investment company.	Not applicable. The VCTs will not invest more than 40% in a single underlying asset or investment company.
B.40	Applicant's service providers	<p>The VCTs</p> <p>Under an offer agreement dated 20 October 2014 ("the Offer Agreement") between the VCTs (1), the Directors (2) and the Investment Adviser (3), the Investment Adviser has undertaken, as agent of the VCTs, to use its reasonable endeavours to procure subscribers under the Offers. As is usual in contracts of this type, the Investment Adviser has agreed to indemnify the VCTs against the costs of the Offers, excluding trail commission, exceeding the Offer Costs Percentage and will receive a percentage of the value of the gross proceeds relating to each applicant under the Offers that is equal to the Offer Costs Percentage relating to that applicant's subscription. The Investment Adviser will be responsible for all costs and expenses arising from the Offers, including the Bonus Shares and any initial Intermediary commission payable, but excluding trail commission. Under the Offer Agreement, which may be terminated by the VCTs, the Directors and the Investment Adviser in certain circumstances, warranties have been given by each party to the other parties, subject to certain limitations. The warranties are in the usual form for a contract of this type.</p> <p>BSC</p> <p>By an administration and investment advisory agreement (the "IAA") dated 28 February 1996 between BSC and YFM Private Equity, as varied by agreements dated 16 November 2012 and 17 October 2014, YFM Private Equity agreed to provide administrative, company secretarial and investment advisory services to BSC in relation to BSC's qualifying portfolio. The IAA took effect on 4 April 1996 for an initial period of 3 years and thereafter is terminable by either party on not less than 12 months' notice or, inter alia, on the others' breach or insolvency. Following the Financial Conduct Authority's registration of BSC's as a Small Registered Alternative Investment Fund Manager BSC has</p>

