

£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**

This document, the Registration Document and the Summary, which together comprise the Prospectus relating to BSC and BSC2 (together “the VCTs”), have been prepared in accordance with the Prospectus Rules made by the Financial Conduct Authority pursuant to Part VI of the Financial Services and Markets Act 2000 (“FSMA”), and have been approved by and filed with the Financial Conduct Authority.

The Shares in issue at the date of this document are listed on the premium segment of the Official List and traded on the London Stock Exchange’s main market for listed securities. 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 will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on its main market for listed securities. It is expected that such admission will become effective and that dealings in the Ordinary Shares will commence within 10 business days of their allotment.

Each of the Directors of the VCTs, whose names are set out on page 19 of this document, and the VCTs accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Directors and the VCTs (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Offers are 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 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 (the “Sponsor”), which is authorised and regulated by the Financial Conduct Authority (reference no. 523524), is acting for the VCTs in connection with the Offers, and is not advising any other person or treating any other person as a customer in relation to the Offers and will not be responsible to any such person for providing the protections afforded to customers of the Sponsor (subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder) or for providing advice in connection with the Offers. The Sponsor does not give any representation, warranty or guarantee that the VCTs will qualify as Venture Capital Trusts or that Investors will obtain any tax relief in respect of their investment.

British Smaller Companies VCT plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 03134749)

and

British Smaller Companies VCT2 plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 04084003)

Offers for Subscription of ordinary shares in British Smaller Companies VCT plc and British Smaller Companies VCT2 plc, to raise up to £30 million, in aggregate

The 2014/2015 Offers will close at 11.00 am on Saturday 4 April 2015 and the 2015/2016 Offers will close at 11.00 am on Thursday 30 April 2015 (or such later date to which the Directors extend the 2015/2016 Offers, but no later than 19 October 2015) or earlier should the Offers become fully subscribed. The terms and conditions of application are set out on pages 40 to 42 of the Securities Note and are followed by an Application Form for use in connection with the Offers. The Offers are not being underwritten and are not subject to reaching a minimum level of subscription. If the Offers are oversubscribed, they may be increased by a further £10 million at the discretion of the Boards up to a maximum of £40 million funds raised, in aggregate.

The whole of this document should be read. Your attention is drawn to the “Risk factors” set out on page 4 of this document.

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Part 1: Introduction

1.1 Risk factors

The VCTs and the Directors consider the following risks to be material to each VCT's Shares. Additional risks and uncertainties currently unknown to the VCTs and the Directors (such as changes in legal, regulatory or tax requirements), or which the VCTs and the Directors currently believe are immaterial to each VCT's Shares, may also have a materially adverse effect on the trading price of the Shares. Material risks relating to the VCTs are set out in the Registration Document.

- If a Shareholder disposes of his or her Ordinary Shares within five years of issue, he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed. Investment in the VCTs should, therefore, be regarded as long-term in nature and may not be suitable for all Shareholders. The market price of the Ordinary Shares may not fully reflect their underlying net asset value. Past performance is not a guide to the future and the value of an investment in the VCTs and the income derived from it may go down as well as up and an Investor may not get back some or all of the amount invested.
- Although the Shares will be listed on the Official List of the UK Listing Authority there is a limited secondary market for Venture Capital Trust shares and Shareholders may have difficulty in selling their Shares.
- Any realised losses on a disposal of Shares will not be allowable losses, for the purposes of capital gains tax, and will therefore not be capable of set off against any capital gains.
- If either of the VCTs ceases to retain approval as a Venture Capital Trust, before Participating Shareholders have held their shares for five years from the date of purchase, any income tax relief will have to be repaid. Following a loss of Venture Capital Trust status, Shareholders will be taxed on dividends paid by the relevant VCT and, in addition, a liability to capital gains tax may arise on any subsequent disposal of their Shares.
- If at any time either of the VCT's Venture Capital Trust status is lost, dealings in its Shares will normally be suspended until such time as the relevant VCT has published proposals either to continue as an investment company or to be wound up, during which time the Shares will not be able to be publicly traded.
- Should either of the VCTs not qualify as a Venture Capital Trust, or if it qualifies but the Shares fall outside the qualifying limit of the Shareholder, the Shareholder will generally be liable to income tax on the aggregate amount of the dividend paid by the relevant VCT and the notional tax credit equal to 1/9th of that dividend. The notional tax credit will discharge the income tax liability of a basic rate taxpayer. Shareholders who also pay tax at the higher rate can use the notional credit to offset against their higher rate tax liability.
- The tax reliefs described in this document are those currently available. The tax rules or their interpretation in relation to an investment in the VCTs and/or rates of tax may change during the life of the VCTs and may apply retrospectively, which may adversely affect the performance of the Shares. The EU State Aid Risk Capital Guidelines were updated in May 2014, and the UK Government will need to apply for renewal of State Aid approval of the VCT scheme. Whilst it is expected that approval will be renewed, it is possible some changes will be made to the rules, which may adversely affect the performance of the Shares.
- As a result of the restrictions regarding Qualifying Companies set out in the VCT Regulations, the VCTs' investments are likely to be in relatively small companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise. 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 the value of smaller companies or the risks to which they are exposed may also not be available. Furthermore an investment in an unquoted, AIM-traded or ISDX-traded company, by its nature, involves a higher degree of risk than investment in the main market of the London Stock Exchange. All of these factors may adversely affect the performance of the Shares.
- The VCTs' ability to obtain maximum value from their investments (for example, through a sale or takeover) may be limited by requirements imposed in order to maintain their Venture Capital Trust status (such as the condition that not less than 70 per cent by value of its total investments must be in shares in, or securities of, an unquoted (including AIM and ISDX quoted) company carrying on a qualifying trade satisfying the conditions in Chapter 4 of the Income Tax Act 2007), which may adversely affect the performance of the Shares.

1.2 Recent regulatory changes

- The Finance Act 2014 brought in restrictions to income tax relief on subscription for shares in Venture Capital Trusts after 5 April 2014, where, within six months of the subscription, the investor disposes of any shares he/she holds in that same Venture Capital Trust. However shares acquired under dividend re-investment schemes are not affected by this rule.
- The Finance Act 2014 also restricts the ability of Venture Capital Trusts to pay tax-free dividends from reserves created after 5 April 2014 from the cancellation of share premium accounts and similar reserves.

1.3 Forward looking statements

Potential Investors should not place undue reliance on forward looking statements. This Securities Note includes statements that are (or may be deemed to be) “forward looking statements”, which can be identified by the use of forward looking terminology including terms such as “believes”, “continues”, “expects”, “intends”, “may”, “will”, “would”, “should” or, in each case, their negative or other variations or comparable terminology. These forward looking statements include matters that are not historical facts. Forward looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward looking statements contained in this Securities Note, based on past trends or activities, should not be taken as a representation that such trends or activities will continue in the future. These statements will be updated as and when required by the Prospectus Rules, the Listing Rules and the DTRs, as appropriate.

1.4 Timetable, Key Offer Information, Special Terms and Costs of the Offers

Timetable

Offers open	20 October 2014
1.00% Loyalty Bonus period	20 October 2014 to 31 December 2014
0.75% Loyalty Bonus period	1 January 2015 to 28 March 2015
0.50% New Investor Bonus period	20 October 2014 to 28 March 2015
First allotment*	6 January 2015
Second allotment*	2 February 2015
Third allotment*	2 March 2015
Fourth allotment*	30 March 2015
Fifth allotment (CREST Holders)*	1 April 2015
Fifth allotment (Non-CREST Holders)*	4 April 2015
Final allotment**	30 April 2015
Dealings commence	10 Business Days following allotment
Share and tax certificates issued	Within 10 Business Days of allotment
Offers close**	2014/15 CREST Offers 11.00 am 1 April 2015
	2014/15 Offers: 11.00 am 4 April 2015
	2015/16 CREST Offers 11.00 am 29 April 2015
	2015/16 Offers: 11.00 am 30 April 2015

* At the Directors' discretion, they may make earlier allotments should it be deemed appropriate. Investors wishing both to subscribe to the 2014/2015 Offers and for their Offer Shares to be admitted directly to the CREST system should submit their application by 11.00 am on Thursday 1 April 2015.

** The Offers will close earlier than stated if they are fully subscribed or at the Directors' discretion. The Directors reserve the right to extend the closing date of the 2015/16 Offers to a date not later than 19 October 2015.

Key Offer Information

	BSC	BSC2
£30 million Offers*	£18,000,000	£12,000,000
Minimum investment	£6,000 across both VCTs and tax years	
Maximum investment	£200,000 across both VCTs and tax years	

* If the Offers are oversubscribed, they may be increased at the discretion of the VCTs up to a maximum of £40 million funds raised in aggregate. The maximum to be raised would be £24,000,000 for BSC and £16,000,000 for BSC2 on the basis that the over allotment facility is used in full and an allocation of 60 per cent to BSC and 40 per cent to BSC2.

Special Terms

1.00% **Loyalty Bonus Shares** for existing Shareholders (or their spouses or civil partners) for applications on or before 31 December 2014

0.75% **Loyalty Bonus Shares** for existing Shareholders (or their spouses or civil partners) for applications between 1 January 2015 to 28 March 2015

0.50% **New Investor Bonus Shares** for applications on or before 28 March 2015

Costs of the Offers

5.0% of gross funds raised
(reduced by 0.5% from previous year) **Execution only**

3.0% of gross funds raised
(reduced by 0.5% from previous year) **Intermediaries offering advice and direct applications**

Part 2: Letter from the Chairmen

British Smaller Companies VCT plc (“BSC”) and British Smaller Companies VCT2 plc (“BSC2”)

5th Floor
Valiant Building
14 South Parade
Leeds
West Yorkshire
LS1 5QS

20 October 2014

Dear Investor



In the 12 months to 30 June 2014 and in the subsequent period to the date of this document, BSC and BSC2 (together “the VCTs”) have experienced a high level of demand for investment funds, investing a total of £29.2 million including nine new investments. With the market for new investment continuing to be buoyant, we are delighted to be writing to you in connection with new Offers to raise £30 million of investment funds, which will enable the VCTs to continue to take advantage of the high level and quality of investment opportunities available.

The participation by BSC and BSC2 in the Offers is conditional on the approval by its Shareholders of Resolution 1 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 have the option to invest in either VCT or a combination of the two. If no preference is given, Investor’s subscriptions will be allocated 60% to BSC and 40% to BSC2. 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 key highlights of the Offers are set out below:

• **Increasing historical average annual dividend yield:**

The objective of both VCTs is to achieve an increasing dividend over time whilst preserving the capital value.

- 5 years to 30 June 2014 12.0% per annum
- 10 years to 30 June 2014 9.8% per annum
- 15 years to 30 June 2014 7.0% per annum

This is based on dividends paid by each VCT over that period, the Indicative Offer Prices less 30% income tax relief and assuming a 60:40 investment allocation between BSC and BSC2.

• **Successful private equity fund manager:**

The Investment Adviser, YFM Private Equity Limited (“YFM”), is a subsidiary of YFM Equity Partners LLP and has over 30 years’ experience investing in fast-growing UK businesses and has been managing and advising Venture Capital Trusts since 1996.

- BSC’s total return of 192.7p per share since its inception in 1995, with 62.0p over five years and 95.0p over ten years, makes it the top performing generalist fund over five and ten years;
- BSC was shortlisted for Investor Allstars, VCT of the year 2014.

• **Successful investment strategy:**

The VCTs invest predominantly in established unquoted businesses across a broad range of sectors in the UK regions, where the Investment Adviser believes there are good prospects for significantly expanding the size of those businesses, making them attractive for potential buyers or a stock market listing. For example the 23 investments in unquoted companies realised over the last ten years generated a total return of 2.7x cost.

- **Strong demand for investment in the UK Regions:**

- Nine new investments and a total of £29.2 million invested in the 12 months to 30 June 2014 and in the subsequent period to the date of this document;
- Pipeline of investment opportunities under review.

- **Venture Capital Trust tax relief:**

30% income tax relief on the value of the Offer Shares subscribed for, providing they are held for a minimum of five years. Dividends and capital gains from Venture Capital Trusts are also tax-free.

- **Dividend Re-investment Scheme:**

Opportunity for Investors to compound their returns through the tax efficient re-investment of dividends.

- **Share buy-back policy providing improved liquidity:**

Each of the VCTs has a current policy of buying back Shares in the market at a discount of no more than 10 per cent to the latest published Net Asset Value, subject to liquidity, applicable rules and regulations and market conditions.

- **Reduction in costs:**

Following the closing of the Offers we are pleased to announce that the cost caps (see page 22) for each VCT will be reduced from 3.25 per cent per annum of Net Asset Value to 2.9 per cent per annum.

Next Steps

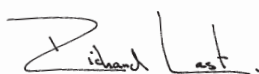
In order to invest please read the Prospectus in full (this document, the Registration Document and the Summary together constitute the Prospectus and can be found at bscfunds.com) and complete the Application Form which is attached at the end of this Securities Note. Please contact your authorised financial adviser if you have any questions regarding making an investment. For any questions regarding the application, please contact **Tracey Nice** at YFM on **0113 261 6478** or tracey.nice@yfmepl.com. However no investment advice can be given by YFM, and if you are in any doubt please consult your independent financial adviser.

We look forward to welcoming new Shareholders and thank all our existing Shareholders for their continued support.

Yours faithfully



Helen Sinclair
Chairman
British Smaller Companies VCT plc



Richard Last
Chairman
British Smaller Companies VCT2 plc

Applications

The completed Application Form in respect of the Offers should be sent by post (in the reply paid envelope provided) or delivered by hand to:

Capita Asset Services
Corporate Actions
The Registry
34 Beckenham Road,
Beckenham, Kent
BR3 4TU

Part 3: Key Investment Highlights

3.1 Attraction of Venture Capital Trusts

The Venture Capital Trust market has evolved and developed over recent years, with a combination of factors contributing to the increased attractiveness of the asset class:

- As the size of some Venture Capital Trusts has become larger, so the number of investments in their respective portfolios has grown. The effect of this is threefold:
 - Larger portfolios have the potential to generate a regular level of realisations, which in turn drives the consistency and predictability of tax free dividends;
 - Investment portfolios that have a good sector diversification help mitigate the overall level of risk;
 - The increased scale of the larger Venture Capital Trusts has helped drive down annual running costs per share of those funds.
- In an era of low interest rates, investors have been attracted by the consistent high tax free dividend yields that the best performing Venture Capital Trusts have historically achieved.
- With reducing annual pension contribution allowances and the life-time pension fund pot size set at £1.25 million, and low annuity rates, investors have been seeking new sources of savings whereby they can:
 - Benefit from an initial 30% income tax rebate;
 - Have the potential of receiving a high tax free dividend yield, whilst preserving the capital value of their investment;
 - Access their capital (subject to liquidity and regulation);
 - Invest up to £200,000 per annum with no life time limit;
 - Benefit from tax free gains on disposal.

Note: The above benefits assume that an Investor and the Venture Capital Trusts qualify for all applicable tax reliefs.

3.2 British Smaller Companies VCTs – investment highlights

9.8% Historical average annual dividend yield¹ over ten years

Objective of paying attractive and rising dividends and capital preservation.

