



British Smaller Companies VCT plc British Smaller Companies VCT2 plc

Offer for subscription for the tax year 2021/2022
to raise up to £40 million, in aggregate, with an
over-allotment facility of a further £20 million,
in aggregate

bscfunds.com

Transforming small businesses



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If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 (FSMA).

This document, which comprises a prospectus relating to British Smaller Companies VCT plc (“BSC”) and British Smaller Companies VCT2 plc (“BSC2”) (BSC and BSC2 together the “Companies”) dated 22 September 2021, has been prepared in accordance with the Prospectus Regulations Rules Instrument 2019 made under Part VI of FSMA, and has been approved for publication by the Financial Conduct Authority as a prospectus under article 20 of the Prospectus Regulation.

The Companies and the Directors, whose names appear on pages 31 and 32 of this document, accept responsibility for the information contained herein. To the best of the knowledge of the Companies and the Directors, the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import. To the extent that information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors and the Companies are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

Subject to FSMA, the Prospectus Regulation Rules and applicable laws, the delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Companies since the date of this document or that the information in this document is correct as at any time after this date.

The Prospectus has been approved by the Financial Conduct Authority, as competent authority under the UK version of Regulation (EU) 2017/1129. The FCA only approves the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK version of Regulation (EU) 2017/1129. Such approval shall not be considered as an endorsement of the Companies or the quality of the New Shares that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the New Shares. The Prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of the UK version of Regulation (EU) 2017/1129.

Persons receiving this document should note that Howard Kennedy Corporate Services LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as sponsor for the Companies and no-one else and will not, subject to the responsibilities and liabilities imposed by FSMA or the regulatory regime established thereunder, be responsible to any other person for providing the protections afforded to customers of Howard Kennedy Corporate Services LLP or providing advice in connection with any matters referred to herein.



British Smaller Companies VCT plc

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

British Smaller Companies VCT2 plc

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

Prospectus relating to: Offers for subscription by British Smaller Companies VCT plc and British Smaller Companies VCT2 plc of New Shares to raise up to a maximum of £40 million, in aggregate, with an over-allotment facility of a further £20 million, in aggregate, payable in full in cash on Application

Sponsor:

Howard Kennedy Corporate Services LLP

The Shares of the Companies 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. Applications have been made to the FCA for all of the New Shares to be listed on the premium segment of the Official List and applications will be made to the London Stock Exchange for the New Shares to be admitted to trading on its main market for listed securities. It is expected that such admission will become effective, and that trading will commence, in respect of the New Shares within 10 Business Days of their allotment. The New Shares will be issued in registered form and will be freely transferable in both certificated and uncertificated form and will rank *pari passu* in all respects with the existing Shares.

This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any New Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdiction. 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 New Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, New Zealand, Japan or the Republic of South Africa or in any other jurisdiction where to do so would be unlawful.

Your attention is drawn to the risk factors set out on pages 13 and 14 of this document. Prospective Investors should read the whole text of this document and should be aware that an investment in the Companies involves a high degree of risk and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. All statements regarding the Companies' business, financial position and prospects should be viewed in light of such risk factors.

This document is not a KID (key information document) for the purposes of the EU Packaged Retail Investment Insurance Products Regulations or the UK PRIIPs Laws.

The contents of this document and the information incorporated herein by reference should not be construed as legal, business or tax advice. Neither the Companies nor any of the Directors or representatives or advisers are making any representation to any offeree or purchaser or acquirer of the New Shares regarding the legality of an investment in the New Shares by such offeree or purchaser or acquirer under the laws applicable to such offeree or purchaser or acquirer.

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Summary

Introduction and Warnings

Name and ISIN of Securities	Ordinary Shares of 10p pence each in the capital of British Smaller Companies VCT plc (" BSC ") (ISIN: GB0001403152) and ordinary shares of 10p pence each in the capital of British Smaller Companies VCT2 plc (" BSC2 ") (ISIN: GB0005001796) (BSC and BSC2 together the " Companies ").
Identity and Contact Details of Issuer	<p>BSC was incorporated and registered in England and Wales on 6 December 1995 as a public company limited by shares under the Companies Act 1985 with registered number 03134749 (LEI: 213800QXD4A9A3GGB469).</p> <p>BSC2 was incorporated and registered in England and Wales on 4 October 2000 as a public company limited by shares under the Companies Act 1985 with registered number 04084003 (LEI: 213800846X6PYSUG1328).</p> <p>The registered office of the Companies is at 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS and they can be contacted at www.bscfunds.com or by telephone on 0113 261 6478.</p>
Competent Authority approving the Prospectus	The Financial Conduct Authority, 12 Endeavour Square, London EC20 1JN, telephone 020 7066 1000.
Date of Approval of the Prospectus	22 September 2021.
Warnings	<p>This summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest in the securities should be based on a consideration of the Prospectus as a whole by the Investor.</p> <p>An Investor could lose all or part of their invested capital.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff Investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid Investors when considering whether to invest in the New Shares.</p>

SUMMARY

Key Information on the Issuers

Who is the Issuer of the Securities?																									
Domicile and legal form	<p>BSC is domiciled in England and was incorporated and registered in England and Wales on 6 December 1995 as a public company limited by shares under the Companies Act 1985 with registered number 03134749 (LEI: 213800QXD4A9A3GGB469).</p> <p>BSC2 is domiciled in England and was incorporated and registered in England and Wales on 4 October 2000 as a public company limited by shares under the Companies Act 1985 with registered number 04084003 (LEI: 213800846X6PYSUG1328).</p> <p>The principal legislation under which the Companies operate is the Companies Act 2006 and the regulations made thereunder.</p>																								
Principal Activities	The Companies' portfolios comprise predominantly established unquoted UK companies. The Companies invest across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.																								
Major Shareholders	The Companies are not aware of any person or persons who have, or who following the Offers will, or could have, directly or indirectly, voting rights representing 3 per cent or more of the issued share capital of the Companies or who can, or could following the Offers, directly or indirectly exercise control over the Companies. There are no different voting rights for any of the Companies' shareholders.																								
Directors	<p>The Directors of BSC (all of whom are non-executive) are:</p> <p>Helen Sinclair (Chairman) Adam Bastin Jonathan Cartwright Rupert Cook</p> <p>The Directors of BSC2 (all of whom are non-executive) are:</p> <p>Peter Waller (Chairman) Barbara Anderson Roger McDowell</p>																								
Statutory Auditors	The statutory auditor of the Companies is BDO LLP, 55 Baker Street, London W1U 7EU.																								
What is the key financial information regarding the issuer?	<p style="text-align: right;"><i>Audited Financial Results for the Year Ended 31 March 2021</i></p> <table> <tr> <td>BSC</td> <td></td> </tr> <tr> <td>Net assets (£'000)</td> <td style="text-align: right;">110,360</td> </tr> <tr> <td>Net asset value per BSC Share (p)</td> <td style="text-align: right;">75.8</td> </tr> <tr> <td>Net profit before taxation (£'000)</td> <td style="text-align: right;">21,339</td> </tr> <tr> <td>Earnings per BSC Share (p)</td> <td style="text-align: right;">15.38</td> </tr> <tr> <td>Dividend per BSC Share (p)</td> <td style="text-align: right;">4.0</td> </tr> <tr> <td>Total income before operating expenses (£'000)</td> <td style="text-align: right;">4,074</td> </tr> <tr> <td>Performance fee (accrued/paid) (£'000)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Investment management fee (accrued/paid) (£'000)</td> <td style="text-align: right;">1,675</td> </tr> <tr> <td>Any other material fees paid to service providers (£'000)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Total return after expenses and taxation (£'000)</td> <td style="text-align: right;">21,339</td> </tr> <tr> <td>Total return (p)</td> <td style="text-align: right;">15.3</td> </tr> </table>	BSC		Net assets (£'000)	110,360	Net asset value per BSC Share (p)	75.8	Net profit before taxation (£'000)	21,339	Earnings per BSC Share (p)	15.38	Dividend per BSC Share (p)	4.0	Total income before operating expenses (£'000)	4,074	Performance fee (accrued/paid) (£'000)	-	Investment management fee (accrued/paid) (£'000)	1,675	Any other material fees paid to service providers (£'000)	-	Total return after expenses and taxation (£'000)	21,339	Total return (p)	15.3
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SUMMARY