		<p>retained responsibility for the custody of its investments.</p> <p>The Investment Adviser is responsible for the sourcing and screening of initial enquiries, carrying out suitable due diligence investigations and making submissions to the Boards regarding potential investments. Once approved, further due diligence is carried out as necessary and HM Revenue & Customs clearance is obtained for approval as a qualifying VCT investment.</p> <p>Each Board reserves the right to take all investment and divestment decisions save in the making of certain investments up to £250,000 in companies whose shares are to be traded on AIM and where the decision is required urgently, in which case the chairman of the relevant investment committee, if appropriate, may act in consultation with the Investment Adviser.</p> <p>The Board of each VCT regularly monitors the performance of the portfolio and the investment targets set by the relevant VCT legislation. Reports are received from the Investment Adviser as to the trading and financial position of each investee company and members of the Investment Team regularly attend the VCTs' Board meetings. Monitoring reports are also received at each VCT's Board meeting on compliance with VCT investment targets so that the Boards can monitor that the venture capital trust status of their VCT is maintained and take corrective action where appropriate.</p> <p>Under the IAA, YFM Private Equity is entitled to receive an annual investment advisory fee of 2 per cent of Net Assets of BSC (as determined on 31 March and 30 September each year), 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 £59,133). The Investment Adviser is also entitled to all arrangement, syndication and monitoring fees payable in respect of unquoted investments. BSC indemnifies the Investment Adviser against all things lawfully and properly done under the IAA. The total remuneration payable by BSC to YFM Private Equity in the period to 31 March 2014 was £944,000. Pursuant to the deed of variation dated 17 October 2014, the Investment Adviser shall bear the annual operating costs of BSC to the extent that those costs exceed 2.9 per cent of the Net Asset Value of BSC, a reduction from the previous level of 3.25 per cent.</p> <p>When BSC makes investments into its unquoted portfolio the Investment Adviser charges that investee an arrangement fee, calculated by applying a percentage to the investment amount. With effect from 1 October 2013 if the average of relevant fees exceed 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on holdings over BSC's financial year this excess will be rebated to BSC. As at 31 March 2014, BSC was due a rebate from the Investment Adviser of £29,800. Monitoring and directors fees the Investment Adviser receives from investee companies are limited to a maximum of £40,000 (excluding VAT) per annum per company.</p> <p>Under an incentive agreement (the "Incentive Agreement") dated 7 July 2009, as varied by a deed of variation dated 15 August 2014 and a deed of variation dated 13 October 2014, between BSC and the Investment Adviser, with effect from 1 April 2009 ("Effective Date") the Investment Adviser is entitled to receive a fee, calculated by reference to each accounting period of BSC, equal to 20% of the amount by which dividends paid to Shareholders exceed 4 pence per Share per accounting period (as increased or decreased, as applicable, in each accounting period by the percentage increase or decrease (if any) in the retail prices index in the previous accounting period) ("Target Rate"), once cumulative dividends per Share of 10 pence or more have been paid to Shareholders. The Target Rate is further adjusted by reference to any cumulative shortfall in dividends paid per Share from any previous accounting</p>
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		<p>period after the Effective Date. The Target Rate at 31 March 2014 was 4.7 pence, and the calculation was verified by BSC's auditors. The payment is also conditional upon the Net Asset Value per Share in the relevant accounting period being not less than 94.0 pence per Share, as adjusted for the impact of share issues and buy-backs. The adjusted Net Asset Value per Share at 31 March 2014 was 92.8 pence per ordinary share. With effect from 1 April 2014 the amount of the incentive payment paid to the Investment Adviser for any one year shall, when taken with all other relevant costs, ensure that the Total Expenses Ratio is no greater than 5 per cent of the net asset value at the end of the financial year (as adjusted for all realised gains that have been distributed during that year). Any unpaid incentive payment will be carried over to subsequent financial years and be included in the calculation of the Total Expenses Ratio. A compensatory payment is due if the Incentive Agreement is terminated without cause or if BSC is taken over. The compensatory payment is calculated as a percentage of the fee that would otherwise be payable under the Incentive Agreement by reference to the accounting period following the Incentive Agreement being so terminated; 80 per cent is payable in the first accounting period after such event, 55 per cent in the second, 35 per cent in the third, and nil thereafter. The maximum fee payable in any 12 month period cannot exceed an amount which would represent 25 per cent or more of the Net Asset Value or market capitalisation of BSC at such time. The total incentive payment to YFM Private Equity in respect of the year to 31 March 2014 was £220,531 (in respect of the year to 31 March 2013: £38,678 and in respect of the year to 31 March 2012: £1,415,058). Pursuant to a deed of variation dated 15 August 2014 the Incentive Agreement was varied so that the recipient was changed from YFM Private Equity Carried Interest Trust to YFM Private Equity.