- 5-year average 12.0% per annum
- 10-year average 9.8% per annum
- 15-year average 7.0% per annum

Successful private equity fund manager²

- BSC's total return of 192.7p per share since inception, with 62.0p over 5 years and 95.0p over 10 years makes it the top performing generalist fund over 5 and 10 years³
- The 23 investments in unquoted companies realised over the last 10 years generated a total return of 2.7x cost

Strong demand for investment in the UK regions

- Nine new investments and a total of £29.2 million invested in the period since 1 July 2013
- Strong pipeline of investment opportunities under review

Well diversified and mature portfolio reduces risk and underpins future dividend payments

- Largest holding represents 6% of combined Net Assets
- Average holding period of the investment portfolio is 5 years

Dividend Re-investment Scheme and Share buy-back programme

- Compounding investor returns
- Improving liquidity

¹ Based on the aggregate dividends paid by the VCTs expressed as a percentage of the Indicative Offer Price, net of 30% income tax relief, assuming an investment split of 60:40 between BSC and BSC2.

² YFM Private Equity ("YFM") is the investment adviser to BSC and BSC2 and is a wholly owned subsidiary of YFM Equity Partners LLP.

³ Source YFM (Comparison of publically available total return information (Net Asset Value plus cumulative dividends) for the top performing generalist Venture Capital Trusts – based on their latest available year-end data).

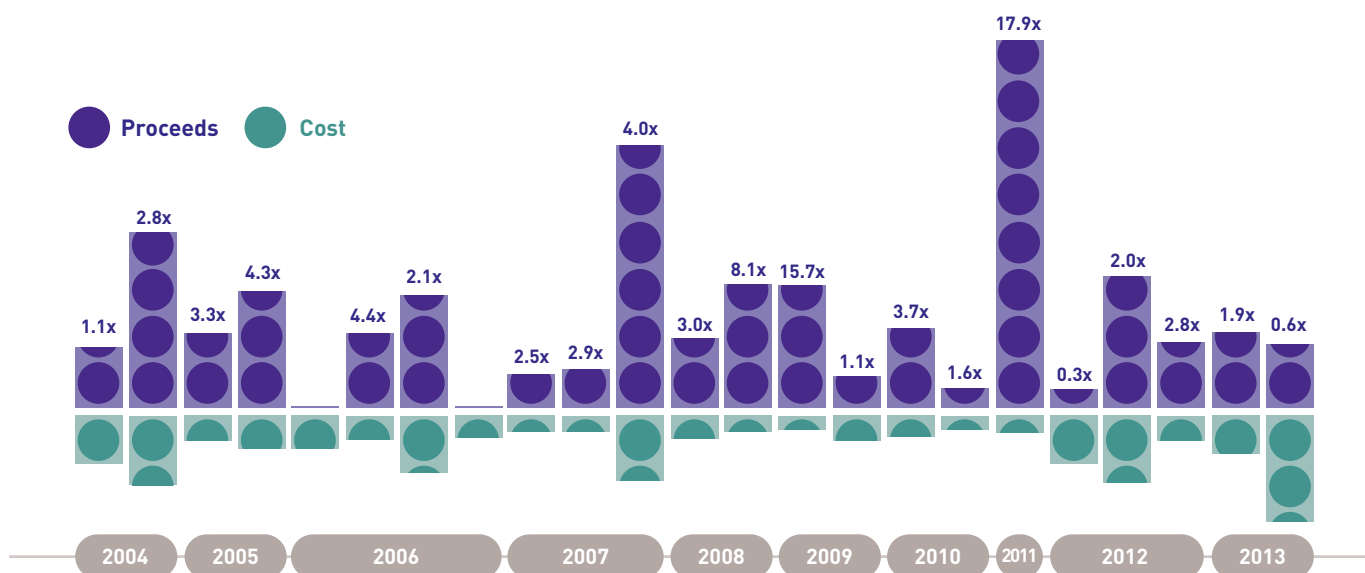
3.3 Successful private equity fund manager

YFM has a 30-year history of investing in growing businesses and has been managing and advising Venture Capital Trusts since 1996. Since 30 September 2013 YFM has been owned by its management team led by David Hall who has been responsible for the VCTs since 2003. YFM invests in businesses across a broad range of sectors where it believes there are good prospects for significantly expanding the size of those businesses, making them attractive for potential buyers or a stock market listing. YFM benefits from:

- **Highly experienced investment team** – 16 investment and portfolio staff spread across YFM's regional office network with an average of 15 years' experience each.
- **Strong levels of deal flow in the UK regions** – selectively choosing from over **200 investment opportunities** each year generated by YFM's regional office network and strong ties with the local corporate finance community.
- **Active portfolio management** – through a combination of **YFM involvement** and non-executive director **board representation**, YFM is actively involved in setting strategy, strengthening management teams, evaluating acquisitions and driving exit values.

3.4 Consistent track record of successful realisations

The 23 investments in unquoted companies realised over the last 10 years generated a total return of 2.7x cost, with over half of the exits producing a return of 2.5x cost or higher. For each of these investments, the chart below across both VCTs shows year of exit, cost versus proceeds and return as a multiple of investment cost.



Past performance of the VCTs is no guarantee of future returns and may not be repeated

3.5 Strong demand for investment in the UK regions

The improved economic climate has increased the demand for equity investment funds provided by Venture Capital Trusts. In the 12 months to 30 June 2014 and in the subsequent period to the date of this document the VCTs have:

- Completed nine new investments
- Invested in aggregate a total of £29.2 million

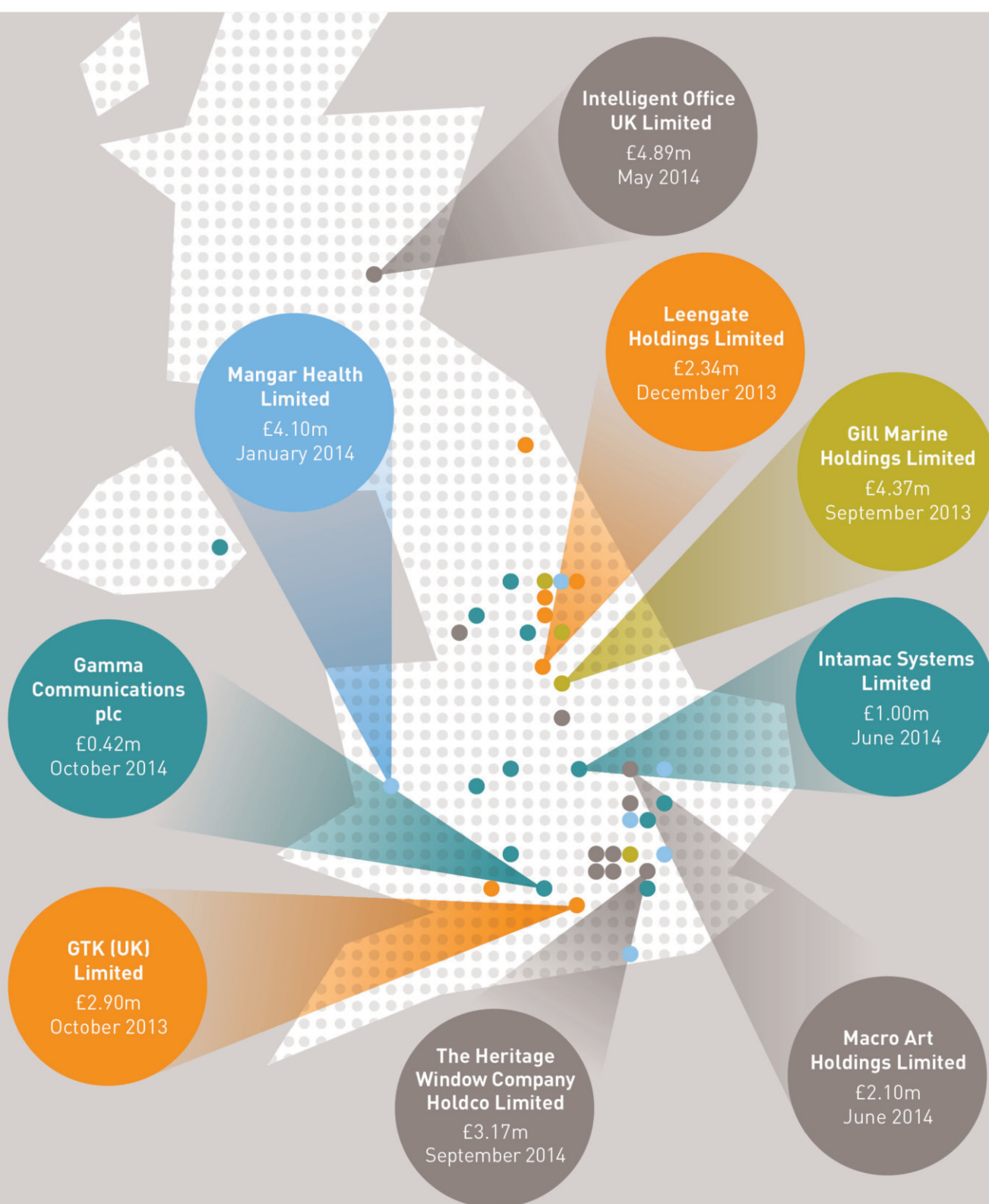
STRONG DEMAND FOR INVESTMENT IN THE UK REGIONS

The improved economic climate has increased the demand for equity investment funds provided by Venture Capital Trusts. In the 12 months to 30 June 2014 and in the subsequent period to the date of this document the VCTs have

- Manufacturing & Industrial
- Retail & Brands
- Business Services
- Software, IT & Telecomms
- Healthcare

- Completed 9 new investments
- Invested in aggregate a total of £29.2 million

The map below shows the geographical and sector diversification of the current investment portfolio and the last 9 new investments:



3.6 Strong historical performance

Dividend yield

The table below sets out the historical average annual dividend paid and yield for the ten years to 30 June 2014.

	Indicative Offer Price after 30% tax relief ¹	Average annual tax free dividend paid	Average annual tax free yield based on Indicative Offer Price ²	Gross equivalent yield ³	
				40% taxpayer	45% taxpayer
British Smaller Companies VCT plc	71.2p	7.1p ⁵	10.0%	13.4%	14.4%
British Smaller Companies VCT2 plc	44.3p	4.2p	9.5%	12.6%	13.7%
Blended (60% BSC, 40% BSC2) ⁴	57.3p	5.6p	9.8%	13.0%	14.1%

- 1 The returns shown are based on the Indicative Offer Price, applicable to Investors applying direct or through an Intermediary offering advice, where the Investor pays the fee for advice received directly to that Intermediary. This equates to 101.75p for BSC and 63.25p for BSC2 and a blended Indicative Offer Price of 81.80p, assuming Investors were to split their investment 60% BSC and 40% BSC2, multiplied by 70% to reflect the income tax relief of 30%. The Indicative Offer Price for Investors applying through an execution only broker is calculated subject to a different Offer Costs Percentage and thus the yield for such Investors will be lower than that shown here. Whatever the route of application, Investors should note they will pay the Allotment Offer Price and reclaim the tax relief separately.
- 2 The average annual tax free yields for the ten years to 30 June 2014 are 10.0% for BSC, 9.5% for BSC2 and 9.8% for a blended investment split 60:40 between the two VCTs (being a 7.1p cash dividend divided by 71.2p for BSC, a 4.2p cash dividend divided by 44.3p for BSC2 and a 5.6p cash dividend divided by 57.3p for a blended investment, in all cases assuming the Indicative Offer Price in note 1 less 30% income tax).
- 3 The gross equivalent yield for a 40% and 45% taxpayer is the yield on a UK dividend (before income tax) that would result in a net yield of 10.0% for BSC, 9.5% for BSC2 and 9.8% for a blended investment split as calculated above.
- 4 Investors in the Offers can choose which VCT to invest in but if no preference is made an investment will be split 60:40 between BSC and BSC2 respectively.
- 5 Including the special dividend of 18p per Share paid in August 2011 following the partial realisation of GO Outdoors. Excluding this payment the average dividend and annual tax free yield would have been 5.3p and 7.4% respectively and the blended average dividend and annual tax free yield would have been 4.7p and 8.2% respectively.

Total return

The table below sets out the total return for the ten years to 30 June 2014.

	Net cost ¹	NAV at 30 June 2014	Total return to date ²	Increase over net cost	IRR ³
British Smaller Companies VCT plc	45.8p	102.0p	168.6p	268.1%	20.0%
British Smaller Companies VCT2 plc	57.5p	63.2p	104.7p	82.1%	11.7%

- 1 Net cost is based on an Indicative Offer Price being calculated as the Net Asset Value at 30 June 2004, adjusted for offer costs and the initial tax relief applicable at that time of 40%.
- 2 Total return to date is cumulative dividends paid in the period plus the 30 June 2014 Net Asset Value in pence per Share.
- 3 IRR is the unaudited annual rate of return that equates the net cost at the date of the original investment with the value of subsequent dividends and the latest Net Asset Value per Share.

Total return by offer

Since December 2005, BSC and BSC2 have operated a common investment strategy. The returns from the subsequent offers for each VCT are set out in the table below.

BSC	Net cost ¹	NAV at 30 June 2014	Total return to date ²	Increase over net cost	IRR ³
Tax year of offer					
2005/06	59.7p	102.0p	162.3p	171.9%	16.7%
2006/07 & 2007/08	71.8p	102.0p	157.8p	119.8%	14.5%
2007/08 & 2008/09	74.4p	102.0p	152.8p	105.4%	15.3%
2009/10 & 2010/11	68.1p	102.0p	142.8p	109.7%	24.6%
2010/11 & 2011/12	89.6p	102.0p	136.5p	52.3%	18.3%
2011/12	69.8p	102.0p	113.5p	62.6%	26.9%
2012/13 & 2013/14	67.0p	102.0p	108.5p	61.9%	50.9%
2013/14 & 2014/15	70.5p	102.0p	102.0p	44.7%	N/A ⁴

BSC2	Net cost ¹	NAV at 30 June 2014	Total return to date ²	Increase over net cost	IRR ³
Tax year of offer					
2009/10 & 2010/11	54.1p	63.2p	82.7p	52.9%	12.2%
2010/11 & 2011/12	49.2p	63.2p	78.7p	60.0%	18.2%
2011/12	49.4p	63.2p	74.7p	51.2%	23.4%
2012/13 & 2013/14	47.6p	63.2p	70.2p	47.5%	39.7%
2013/14 & 2014/15	47.6p	63.2p	65.7p	38.0%	N/A ⁴

1 Net cost is the offer price for the relevant tax year less the income tax relief available to investors at the time of the offer.

2 Total return to date is cumulative dividends paid plus the 30 June 2014 Net Asset Value in pence per Share.

3 IRR is the unaudited annual rate of return that equates the net cost at the date of the original investment with the value of subsequent dividends and the latest Net Asset Value per Share. The initial income tax relief was 40% from April 2004 to 5 April 2006 and 30% thereafter.

4 The IRR has not been included for the 2013/14 and 2014/15 tax years because it relates to a six month period which makes the calculation meaningless.

The past performance of the Investment Adviser and of the funds it advises may not be repeated and is not a guide to the future performance of the VCTs and no projection is implied or should be inferred.

3.7 Distributable reserves

Distributable reserves of £16.57 million (BSC) and £13.43 million (BSC2) at 30 June 2014, which will be available subject to filing of the half year accounts to 30 September 2014 for BSC, will be increased by amounts available for distribution of £24.72 million and £12.21 million respectively once the next set of annual accounts for each VCT have been filed.