	Audited Financial Results for the Year Ended 31 December 2020	Unaudited Financial Results for the 6 months ended 30 June 2021	Unaudited Financial Results for the 6 months ended 30 June 2020
BSC2			
Net assets (£'000)	70,929	89,041	62,645
Net asset value per BSC2 Share (p)	55.0	63.5	48.4
Net profit/(loss) before taxation (£'000)	4,251	14,005	(6,222)
Earnings/(loss) per BSC2 Share (p)	3.27	10.26	(4.77)
Dividend per BSC2 Share (p)	3.5	1.5	2.0
Total income before operating expenses (£'000)	2,752	337	450
Performance fee (accrued/paid) (£'000)	-	3,316	-
Investment management fee (accrued/paid) (£'000)	1,204	654	654
Any other material fees paid to service providers (£'000)	-	-	-
Total return after expenses and taxation (£'000)	4,251	14,005	(6,222)
Total return/(loss) (p)	3.3	10.0	(4.8)
What are the key risks that are specific to the issuer?	<p>Set out below is a summary of the most material risk factors specific to the Companies.</p> <p>There can be no guarantee that each Company's investment objective will be achieved or that suitable investment opportunities will be available.</p> <p>Investments in unquoted, AIM-traded and Aquis Stock Exchange (formerly NEX Exchange Limited) traded companies, by their nature, involve a higher degree of risk than investment in companies listed on the Official List.</p> <p>The Companies' investments may be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the tax status of the Companies. These factors may affect the performance of the Companies. The valuation of each Company's portfolio and opportunities for realisation may also depend on stock market conditions.</p> <p>The VCT rules include a maximum age limit for investments (generally 7 years from first commercial sale, or 10 years for knowledge intensive companies), and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12 million, or £20 million for knowledge intensive companies). Companies receiving VCT funds are not permitted to use those funds to acquire shares, businesses or certain intangible assets. The Finance Act 2018 introduced a new "risk-to-capital" condition for Qualifying Investments, designed to focus investments towards earlier stage, growing businesses, and away from investments which could be regarded as lower risk. The Companies may not make any prohibited non-qualifying investments, including those which breach the "risk-to-capital" condition, and the potential penalty for contravention of these rules can include loss of VCT status with a resultant clawback of VCT tax reliefs from investors. These changes may mean that there are</p>		

SUMMARY

	<p>fewer opportunities for investment and that the Companies may not be able to provide further investment funds for companies already in their portfolios. Breach of any of these conditions could result in the loss of VCT status by the Companies.</p> <p>The Finance Act 2014 amended the VCT rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from capital within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Companies to fund dividends and share buybacks.</p> <p>The COVID-19 pandemic is likely to continue to have a significant impact on the UK and global economy, affecting workers and businesses of all sizes. Despite the UK Government's fiscal measures and additional tax and other benefits to support small businesses, the Companies' portfolio businesses may be adversely impacted by the pandemic, as would the returns for investors.</p>
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Key Information on the Securities

What are the main features of the securities?	
Type, class and ISIN of securities	BSC will issue new ordinary shares of 10 pence each under the Offers (ISIN: GB0001403152) and BSC2 will issue new ordinary shares of 10 pence each under the Offers (ISIN: GB0005001796) (" New Shares ").
Currency, par value and number to be issued	The currency of the New Shares is Sterling. The New Shares to be issued by the Companies are ordinary shares of 10 pence each. The Companies will issue up to £40 million of New Shares, in aggregate, with an over-allotment facility for up to a further £20 million of New Shares, in aggregate.
Rights attaching to the securities	<p>As Regards Income:</p> <p>The holders of the Shares as a class shall be entitled to receive such dividends as the Directors resolve to pay.</p> <p>As Regards Capital:</p> <p>On a return of capital on a winding up or on a return of capital (other than on a purchase by the Companies of their own shares) the surplus capital and assets shall be divided amongst the holders of Shares pro rata according to the nominal capital paid up on their respective holdings of Shares.</p> <p>As Regards Voting and General Meetings:</p> <p>Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership, each holder of Shares present in person or by proxy shall on a poll have one vote for each Share of which he is the holder.</p> <p>As Regards Redemption:</p> <p>The Shares are not redeemable.</p>
Seniority of securities	The Shares that are the subject of the Offers will rank equally with the existing Shares in the event of an insolvency of the Companies.
Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Shares.

SUMMARY

<p>Dividend policy</p>	<p>A venture capital trust must distribute by way of dividend such amount as to ensure that it retains not more than 15 per cent of its income from shares and securities. The Companies remain committed to the objective, over time, of paying tax free dividends from realised investment returns. This depends upon the level of investment income and realisations that the Companies are able to make or achieve in any one period and cannot be guaranteed.</p>
<p>Where will the securities be traded?</p>	<p>Applications have been made to the FCA for the New Shares issued pursuant to the Offers to be admitted to the premium segment of the Official List and will be made to the London Stock Exchange for the New Shares issued pursuant to the Offers to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that each such admission will become effective, and that dealings in those New Shares will commence, within 10 business days of their allotment.</p>
<p>What are the key risks that are specific to the securities?</p>	<p>Set out below is a summary of the most material risk factors specific to the Shares</p> <p>The market price of the New Shares may not fully reflect their underlying net asset value. The value of an investment in the Companies, and the income derived from it, may go down as well as up and an Investor may not get back the full amount invested, even taking into account the available tax reliefs.</p> <p>Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid.</p> <p>The Companies will only pay dividends on their Shares to the extent that they have distributable reserves and cash available for that purpose. A reduction in income received, or in capital gains realised, from the Companies' investments may adversely affect the dividends payable to Shareholders.</p> <p>The disposal of New Shares within five years of their issue will result in some or all of the 30 per cent income tax relief available on investment becoming repayable.</p>