</p> <p>Under the terms of a letter from Brewin Dolphin Limited ("Brewin") to BSC dated 25 October 2004, Brewin agreed to act as investment manager to BSC in relation to its portfolio of short-term Government securities and to produce monthly portfolio valuations. In return for such services, Brewin are entitled to receive an Investment Adviser's fee based on an ad valorem charge of 0.2 per cent per annum (plus VAT) of funds under management, payable quarterly, subject to a maximum annual fee of £25,000 (plus VAT). This cost is borne by the Investment Adviser.</p> <p>By a deed of novation dated 9 November 2012 (to the agreement dated 3 September 2004 as novated on 1 April 2009) between BSC and Nplus1 Singer Advisory LLP ("Singer"), Singer agreed to act as brokers to BSC, and, inter alia, to act as a market maker in the Shares of BSC and to carry out share purchases on BSC's behalf. Singer are entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in arrears on 30 September, 31 December, 31 March and 30 June. Under the terms of the novated agreement BSC indemnifies Singer against losses arising out of Singer's appointment except where such losses arise from Singer's breach of agreement, negligence or wilful default.</p> <p>BSC2</p> <p>YFM Private Equity has acted as Investment Adviser and performed administrative and secretarial duties for BSC2 under an agreement dated 28 November 2000, superseded by an agreement dated 31 October 2005 and as varied by agreements dated 8 December 2010, 26 October 2011, 16 November 2012 and 17 October 2014 (the "IAA"). This agreement may be terminated by not less than twelve months' notice given by either party at any time. Following the Financial Conduct Authority's registration of BSC2's as a Small Registered Alternative Investment Fund Manager BSC2 has retained responsibility for the custody of its investments.</p>
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		<p>Share exceeds 120 pence per Ordinary Share on that same day multiplied by the number of Ordinary Shares in issue and the Shares under option (if any). The subscription rights were exercisable in the ratio 59:41 between YFM Private Equity and Chord. No Shares have been issued under this agreement. By a Deed of Assignment dated 19 December 2003 (together with a supplemental agreement dated 5 October 2005), the benefit of the YFM Private Equity subscription right was assigned to YFM Private Equity Limited Carried Interest Trust (the "Trust"), an employee benefit trust formed for the benefit of certain employees of YFM Private Equity Limited and associated companies. Mr Cammerman, as a former employee of YFM Private Equity, is one of the beneficiaries of that Trust.</p> <p>Pursuant to a deed of variation dated 16 November 2012 between BSC2 (1), the trustees of the Trust (2) and Chord (3), the Subscription Rights Agreement was varied so that the subscription rights will be exercisable in the ratio of 95:5 between the trustees of the Trust and Chord.</p> <p>Pursuant to a deed of variation dated 5 August 2014 the Subscription Rights Agreement was varied so that the recipient was changed from the Trust to YFM Private Equity.</p> <p>Following the issue of this document, arrangements will be put in place in order that the benefit of the subscription rights are extended to include all of BSC2's issued Shares.</p> <p>Under an agreement dated 28 November 2000 between BSC2 and Brewin Dolphin Limited ("Brewin"), Brewin agreed to act as investment manager to BSC2 in relation to its portfolio of short-term Government securities and to produce monthly portfolio valuations. In return for such services Brewin is entitled to receive a management fee based on an ad valorem charge of 0.2% per annum (plus VAT) of funds under management, payable quarterly subject to a maximum annual fee of £25,000 (plus VAT). This cost is borne by the Investment Adviser.</p> <p>By a deed of novation dated 6 November 2012 (to the agreement dated 3 September 2004 as novated 1 April 2009) between BSC2 (1) and Nplus1 Singer Advisory LLP ("Singer") (2), Singer agreed to act as brokers to BSC2, and, inter alia, to act as a market maker in the Shares of BSC2 and to carry out share purchases on BSC2's behalf. Singer is entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in arrears on 30 September, 31 December, 31 March and 30 June. Under the terms of the novated agreement BSC2 indemnifies Singer against losses arising out of Singer's appointment except where such losses arise from Singer's breach of agreement, negligence or wilful default.</p>
B.41	Regulatory status of the Manager	The Investment Adviser and Brewin Dolphin Limited are authorised and regulated by the Financial Conduct Authority.
B.42	Calculation of Net Asset Value	<p>The Net Asset Value of a Share is calculated by each VCT in accordance with that VCT's accounting policies and will be published at least quarterly through a Regulatory Information Service.</p> <p>The calculation of the Net Asset Value per Share will only be suspended in circumstances where the underlying data necessary to value the investments of the VCTs cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.</p>
B.43	Cross liability	Not Applicable. The VCTs are not umbrella collective investment