3.8 Well diversified and mature portfolio

The VCTs invest across a broad range of sectors, with the current split set out in the table below.

	% of venture capital investments by value		
	BSC	BSC2	Combined
Software, IT and Telecommunications	13	23	16
Business Services	29	25	28
Manufacturing and Industrial Services	27	23	26
Retail and Brands	24	15	21
Healthcare	7	14	9
Total	100	100	100

The average holding period for the 23 unquoted investments realised by the VCTs since 2004 was seven years. Holding periods vary from investment to investment, but the determining factor is based on maximising the return from each investment, with a minimum target return for each investment of 2-2.5 times cost. The table below sets out the age profile of the combined portfolio of investments. The average holding period of the investment portfolio is almost five years.

	% of venture capital investments				Total
	Less than 3 years	3-5 years	5-7 years	More than 7 years	
Combined	44	20	5	31	100

Investment Portfolios

Investment portfolios as at 30 June 2014 are summarised below:

Unquoted Investments	Sector	Description	BSC		BSC2		Total		% of net assets by value
			Cost*	Valuation	Cost*	Valuation	Cost*	Valuation	
GO Outdoors Limited: gooutdoors.co.uk	Retail & Brands	UK's biggest outdoor stores	215	6,473	–	–	215	6,473	6.1%
DisplayPlan Holdings Limited: displayplan.com	Business Services	Retail display consultancy	975	3,830	525	2,062	1,500	5,892	5.6%
Intelligent Office UK Ltd: intelligentofficeuk.com	Business Services	Support services	2,934	2,934	1,956	1,956	4,890	4,890	4.6%
President Engineering Group Ltd: pegl.co.uk	Manufacturing & Industrial	Specialist engineering products	700	4,371	–	–	700	4,371	4.1%
Gill Marine Holdings Limited: gillmarine.com	Retail & Brands	Technical sailing clothing	2,500	2,500	1,870	1,870	4,370	4,370	4.1%
Mangar Health Limited: mangar.co.uk	Manufacturing & Industrial	Healthcare equipment	2,460	2,460	1,640	1,640	4,100	4,100	3.9%
Waterfall Services Limited: waterfall-services.co.uk	Business Services	Contract catering services	100	3,164	26	792	126	3,956	3.7%
Seven Technologies Holdings Limited: seventechnologies.co.uk	Software, IT & Telecomms	Surveillance and cyber security	1,984	1,984	1,238	1,238	3,222	3,222	3.0%
GTK (UK) Limited: gtk.co.uk	Manufacturing & Industrial	Electrical components	1,650	1,650	1,084	1,084	2,734	2,734	2.6%
Leengate Holdings Limited: leengatevalves.co.uk	Manufacturing & Industrial	Industrial valves	1,401	1,401	934	934	2,335	2,335	2.2%
Macro Art Limited: macroart.co.uk	Business Services	Digital printer	1,260	1,260	840	840	2,100	2,100	2.0%
Deep-Secure Ltd: deep-secure.com	Software, IT & Telecomms	Cyber security software	1,000	1,287	500	644	1,500	1,931	1.8%
Callstream Group Limited: callstream.com	Software, IT & Telecoms	Telecom solutions	415	771	415	771	830	1,542	1.5%
Bagel Nash Group Limited: bagelnash.com	Retail & Brands, Manufacturing	Bagel bar operator and manufacturer	1,157	918	771	613	1,928	1,531	1.4%
Insider Technologies (Holdings) Limited: insidertech.co.uk	Software, IT & Telecomms	Payment and system monitoring	1,170	880	780	587	1,950	1,467	1.4%
Largest 15 unquoted venture capital investments			19,921	35,883	12,579	15,031	32,500	50,914	48.0%
Other unquoted venture capital investments			4,817	4,704	4,431	3,230	9,248	7,934	7.5%
Total unquoted venture capital investments			24,738	40,587	17,010	18,261	41,748	58,848	55.5%
Total quoted venture capital investments			2,622	3,731	2,160	2,402	4,782	6,133	5.8%
Total venture capital investments			27,360	44,318	19,170	20,663	46,530	64,981	61.3%
Fixed income securities			2,405	2,390	–	–	2,405	2,390	2.3%
Total investments			29,765	46,708	19,170	20,663	48,935	67,371	63.6%
Current assets			–	19,904	–	18,667	–	38,571	36.4%
Net assets			29,765	66,612	19,170	39,330	48,935	105,942	100.0%

* Original cost less repayments and the cost of part realisations

3.9 Tax benefits to Investors

The principal tax reliefs, which are available on a maximum annual subscription of £200,000, are set out below:

- 30% income tax rebate on your investment (subject to your total income tax bill)
- Tax free dividends and capital distributions
- Exemption from capital gains tax on any capital profit on disposal of Venture Capital Trust shares

Example of the initial income tax relief on a notional £10,000 investment

	£
Cost of investment	10,000
30% income tax relief	(3,000)
Net cost of investment	7,000
Initial value of investment:	
Subscription	10,000
Assumed issue cost	(300)
Net asset share attributable to initial investment	9,700
Initial uplift in value of investment	+2,700
Initial uplift %	+39%

This is only a brief summary on the current UK tax position of Venture Capital Trust investors. Further details are provided in Part 6. Investors are recommended to consult with their independent financial adviser as to the taxation consequences of their investment in a Venture Capital Trust. In addition, the availability of tax reliefs depends on the VCTs maintaining their Venture Capital Trust qualifying status.

3.10 Providing improved liquidity and buy-back policy

Both VCTs want to create some liquidity in the secondary market and to facilitate this they operate an active Share buy-back policy whereby Shares are bought back at a small discount to Net Asset Value. This policy and the rate of discount applied to Shares bought back are regularly reviewed. The current discount rate applied by both VCTs is targeted to be no more than 10%.

Part 4: The Offers

4.1 Introduction to the Offers

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 oversubscribed, they may be increased at the discretion of the VCTs by a further £10 million. 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% to BSC and 40% to BSC2. The Offers are conditional upon the approval by Shareholders of the Offer Agreement at the General Meetings.

4.2 Investment policy

The investment policy of each VCT is to create a portfolio that blends a mix of businesses operating in traditional industries with those that offer opportunities in the application and development of innovation. Investing across a range of companies and sectors reduces exposure to particular markets and individual companies.

To this end the VCTs will invest in UK businesses across a broad range of sectors including Software, IT and Telecommunications, Retail and Brands, Business Services, Manufacturing and Industrial Services and Healthcare and these investments will primarily be in established unquoted companies (including those quoted on AIM and ISDX), which meet the definition of a Qualifying Investment so as to maintain the VCT's Venture Capital Trust status. Although the majority of investments will normally be in equity, preference shares and loan stock may be subscribed for to enhance the security of the portfolio and to achieve a balance of income and capital growth with regard to the VCT Regulations.

4.3 Co-investment policy

The VCTs have first choice of all investment opportunities requiring up to £4.5 million of equity. Amounts above £4.5 million may 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 proposed basis for allocation is 60% to BSC and 40% to BSC2. The Board of each of the VCTs and the co-investment fund has the discretion as to whether to take up their allocation in such co-investment opportunities.

4.4 The Investment Team

David Hall – Managing Director

- Chairman of YFM's Investment and Portfolio Committee
- 26 years of private equity, venture capital and fund management experience
- Has led YFM since 2003
- Economics graduate and Chartered Accountant, qualifying with PwC



David Bell – Portfolio Director

- Has led YFM's portfolio management activities since 2009
- 15 years of private equity, venture capital and fund management experience
- Previously 10 years at 3i, latterly as a Portfolio Director
- First class degree in Mathematics from Imperial College



Paul Cannings – Director

- Responsible for making and managing investments
- 24 years of private equity, venture capital and fund management experience
- Joined YFM in 2005, previously 14 years at 3i, latterly as Director of the small buy-out and growth capital teams in London
- First class degree in Economics from Bristol University and Chartered Accountant, qualifying with PwC



David Gee – Director of Investments

- Responsible for making and managing investments
- 26 years of private equity, venture capital and fund management experience
- Maths graduate and Chartered Accountant, qualifying with Grant Thornton



4.5 Directors

The Directors of the VCTs, all of whom are non-executive, are as follows:

British Smaller Companies VCT plc

Helen Sinclair (Chairman) 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 MBOs and growth capital investments. She later co-founded Matrix Private Equity Partners Limited (now Mobeus) in early 2000 raising Mobeus Income & Growth 2 VCT plc (formerly Matrix e-Ventures VCT plc). She subsequently became managing director of Matrix Private Equity Partners Limited 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, Mobeus Income & Growth 4 VCT plc, Spark Ventures plc and Downing One VCT plc and chairs the investment committees of the Third Sector Loan Fund and the Community Investment Fund, both part of Social & Sustainable Capital LLP.



Philip Cammerman has an engineering degree from Imperial College and an MBA from Stanford University. He has over twenty 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 26 years in the venture capital industry and was chairman of YFM Private Equity 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 and a number of smaller private businesses.



Edward Buchan 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 a senior adviser in corporate finance at Edmond De Rothschild Securities and is a non-executive director of Wallem Group Limited, an international ship management and shipping services company based in Hong Kong.



British Smaller Companies VCT2 plc

Richard Last (Chairman) is a Fellow of the Institute of Chartered Accountants in England and Wales with substantial experience in the IT software and services sectors, and is chairman and non-executive director of Servelec Group plc, which is listed on the main market of the London Stock Exchange. He is also a chairman and non-executive director of Gamma Communications plc (a telecoms company), Lighthouse Group plc (a financial services group) and Arcontech Group plc (a financial software business) and a non-executive director of Corero Network Security plc, all AIM listed. In addition he is a director of a number of private companies including APD Communications Limited (an IT company), Learn Solutions Limited (an online tutoring business), both of which he is chairman of, and Waste Management Solutions Limited (a waste logistics business).



Robert Pettigrew has more than 20 years experience in the development of emerging businesses and, in particular, the commercial exploitation of new technologies. He co-founded The Generics Group of companies (renamed Sagential) in 1986, which is one of the country's leading technology consulting and investment groups and was a key member of the team that took the company public in December 2000. He retired from The Generics Group at the end of 2002 to pursue independent investment activities. He currently is an investor-director and non-executive chairman of Sunamp Limited and Odos Imaging Limited and non-executive director of Acal Energy Limited and Nightingale-EOS Limited.



Peter Waller is an experienced chairman and director with extensive UK and international executive experience in the IT technology, software and services sector. He initially worked with IBM and Hitachi then with Spring plc, at that time one of the UK's largest recruitment and training businesses. He is currently chairman of KeyPoint Technologies (UK) Limited, director and founder of Turnberry Management Company Limited and non-executive director of BCS Learning & Development Limited. For the past decade Peter has worked as a board member with a succession of early stage and early growth private and public companies. His particular skills are in sales and marketing and working with companies to develop successful sales growth strategies.



The present aggregate shareholdings of the Directors in the VCT of which they are directors are as follows:

BSC		Present aggregate Shareholding
Name		
Helen Sinclair		17,004
Edward Buchan		12,231
Philip Cammerman		67,975

BSC2		Present aggregate Shareholding
Name		
Richard Last		126,882
Robert Pettigrew		58,759
Peter Waller		25,979

Further details of the Directors can be found in the Registration Document.

4.6 Costs of the Offers

Under rules introduced on 1 January 2013, Financial Advisers are no longer permitted to receive commission from providers of investment products. Remuneration for their services now has to come from their clients through Adviser Charges. These rules do not apply to authorised intermediaries who do not offer advice to their clients (sometimes known as execution only brokers), who will continue to be able to receive commission, subject to any future changes in the rules and regulations.

The VCTs will apply a different Offer Costs Percentage depending on which of these two categories the Intermediary falls into. For applications through execution only brokers, the VCTs will pay the Investment Adviser a fee of 5.0 per cent of the relevant gross funds raised. For applications through Financial Advisers or for direct applications the VCTs will pay the Investment Adviser a fee of 3.0 per cent of the relevant gross funds raised. This represents a 0.5 per cent reduction in Offer costs compared to last year's offers. The above fees are subject to the approval by Shareholders of the Offer Agreement at the General Meetings.

The initial costs of the Offers are, therefore, made up of an initial fee borne by the VCTs (calculated by applying the Offer Costs Percentage to each Applicant's gross subscription proceeds) plus an Adviser Charge borne by the Applicant (where applicable). The Investment Adviser will be liable for all other initial costs and expenses arising from the Offers, including the Bonus Shares and any permissible initial Intermediary commission payable (save for trail commission, for which the VCTs will be responsible).

The number of Offer Shares issued to an Investor depends on the level of the Adviser Charge agreed with their Intermediary, their entitlement to Loyalty Bonus Shares or New Investor Bonus Shares and whether their Intermediary chooses to waive any commission (if applicable).

Bonus shares for existing Investors in either BSC or BSC2

Applications from existing Shareholders in the VCTs (or their spouses or civil partners) received and accepted on or before Wednesday 31 December 2014 will attract additional Offer Shares equivalent to 1.0 per cent of the amount subscribed in each VCT. Applications received and accepted after Wednesday 31 December 2014 but on or before Saturday 28 March 2015 will attract additional Offer Shares equivalent to 0.75 per cent of the amount subscribed in each VCT. The cost of the Loyalty Bonus Shares will be met by the Investment Adviser and will not, therefore, be an additional charge to the VCTs.

Bonus shares for new Investors in either BSC or BSC2

Applications from Investors who are not existing Shareholders in the VCTs received and accepted on or before Saturday 28 March 2015 will attract additional Offer Shares equivalent to 0.5 per cent of the amount subscribed in each VCT. The cost of the New Investor Bonus Shares will be met by the Investment Adviser and will not, therefore, be an additional charge to the VCTs.

Adviser Charges

The VCTs have agreed to facilitate the payment of one off Adviser Charges, by accepting instructions from an Investor to deduct the amount of the fee agreed by them with their Financial Adviser, from the amount they send to the relevant VCT. Ongoing fees to Intermediaries will not be facilitated by the VCTs. Investors who wish the relevant VCT to facilitate the payment of a fee in this manner are required to specify the amount of the charge in Part (i) of Section 5 of the Application Form, and the Adviser Charge will be paid to the relevant Financial Adviser on behalf of the Applicant from an equivalent amount due to the Applicant from the relevant VCT. The Investor will be issued fewer Offer Shares (to the equivalent value of the Adviser Charge) through the pricing formula set out below. Where the Adviser Charge stated on the Application Form is inclusive of VAT, the Investor may remain liable for the VAT element thereof.

Income tax relief should still be available on the total amount subscribed, before deduction of Adviser Charges, subject to VCT Regulations and personal circumstances.

Commissions

Initial commission may be payable by the VCTs (although the Investment Adviser ultimately bears the cost for such commissions) in respect of Applications received through execution only brokers. Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2.0% of the amount invested by their clients under the Offers. Provided that the VCTs agree to pay trail commission, 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 the Intermediary can be paid total trail commission of up to 3.0% 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.

Where initial commission is payable, the Intermediary may agree to waive all or part of the initial commission in respect of an application. If this is the case, additional Offer Shares will be allotted to the Investor at the relevant Offer Price for each VCT and the waived commission will be used to satisfy the subscription price of such additional Offer Shares. Execution only brokers must indicate on the Application Form the basis on which they wish to receive their commission.