Key Information on the Offer of Securities to the Public and/or Admission to Trading on a Regulated Market

<p>Under which conditions and timetable can I invest in this security?</p>	<p>Details of the Offer and Admission to Trading</p> <p>Up to £40 million of New Shares are being made available under the Offers, in aggregate, with an over-allotment facility for up to a further £20 million of New Shares, in aggregate. The New Shares are payable by an Applicant in full upon Application. The Offers will close on 1 April 2022, or earlier if fully subscribed. The directors of the Companies reserve the right to close the Offers in respect of either Company earlier and to accept Applications and issue New Shares at any time following the receipt of valid Applications. Applications have been made to the FCA for the Shares issued pursuant to the Offers to be admitted to the premium segment of the Official List and will be made to the London Stock Exchange for the New Shares issued pursuant to the Offers to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admission will become effective and that trading will commence in respect of the New Shares within 10 business days of their allotment.</p>
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	<p>Pricing of the Offers</p> <p>The number of New Shares to be allotted under the Offers will be determined by the following formula:</p> $\frac{A - B - C - D + E}{\text{NAV per Share}}$ <p>where:</p> <p>A is the total amount remitted to the Companies, including any adviser charge that is facilitated by the Companies ("Application Amount");</p> <p>B is any Facilitated Fee;</p> <p>C is the initial Application fee of 3.0 per cent of the Application Amount (3.5 per cent for Applications received from Applicants who have not invested their money through a financial Intermediary/ Adviser and have invested directly into the Companies);</p> <p>D is the amount of commission payable to an execution-only broker or platform, up to a maximum of 2.0 per cent;</p> <p>E is the amount of commission rebated by an execution-only broker or platform; and</p> <p>NAV per Share is the most recently published net asset value per Share of the relevant Company, adjusted for any subsequent dividends paid or declared (and in respect of which no adjustment has been made to that latest published NAV per Share).</p> <p>Applicants subscribing for the first £10 million of Application Amounts will receive additional New Shares equivalent to 0.5 per cent of the amount they subscribe, and Applicants subscribing for the next £5 million of Application Amounts will receive additional New Shares equivalent to 0.25 per cent of the amount they subscribe, which in each case will be paid for by the Companies' manager.</p> <p>Each of the Boards may close the Offers in respect of its Company at any time and reserve the right to accept an Application Form and to allot and arrange the listing of New Shares in respect of Applications received on or prior to the closing date of the Offers as they see fit.</p> <p>Dilution</p> <p>The existing issued BSC Shares will represent 78.3 per cent of the enlarged ordinary share capital of BSC immediately following the Offers, assuming the Offers are fully subscribed in both Companies, including the over-allotment facility, with subscriptions split as to 60 per cent/40 per cent as between BSC and BSC2 respectively at an Offer Price for BSC of 88.866p, and on that basis BSC shareholders who do not subscribe under the Offers will, therefore, be diluted by 21.7 per cent.</p> <p>The existing issued BSC2 Shares will represent 78.9 per cent of the enlarged ordinary share capital of BSC2 immediately following the Offers, assuming the Offers are fully subscribed in both Companies, including the over-allotment facility, with subscriptions split 60 per cent/40 per cent as between BSC and BSC2 respectively at an Offer Price for BSC2 of 63.918p, and on that basis BSC2 shareholders who do not subscribe under the Offers will, therefore, be diluted by 21.1 per cent.</p>
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SUMMARY

Why is this prospectus being produced?	<p>Each Company is a tax efficient listed company which aims to achieve long-term investment returns for private investors. Funds raised under the Offers will be utilised by each Company in accordance with its published investment policy, to maintain liquidity and to enable payment of costs without reducing the overall amounts currently available for investment. The Companies co-invest with each other and other funds managed by YFM Private Equity Limited, the Companies' Manager.</p> <p>The net aggregate proceeds of the Offers, assuming a £60,000,000 subscription (with the over-allotment facility fully utilised) and the maximum initial charge, will be £57,000,000. On these assumptions and assuming a split of subscription monies as to 60 per cent to BSC and 40 per cent to BSC2, the net proceeds will be £34,200,000 and £22,800,000 for BSC and BSC2 respectively.</p> <p>The Offers are not subject to an underwriting agreement.</p> <p>No conflict of interest is material to the Offers.</p>
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Part 1

Risk Factors

Prospective investors should carefully consider the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on either of the Companies' business, financial condition or results of operations. The risks and uncertainties described below are the only known material risks which the Companies or their Shareholders will face. Further risks, unknown by the Companies, may exist. Any decision to invest under the Offers should be based on consideration of this document as a whole.

Risk factors relating to the Shares

The market price of the New Shares may not fully reflect their underlying Net Asset Value. The value of an investment in the Companies, and the income derived from it, may go down as well as up and an Investor may not get back the full amount invested, even taking into account the available tax reliefs.

Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid. Therefore, there may not be a liquid market for the Shares, which may be partly attributable to the fact that the initial income tax relief is not available for VCT shares generally bought in the secondary market and because VCT shares usually trade at a discount to their net asset value, the price of the Shares may be volatile and Shareholders may find it difficult to realise their investment. An investment in the Companies should, therefore, be considered as a long-term investment.

The Companies will only pay dividends on their Shares to the extent that they have distributable reserves and cash available for that purpose. A reduction in income received, or in capital gains realised, from the Companies' investments may adversely affect the dividends payable to Shareholders.

The disposal of New Shares within five years of their issue will result in some or all of the 30 per cent income tax relief available on investment becoming repayable. On this basis, investing in New Shares should be considered a long-term investment. From 6 April 2014 the availability of income tax relief on an application for shares issued in a VCT is restricted where the application is "linked" to a sale of shares in the same VCT or another VCT which is known to be merging with that VCT. For these purposes, linked means i) the sale of shares in the VCT was conditional on the application for shares in the same VCT (or vice versa) or ii) the application and sale are within six months of each other (irrespective of which comes first). If the application is "linked", the amount on which the upfront income tax relief can be claimed will be reduced by the amount of consideration of any linked revenue. In addition, if a VCT makes a payment to its shareholders in relation to shares issued on or after 6 April 2014, which amounts to a repayment of share capital (including the payment of a dividend or a distribution), other than for the purpose of redeeming or repurchasing such shares, before the end of the third accounting period following the accounting period in which the shares were issued, the VCT status of the VCT will be withdrawn.

The tax rules, or their interpretation, in relation to an investment in Shares and/or the rates of tax may change during the life of the Companies and may apply retrospectively, which may adversely affect the performance of the Companies.

Risk factors relating to the Companies

There can be no guarantee that each Company's investment objective will be achieved or that suitable investment opportunities will be available.

An investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies traded on the main market for listed securities of the London Stock Exchange. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals.