		undertakings and as such there is no cross liability between classes or investment in another collective investment undertaking.
B.44	No financial statements have been made up	Not applicable. The VCTs have commenced operations and historical financial information is included within this document.
B.45	Portfolio	The VCTs' portfolios comprise predominantly established unquoted UK companies. The VCTs invest in a broad range of companies and sectors in the UK, in a combination of mature businesses operating in traditional industries, including Telecoms, Software and IT, Healthcare and Consumer Products, as well as a smaller proportion of businesses offering opportunities in the application and development of innovation. As at 30 June 2014, BSC's portfolio comprised, by value, £44.3m and BSC2's portfolio comprised, by value, £20.7m.
B.46	Net Asset Value	As at 30 June 2014, the unaudited Net Asset Value per BSC Ordinary Share was 102.0p and the unaudited Net Asset Value per BSC2 Ordinary Share was 63.2p.

Section C — Securities

Element	Disclosure requirement	Disclosure
C.1	Types and class of securities	The VCTs will issue Offer Shares under the Offers. The ISIN and SEDOL of the BSC Ordinary Shares are GB0001403152 and 0140315 respectively. The ISIN and SEDOL of the BSC2 Ordinary Shares are GB00050001796 and 0500179 respectively.
C.2	Currency	Sterling.
C.3	Number of securities to be issued	On the basis that the Offers are fully subscribed at an Indicative Offer Price of 101.75p for BSC and 63.25p for BSC2, that the over allotment facility is used in full and an allocation of 60 per cent to BSC and 40 per cent to BSC2, a maximum of 23,587,224 Offer Shares will be issued by BSC and a maximum of 25,296,443 Offer Shares will be issued by BSC2.
C.4	Description of the rights attaching to the securities	<p>As Regards Income: The holders of the Shares shall be entitled to receive such dividends as the Directors resolve to pay out of the realised profits (including net income and profits on sale of investments) attributable to the Shares held by them, in accordance with the Company's articles of association.</p> <p>As Regards Capital: On a return of capital on a winding up the surplus capital and assets attributable to the Shares shall be divided amongst the holders of Shares pro rata according to the nominal capital paid up on their respective holdings of Shares, in accordance with the Company's articles of association.</p> <p>As Regards Voting and General Meetings: Each holder of Shares present in person or by proxy shall on a poll have one vote for each such Share of which he is the holder, subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership.</p> <p>As Regards Redemption: The Shares are not redeemable.</p>

C.5	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Offer Shares.
C.6	Admission	An application has been made to the UK Listing Authority for the Offer Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the Offer Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and that dealings in the Offer Shares will commence within 10 days of their allotment.
C.7	Dividend policy	Generally, a venture capital trust must distribute by way of dividend such amount as to ensure that it retains not more than 15% of its income from shares and securities. The Directors of each of the VCTs aim to maximise tax free distributions to Shareholders of income or realised gains.

Section D — Risks

Element	Disclosure requirement	Disclosure
D.2	Key information on the key risks specific to the Company	<ul style="list-style-type: none"> • The past performance of the Investment Adviser or of the VCTs is no indication of their future performance. • Investments made in unquoted companies, such as those in which the VCTs predominantly invest, carry a higher degree of risk than those made in quoted companies. There can be no guarantees that the VCTs will meet their objectives or that suitable investment opportunities will be identified. Although the VCTs may agree conventional venture capital rights in connection with some of their investments, as minority investors they may not be in a position fully to protect their interests. These factors may adversely affect the performance of the VCTs. • Whilst it is the intention that each of the VCTs will be managed so as to continue to qualify as a venture capital trust, there can be no guarantee that such status, and the associated tax relief, will be maintained. It is possible for Investors to lose their tax reliefs by Investors taking or not taking certain steps. Levels and bases of, and relief from, taxation are subject to change. • Changes in legislation concerning venture capital trusts, Qualifying Investments and qualifying trades may restrict or adversely affect the VCTs' ability to meet their objectives and reduce the level of returns. • The Finance Act 2014 includes measures relating to "enhanced" share buy-backs, restrictions on income tax relief for subscriptions of shares where an investor disposes of shares in the same VCT within six months of the subscription and, with effect from 6 April 2014, a prohibition on making payments or distributions to shareholders out of share capital or distributable reserves created by cancelling the share premium account arising on the allotment of such shares for three years after the shares are issued.
D.3	Key information on the key risks specific to the securities	<ul style="list-style-type: none"> • The levels and bases of reliefs from taxation may change and could apply retrospectively, which may adversely affect the Shares. The VCTs' objectives have been set on the basis that all Investors obtain 30% income tax relief on their subscription, and hold their Shares for five years to retain this initial income tax relief. • The Shares will be listed on the Official List and traded on the London Stock Exchange. However, there is a limited secondary market for VCT shares and most trade below their underlying Net