4.7 Pricing of the Offers

As the VCTs are currently trading, in order to be fair to both existing and new Shareholders, Offer Shares will be allotted by reference to the Net Asset Values of the existing Ordinary Shares. The Offer Prices will be calculated by the Investment Adviser by reference to the most recently published Net Asset Values as at the date of allotment, adjusted for any dividend declared and in respect of which no adjustment has been made to that Net Asset Value (a "Dividend") and for the costs of the Offers (rounded up to the nearest 0.25 pence).

The number of Offer Shares to be issued to each Applicant in each VCT will be calculated based on the following pricing formula (rounded down to the nearest whole Offer Share):

$$\text{Number of Offer Shares}^1 = \left\{ \begin{array}{l} \text{Amount subscribed} \\ \text{less (i) Adviser Charge (if any)} \\ \text{add (ii) Commission waived by Intermediaries (if any)} \end{array} \right\} \div \left\{ \begin{array}{l} \text{Latest published} \\ \text{NAV per Ordinary Share}^2 \\ \text{divided by (100\% - Offer Costs} \\ \text{Percentage)} \end{array} \right\}$$

1 Applications from existing Shareholders in 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. Applications from existing Shareholders in 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. Applications from Investors who are not existing Shareholders in the VCTs received and accepted on or before 28 March 2015 will attract additional Offer Shares equivalent to 0.5 per cent of the amount subscribed in each VCT. The cost of these additional Offer Shares will be met by the Investment Adviser and will not, therefore, be an additional charge to the VCTs.

2 After deducting any dividends declared but not received by Investors and not already deducted from the NAV.

Income tax relief should be available on the total amount subscribed, subject to VCT Regulations and personal tax circumstances.

The Indicative Offer Price for BSC is 103.75p for applications through execution only brokers and 101.75p for applications through Financial Advisers or for direct applications. The Indicative Offer Price for BSC2 is 64.5p for applications through execution only brokers and 63.25p for Applications through Financial Advisers or for direct applications. The Allotment Offer Price will not exceed or be less than the price as determined by the above formula.

The Indicative Offer Prices are calculated based on the latest reported Net Asset Values as at the date of this document being 30 June 2014, adjusted for dividends declared and subsequently paid and the costs of the Offers.

On 1 August 2014 BSC paid a final dividend in respect of the year ended 31 March 2014 of 3.5 pence per share. On 7 October 2014 BSC2 paid an interim dividend in respect of the year ended 31 December 2014 of 2.0 pence per share.

4.8 Charges

Annual advisory and administration costs

The Investment Adviser is entitled to receive an annual investment advisory fee, payable quarterly in advance and calculated at half yearly intervals as set out below. The Investment Adviser may charge arrangement fees, in line with industry practice, to companies in which it invests and it, not the VCTs, is responsible for all costs incurred on transactions which do not proceed to completion.

BSC Terms	Half Yearly/Yearly Interval
2.0% of Net Assets	31 March/30 September

BSC2 Terms	Half Yearly/Yearly Interval
2.50% of Net Assets up to £16 million	31 December/30 June
1.25% of Net Assets over £16 million and up to £26.667 million	
2.00% over £26.667 million ¹	

¹ The Net Asset Value at 30 June 2014 is £39.3 million and therefore the overall advisory fee equates to 2%.

The Investment Adviser also provides secretarial and administrative services to both VCTs for annual fees at a current level of £59,133 and £60,054 (subject to annual adjustment in line with RPI) for BSC and BSC2 respectively.

Performance incentive fee

In line with normal Venture Capital Trust practice, the Investment Adviser is entitled to receive a performance related incentive fee paid in cash. For BSC, the Investment Adviser will receive an incentive payment equal to 20 per cent of the amount by which dividends paid in the relevant accounting period exceed 4.0 pence per Share (increasing in line with RPI), subject to cumulative shortfalls (currently Enil) in any prior accounting period being made up. As at 31 March 2014, the adjusted target was 4.7 pence per Share, and the calculation was verified by BSC's auditors. The incentive payment is also conditional upon the average Net Asset Value being not less than 94.0 pence per Share in the relevant accounting period, 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 of each VCT in any financial year is no greater than five per cent of its net asset value at the end of the financial year (as adjusted for all realised gains that have been distributed during that year (the "Total Expenses Ratio")). Any unpaid incentive payment will be carried over to subsequent financial years and be included in the calculation of the Total Expenses Ratio. Further details are given on page 44 of the Registration Document.

For BSC2, the Investment Adviser will receive an amount (satisfied by the issue of Shares) equivalent to 20 per cent of the amount by which the cumulative dividends paid as at the last business day in December in any year plus the middle market quotation per Share exceeds 120 pence per Share on that same day, multiplied by the number of Shares in issue and the Shares under option (if any). These subscription rights are exercisable in the ratio 95:5 between the Investment Adviser and Chord Capital Limited. Further details are given on page 45 of the Registration Document.

Reduced annual costs

Following the closing of the Offers, expected to be on 30 April 2015, the Total Expenses Ratio for each VCT, excluding any performance related fees, VAT and trail commission payable to Intermediaries, will be capped at 2.9 per cent of their respective Net Assets as at the relevant financial year end, a reduction from 3.25 per cent in the previous year. Any costs above this level are borne by the Investment Adviser, by way of a reduction in its fees.

Those Intermediaries who are permitted to receive commission will receive total trail commission from the relevant VCT of up to 3.0 per cent (over a period of up to six years) of the amount invested by their clients under the Offers as agreed with the Investment Adviser for so long as regulations permit.

4.9 The Offers and minimum and maximum subscription

The Offers are to raise up to £30 million in aggregate and if they are oversubscribed they may be increased by a further £10 million at the discretion of the VCTs up to a maximum of £40 million funds raised, in aggregate. In the event that applications are received in excess of the maximum subscription under the Offers, the Directors reserve the right to use their absolute discretion in the allocation of successful applications. The results of the Offers will be announced through a Regulatory Information Service within 3 Business Days of the closing of the Offers.

The maximum proceeds for the VCTs before issue costs are estimated to be £24 million for BSC and £16 million for BSC2, subject to raising in aggregate a maximum of £40 million and assuming that the proceeds are split as to 60:40 between BSC and BSC2. The maximum amount payable by the VCTs in respect of the Offers will be 5.0 per cent, as set out in paragraph 4.6 above and, therefore, the maximum costs and net proceeds on the above assumptions will be £1.2 million and £22.8 million respectively for BSC and £0.8 million and £15.2 million respectively for BSC2. The Offers are structured so as to allow Investors to invest in both the 2014/2015 and 2015/2016 tax years. The number of Offer Shares to be issued to Applicants will be calculated in accordance with the pricing formula set out on page 21. The Offers are not underwritten and there is no minimum subscription level for the Offers to proceed. Multiple applications are permitted. The maximum net proceeds, on the basis that the Offers are fully subscribed, the costs of the Offers are 3.0 per cent and subscriptions are split as per the default allocation set out in the paragraph below will be £17.46 million for BSC and £11.64 million for BSC2, assuming £30 million is raised under the Offers, and £23.28 million for BSC and £15.52 million for BSC2 assuming £40 million is raised under the Offers.

The minimum application per Investor under the Offers is £6,000 across both VCTs (before any Adviser Charges that the Applicant may be liable to pay to their financial Intermediary) which can be allocated across the 2014/2015 and 2015/2016 tax years if desired. The participation by BSC and BSC2 in the Offers is conditional on the approval by its Shareholders of Resolution 1 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, Applicants are free to choose how the entire subscription is allocated and if Applicants do not wish to exercise that choice the subscription will be allocated 60 per cent to BSC and 40 per cent to BSC2. 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.

Applications in excess of £6,000 may be made for any higher amount in multiples of £1,000, subject to availability. There is no maximum investment although tax reliefs are only available on a maximum investment of £200,000 per individual in Venture Capital Trusts in any one tax year. A husband and wife can each invest up to £200,000 in any one tax year with each enjoying the tax reliefs.

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. It is expected that such admission will become effective and that dealings in the Ordinary Shares will commence within ten Business Days of their allotment. The Offer Shares will be created under the Act, issued on a fully paid up basis and in registered form and temporary documents of title will not be issued. Evidence of title will be through possession of a share certificate in the Shareholder's name. Alternatively, the Shares may be held in an account through the CREST system. The Offer Shares will be transferable in both certificated and uncertificated form. The VCTs will apply for the Offer Shares to be admitted to CREST and it is expected that the Offer Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred. Upon receipt of their new share certificate(s), Shareholders wishing to dematerialise their shares into CREST should contact their broker who can advise on the CREST stock deposit procedure. Share and tax certificates are expected to be posted to Shareholders within ten Business Days of each allotment. The ISIN of the BSC Ordinary Shares is GB0001403152. The ISIN of the BSC2 Ordinary Shares is GB0005001796.

The Offers may not be withdrawn after dealings in the Offer Shares have commenced. In the event of any requirement for either of the VCTs to publish a supplementary prospectus, Applicants who have yet to be entered into that VCT's register of members will be given two days to withdraw from their subscription. Applicants should note, however, that such withdrawal rights are a matter of law that is yet to be tested in the courts of England and Wales and Applicants should, therefore, rely on their own legal advice in this regard. In the event that notification of withdrawal is given by post, such notification will be effected at the time the Applicant posts such notification rather than at the time of receipt by the VCT.

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 Offers and 11.00 am on Thursday 30 April 2015 in relation to the 2015/2016 Offers (or such later date to which the Directors extend the 2015/2016 Offers 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 than the Business Day following the allotment.

4.10 Documents available for inspection and Prospectus

Copies of the following documents are available for inspection at the VCTs' registered office (below) and at the offices of Howard Kennedy at 19 Cavendish Square, London W1A 2AW, during normal business hours on any weekday (Saturdays and public holidays excepted) while the Offers remain open:

- (i) the Articles of each VCT;
- (ii) the Directors' letters of appointment referred to in paragraph 3.9 of Part 5 of the Registration Document;
- (iii) the audited accounts of BSC for the periods ended 31 March 2012, 31 March 2013 and 31 March 2014 and the audited accounts of BSC2 for the periods ended 31 December 2011, 31 December 2012 and 31 December 2013 and the interim financial statements of BSC2 for the 6 month periods to 30 June 2013 and 30 June 2014;
- (iv) the Circular; and
- (v) this document, the Registration Document and the Summary.

A copy of the Prospectus has been submitted to the National Storage Mechanism and is available to the public for viewing online at the following web site address: <http://www.hemscott.com/nsm.do>. Copies of the Prospectus may also be obtained, free of charge, whilst the Offers remain open, from the registered office of the VCTs.

Contact

Registered Office: 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS

Tracey Nice

Investment Services Manager

T: 0113 261 6478 **E:** tracey.nice@yfmepl.com **W:** bscfunds.com



Part 5: Additional Information

1. Rights and restrictions on share capital

The Articles of the VCTs (for the purpose of this Part 5 section 1 the “Companies” and each a “Company”) include the following details of the rights attaching to the Offer Shares:

(a) Dividends and other distributions

The Company may in a General Meeting, by ordinary resolution, declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividends or other monies payable in respect of a share shall bear interest as against the Company. There are no fixed dates on which entitlement to dividend arises. The Directors may with the sanction of an ordinary resolution of the Company offer the shareholders the right to elect to receive shares credited as fully paid instead of cash in respect of the whole or part of a dividend.

All dividends unclaimed for a period of twelve years after being declared or becoming due for payment shall be forfeited and shall revert to the Company.

(b) Voting rights

Subject to any disenfranchisement as provided in paragraph 1(g) below and subject to any special terms as to voting on which any shares may be issued, on a show of hands or by proxy every member present in person (or, being a corporation, present by a duly authorised representative) shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

(c) Variation in rights

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated with the sanction of a special resolution passed at a separate meeting of such holders.

(d) Changes in share capital

- (i) Without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, in the absence of such determination, as the Directors may determine. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are liable, to be redeemed.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, subdivide its shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount so cancelled or the amount of the reduction.
- (iii) Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act, purchase its own shares.

(e) Transfer of shares

The shares are in registered form and are freely transferable. All transfers of shares in certified form must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer of a share shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. All transfers of shares which are in uncertificated form may be effected by means of a relevant system. The Directors may refuse to register any transfer of a partly-paid share, provided that such refusal does not prevent dealings taking place on an open and proper basis, and may also refuse to register any instrument of transfer unless:

- (i) it is duly stamped (if so required), is lodged with the Company’s registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates (save in the case of a transfer by a person to whom no certificate was issued) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) it is in respect of only one class of share; and
- (iii) the transferees do not exceed four in number.

(f) Distribution of assets on liquidation

On a winding-up any surplus assets will be divided amongst the holders of the shares according to the respective number of shares held by them and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges. The Articles provide that the liquidator may, with the sanction of a special resolution and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

(g) Disclosure of interests in shares

If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such a member or other person to supply the Company in writing all or any such information as is referred to in Section 793 of the 2006 Act, the Directors may, for such period as the default shall continue, impose restrictions upon the relevant shares. The restrictions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and, additionally, in the case of a shareholder representing at least 0.25 per cent by nominal value of any class of shares of the Company then in issue, the withholding of payment of any dividends on, and the restriction of transfer of, the relevant shares.

2. Investor profile

A typical Investor for whom the Offers are designed is a UK income tax payer 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 set out at the front of 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.

3. Overseas investors

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase Offer Shares unless, in such territory, such offer or invitation could lawfully be made. It is the responsibility of any person outside the UK wishing to make an application to satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All Applicants under the Offers will be required to warrant that they are not a US person as defined under the United States Securities Act 1933, nor a resident of Canada, Australia, Japan, or the Republic of South Africa.

4. Shareholder authorities – BSC

- (i) By an ordinary resolution passed on 22 July 2014** the directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of BSC to allot shares in BSC or to grant rights to subscribe for or to convert any security into shares in BSC up to an aggregate nominal amount of £3,000,000 representing approximately 46 per cent of the share capital in issue as at 12 June 2014 (excluding treasury shares) provided that this authority shall, unless renewed, varied or revoked by BSC, expire on the conclusion of the Annual General Meeting of BSC held in 2016, but so that this authority shall allow BSC to make before the expiry of this authority offers or agreements which would or might require shares to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry. All previous authorities to allot given to the directors, other than the authority granted pursuant to resolution 11 (authority to allot shares in respect of the dividend re-investment scheme) at the general meeting of BSC held on 19 July 2013, were revoked provided that such revocation shall not have retrospective effect.
- (ii) By an ordinary resolution passed on 22 July 2014** in addition to the authority granted to the directors pursuant to resolution (iii) below at the Annual General Meeting of BSC held on 19 July 2013, the directors of BSC were authorised in accordance with article 166 of the BSC's articles of association, to extend their ability to offer holders of shares in BSC, pursuant to BSC's dividend re-investment scheme, the right to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part to be determined by the directors) of all or any dividend declared during the period commencing immediately after the beginning of the Annual General Meeting in 2018 and ending on 31 December 2020.
- (iii) By a special resolution passed on 22 July 2014** the directors were empowered in accordance with section 570(1) of the Act to allot or make offers to or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to the general authority conferred upon the directors in resolution (i) above, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this resolution shall

expire on the conclusion of the annual general meeting of BSC to be held in 2016 (unless renewed, varied or revoked by BSC in a general meeting). All previous authorities to allot given to the directors, other than the authority granted pursuant to resolution 13 (authority to allot shares in respect of the dividend re-investment scheme) at the Annual General Meeting of BSC held on 19 July 2013, be and are hereby revoked provided that such revocation shall not have retrospective effect.