The Companies' investments may be difficult to realise. There may also be constraints imposed on the realisation of investments in order to maintain the tax status of the Companies. The market for stock in smaller companies is less liquid than for stock in larger companies, bringing with it potential difficulties in acquiring and valuing such stock. The lack of liquidity will also give rise to difficulties in disposing or realising of investments at market value should there be a need to realise within a short term. The valuation of each Company's portfolio and opportunities for realisation may also depend on stock market conditions.

PART 1

Investors should be aware that since 18 November 2015 there is a maximum age limit for companies receiving investments from VCTs (generally 7 years from first commercial sale or 10 years for Knowledge Intensive Companies), and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12 million, or £20 million for Knowledge Intensive Companies). There are further restrictions on the use of VCT funds received by investee companies. These changes may mean that there are fewer opportunities for investment, and that the Companies may not necessarily be able to provide further investment funds for companies already in their portfolios. From 6 April 2016, a VCT can only invest in Qualifying Holdings or in certain specified liquid assets.

The Finance Act 2014 amended the VCT rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from capital within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Companies to fund dividends and share buybacks.

The Companies' investee companies may be adversely impacted by the continuing effect of the COVID-19 pandemic, the UK Government's restrictions in light of the pandemic and the resulting disruption caused to consumer demand. Whilst the UK Government has provided financial support and implemented fiscal and other measures to support small businesses, the UK Government may vary significantly the restrictions it has imposed on business activities, the financial support it is currently providing to businesses and the other fiscal measures it has taken. The exact effect of these on the Companies' investee companies is, therefore, difficult to predict. All of these factors may adversely affect investor returns.

Any change of governmental, economic, fiscal, monetary, or political policies, or in particular current government spending reviews and cuts, could materially affect, directly or indirectly, the operation of the Companies and/or their portfolio of companies in which they invest and the value of and returns from securities and/or their ability to achieve or maintain VCT status. Changes in legislation concerning VCTs, in particular in relation to Qualifying Holdings and qualifying trades, may limit the number of Qualifying Investment opportunities, reduce the level of returns which would otherwise have been achievable, increase the risk profile of future investments or result in the Companies not being able to meet their objectives.

It is uncertain at this time as to what impact the UK's withdrawal from the EU, and the ending of the transition period on 31 December 2020 will have on the overall trading environment faced by the businesses in the Companies' portfolio, and any adverse impact may affect investor returns.

Full information for determining the value or the risks to which unquoted companies are exposed may also not be available.

The past performance of the Companies or other funds managed or advised by the Manager is not a reliable indicator of the future performance of the Companies. The value of the Shares depends on the performance of the Companies' underlying assets.

The information in this document is based on existing legislation, including taxation legislation. The tax reliefs described are those currently available. The tax rules, or their interpretation in relation to an investment in the Companies and/or rates of tax, may change during the life of the Companies and can be retrospective. The value of tax reliefs depends on the personal circumstances of the Investor, who should consult their own tax advisers before making an investment.

The Companies intend to manage their affairs in respect of each accounting period so as to obtain and thereafter maintain approval as a VCT. However, there can be no guarantee that the Companies will be able to maintain their VCT status. If either Company fails to maintain approval as a VCT before Qualifying Investors have held their Shares for five years, the income tax relief obtained on the amount subscribed in that Company will have to be repaid by such Investors. In addition, dividends paid in an accounting period where VCT status is lost will become taxable and a liability to capital gains tax may arise on any subsequent disposal of Shares. Where approval by either Company as a VCT is not maintained that Company will also lose its exemption from capital gains tax. If at any time VCT status is lost by either Company, Dealings in the Shares will normally be suspended until such time as that Company has published proposals either to continue as a VCT or to be wound up.

Investments by VCTs are regarded as State aid. Where the European Commission believes that State aid has been provided which is not in accordance with the Risk Finance State Aid guidelines, they may require that the UK government recovers that State aid. There is currently no mechanism in place for this, but recovery may be from the investee company, the VCT or the VCT's investors.

General

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements, including, without limitation, statements containing the words "targets", "believes", "expects", "estimates", "intends", "may", "plan", "will", "anticipates" and similar expressions (including the negative of those expressions). The Directors consider that the expectations reflected in these statements are reasonable but forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Companies, or industry results, to be materially different from any future results, performance or achievements expressed or implied by those forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the risk factors section of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on those forward-looking statements. The forward-looking statements contained in this document are made on the date of this document, and the Companies are not under any obligation to update those forward-looking statements in this document to reflect actual future events or developments. Notwithstanding the foregoing, nothing in this Prospectus shall exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

GOVERNING LAW

Unless otherwise stated, statements made in this Prospectus are based on the law and practice currently in force in England and Wales.

NON-MAINSTREAM POOLED INVESTMENT STATUS AND UK MIFID LAWS

As the Companies are closed-ended investment companies, the Shares will be "excluded securities" under the FCA's rules on non-mainstream pooled investments. Accordingly, the promotion of the Shares is not subject to the FCA's restriction on the promotion of non-mainstream pooled investments. The Companies intend to conduct their affairs so that their Shares can be recommended by financial advisers to retail investors in accordance with the rules on the distribution of financial instruments under the UK MiFID Laws. The Directors consider that the Shares should be considered "non-complex" for the purposes of the UK MiFID Laws.

WEBSITES

Without limitation, neither the contents of the Companies' or the Manager's website (or any other website referred to in this Prospectus) nor the content of any website accessible from hyperlinks on the Companies' or the Manager's website (or any other website referred to in this Prospectus) is incorporated into, or forms part of this Prospectus.

WITHDRAWAL

The Companies may update the information provided in this Prospectus by means of a supplement if a significant new factor that may affect the evaluation by prospective investors occurs after the publication of this Prospectus or if this Prospectus contains any material mistake or substantial inaccuracy. Any such supplement will be subject to approval by the FCA and will be made public in accordance with the Prospectus Regulation Rules. In the event that the Companies are required to publish a supplement prospectus prior to Admission, Applicants who have applied for Shares under the Offers shall have the right to withdraw their Applications for Shares made prior to the publication of the supplement prospectus. Such withdrawal must be made within the time limits and in the manner set out in any such supplement prospectus (which shall be at least two clear Business Days following the publication of the relevant supplement prospectus). If the Application is not withdrawn within the stipulated period, any offer to apply for Shares under the Offers will remain valid and binding. Applicants who have applied for Shares via an Intermediary should contact the relevant Intermediary for details of how to withdraw an Application.

Timetable, Key Offers Information and Costs of the Offers

Timetable

Offers open	22 September 2021
Deadline for receipt of Application Forms and cleared funds*	1 April 2022
Closing of the Offers*	On or before 1 April 2022
Final allotment*	On or before 4 April 2022
Dealings commence	Within 10 Business Days following allotment
Share and tax certificates issued	Within 10 Business Days of allotment

* Each of the Boards may close the Offers in respect of its Company earlier than the date stated above if it is fully subscribed by an earlier date. The Boards further reserve the right to accept valid Application Forms and to allot and arrange for the listing of New Shares in respect of Applications received at any times prior to the closing date of the Offers as the Boards see fit.