		Asset Values. It may be difficult for Shareholders to sell their Shares.
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Section E — Offer

Element	Disclosure requirement	Disclosure
E.1	Net proceeds and costs of the issue	<p>On the basis that £40,000,000 is raised under the Offers, that the costs of the Offers are 5.0 per cent of gross funds raised and an allocation of 60 per cent to BSC and 40 per cent to BSC2, the costs and expenses relating to the Offers payable by BSC will be £1,200,000 and by BSC2 will be £800,000. The total net proceeds of the Offers, on the above assumptions, will be £22,800,000 as to BSC and £15,200,000 as to BSC2.</p> <p>The expenses charged to investors are 5.0 per cent of gross funds raised for each VCT in respect of applications received through execution only brokers and 3.0 per cent of gross funds raised for each VCT in respect of applications received through intermediaries offering financial advice or received directly from Applicants.</p>
E.2a	Reasons for the Offers and use of proceeds	<p>The Investment Adviser receives a high level of investment opportunities from its national network of offices and the Offers will provide the VCTs with additional funds to capitalise on these opportunities, helped by the perceived reluctance of UK banks to lend to small and medium-sized businesses.</p> <p>The Offers will enable new and existing Shareholders to invest in a mature and diversified portfolio of businesses that will be supplemented with new investments in line with the VCTs' proven investment strategy.</p> <p>VCTs can now invest larger amounts into qualifying businesses – up to £5 million each year per investment which is one of the reasons for further increasing investment capacity.</p> <p>An increase in the size of each of the VCTs will enable the fixed element of each of the VCTs' running costs to be spread over a wider capital base.</p>
E.3	Terms and conditions of the Offer	<p>The Offers are seeking to raise £30 million, in aggregate, through the issue of new Ordinary Shares in each of the VCTs. If the Offers are over subscribed, they may be increased at the discretion of the VCTs by a further £10 million.</p> <p>The participation by BSC and BSC2 in the Offers is conditional on the approval by its Shareholders of Resolution I and Resolutions 1, 2, 4, 5 and 7 to be proposed at their respective General Meetings. Subject to the Offers becoming unconditional and remaining open for both VCTs, Investors will have the option to invest in either of the VCTs or a combination of the two and if no preference is given, each Investor's subscription will be allocated 60 per cent to BSC and 40 per cent to BSC2, broadly reflecting the relative sizes of each fund.</p> <p>Subscription monies received from an Applicant who has chosen that those monies are allocated to a VCT for which the Offers do not become unconditional, or to a VCT for which the Offers have closed, will be returned to the Applicant. In all other cases, if the Offers do not become unconditional for either VCT, or if the Offers have closed for either VCT, subscription monies will be allocated to the other VCT. The minimum investment under the Offers is £6,000.</p> <p>The Boards of BSC and BSC2 have set the Offer Prices as follows:</p> <p>Based on the latest reported NAV at the date of allotment, adjusted for</p>