(iv) **By a special resolution passed on 22 July 2014** that in substitution for any existing authority but without prejudice to the exercise of any such power prior to the date hereof, the directors were generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10 pence in the capital of the BSC provided that:

- (1) the maximum aggregate number of ordinary shares that may be purchased is 9,828,153 being 14.99 per cent of the issued ordinary shares (excluding treasury shares) as at 12 June 2014;
- (2) The maximum price (excluding expenses) which may be paid for an ordinary share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
- (3) The minimum price (excluding expenses) which is paid for an ordinary share is its nominal value;
- (4) This authority shall take effect from 22 July 2014 and shall expire at the conclusion of BSC's Annual General meeting in 2017 or on 22 July 2017, whichever is the later; and
- (5) BSC may make a contract or contracts to purchase ordinary shares under this authority before the expiry of the authority, which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

(v) **By a special resolution passed on 22 July 2014** that, subject to the sanction of the High Court of Justice, the amount standing to the credit of the share premium account of BSC at the date that the court order granting the cancellation is made, was authorised to be cancelled.

(vi) **By a special resolution passed on 22 July 2014** that, article 191 of BSC's articles of association was amended and the reference to "in 2020" in line 1 was substituted with "after the later of i) 31 March 2020 and ii) the fifth anniversary of the last allotment of shares (from time to time) in the Company"

5. Shareholder authorities – BSC2

(i) **By an ordinary resolution passed on 19 May 2014** in addition to the existing authorities (to the extent unused) given to the directors at the General Meeting on 18 February 2014 pursuant to resolutions 1 and 2, the directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of BSC2 to allot shares in BSC2 or to grant rights to subscribe for or to convert any security into shares in BSC2 up to an aggregate nominal amount of £464,436 representing approximately 10 per cent of the share capital in issue as at 28 March 2014 (excluding treasury shares) provided that this authority shall, unless renewed, varied or revoked by BSC2, expire on the later of the date which is 15 months from the date hereof or the date of the next annual general meeting of BSC2, but so that this authority shall allow BSC2 to make before the expiry of this authority offers or agreements which would or might require shares to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry. This revokes the authority granted at the Annual General Meeting on 20 May 2013 pursuant to resolutions 8 and 9, provided that this resolution shall not have the effect of revoking that authority with retrospective effect.

(ii) **By a special resolution passed on 19 May 2014** in addition to the existing authorities (to the extent unused) given to the directors at the General Meeting on 18 February 2014 pursuant to resolution 3 the directors were empowered in accordance with section 570(1) of the Act during the period commencing on the passing of this resolution and expiring, unless renewed, varied or revoked by BSC2, on the later of the conclusion of BSC2's next annual general meeting or the expiry of 15 months following the passing of this resolution, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in resolution (i) above, or by way of a sale of treasury shares, as if section 561 of the Act did not apply to such allotment provided that this power is limited to the allotment of equity securities in BSC2 up to an aggregate nominal amount of £464,436 representing approximately 10 per cent of the issued share capital of BSC2 as at 28 March 2014 (excluding treasury shares), but so that this authority shall allow BSC2 to make offers or agreements before the expiry of such powers and the directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 560(2) of the Act as if in this resolution the words "pursuant to the general authority conferred upon the directors in resolution (i) above" were omitted. This revokes the authority granted at the Annual General Meeting on 20 May 2013 pursuant to resolutions 8 and 9, provided that this resolution shall not have the effect of revoking that authority with retrospective effect.

(iii) **By a special resolution passed on 19 May 2014** that in substitution for any existing authority but without prejudice to the exercise of any such power prior to the date hereof, the directors were generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10 pence in the capital of BSC2 provided that:

- (1) The maximum aggregate number of ordinary shares that may be purchased is 6,961,890 being 14.99 per cent of the issued ordinary shares as at 28 March 2014;
- (2) The maximum price which may be paid for an ordinary share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
- (3) The minimum price which is paid for an ordinary share is its nominal value;
- (4) This authority shall take effect from 19 May 2014 and shall expire at the conclusion of BSC2's Annual General meeting in 2015 or 19 May 2016, whichever is the later; and
- (5) BSC2 may make a contract or contracts to purchase ordinary shares under this authority before the expiry of the authority, which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

The following Resolutions will be proposed at the General Meeting.

Ordinary Resolutions

- (1) THAT the authorised share capital of the Company be and hereby is increased from £7,500,000 to £16,500,000 by the creation of 90,000,000 ordinary shares of 10p each in the capital of the Company, having attached thereto the rights and privileges and being subject to the limitations and restrictions set out in the Articles of Association of the Company.
- (2) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot Shares in the Company or to grant rights to subscribe for or to convert any security into Shares in the Company in connection with:
 - (i) the Offers, up to an aggregate nominal amount of £3,000,000;
 - (ii) an offer of securities by way of a rights issue;
 - (iii) the allotment for cash (otherwise than pursuant to sub-paragraphs (i) to (ii) above) of equity securities up to an aggregate nominal amount of 10 per cent of the issued Ordinary Share capital of the Company immediately following the final closing of the Offers,

during the period commencing on the passing of this Resolution and expiring on the later of 15 months from the date hereof or the next annual general meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted, or rights to subscribe for or to convert any security into Shares to be granted, after such expiry and that all previous authorities given to the Directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

- (3) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot shares in the Company in connection with the dividend re-investment scheme up to an aggregate nominal amount of £876,763 representing approximately 14 per cent of the share capital in issue as at 20 October 2014 (excluding treasury shares) during the period commencing on the passing of this Resolution and expiring on the fifth anniversary of this Resolution (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted after such expiry and that all previous authorities given to the Directors to allot shares in connection with the dividend re-investment scheme be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

Special Resolutions

- (4) THAT the Directors be and are hereby empowered in accordance with Section 570(1) of the Act during the period commencing on the passing of this Resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the Resolution, whichever is the later, (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the Directors in Resolution (2) above as if Section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with:
 - (i) the Offers;

(ii) an offer of securities by way of a rights issue;

(iii) the allotment for cash (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal amount of 10 per cent of the issued share capital of the Company immediately following the final closing of the Offers,

but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. This power applies in relation to a sale of Shares which is an allotment of equity securities by virtue of Section 560(2) of the Act as if in the first paragraph of this Resolution the words "pursuant to the general authority conferred upon the Directors in resolution (1) above" were omitted;

- (5) THAT the Directors be and are hereby empowered in accordance with section 570(1) of the Act during the period commencing on the passing of this Resolution and expiring on the fifth anniversary of this Resolution (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the Directors in Resolution (2) above as if section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the dividend re-investment scheme up to an aggregate nominal amount of £876,763 representing approximately 14 per cent of the share capital in issue as at 20 October 2014 (excluding treasury shares) but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

6. Dilution

The maximum number of Offer Shares, assuming a subscription of £40,000,000, an Indicative Offer Price per Share of 101.75p and of 63.25p 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 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.

7. Working capital statements

BSC is of the opinion that its working capital is sufficient for its present requirements, that is for at least 12 months from the date of this document.

BSC2 is of the opinion that its working capital is sufficient for its present requirements, that is for at least 12 months from the date of this document.

8. Capitalisation and indebtedness

Neither VCT has any indebtedness, whether guaranteed, unguaranteed, secured, unsecured, direct or contingent as at the date of this document nor do the Boards have any intention to incur such indebtedness in the foreseeable future.

The capitalisation of the VCTs, extracted from the unaudited interim management account information (for BSC) and the unaudited interim financial report (for BSC2) for the period to 30 June 2014, is set out in the table below.

Shareholders equity	BSC £000	BSC2 £000
Share capital	6,803	6,411
Share premium	26,811	13,736
Revenue reserve	673	350
Capital reserve*	16,150	13,376
Investment holding gains (losses)	15,954	(158)
Other reserves**	221	5,615
Total	66,612	39,330

* includes special reserve, realised capital reserve and treasury reserve

** includes capital redemption reserve, treasury reserve, merger reserve (BSC2 only)

On 8 October 2014 court orders were granted in respect of the cancellation of the VCTs' share premium accounts (£26.81 million for BSC and £13.55 million for BSC2) and the credits arising will be transferred to the capital reserve of the relevant VCT. Save in this regard there has been no material change to the capitalisation of the VCTs since 30 June 2014.

9. Third party information

All third party information in the Prospectus has been identified as such by reference to its source and in each instance has been accurately reproduced and, so far as the VCTs are aware and are able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

10. Mandatory bids, squeeze-out and sell-out rules relating to the Shares

The City Code on Takeovers and Mergers (the "City Code") applies to each VCT. Under Rule 9 of the City Code, if:

- (a) a person acquires an interest in shares in a company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent or more of the voting rights in the company; or
- (b) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent and not more than 50 per cent of the voting rights in the company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquiror and, depending on the circumstances, his concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the company at a price not less than the highest price paid for any interests in its shares by the acquiror or his concert parties during the previous 12 months. Under sections 974 – 991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to holders of outstanding shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the company, which would hold the consideration on trust for the holders of outstanding shares. The consideration offered to the holders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer. In addition, pursuant to Section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer. The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

11. Use of the Prospectus

- (a) The VCTs and the Directors consent to the use of the Prospectus by financial intermediaries, from the date of the Prospectus until the close of the Offers, and accept responsibility for the information contained therein, with respect to subsequent resale or final placement of securities by financial intermediaries. The Offers are expected to close on or before 30 April 2015, unless previously extended by the Directors to a date no later than 19 October 2015. Financial intermediaries may use the Prospectus only in the UK.
- (b) **Information on the terms and conditions of the Offers will be given to Investors by financial intermediaries at the time that the Offers are introduced to Investors. Any financial intermediary using the Prospectus must state on its website that it is using the Prospectus in accordance with the consent set out in paragraph 11(a) above.**

12. General

- (a) As at 30 June 2014 BSC's unaudited Net Asset Value was 102.0 pence per Share and as at 30 June 2014 BSC2's unaudited Net Asset Value was 63.2 pence per Share.
- (b) The Offer Shares are created under the Act, are denominated in sterling and are in registered form. The VCTs' share registers are kept by Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Evidence of title to the Offer Shares will be through possession of a share certificate in the Shareholder's name. Alternatively Offer Shares may be held in an account through the CREST system.
- (c) No tax is withheld on dividends paid, and the VCTs do not assume responsibility for the same.
- (d) Neither VCT is aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over it.
- (e) Save as disclosed in paragraph 5.17 of Part 5 of the Registration Document, there are no potential conflicts of interest between the duties of any Director to the VCTs and their private interests and/or other duties.

Part 6: Taxation

Tax reliefs for individual Investors resident in the UK

Individuals who subscribe for Offer Shares 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 Venture Capital Trust 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 per cent for investments in the tax years 2014/15 and 2015/16, although this relief will be withdrawn if either the Shares are disposed of 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. HMRC has confirmed that the Ordinary Shares are eligible Venture Capital Trust shares for the purposes of this section. There are restrictions on the ability to claim income tax relief on subscription for shares in a Venture Capital Trust after 5 April 2014 where the investor has disposed of shares (other than to a spouse) in the same Venture Capital Trust within six months of the date of subscription whether before or after.

Dividend relief

An investor who subscribes for or acquires ordinary shares in a Venture Capital Trust will not be liable for UK income tax on dividends paid by the Venture Capital Trust 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 Venture Capital Trust will usually constitute either interest (on which the Venture Capital Trust may be subject to tax) or a dividend from a UK company (on which the Venture Capital Trust would not be subject to tax). The Venture Capital Trust'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 Venture Capital Trust 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 Venture Capital Trust subsequently fails to comply with the conditions for approval, Venture Capital Trust 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 Venture Capital Trust after this time.
- (ii) For investors, the withdrawal of Venture Capital Trust status may (depending upon the timing of such withdrawal) result in:
 - repayment of the 30 per cent income tax relief on subscription for new Venture Capital Trust shares;
 - income tax becoming payable on payments of dividends by Venture Capital Trusts; and
 - a liability to tax on capital gains being suffered in the normal way on the disposal of shares in Venture Capital Trusts, except that any part of the gain attributable to the period for which the Venture Capital Trust was approved would be exempt.

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 Venture Capital Trust, 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 Venture Capital Trust 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 Venture Capital Trust between spouses are not deemed to be a disposal and therefore all tax reliefs will be retained.

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 a Venture Capital Trust, 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 Venture Capital Trust 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 in a Venture Capital Trust, 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.

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

Part 7: Definitions

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

“Act”	the Companies Act 2006, as amended from time to time;
“Admission”	the admission of the Offer Shares or New Ordinary Shares to a premium listing on the Official List and to trading on the London Stock Exchange’s main market for listed securities;
“Adviser Charge(s)”	the fee(s) payable to an Intermediary, agreed with the Investor for the provision of a personal recommendation or related services in relation to an investment in Offer Shares, and detailed on the Application Form;
“AIM”	the Alternative Investment Market of the London Stock Exchange;
“Allotment Offer Price”	the price of the Offer Shares calculated based on the latest reported NAV as at the allotment date;
“Annual Running Costs”	the annual costs incurred by the relevant VCT in the ordinary course of its business (including irrecoverable VAT);
“Applicant(s)”	an Investor(s) who applies to subscribe for Offer Shares;
“Application Form”	form of application for Offer Shares set out at the end of this document;
“Articles”	the articles of association of either VCT (as amended from time to time);
“Board(s)” or “Directors”	the directors of the relevant VCT at the date of this document;
“Bonus Shares”	Loyalty Bonus Shares and New Investor Bonus Shares;
“BSC”	British Smaller Companies VCT plc;
“BSC2”	British Smaller Companies VCT2 plc;
“Business Day”	a day (excluding Saturday and Sunday and public holidays in England and Wales) when the banks are generally open for business in London;
“Capita Asset Services”	a trading name of Capita Registrars Limited, whose details are given on page 5 of the Registration Document;
“Circular”	the circular issued to the Shareholders dated 20 October 2014;
“CREST”	relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited (registered number 2878738);
“Dealings”	Buying, selling, subscribing for or underwriting of securities in the VCTs or offering or agreeing to do so, either as principal or agent;
“Directors” or “Board(s)”	the directors of the relevant VCT at the date of this document;