Key Offers Information

The estimated maximum number of New Shares to be allotted in the Offers is as follows*:

	BSC	BSC2
Maximum amount raised	£36,000,000	£24,000,000
Offer Price	88.866p	63.918p
Maximum number of New Shares to be allotted	40,510,440	37,548,387

* Assuming a NAV per Share for BSC and BSC2 of 86.2p and 62.0p respectively, that the Offers are fully subscribed, including the over-allotment facility, an allocation of 60 per cent to BSC and 40 per cent to BSC2 and that all Applications are made through a Financial Adviser without a Facilitated Fee.

Costs of the Offers

The number of New Shares allotted in respect of the Offers will be calculated on the basis of the “Pricing Formula” as set out on page 33.

Minimum individual Application under the Offers	£6,000
Initial Application Fee*	3 per cent
Initial commissions payable to execution only platforms or brokers in respect of Applications received through execution only brokers	Up to 2 per cent
Aggregate net proceeds of the Offers**	£57,000,000

* 3.5 per cent for Application Forms received directly from Applicants.

** Assuming that the Offers are fully subscribed, including the over-allotment facility, that all Applications are made through execution-only platforms or brokers at an initial commission of 2 per cent and that no initial commission is rebated.

Applicants subscribing for the first £10 million of Application Amounts will receive additional New Shares equivalent to 0.5 per cent of the amount they subscribe and Applicants subscribing for the next £5 million of Application Amounts will receive additional New Shares equivalent to 0.25 per cent of the amount they subscribe, which in each case will be paid for by the Manager.

Part 2

Letter from the Chairs

Directors:

BSC

Helen Sinclair (Chair)
Adam Bastin
Jonathan Cartwright
Rupert Cook

BSC2

Peter Waller (Chair)
Barbara Anderson
Roger McDowell

Registered Office:

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

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

22 September 2021

Dear Shareholder/Investor

We are delighted to announce the Offers for further investment in BSC and BSC2, following on from the top up offers for subscriptions which were launched earlier this year under which the Companies each raised gross proceeds of £7.1 million within 5 weeks of their launch.

The Companies focus on investing in businesses that are at an early stage of their development and which are seeking capital to execute on their growth and expansion plans.

The Companies' portfolio businesses have, in general, adapted well to the various restrictions imposed as a result of the coronavirus pandemic and since the initial outbreak in March 2020 valuations have increased, showing Total Return increases in the 15 months to 30 June 2021 of 42.9 per cent (BSC) and 41.5 per cent (BSC2) of the respective opening net asset values.

Demand for growth capital continues, as evidenced by investments totalling £20.5 million made in the 12 months to 30 June 2021, of which £11.2 million has been invested in the first six months of 2021. Through the fundraising the Companies will seek to improve capacity to broaden the portfolio and provide further funding for existing investee companies to accelerate their growth plans, balancing this against the short term dilution.

The Companies are seeking to raise, in aggregate, up to £60 million, before expenses with an initial offer of £40 million which can be extended by up to £20 million through an over-allotment facility at the discretion of each of the Boards. The funds raised under the Offers will be utilised by each Company in accordance with its investment policy, to maintain liquidity and to enable payment of costs.

Amounts subscribed by Investors under the Offers will be used to purchase New Shares and will enable them to participate in the investment returns of the Companies' investment portfolios following the allotment of the New Shares.

Assuming 40,510,440 New Shares are issued by BSC at an illustrative Offer Price of 88.866p (as set out on page 34) and assuming 37,548,387 New Shares are issued by BSC2 at an illustrative Offer Price of 63.918p (as set out on page 35), the New Shares will comprise approximately 27.8 per cent and 26.8 per cent of the current Shares in issue of BSC and BSC2 respectively. Please note that only Application Forms completed online or returned by post/hand/email to the Receiving Agent will be accepted. The minimum individual subscription in each or both of the Companies has been set at £6,000. Investors will be allocated New Shares on a first-come, first-served basis.

PART 2

Potential Investors should consult their professional or Financial Advisers before deciding whether and, if so, how much they should invest under the Offers. Should you have any questions concerning the application procedures please contact Tracey Nice at YFM on 0113 261 6478/07500 330986 or tracey.nice@yfmepl.com or the Receiving Agents, City on 01484 240 910. However, no investment, financial or tax advice can be given by YFM or City and if you are in any doubt you should consult your independent Financial Adviser.

Please note that YFM, RAM Capital and City act only for the Companies and not for any Investor under the Offers and will not be responsible to the Investors for providing the protections afforded to their clients.

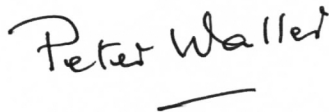
We very much look forward to welcoming participation from you and thank you for your continued support.

Yours sincerely



Helen Sinclair
Chair

British Smaller Companies VCT plc



Peter Waller
Chair

British Smaller Companies VCT2 plc

Part 3

Key Investment Highlights

3.1 Attraction of Venture Capital Trusts

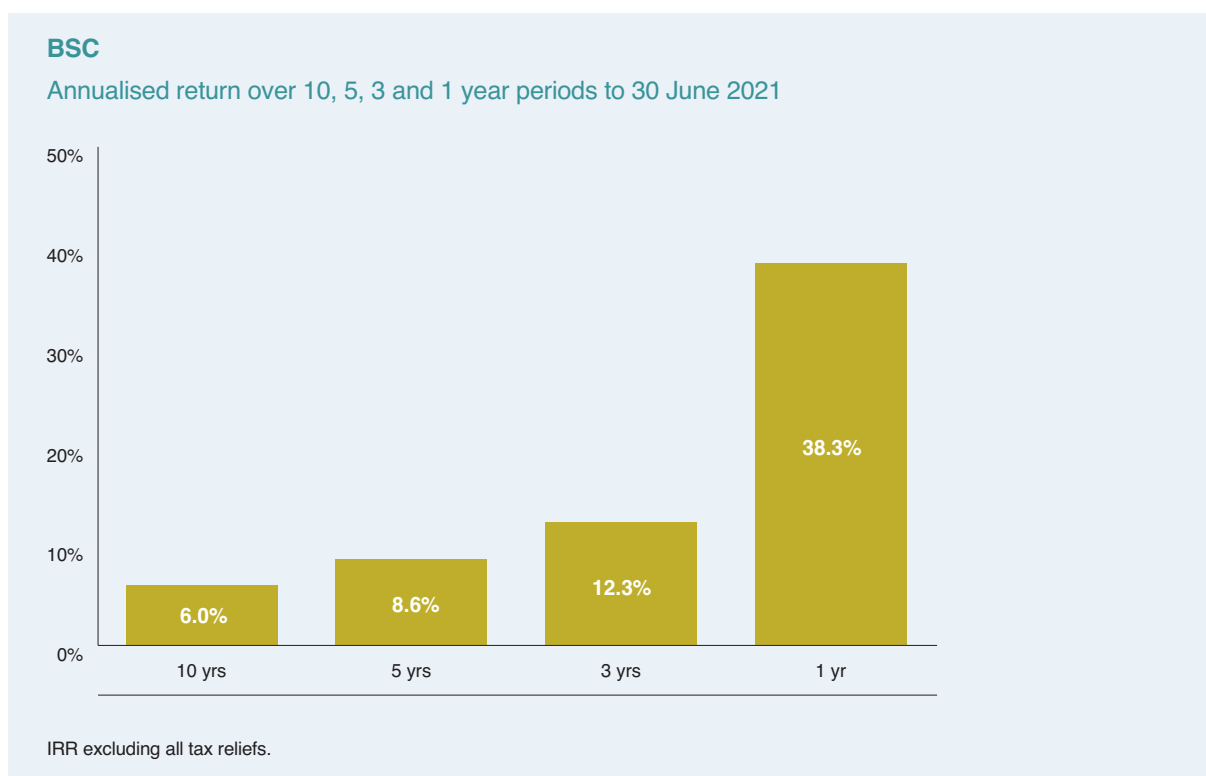
The Venture Capital Trust market has evolved over recent years, with a combination of factors contributing to the increase in its attractiveness:

- > As the size of some Venture Capital Trusts has become larger, their investment portfolios have become more diversified and mature, helping to mitigate the overall level of risk.
- > The increased scale of the larger Venture Capital Trusts has helped reduce the annual running costs per share of those funds.
- > Access to a portfolio of higher risk, unquoted growth-orientated investments that:
 - Has achieved long-term growth;
 - Benefit from an initial 30 per cent income tax rebate;
 - Benefit from a tax-free dividend yield;
 - Benefit from tax free gains on disposal;
 - Give a return of capital (subject to liquidity and regulation).
- > Investments of up to £200,000 per annum are allowed with no lifetime limit.

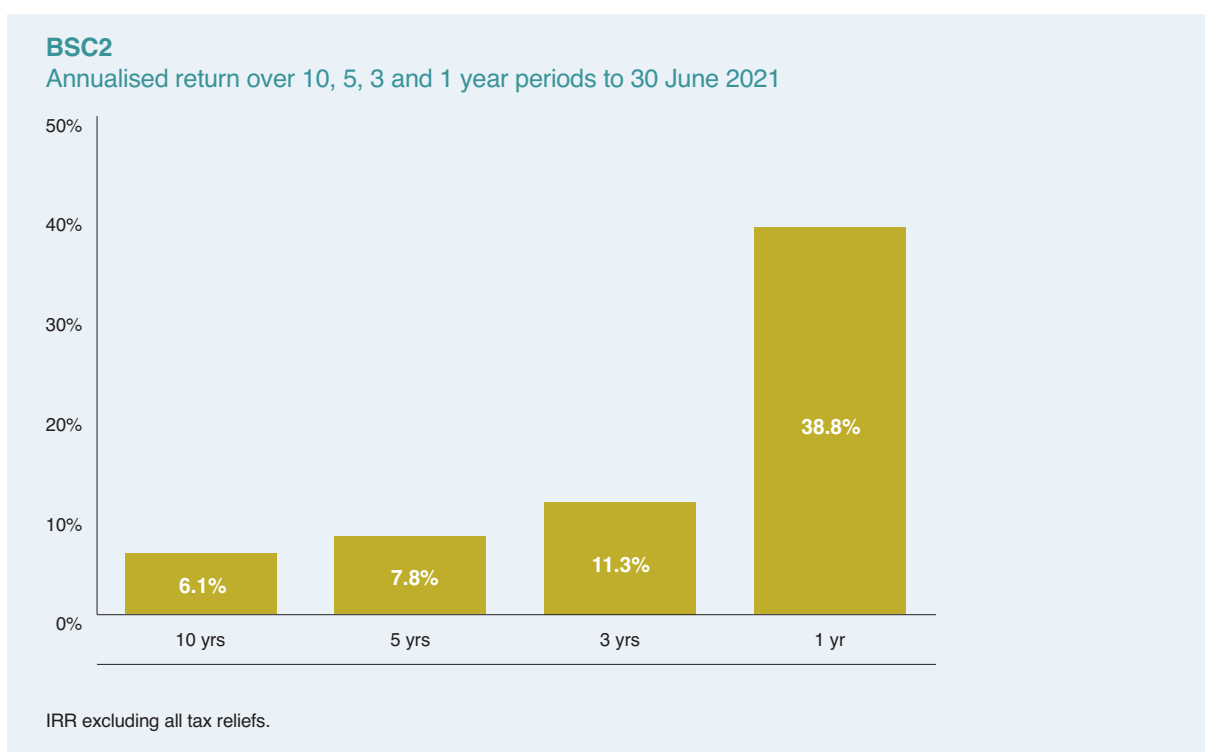
Note: The above benefits assume that an Investor and the Venture Capital Trusts qualify for all applicable tax reliefs.

3.2 The British Smaller Companies VCTs - Investment Highlights Increasing total returns¹

- > BSC is 5th for the 3-year Generalist VCT NAV Total Return.
- > BSC2 is 7th for the 3-year Generalist VCT NAV Total Return.



¹ Source: VCT Generalist NAV Total Return index compiled from Morningstar by the AIC as at 31 August 2021.



- > BSC and BSC2 competitive ongoing costs
 - The ongoing costs for BSC, for the year ended 31 March 2021, were 1.9 per cent of the year end NAV and for BSC2, for the year ended 31 December 2020, were 2.3 per cent of the year end NAV.
- > YFM long track record².
 - The last 25 investments in unquoted companies realised by the Companies to the date of this document generated a total return of 2.4x cost.
- > Strong demand for investment which maps YFM's strong regional footprint
 - The VCTs have made investments totalling £20.5 million made in the 12 months to 30 June 2021, of which £11.2 million has been invested in the first six months of 2021.
- > Broad portfolio of investments
 - 39 investments at 30 June 2021, with 71 per cent of the combined portfolio valuation being held for more than 3 years.
 - Investments held across a broad range of sectors, with Data & Analytics accounting for 49 per cent of the combined portfolio value at 30 June 2021, and Software Applications a further 24 per cent.
 - Average holding period of the investment portfolio is approximately 5.6 years.
- > Dividend Re-investment Scheme and Share buy-back programme

3.3 YFM Private Equity

YFM has been investing in growing businesses for almost 40 years and has been managing 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 YFM as Manager or investment adviser of the Companies since 2003. YFM benefits from:

- > Highly experienced Investment Team – 26 investment and portfolio staff spread across YFM's four regional offices with an average of 14 years' experience each.

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

PART 3

- > Strong levels of deal flow in the UK regions - selectively choosing from around 400 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, improving management performance, evaluating acquisitions and driving exit values.

3.4 Consistent successful track record of realisations

The last 25 investments in unquoted companies realised by the Companies to the date of this document generated a total return of 2.4x cost.