		<p>dividends declared but not yet paid and grossed up for the offer costs.</p> <p>The Indicative Offer Prices are therefore as follows:</p> <p>For applications through execution only brokers:</p> <ul style="list-style-type: none"> • for BSC, an Indicative Offer Price of 103.75 pence per Offer Share; and • for BSC2, an Indicative Offer Price of 64.5 pence per Offer Share. <p>For applications through Financial Advisers (assuming no facilitated Adviser Charge) or for direct applications:</p> <ul style="list-style-type: none"> • for BSC, an Indicative Offer Price of 101.75 pence per Offer Share; and • for BSC2, an Indicative Offer Price of 63.25 pence per Offer Share. <p>The Indicative Offer Price for BSC is based on the unaudited Net Asset Value of 102.0 pence per Share at 30 June 2014, adjusted for dividends declared and subsequently paid and the costs of the Offers by either 5.0 per cent for applications through execution only brokers or 3.0 per cent for applications through Financial Advisers or for direct applications.</p> <p>The Indicative Offer Price for BSC2 is based on the unaudited Net Asset Value of 63.2 pence per Share at 30 June 2014, adjusted for dividends declared and subsequently paid and the costs of the Offers by either 5.0 per cent for applications through execution only brokers or 3.0 per cent for applications through Financial Advisers or for direct applications.</p> <p>In the event of a facilitated Adviser Charge the Offer Price will effectively be increased by dividing the Offer Price by $[100\%-A]$ where A is the amount of the facilitated Adviser Charge as a percentage of the amount subscribed, expressed as a number.</p> <p>Applications from existing Shareholders in either of the VCTs (or their spouses or civil partners) received and accepted on or before 31 December 2014 will attract additional Offer Shares equivalent to 1.0 per cent of the amount subscribed in each VCT net of any Adviser Charges by such Applicant under the Offers. The cost of the Loyalty Bonus Shares will be met by the Investment Adviser.</p> <p>Applications from existing Shareholders in either of the VCTs (or their spouses or civil partners) received and accepted after 31 December 2014 but on or before 28 March 2015 will attract additional Offer Shares equivalent to 0.75 per cent of the amount subscribed in each VCT net of any Adviser Charges by such Applicant under the Offers. The cost of the Loyalty Bonus Shares will be met by the Investment Adviser.</p> <p>Accepted applications from Investors who are not existing Shareholders in either of the VCTs received and accepted on or before 28 March 2015 will attract additional Offer Shares of 0.5 per cent of the amount subscribed in each VCT net of any Adviser Charges by such Applicant under the Offers. The cost of the New Investor Bonus Shares will be met by the Investment Adviser.</p> <p>The Offers open on 20 October 2014 and will close no later than 11:00 am on Saturday 4 April 2015 in relation to the 2014/2015 Offer and 11:00 am on Thursday 30 April 2015 in relation to the 2015/2016 Offer (or such later date to which the Directors extend the 2015/2016 Offer but no later than 19 October 2015) or earlier should the Offers become fully subscribed. At the Directors' discretion, they may make earlier allotments should it be deemed appropriate. Details of such allotments will be announced through a Regulatory Information Service provider by no later</p>
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		than the Business Day following the allotment.
E.4	Material interests	Not applicable. No interest is material to the Offers.
E.5	Name of person selling securities	Not applicable. No person or entity is offering to sell the security as part of the Offers. There are no lock up agreements.
E.6	Dilution	The maximum number of Offer Shares, assuming a subscription of £40,000,000, an Indicative Offer Price of 101.75 per Share and of 63.25p per Share for BSC and BSC2 respectively and an allocation of 60 per cent to BSC and 40 per cent to BSC2, will be 23,587,224 for BSC and 25,296,443 for BSC2. This represents a dilution to existing Shareholders of 26.5 per cent in BSC and 28.8 per cent in BSC2. Assuming a subscription of £30,000,000 and the Indicative Offer Prices and allocation set out above, the maximum number of Offer Shares will be 17,690,418 for BSC and 18,972,332 for BSC2, representing a dilution to existing Shareholders of 21.3 per cent in BSC and 23.3 per cent in BSC2.
E.7	Expenses charged to the investor	<p>The costs of the Offers are 5.0 per cent of gross funds raised for each VCT in respect of applications received through execution only brokers and 3.0 per cent of gross funds raised for each VCT in respect of applications received through intermediaries offering financial advice or received directly from Applicants.</p> <p>Execution only brokers may receive annual trail commission provided that the Intermediary continues to act for the Investor and the Investor continues to be the beneficial owner of the Offer Shares, subject to applicable laws and regulations, amounting to up to 3.0 per cent in aggregate of their client Investors' gross subscriptions over a period of up to six years, as agreed with the Investment Adviser. Trail commission will be paid annually (commencing in 2016) by the relevant VCT.</p>

British Smaller Companies VCT plc (“BSC”)
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