“Dividend Re-investment Scheme(s)”, “DRIS” or “Scheme(s)”	the respective dividend re-investment scheme established for each VCT;
“DTRs”	the Disclosure and Transparency Rules made by the FCA under Part VI of FSMA;
“Election Date”	the day by which Mandate Forms must be received by Capita Asset Services, as announced by the VCTs as the applicable deadline for the dividend concerned and expected to be at least 10 Business Days before the payment date of a dividend which is to be re-invested;
“FCA”	the Financial Conduct Authority, or its successor;
“Financial Adviser”	an authorised intermediary offering investment advice to his client;
“FSMA”	Financial Services and Markets Act 2000, as amended from time to time;
“General Meetings”	the general meeting of BSC to be held on 3 December 2014 (or any adjournment thereof) and the general meeting of BSC2 to be held on 3 December 2014 (or any adjournment thereof) (and each a “General Meeting”), both to be held at 4 Cavendish Square, London W1G 0PG;
“HMRC”	HM Revenue & Customs;
“Howard Kennedy”	Howard Kennedy Corporate Services LLP;
“Indicative Offer Price”	the price of the Offer Shares as at the date of this document, as set out on pages 21 and 22;
“Intermediary (ies)”	an authorised firm who signs the Application Form and whose details are set out in Section 6 of that document;
“Investment Adviser” or “YFM Private Equity” or “YFM”	YFM Private Equity Limited, registered number 02174994, in its position as the FCA authorised and regulated subsidiary of YFM Equity Partners;
“Investment Team”	those persons whose details are set out on page 18 under the heading “The Investment Team”;
“Investor(s)”	an individual(s) who subscribes for Offer Shares;
“ISDX”	the trading facility operated by ICAP Securities and Derivatives Exchange Limited;
“ITA”	Income Tax Act 2007, as amended from time to time;
“IFRS”	International Financial Reporting Standards;
“Listing Rules”	listing rules issued by the UK Listing Authority, as amended from time to time;
“London Stock Exchange”	London Stock Exchange plc;
“Loyalty Bonus”	percentage applied to the subscriptions of Applicants who are existing Shareholders in Venture Capital Trusts managed by the Investment Adviser (or civil partners of such Shareholders), as detailed on page 20, and resulting in the allotment of Loyalty Bonus Shares;
“Loyalty Bonus Shares”	the additional Shares to be issued to Applicants who fulfil the criteria to receive a Loyalty Bonus;

“Mandate Form”	the mandate form in a form provided by the VCTs which enables non-CREST Shareholders to participate in the DRIS;
“Net Assets”	the aggregate of the gross assets of the relevant VCT including assets represented by any principal monies borrowed by the relevant VCT less all current liabilities of the relevant VCT (other than any principal monies borrowed);
“Net Asset Value(s)” or “NAV”	net asset value per Ordinary Share;
“New Investor Bonus”	the percentage applied to the subscriptions of Applicants who are not existing Shareholders in Venture Capital Trusts managed by the Investment Adviser, as detailed on page 20, and resulting in the allotment of New Investor Bonus Shares;
“New Investor Bonus Shares”	the additional Offer Shares to be issued to Applicants who fulfil the criteria to receive a New Investor Bonus;
“2014/2015 Offers”	the offers for subscription of Ordinary Shares to a value not exceeding £40 million, in respect of the tax year 2014/2015, details of which are set out in this document;
“2015/2016 Offers”	the offers for subscription of Ordinary Shares to a value not exceeding £40 million, in respect of the tax year 2015/2016, details of which are set out in this document;
“Offer Agreement”	an offer agreement dated 20 October 2014 as set out in paragraph 4.1 on page 43 of the Registration Document;
“Offers”	the 2014/2015 Offers and the 2015/2016 Offers;
“Offer Costs Percentage”	the costs of the Offers as a percentage of subscription proceeds, as set out on page 20;
“Offer Shares”	Shares to be issued under the Offers;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares” or “Shares”	ordinary shares of 10p each in the capital of the relevant VCT;
“Participating Shareholder(s)”	those Shareholders who elect to participate in the Scheme;
“Pricing Formula”	the pricing formula relating to the Offer as set out on page 21 of this document;
“Prospectus”	the Securities Note, the Registration Document and the Summary, which together describe the Offers in full;
“Prospectus Rules”	prospectus rules made under Part VI of FSMA;
“Qualifying Company”	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. A summary of these requirements is given in Part III of the Registration Document;
“Qualifying Holdings” or “Qualifying Investments”	shares in, or securities of, a Qualifying Company held by a Venture Capital Trust which meets the requirements described in Chapter 4 of Part 6 ITA;
“Qualifying Investor(s)”	an individual who subscribes for or acquires shares in a Venture Capital Trust and satisfies the conditions of eligibility for tax relief available to investors in a Venture Capital Trust;

“Receiving Agent”	Capita Asset Services;
“Record Date”	the date set out in the dividend procedure timetable published by the London Stock Exchange plc by which a Shareholder must hold Ordinary Shares to be entitled to a dividend declared by the relevant VCT;
“Registrar”	Capita Asset Services, a trading name of Capita Registrars Limited;
“Registration Document”	the registration document dated 20 October 2014, which has been prepared in accordance with the Prospectus Rules in connection with the Offers;
“Regulatory Information Service” or “RIS”	a regulatory information service that is on the list of regulatory information services maintained by the FCA;
“Resolutions”	the resolutions of the relevant VCT to be proposed at the General Meetings;
“RPI”	UK Index of Retail Prices;
“Scheme” or “DRIS” or “Dividend Re-investment Scheme”	the dividend re-investment scheme of the relevant VCTs, the terms and conditions of which are set out in Part 8 of this document (as amended from time to time);
“Securities Note”	this document dated 20 October 2014, which has been prepared in accordance with the Prospectus Rules in connection with the Offers;
“Shareholder(s)”	holder(s) of Ordinary Shares;
“Shares” or “Ordinary Shares”	ordinary shares of 10p each in the capital of the relevant VCT;
“Statutes”	the “Companies Acts” as defined in Section 2 of the Act;
“Summary”	the summary of the Offers dated 20 October 2014, which has been prepared in accordance with the Prospectus Rules in connection with the Offers;
“UK Listing Authority”	the FCA acting in its capacity as the competent authority under the FSMA;
“VAT”	value added tax;
“VCTs”	each of BSC and BSC2 and VCT means either one of them as the context requires;
“Venture Capital Trust”	a venture capital trust as defined in Section 259 Income Taxes Act 2007;
“VCT Regulations”	The Venture Capital Trust (Winding Up and Mergers) (Tax) Regulations 2004, as amended from time to time;
“YFM Equity Partners”	YFM Equity Partners LLP, registered number OC384467.

Part 8: Terms and Conditions of the Dividend Re-Investment Schemes

1. Shareholders on the register of members of the VCTs at the close of business on the relevant Record Date may elect to receive New Ordinary Shares, credited as fully paid, instead of receiving the dividend in cash for the relevant financial period ("the full cash dividend"). The election may, subject to conditions 4(d) and 4(e) below, only be made by Shareholders in respect of the whole (and not part only) of their holding of Ordinary Shares and shall, subject to conditions 7 and 16 below, operate as a mandate in respect of all future dividends declared in respect of their Ordinary Shares after the date on which the Shareholder joins the Scheme whilst the Scheme continues to be operated by the VCTs, unless and until the Shareholder gives notice to terminate his or her participation in the Scheme in accordance with the terms of the Scheme.
2. Shareholders may only join the Scheme if all dividends on the Ordinary Shares registered in their name are mandated to the Scheme. Any additional Ordinary Shares which the Participating Shareholder buys, and which are registered in their name prior to the relevant Record Date for any dividend they are entitled to, will be covered by the Mandate Form they have submitted and such Participating Shareholder will receive New Ordinary Shares instead of cash dividends for their entire holding of Ordinary Shares.

If a Shareholder buys Ordinary Shares on or after the ex-dividend date for any relevant dividend, that Shareholder will not be entitled to receive that dividend in respect of those Ordinary Shares.

3. The VCTs shall invest the monies held within the Scheme (being dividends paid on Ordinary Shares by, or on behalf of, Participating Shareholders) in the subscription of New Ordinary Shares in the relevant VCT. The VCTs shall not have the discretion to vary such investments and Shareholders may not instruct the VCTs to make any other investments.
4.
 - (a) On or as soon as practicable after a day on which any dividend is paid to Shareholders (a "Re-investment Day"), the funds held by the relevant VCT on behalf of each Participating Shareholder shall be applied on behalf of that Shareholder in the subscription for the maximum number of New Ordinary Shares as can be acquired with those funds.
 - (b) The number of New Ordinary Shares issued to a Participating Shareholder pursuant to condition 4(a) above shall be calculated by dividing the aggregate value of the dividends paid on the Ordinary Shares to which the Participating Shareholder is entitled by the greater of (i) the net asset value per Ordinary Share being the most recently announced net asset value per Ordinary Share as at the date the dividend is paid (as adjusted for the relevant dividend in question if this has not already been recognised in the most recently announced net asset value) less 5 per cent; and (ii) the nominal value per Ordinary Share.
 - (c) No fractions of New Ordinary Shares will be issued under the Scheme and subject to conditions 4(d) and 4(e) below the election may only be made by Shareholders in respect of the whole and not part of their shareholdings. Any balance of cash remaining with the VCTs after the subscription shall be held by the VCTs on behalf of the Participating Shareholder to whom it relates and added to the cash available in respect of that Shareholder for the subscription of New Ordinary Shares on the next Re-investment Day. No interest shall accrue or be payable by the VCTs in favour of any Shareholder on any such cash balances.
 - (d) The Scheme involves the re-investment of the whole dividend paid on each shareholding each time a dividend is paid by the VCTs, together with any cash residue brought forward from the previous dividend. The Directors may, at their discretion, allow Shareholders to make a partial re-investment of dividends, where they are acting on behalf of more than one beneficial holder, for example, through a nominee shareholding made in CREST or other custodians, nominees or trustees. A CREST Dividend Election Input Message must contain the number of Ordinary Shares for which the election is being made. A cash dividend will automatically be paid on any Ordinary Shares which are not specified in a CREST Dividend Election Input Message.
 - (e) Shareholders holding Ordinary Shares in certificated form who might wish to make a partial election should contact Capita Asset Services to find out how to divide their holding so that they can make a re-investment election on the required number of Ordinary Shares.
5. The VCTs shall on the relevant Re-investment Day take all necessary steps to ensure that the Participating Shareholders are entered onto the share register of the relevant VCT as the registered holders of the New Ordinary Shares (as the case may be), issued to them under the Scheme, and that share certificates in respect of such Shares issued are posted to the Participating Shareholders at their own risk as soon as is reasonably practical. CREST members who have validly elected to receive New Ordinary Shares will have their CREST accounts credited directly with the relevant New Ordinary Shares.
6. To assist Participating Shareholders with their tax returns, attached to the new share certificates will be a Statement of Entitlement, or if shares are held in uncertificated form (that is CREST), a Statement of Entitlement will be sent to the Participating Shareholder's nominee separately, detailing the following:- (i) the total dividend payable; (ii) the subscription price per New Ordinary Share; (iii) the number of New Ordinary Shares allotted to a Participating Shareholder; (iv) the residual cash balance (if any) representing an entitlement to a fraction of a New Ordinary Share to be carried forward to the next dividend; and (v) the cash equivalent of the New Ordinary Shares issued, together with any such other information as shall be required under the Listing Rules of the UK Listing Authority.

7. Application to join the Scheme can be made at any time. If you hold your Shares in certificated form this can be done by returning a completed Mandate Form so as to be received by the VCT's registrars Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 5.00pm on the Election Date of a dividend which is to be re-invested. Mandate Forms received by that time on an Election Date shall be effective in relation to the dividend to which the Election Date relates and any future dividends in respect of which the Directors offer a dividend re-investment alternative. Mandate Forms received after 5.00pm on an Election Date shall not be effective in relation to the dividend to which the Election Date relates but shall be effective in respect of any future dividends in respect of which the Directors offer a dividend re-investment alternative. Please note that no acknowledgement of receipt of Mandate Forms will be issued by the VCTs or by Capita Asset Services.

Shareholders who hold their Ordinary Shares in CREST can only elect to receive relevant dividends in the form of New Ordinary Shares by use of the CREST Dividend Election Input Message. A CREST Dividend Election Input Message must be received by 5.00pm on the Election Date for the relevant dividend to be effective. Shareholders holding their Ordinary Shares through CREST should note that any election made to participate in the Scheme via a CREST Dividend Election Input Message will only apply to the dividend in question and not to any subsequent dividends in respect of which the Directors offer a dividend re-investment alternative. Such Shareholders will need to make a separate election using the CREST Dividend Election Input Message each time the Directors offer a dividend re-investment alternative for a particular dividend.

8. If, prior to the day on which the Ordinary Shares became ex-dividend, a Shareholder has sold all or some of his or her holdings in Ordinary Shares, the Shareholder should consult his or her stockbroker or agent without delay.
9. An application will be made to the UK Listing Authority for admission of the New Ordinary Shares to the Official List and to the London Stock Exchange plc for admission to trading on the London Stock Exchange plc's market for listed securities (together "Admission"). On issue, the New Ordinary Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares and will rank so for future dividends. Subject to Admission, definitive share certificates for the New Ordinary Shares will be posted as soon as practicable following Admission at the risk of the persons entitled to them. Where New Ordinary Shares are issued as uncertificated shares, as soon as practicable following Admission, the VCTs will arrange for the relevant Participating Shareholders' stock accounts in CREST to be credited with their entitlement to New Ordinary Shares and a Statement of Entitlement (as detailed in condition 6) will be posted to their nominee. New Ordinary Shares will be allotted as and when the Directors determine it appropriate, with Admission and Dealings expected within 10 Business Days of allotment.

In the event that Admission does not become effective, Mandate Forms and/or CREST Dividend Election Input Messages will be disregarded in respect of the dividend and the full cash dividend will be paid as soon as possible in the usual way.

10. Further copies of this document and/or Mandate Forms and/or instructions for submitting a CREST Dividend Election Input Message may be obtained from Corporate Actions Department, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or from the VCT's website at www.bscfunds.com.
11. All costs and expenses incurred in administering the Scheme will be borne by the VCTs.
12. Each Shareholder applying to participate in the Scheme will be deemed to warrant to the VCTs in the Mandate Form or CREST Dividend Election Input Message that (i) during the continuance of his or her participation in the Scheme he or she will remain the sole beneficial owner of the Ordinary Shares mandated to the Scheme free from encumbrances or security interests; and (ii) all information set out in the Mandate Form or CREST Dividend Election Input Message is correct and, to the extent any of the information changes, he or she will notify the changes to the VCT.
13. Each Participating Shareholder acknowledges that neither the VCTs nor Capita Asset Services nor YFM is providing a discretionary management service. Neither Capita Asset Services, nor YFM nor the VCTs shall be responsible for any loss or damage to Participating Shareholders as a result of their participation in the Scheme unless due to the wilful negligence or default of the VCTs, its servants or agents.
14. The financial calendar and procedure for future dividends (and any dividend re-investment alternative offered under the Scheme) both as to any final and/or interim and/or special interim dividend will be notified in writing to Shareholders and/or published through a RIS.
15. A Participating Shareholder who does not hold their Ordinary Shares in CREST may at any time, by giving written notice to Capita Asset Services by 5.00pm on the Election Date prior to the relevant Re-investment Day, terminate his or her participation in the Scheme. A Participating Shareholder who holds their Ordinary Shares in CREST may cancel a CREST Dividend Election Input Message by no later than 5.00pm on the Election Date. If a Participating Shareholder shall at any time cease to hold any Ordinary Shares in one of the VCTs, he or she shall be deemed to have served such a notice in respect of his or her participation in the Scheme in respect of such shares. If a Shareholder in whose name Ordinary Shares are held on behalf of a Participating Shareholder shall at any time cease to hold any such shares on behalf of that Participating Shareholder, he or she shall be deemed to have served such a notice in respect of his or her participation in the Scheme.