3.5 Strong demand for investment in the UK regions

The map below shows the geographical diversification of the investment portfolio as at 30 June 2021.



PART 3

3.6 Strong historical performance

Total Return (Net Asset Value plus dividends)

The table below sets out the Total Return (Net Asset Value plus dividends) for the 5 years to 30 June 2021.

	Net cost p ¹	NAV at 30 June 2021	Total Return to date p ²	Increase over net cost	IRR ³
BSC	98.5	88.2	131.5	33.5%	7.8%
BSC2	62.6	63.5	84.5	35.0%	7.2%

1 Net cost is based on an Offer Price being calculated as the Net Asset Value at 30 June 2016, adjusted for offer costs, subsequent dividends and excludes the benefit of any initial tax relief.

2 Total Return to date is cumulative dividends paid in the period plus the 30 June 2021 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 (assumed to be 30 June 2016) with the value of subsequent dividends plus the 30 June 2021 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 Company for the last ten years are set out in the tables below.

BSC

Year of issue	NAV at 30 June 2021 Pence	Cumulative dividends paid since fundraising Pence	Total Return to date ¹ Pence	Offer price ² Pence	IRR ³ %	IRR including all tax reliefs %
2011	88.2	101.2	189.4	128.0	6.0%	12.7%
2012	88.2	78.2	166.4	99.8	7.9%	14.4%
2013	88.2	73.2	161.4	95.8	9.2%	16.8%
2014	88.2	66.7	154.9	100.8	8.6%	17.1%
2015	88.2	58.7	146.9	99.5	9.0%	19.0%
2016	88.2	48.7	136.9	102.3	7.6%	18.5%
2017	88.2	26.7	114.9	84.6	8.8%	20.7%
2019	88.2	10.0	98.2	76.0	13.0%	34.5%

BSC2

Year of issue	NAV at 30 June 2021 Pence	Cumulative dividends paid since fundraising Pence	Total Return to date ¹ Pence	Offer price ² Pence	IRR ³ %	IRR including all tax reliefs %
2011	63.5	45.5	109.0	70.3	5.8%	11.3%
2012	63.5	41.5	105.0	70.5	5.8%	11.7%
2013	63.5	37.0	100.5	68.0	6.2%	12.7%
2014	63.5	32.5	96.0	68.0	6.1%	13.2%
2015	63.5	28.0	91.5	65.0	6.9%	15.0%
2016	63.5	23.5	87.0	63.0	7.2%	16.1%
2017	63.5	19.0	82.5	62.2	7.7%	18.5%
2018	63.5	16.0	79.5	59.4	10.4%	25.1%
2019	63.5	8.0	71.5	56.3	12.0%	33.1%

1 Total Return to date is cumulative dividends paid plus the 30 June 2021 Net Asset Value in pence per Share.

2 Offer price is the offer price for the relevant tax year, excluding the benefit of income tax relief available to investors at the time of the offer.

3 IRR is the unaudited annual rate of return that equates the cost at the date of the original investment, with the value of subsequent dividends plus the 30 June 2021 Net Asset Value per Share. This excludes the benefit of any initial tax relief.

The past performance of the Manager, the funds it manages, and the Companies may not be repeated and is not a guide to the future performance of the Companies and no projection is implied or should be inferred.

3.7 Broad and maturing portfolio

The Companies invest across a range of sectors, with the analysis as at 30 June 2021 set out in the tables below.

All investments Sector	% of venture capital investments by value		
	BSC	BSC2	Combined
Data & Analytics	46	53	49
Software Applications	26	22	24
New Media	12	10	11
Business Services	11	10	11
Retail & Brands	3	3	3
Advanced Manufacturing	1	1	1
Other	1	1	1
Total	100	100	100

Investments since November 2015 Sector	% of venture capital investments by value		
	BSC	BSC2	Combined
Data & Analytics	55	60	57
Software Applications	25	22	24
New Media	12	11	12
Retail & Brands	4	4	4
Business Services	4	3	3
Total	100	100	100

PART 3

Investments made before November 2015 Sector	% of venture capital investments by value		
	BSC	BSC2	Combined
Business Services	29	28	29
Data & Analytics	26	30	27
Software Applications	27	23	26
New Media	11	9	10
Advanced Manufacturing	4	5	4
Other	3	5	4
Total	100	100	100

As at 30 June 2021, the average holding period for the last 25 unquoted investments realised by the Companies was 7 years. Holding periods vary from investment to investment, but the determining factor is based on maximising the return from each investment. The table below sets out the age profile of the combined portfolio of investments by value. As at 30 June 2021, the average holding period of the investment portfolio is approximately 5.6 years.

	% of venture capital investments by value of venture capital investments				Total
	< 1 years	1-3 years	3-5 years	5+ years	
Combined	8%	21%	42%	29%	100%

PART 3

The investment portfolios as at 30 June 2021 are summarised below (all in £'000):

Investee company (All in £000)	Sector	BSC		BSC2		Combined		% of net assets by value
		Carrying cost*	Valuation	Carrying cost*	Valuation	Carrying cost*	Valuation	
Unquoted Investments								
Matillion Limited	Data & Analytics	2,046	30,171	1,778	27,078	3,824	57,249	26.4
Deep-Secure Ltd**	Software Applications	1,000	6,551	500	3,275	1,500	9,826	4.5
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	Business Services	2,934	4,585	1,956	3,057	4,890	7,642	3.5
Wooshii Limited	New Media	3,660	4,277	2,440	2,852	6,100	7,129	3.3
Springboard Research Holdings Limited	Data & Analytics	2,733	4,257	1,822	2,838	4,555	7,095	3.3
Unbiased EC1 Limited	Software Applications	2,946	4,027	1,964	2,685	4,910	6,712	3.1
SharpCloud Software Limited	Data & Analytics	3,407	4,007	2,271	2,671	5,678	6,678	3.1
Elucidat Ltd	Software Applications	2,700	3,970	1,800	2,643	4,500	6,613	3.1
Force24 Ltd	Software Applications	2,400	3,409	1,600	2,273	4,000	5,682	2.6
ACC Aviation Group Limited	Business Services	220	3,315	145	2,218	365	5,533	2.5
<i>Largest 10 unquoted venture capital investments</i>		24,046	68,569	16,276	51,590	40,322	120,159	55.4
Other unquoted venture capital investments		34,267	26,829	27,762	19,572	62,029	46,401	21.4
Total unquoted venture capital investments		58,313	95,398	44,038	71,162	102,351	166,560	76.8
Listed investment funds		4,851	4,980	-	-	4,851	4,980	2.3
Total investments		63,164	100,378	44,038	71,162	107,202	171,540	79.1
Other assets		27,387	27,387	17,879	17,879	45,266	45,266	20.9
Net assets		90,551	127,765	61,917	89,041	152,468	216,806	100.0

* Carrying cost is original cost less repayments and the cost of part realisations.

** Realised in July 2021 at the value shown.

3.8 Tax benefits to Investors

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

- > 30 per cent income tax relief 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 shares.