16. The VCTs shall be entitled, at any time and from time to time, to suspend the operation of the Scheme in whole or in part and/or to terminate the Scheme without notice to the Participating Shareholders. Circumstances under which the VCTs, acting by their Directors, might suspend or terminate the Scheme include, but are not limited to, changes in legislation governing Venture Capital Trusts (including changes in available tax reliefs) and adverse market conditions in the public markets. The Directors shall also be entitled, at any time and from time to time, to give each Participating Shareholder the opportunity to choose to dis-apply their mandate in respect of a particular special interim dividend, as may at any time and from time to time be declared by the VCTs, to which the Participating Shareholder is entitled, and to instead receive the full cash dividend.
17. All notices and instructions to be given to the VCTs shall be in writing and delivered or posted to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Applications to participate in the Scheme will be made by way of a Mandate Form in the prescribed form (as may be amended from time to time) as provided by the VCT.
18. The VCTs shall be entitled to amend the Scheme's terms and conditions on giving one month's notice in writing to all Participating Shareholders. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to Participating Shareholders unless in the VCT's opinion, the change materially affects the interests of Participating Shareholders. Amendments to the Scheme's terms and conditions which are of a formal, minor or technical nature, or made to correct a manifest error and which do not adversely affect the interests of Participating Shareholders, may be effected without notice.
19. By completing and delivering a Mandate Form and/or a CREST Dividend Election Input Message the Participating Shareholder will (i) be deemed to have agreed to provide the relevant VCT with any information which it may request in connection with such application and to comply with legislation relating to Venture Capital Trusts or other relevant legislation (as the same may be amended from time to time) and (ii) be deemed to have declared that no loan has been made to the Participating Shareholder or any associate, which would not have been made, or not have been made on the same terms but for the Participating Shareholder offering to subscribe for, or acquiring, New Ordinary Shares, and that the Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement, the main purpose of which is the avoidance of tax.
20. Subscriptions for Venture Capital Trust shares only attract tax reliefs if in any tax year subscriptions to all Venture Capital Trusts do not exceed £200,000 (including subscriptions pursuant to dividend re-investment schemes). From 17 July 2014, investors can subscribe for Venture Capital Trust shares via a nominee and obtain income tax relief for their subscription. Participating Shareholders under the Scheme are responsible for ascertaining their own tax status and liabilities and the VCTs cannot and do not accept any liability in the event they do not receive any Venture Capital Trust tax reliefs, or such reliefs are reduced or restricted in any way.
21. Since dividends on Venture Capital Trust shares (including subscriptions pursuant to dividend re-investment schemes) acquired in excess of £200,000 in any tax year will not be exempted from income tax in the same way as Venture Capital Trust shares acquired within this limit, Participating Shareholders will generally be liable to tax on such dividends.
22. The election to receive New Ordinary Shares in place of the cash dividend is not being offered to, or for the benefit of, any citizen of the United States, Canada or Australia, any corporation, partnership or other entity created or organised in, or under the laws of the United States, Canada or Australia or any political sub-division thereof or with a registered office in any of these countries or any estate or trust, the income of which is subject to United States Federal, or Canadian, or Australian income taxation regardless of its source. "United States" means United States of America (including the District of Columbia). References to the United States, Canada and Australia include their territories, possessions and all areas subject to their jurisdiction.

No person receiving a Mandate Form and/or the CREST Dividend Election Input Message in any territory other than the United Kingdom may treat it as constituting an invitation to him or her unless in the relevant territory such an invitation could lawfully be made to him or her without complying with any registration or other legal requirements. **It is the responsibility of the Shareholder outside the United Kingdom wishing to elect to receive New Ordinary Shares to satisfy himself or herself as to the full observance of the laws of the relevant territory in connection with the Offer, including obtaining any governmental or other consents which may be necessary and observing any other formalities requiring to be observed in such territory.**

23. The VCTs shall not be required to issue New Ordinary Shares hereunder if the Directors so decide.
24. These Scheme terms and conditions shall be governed by, and construed in accordance with, English law and each Participating Shareholder submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the VCTs to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

Part 9: Terms and Conditions of Application

1. The contract created by the acceptance of an application will (unless the Boards resolve otherwise) be conditional on the Admission of the Offer Shares becoming effective. The Offers are conditional upon the approval by Shareholders of the Offer Agreement at the General Meetings.
2. The number of Offer Shares to be issued to Applicants will be calculated in accordance with the Pricing Formula.
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 VCTs may treat applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the VCTs may, at their discretion, accept an application in respect of which payment is not received prior to the closing of the Offers. 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 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 VCTs reserve the right to allot and arrange for the listing of Offer Shares under the Offers 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 subject to the provisions of this document, these Terms and Conditions and the memorandum of association and Articles of BSC and BSC2;
 - (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 registers of members of the VCTs in respect of such Offer Shares;
 - (c) agree that, in consideration of the VCTs agreeing to process your application, your application will not be revoked until after the closing date of the Offers and that this paragraph constitutes a collateral contract between you and the VCTs 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 VCTs;
 - (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 share certificates 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 VCTs (which acceptance shall be in their absolute discretion and may be on the basis that you indemnify them against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the VCTs of such late payment in respect of such Offer Shares, the VCTs 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 VCTs 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 VCTs;
 - (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 VCTs 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 Prospectus, you are deemed to have had notice of all information and statements concerning the VCTs and the Offer Shares contained therein;
 - (i) **confirm that in making such application you are not relying on any information and representation in relation to the VCTs other than the information contained in the Prospectus or any part thereof and accordingly you agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the 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 Offers 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 VCTs 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 them, 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 therefor;
 - (l) agree to disclose promptly in writing to the VCTs any information which they 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 them to disclose any information relating to your application as they consider 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, the Republic of 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 a 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 VCTs if you are not, or cease to be, either a Qualifying Investor or beneficially entitled to the Offer Shares;
 - (s) agree that all documents and cheques sent by post to, by or on behalf of the VCTs or the Receiving Agent will be sent at your risk.
5. No person receiving a copy of the Prospectus 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 of America, 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 VCTs have 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 Qualifying Investors. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.

8. The section headed Notes on Application Form forms part of these terms and conditions of application.
9. It is a condition of these Offers 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 VCTs 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 VCTs reserve the right, at their absolute discretion, for them 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 VCTs reserve the right at their 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 VCTs 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.
10. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application for the Offers or not in all respects complying with the notes on the Application Form. In particular, but without limitation, the VCTs may accept applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner acceptable to the VCTs to apply in accordance with these Terms and Conditions of Application.

Part 10: Notes on Application Form and Application Form

Before making an application to acquire Offer Shares you are strongly recommended to consult and obtain advice from an appropriate financial intermediary authorised under FSMA. It is essential that you complete all parts of the Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque(s) or banker's draft(s) by post, or deliver it by hand, to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. If you have any questions on how to complete the Application Form please contact YFM on 0113 261 6478 or, tracey.nice@yfmepl.com in the first instance or call Capita Asset Services on 0800 181 4729 (freephone). Lines are open between 9 am–5.30 pm, Monday to Friday excluding public holidays. Alternatively please speak to your Financial Adviser.

The following notes should be read in conjunction with the Application Form and the Terms and Conditions of Application.

Page 1 of Application Form

1. Personal details

Please indicate at the top right whether you or your spouse or civil partner is an existing shareholder in a Venture Capital Trust advised by YFM.

Insert in box 1 in BLOCK CAPITALS your full name, permanent address, daytime and evening telephone numbers, date of birth, National Insurance number and, if you have one, your email address.

2. Investment amount – I am applying for Offer shares as follows

Insert (in figures) in Column A the total amount you wish to invest under the Offers in respect of the 2014/15 tax year for each VCT (state nil if appropriate). Where the allocation is to be split 60% into BSC and 40% into BSC2, the top box in row 1 should be completed. Where the allocation is to be split in a different way, or where allocation is to be invested into just one VCT, rows 2 and/or 3 should be completed and the total amount being invested should be inserted in row 4. Insert (in figures) in Column B the amount you wish to invest under the Offers in respect of the 2015/16 tax year for each VCT (state nil if appropriate). Insert (in figures) in Column C the total of Columns A and B. This is the total amount you are applying for under the Offers.

Please note that the minimum investment for Offer Shares is a combined total of £6,000 across both VCTs and tax years. You may apply for Offer Shares in any or both of the VCTs in either one or both tax years, so long as the total value of the Offer Shares applied for is not less than £6,000. The maximum investment on which tax reliefs on investments in Venture Capital Trusts is available is £200,000 in each of the 2014/15 and 2015/16 tax years.

Payment can be made by electronic transfer, cheque or banker's draft. Your payment must relate solely to this application. If you wish to pay by electronic transfer please telephone 0800 181 4729 (freephone). Lines are open between 9 am–5.30 pm, Monday to Friday excluding public holidays. Please reference your payment with your initials followed by your telephone number as entered in Section 1 of the Application Form.

To pay by cheque or banker's draft please attach a cheque or banker's draft to the Application Form for the exact amount shown in row 4 of Column C. Your cheque(s) or banker's draft(s) must be made payable to **Capita Registrars Limited re: BSC – Offer Acc** and crossed "A/C Payee only". Your payment must relate solely to this application. Cheques may be presented for payment on receipt. Subscription forms accompanied by a post-dated 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 Application Form will be acknowledged by Capita Asset Services.

Your electronic transfer, 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, if a cheque, 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 electronic transfer, 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

If the application is for £12,000 or more and payment is not by means of a cheque on an account in the name of the Applicant, please supply:

- (a) an Identity Verification Certificate from your authorised Intermediary
- or
- (b) (i) a copy of your passport or driving licence certificated by a bank or solicitor stating that it is a “true copy of the original and a true likeness of the client” followed by your name; AND
- (ii) a recent (no more than three months old) original bank or building society statement, or utility bill, or recent tax bill, in your name.

No money laundering verification is required to be enclosed if the application is for less than £12,000 or if payment is by means of a cheque drawn on an account in the name of the Applicant (provided that (a) the cheque includes details of the Applicant’s bank account or building society account (as applicable) and (b) the cheque is drawn on an account with a UK or European Union authorised bank or credit institution). Please note, however, that the VCTs and the Receiving Agent may, in their absolute discretion, require Money Laundering verification and that Money Laundering verification will be required by introducing Financial Advisers.

Page 2 of Application Form

3. Administration of Shareholder Account – Payment of dividends to your bank account

The dividends paid by the VCTs can be taken as cash. Section 3 of the Application Form allows 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 Section 3 is not completed. The VCTs’ Registrar will charge administration fees for re-issuing cheques.

Payment to your bank account: in order to facilitate the payment of dividends on any shares held in the VCTs directly to your bank or building society account, please tick the relevant box in Section 3 of the Application Form and provide your bank or building society details in the space provided. 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.

4. Dividend Re-Investment Scheme

If you wish to participate in the Dividend Re-investment Scheme having first read and understood the terms and conditions of the Scheme on pages 37 to 39, please then tick the appropriate box in section 4.

5. Investment type

Please tick the relevant box to identify the type of investment you are making – Advised, Execution-only, or Direct. Intermediaries on advised investments are entitled to payment of Adviser Charges as agreed with their clients. Please insert the agreed fee in the box as a sum of money. The number of Offer Shares issued to the Applicant will be reduced by the amount of the Adviser Charge. The Adviser Charge is inclusive of VAT, if applicable.

Page 3 of Application Form

6. To be completed by Intermediaries only

Intermediaries who are entitled to receive commission or an Adviser Charge should complete and sign this section, giving their full name and address, telephone number and details for their authorisation under FSMA. The right is reserved to withhold payment of commission or Adviser Charges if the VCTs are, at their sole discretion, not satisfied that the agent is so authorised and entitled, or consider that payment of such commission is or may be in breach of any applicable rules or regulations. In order for commission or Adviser Charges to be paid by BACS, please complete the relevant boxes.

Page 4 of Application Form

7. Read the declaration, sign where indicated and enter the date

If someone other than the Applicant named in Section 1 signs on the Applicant's behalf, such signatory must ensure that the declaration given on behalf of such Applicant is correct.

8. CREST

Leave blank if you wish to receive a share certificate in respect of your investment. If you require your Shares to be issued electronically to a CREST account, please complete the boxes.

Application Forms

Before you begin

Please detach the Application Form from this document before you begin. You will find it is easier this way to refer to the Notes on pages 43 to 45 and to ensure you provide the correct information.



Cheques and return address

- Please make your cheque(s) or banker's draft(s) payable to **Capita Registrars Limited re: BSC – Offer Acc.**
- Please attach your cheque(s) or banker's draft(s) to the top of page 1 of the Application Form.
- **Return to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.**

Further help

If you have any questions on how to complete the Application Form, please contact YFM details (below) in the first instance or call Capita Asset Services on 0800 181 4729 (freephone). Lines are open between 9 am–5.30 pm, Monday to Friday excluding public holidays. Alternatively speak to your Financial Adviser.



Tracey Nice

Investment Services Manager

T: 0113 261 6478 **E:** tracey.nice@yfmep.com **W:** bscfunds.com

YFM Equity Partners, 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS

Application Form

British Smaller Companies VCT plc and
British Smaller Companies VCT2 plc

The closing date for the 2014/15 Offers will be 11.00 am on 4 April 2015 and for the 2015/16 Offers will be 11.00 am on 30 April 2015 (unless extended or fully subscribed earlier). If you post this form you are recommended to use first class post and allow at least four days for delivery.

Your completed application form, together with your cheque(s) or banker's draft(s) made payable to Capita Registrars Limited re: BSC – Offer Acc should be posted to:
Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

1. Personal details

Are you an existing Shareholder or spouse or civil partner of an existing Shareholder? Y ☐ N ☐

Please use BLOCK CAPITALS

Title and full name	<input type="text"/>		
Permanent address	<input type="text"/>		
	<input type="text"/>		
Postcode	<input type="text"/>	Email	<input type="text"/>
Tel no (day)	<input type="text"/>	Tel no (evening)	<input type="text"/>
Date of birth	<input type="text"/>	National Insurance No.	<input type="text"/>

2. I am applying for Offer Shares as follows:

	Column A 2014/15 tax year	Column B 2015/16 tax year	Column C Total
1. British Smaller Companies VCT plc & British Smaller Companies VCT2 plc	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/> Min £6,000
2. British Smaller Companies VCT plc	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>
3. British Smaller Companies VCT2 plc	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>
4. TOTAL	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/> Min £6,000

- (i) If you wish your allocation to be split 60% BSC, 40% BSC2 then please complete rows 1 and 4 and the split will be calculated automatically.
- (ii) If you wish to invest in just BSC or just BSC2, or you wish to invest in both but a different split than 60:40, complete row 2 and/or row 3 as appropriate and row 4.

Payment method:
Please choose one of

Cheque/Banker's draft

☐

Please attach to the top of page 1 of this Application Form. Cheques should be made payable to **Capita Registrars Limited re: BSC – Offer Acc** and be crossed A/C Payee only.

Electronic transfer

☐

If you wish to pay by electronic transfer it is important that you contact Capita Asset Services on 0800 181 4729 (freephone. Lines are open between 9 am–5.30 pm, Monday to Friday excluding public holidays) for the bank account details.

3. Payment of dividends to your bank account (to be completed by the Applicant):

If you would like your dividends to be paid directly into your bank or building society please provide your details below. If you wish to participate in the Dividend Re-investment Scheme go straight to Section 4.

Please provide your bank or building society details below. The VCTs cannot accept responsibility if any details provided by you are incorrect.

Account Name	<input type="text"/>	Account No.	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <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"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Branch Address	<input type="text"/>		
	<input type="text"/>		
	Postcode		

4. Dividend Re-Investment Scheme

Please tick one box only

- (i) **As a new Investor** (and/or spouse or civil partner of an existing Investor) having read and understood the terms and conditions of the Dividend Re-investment Scheme on pages 37 to 39 would like to participate in the Scheme for each future dividend paid on the Offer Shares subscribed. I agree that future dividends paid on Offer Shares will be re-invested in New Ordinary Shares subject to the terms of the dividend re-investment scheme. ☐
- (ii) **As an existing Investor** already participating in the Dividend Re-investment Scheme I would also like to participate in the Scheme for each future dividend paid on the Offer Shares subscribed. I agree that future dividends paid on Offer Shares will be re-invested in New Ordinary Shares subject to the terms of the dividend re-investment scheme. ☐
- (iii) **As an existing Investor** not currently participating in the Dividend Re-investment Scheme, having read and understood the terms and conditions of the Dividend Re-investment Scheme on pages 37 to 39 I would like to participate in the Scheme for each future dividend paid on both the Offer Shares subscribed and all previous holdings. I agree that future dividends paid on Offer Shares will be re-invested in New Ordinary Shares subject to the terms of the dividend re-investment scheme. ☐

5. Investment type (please tick the appropriate box (i), (ii) or (iii)):

Please tick one box only

- (i) **Advised:** You have been advised on this investment by an Intermediary – please complete the Adviser Charge box below, if applicable, and ensure Section 6 is completed by your Intermediary. Please sign and date Section 7. ☐

Adviser Charge

If you have agreed an Adviser Charge with your Intermediary and request that the VCTs pay that fee, please insert the fee amount in this box. Please note that the number of Offer Shares issued to you will be reduced by the Adviser Charge. This payment is inclusive of VAT, if applicable.

£

- (ii) **Execution only:** This investment is being processed through your Intermediary who is not providing you with advice – please leave the rest of this section blank and ensure Section 6 is completed by your Intermediary. Please sign and date Section 7. ☐
- (iii) **Direct – No Intermediary:** This is a direct investment (i.e. you are not submitting this application through an Intermediary). Please sign and date Section 7. ☐

6. To be completed by FCA Authorised Intermediaries only

Contact name (for administration)	<input type="text"/>
Intermediary name	<input type="text"/>
Firm name	<input type="text"/>
Address	<input type="text"/> <input type="text"/>
Postcode	<input type="text"/>
FCA No.	<input type="text"/>
Tel No.	<input type="text"/>
Email	<input type="text"/>

Category of Intermediary

Execution only basis (tick box):

☐

Advice provided (tick box):

☐

Tick this box if the Adviser Charge stated in Section 5 has been agreed with your client and complies with COBS 6.1A of the FCA Handbook.

☐

For execution only applications

Please tick this box if you wish all initial commission to be waived and re-invested.

☐

If you wish to waive and re-invest part of the initial commission please enter the relevant % in the box

 %

Please provide details of your bank or building society account so that any initial or trail commission or the Adviser Charge (as applicable) can be paid via BACS.

Account Name	<input type="text"/>	Account No.	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <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"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Branch Address	<input type="text"/>		
	<input type="text"/>		
	Postcode		
Email address for commission statements	<input type="text"/>		

Signed

Position

The VCTs, the Sponsor, the Receiving Agent and YFM Private Equity do not accept responsibility if any details provided by you are incorrect.

7. Signature

BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have read the enclosed terms and conditions of application of the Prospectus dated 20 October 2014 and agree to be bound by them; (ii) I will be the beneficial owner of the Offer Shares in British Smaller Companies VCT plc and/or British Smaller Companies VCT2 plc issued to me pursuant to this application; (iii) I have agreed the above Adviser Charge (if any) with my Intermediary and request that the VCTs pay that fee; (iv) I understand that if the Adviser Charge includes VAT, I may remain liable for the VAT element thereof, even where arrangements have been made to make and pay the deduction mentioned above and (v) to the best of my knowledge and belief, the particulars I have given to British Smaller Companies VCT plc and/or British Smaller Companies VCT2 plc are correct.

If this form is completed and signed by an Intermediary or any other person apart from the Investor:

By signing this form on behalf of the individual whose details are shown above, I make a declaration (on behalf of such individual) on the terms of sub-paragraphs (i) to (v) above.

HM Revenue & Customs may inspect this Application Form. It is a serious offence to make a false declaration. The VCTs, the Sponsor, the Receiving Agent and YFM Private Equity do not accept responsibility if any details provided by you are incorrect.

Signature

Date

8. CREST

Complete this box only if you require your Shares to be issued electronically to a CREST account.

CREST Participant ID

CREST Member Account ID

Participant name

Participant address

Participant postcode

Contact name for CREST queries

Contact telephone

Signed by Investor

The VCTs, the Sponsor, the Receiving Agent and YFM Private Equity do not accept responsibility if any details provided by you are incorrect.

Your completed application form, together with your cheque(s) or banker's draft(s) made payable to Capita Registrars Limited re: BSC – Offer Acc should be posted to: Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Any queries please contact

Tracey Nice

Investment Services Manager

T: 0113 261 6478 **E:** tracey.nice@yfmap.com **W:** bscfunds.com

**British Smaller Companies VCT plc and
British Smaller Companies VCT2 plc**

Application Form

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc

The closing date for the 2014/15 Offers will be 11.00 am on 4 April 2015 and for the 2015/16 Offers will be 11.00 am on 30 April 2015 (unless extended or fully subscribed earlier). If you post this form you are recommended to use first class post and allow at least four days for delivery.

Your completed application form, together with your cheque(s) or banker's draft(s) made payable to Capita Registrars Limited re: BSC – Offer Acc should be posted to:

Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

1. Personal details

Are you an existing Shareholder or spouse or civil partner of an existing Shareholder? Y ☐ N ☐

Please use BLOCK CAPITALS

Title and full name	<input type="text"/>		
Permanent address	<input type="text"/>		
	<input type="text"/>		
Postcode	<input type="text"/>	Email	<input type="text"/>
Tel no (day)	<input type="text"/>	Tel no (evening)	<input type="text"/>
Date of birth	<input type="text"/>	National Insurance No.	<input type="text"/>

2. I am applying for Offer Shares as follows:

	Column A 2014/15 tax year	Column B 2015/16 tax year	Column C Total
1. British Smaller Companies VCT plc & British Smaller Companies VCT2 plc	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/> Min £6,000
2. British Smaller Companies VCT plc	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>
3. British Smaller Companies VCT2 plc	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>
4. TOTAL	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/> Min £6,000

- (i) If you wish your allocation to be split 60% BSC, 40% BSC2 then please complete rows 1 and 4 and the split will be calculated automatically.
- (ii) If you wish to invest in just BSC or just BSC2, or you wish to invest in both but a different split than 60:40, complete row 2 and/or row 3 as appropriate and row 4.

Payment method:
Please choose one of

Cheque/Banker's draft

☐

Please attach to the top of page 1 of this Application Form. Cheques should be made payable to **Capita Registrars Limited re: BSC – Offer Acc** and be crossed A/C Payee only.

Electronic transfer

☐

If you wish to pay by electronic transfer it is important that you contact Capita Asset Services on 0800 181 4729 (freephone. Lines are open between 9 am–5.30 pm, Monday to Friday excluding public holidays) for the bank account details.

3. Payment of dividends to your bank account (to be completed by the Applicant):

If you would like your dividends to be paid directly into your bank or building society please provide your details below. If you wish to participate in the Dividend Re-investment Scheme go straight to Section 4.

Please provide your bank or building society details below. The VCTs cannot accept responsibility if any details provided by you are incorrect.

Account Name	<input type="text"/>	Account No.	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <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"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Branch Address	<input type="text"/>		
	<input type="text"/>		
	Postcode		

4. Dividend Re-Investment Scheme

Please tick one box only

- (i) **As a new Investor** (and/or spouse or civil partner of an existing Investor) having read and understood the terms and conditions of the Dividend Re-investment Scheme on pages 37 to 39 would like to participate in the Scheme for each future dividend paid on the Offer Shares subscribed. I agree that future dividends paid on Offer Shares will be re-invested in New Ordinary Shares subject to the terms of the dividend re-investment scheme. ☐
- (ii) **As an existing Investor** already participating in the Dividend Re-investment Scheme I would also like to participate in the Scheme for each future dividend paid on the Offer Shares subscribed. I agree that future dividends paid on Offer Shares will be re-invested in New Ordinary Shares subject to the terms of the dividend re-investment scheme. ☐
- (iii) **As an existing Investor** not currently participating in the Dividend Re-investment Scheme, having read and understood the terms and conditions of the Dividend Re-investment Scheme on pages 37 to 39 I would like to participate in the Scheme for each future dividend paid on both the Offer Shares subscribed and all previous holdings. I agree that future dividends paid on Offer Shares will be re-invested in New Ordinary Shares subject to the terms of the dividend re-investment scheme. ☐

5. Investment type (please tick the appropriate box (i), (ii) or (iii)):

Please tick one box only

- (i) **Advised:** You have been advised on this investment by an Intermediary – please complete the Adviser Charge box below, if applicable, and ensure Section 6 is completed by your Intermediary. Please sign and date Section 7. ☐

Adviser Charge

If you have agreed an Adviser Charge with your Intermediary and request that the VCTs pay that fee, please insert the fee amount in this box. Please note that the number of Offer Shares issued to you will be reduced by the Adviser Charge. This payment is inclusive of VAT, if applicable.

£

- (ii) **Execution only:** This investment is being processed through your Intermediary who is not providing you with advice – please leave the rest of this section blank and ensure Section 6 is completed by your Intermediary. Please sign and date Section 7. ☐
- (iii) **Direct – No Intermediary:** This is a direct investment (i.e. you are not submitting this application through an Intermediary). Please sign and date Section 7. ☐

6. To be completed by FCA Authorised Intermediaries only

Contact name (for administration)	<input type="text"/>
Intermediary name	<input type="text"/>
Firm name	<input type="text"/>
Address	<input type="text"/> <input type="text"/>
Postcode	<input type="text"/>
FCA No.	<input type="text"/>
Tel No.	<input type="text"/>
Email	<input type="text"/>

Category of Intermediary

Execution only basis (tick box):

☐

Advice provided (tick box):

☐

Tick this box if the Adviser Charge stated in Section 5 has been agreed with your client and complies with COBS 6.1A of the FCA Handbook.

☐

For execution only applications

Please tick this box if you wish all initial commission to be waived and re-invested.

☐

If you wish to waive and re-invest part of the initial commission please enter the relevant % in the box

 %

Please provide details of your bank or building society account so that any initial or trail commission or the Adviser Charge (as applicable) can be paid via BACS.

Account Name	<input type="text"/>	Account No.	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <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"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Branch Address	<input type="text"/> <input type="text"/>		
	Postcode		
Email address for commission statements	<input type="text"/>		

Signed

Position

The VCTs, the Sponsor, the Receiving Agent and YFM Private Equity do not accept responsibility if any details provided by you are incorrect.

7. Signature

BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have read the enclosed terms and conditions of application of the Prospectus dated 20 October 2014 and agree to be bound by them; (ii) I will be the beneficial owner of the Offer Shares in British Smaller Companies VCT plc and/or British Smaller Companies VCT2 plc issued to me pursuant to this application; (iii) I have agreed the above Adviser Charge (if any) with my Intermediary and request that the VCTs pay that fee; (iv) I understand that if the Adviser Charge includes VAT, I may remain liable for the VAT element thereof, even where arrangements have been made to make and pay the deduction mentioned above and (v) to the best of my knowledge and belief, the particulars I have given to British Smaller Companies VCT plc and/or British Smaller Companies VCT2 plc are correct.

If this form is completed and signed by an Intermediary or any other person apart from the Investor:

By signing this form on behalf of the individual whose details are shown above, I make a declaration (on behalf of such individual) on the terms of sub-paragraphs (i) to (v) above.

HM Revenue & Customs may inspect this Application Form. It is a serious offence to make a false declaration. The VCTs, the Sponsor, the Receiving Agent and YFM Private Equity do not accept responsibility if any details provided by you are incorrect.

Signature

Date

 / /

8. CREST

Complete this box only if you require your Shares to be issued electronically to a CREST account.

CREST Participant ID

CREST Member Account ID

Participant name

Participant address

Participant postcode

Contact name for CREST queries

Contact telephone

Signed by Investor

The VCTs, the Sponsor, the Receiving Agent and YFM Private Equity do not accept responsibility if any details provided by you are incorrect.

Your completed application form, together with your cheque(s) or banker's draft(s) made payable to Capita Registrars Limited re: BSC – Offer Acc should be posted to: [Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU](#).

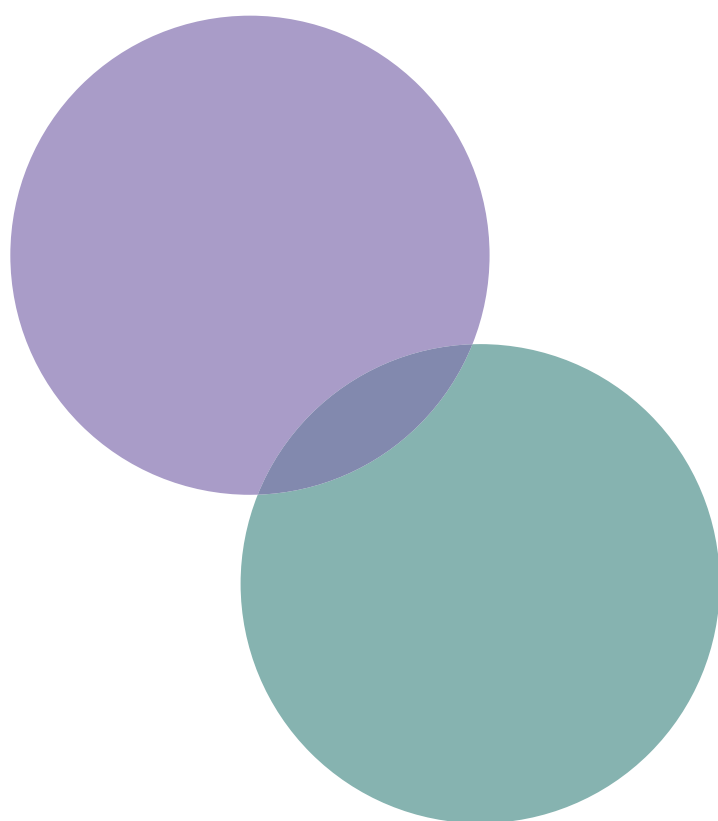
Any queries please contact

Tracey Nice

Investment Services Manager

T: 0113 261 6478 **E:** tracey.nice@yfmepl.com **W:** bscfunds.com

**British Smaller Companies VCT plc and
British Smaller Companies VCT2 plc**



British Smaller Companies VCT plc (“BSC”)
British Smaller Companies VCT2 plc (“BSC2”)

YFM Equity
Partners

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Leeds LS1 5QS

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