PART 3

The table below has been prepared for illustrative purposes only and does not form part of the summary of the tax reliefs contained in this section. The table shows how the initial tax reliefs available can reduce the effective cost of an investment of £10,000 in a VCT by a Qualifying Investor subscribing for VCT shares to only £7,000:

	Effective Cost	Tax Relief
Investor unable to claim any tax reliefs	£10,000	Nil
Qualifying Investor able to claim tax reliefs	£7,000	£3,000

This is only a brief summary of the current UK tax position of Venture Capital Trust investors. Further details are provided in Part 5. 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 Companies maintaining their Venture Capital Trust qualifying status.

3.9 Providing improved liquidity and buy-back policy

Both of the Companies 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 by the Companies 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 Companies is targeted to be no more than 5 per cent.

3.10 Dividends and Dividend Re-investment Schemes

A VCT must distribute by way of dividend such amount as to ensure that it retains not more than 15 per cent of its income from shares and securities. The Directors of each of the Companies aim to maximise tax free distributions to Shareholders of income or realised gains.

The Companies currently operate Dividend Re-investment Schemes providing Shareholders with the opportunity to reinvest the cash dividends paid by the Companies through the issue of new Shares. It is expected that the first applicable dividend in relation to which the Schemes will operate for the New Shares will be the first dividend paid in 2022 by BSC and BSC2 respectively. Currently, Shareholders whose dividends are re-invested under the Schemes receive Shares at the latest reported Net Asset Value as at the date the dividend is paid (adjusted for the relevant dividend if this Net Asset Value does not already recognise the dividend). Whilst the Schemes can be withdrawn at any time, the Directors have no plans to do so.

Shareholders participating in the Schemes should qualify for the Venture Capital Trust tax reliefs that are applicable at the time of investment to subscription for new Shares in the Companies, subject to current law and the limits set out below, provided they hold the Shares for the 5 year Venture Capital Trust qualifying period applicable to new subscriptions. The Shares subscribed through the Schemes will form part of each Shareholder's current annual limit of £200,000 for new subscription in Venture Capital Trusts, as will shares issued under any other VCT's DRIS or equivalent. Dividends paid by either Company are tax-free provided the holding is acquired within this limit and need not be reported in the Shareholder's annual tax return. Any loss or gain accruing to a Shareholder on a disposal of the Shares acquired within the current annual limit of £200,000 will be neither a chargeable gain nor an allowable tax loss for the purposes of capital gains tax. Shares acquired first will be treated as disposed of first, whether or not tax relief was obtained on those Shares.

Shareholders wishing to participate in the Schemes should complete the appropriate box in Section 5 of the Application Form, having read and understood the terms and conditions of the Schemes, which are set out on pages 76 to 79.

The tax consequences of a Shareholder choosing to participate in either Scheme will depend on their personal circumstances and specialist independent tax and financial advice should be obtained before entering the Scheme.

3.11 Practices and operations

Each Board is responsible for the overall control and management of their Company with responsibility for its affairs, including determining its investment policy. Investment proposals are originated by the Manager and formally approved by the relevant Board or, in the case of BSC, its investment committee.

The Manager is responsible for the sourcing and screening of investment opportunities, carrying out due diligence investigations and making submissions to the Boards regarding potential investments. Post investment, the Manager works with the businesses and management teams in which the Companies are invested, monitoring progress, effecting change and where applicable redefining strategies with a view to maximising values through

structured exit processes. The majority of new investments are now self-assured on a case-by-case basis and always with confirmation from professional advisors that they are Qualifying Investments. Advance assurance is sought where there is an element of uncertainty over the application of the rules.

Each Board reserves the right to take all investment and divestment decisions except in the making of certain investments up to £250,000 in companies whose shares are to be traded on AIM and where the decision is required urgently, in which case the Chairman, or, in the case of BSC, the Chairman of the BSC investment committee if appropriate, may act in consultation with the Manager.

Each Board meets regularly throughout the year (normally at least quarterly), and all necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings will take place or conference calls made when Board decisions are required in advance of regular meetings.

The Board of each Company regularly monitors the performance of the portfolio and the investment targets set by the relevant VCT Regulations. Reports are received from the Manager as to the trading and financial position of each investee company and members of the Investment Team regularly attend the Board meetings. Monitoring reports are also received at each Board meeting on compliance with each Company's investment targets so that the Boards can monitor that the Venture Capital Trust status of their Company is maintained and take corrective action where appropriate. In addition, each Board receives formal reports from Philip Hare & Associates LLP, its VCT status adviser twice a year.

The Companies presently comply with the provisions of the UK Corporate Governance Code, published by the Financial Reporting Council in July 2018 (the "Code"), save for those provisions relating to the following: (i) the Companies have not appointed a CEO or a recognised senior independent non-executive director, (ii) the presumption concerning each Chairman's independence and (iii) the need for an internal audit function. For the reasons set out in the Code, the Boards consider these provisions are not relevant to their Companies, being externally managed VCTs.

3.12 Committees

Audit & Risk Committees

Each Company has an Audit & Risk committee which meets at least three times a year. The Audit & Risk committees review the actions and judgements of the Manager in relation to the interim and annual financial statements and each Company's compliance with the Code. They review the terms of the advisory agreement and examine the effectiveness of each Company's internal control systems, receive information from the Manager's compliance department and review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. The Audit & Risk committees have written terms of reference which define their responsibilities. The Audit & Risk committee for BSC consists of the BSC Board with Jonathan Cartwright as chairman and the Audit & Risk committee of BSC2 consists of the BSC2 Board with Roger McDowell as chairman.

Nominations and Remuneration Committee

BSC has a combined nominations and remuneration committee which consists of the Directors, who are considered by the BSC Board to be independent of the Manager.

BSC2 has a combined nominations and remuneration committee which consists of the Directors, who are considered by the BSC2 Board to be independent of the Manager.

Jonathan Cartwright is the chairman of BSC's combined nominations and remuneration committee and Peter Waller is the chairman of BSC2's combined nominations and remuneration committee, save when the relevant committee meets to consider a candidate for the Chairmanship. In considering appointments to the Boards, the committees dealing with nominations take into account the ongoing requirements of the Companies and the need to have a balance of skills and experience on the Boards.

Allotment Committees

With regards to the allotment of new Shares, BSC and BSC2 both generally operate through a committee of any one Director. In addition, the Companies' company secretary has an authority to allot Shares under the DRIS. The allotment committees meet as and when required to formally approve the allotment of Shares.

PART 3

Investment Committee

The Directors of BSC meet as an investment committee of the Board to consider and approve all investment decisions. The committee is chaired by Rupert Cook. The BSC2 Board has determined that due to the investment procedures currently in place, in its opinion there is no role for a separate investment committee.

3.13 Custody arrangements

The Manager is the Companies' Alternative Investment Fund Manager and takes responsibility for the custody of the Companies' investments. All certificates and other documents evidencing title (whether or not in registered form) will be received by the Companies and will be held in the relevant Companies' name and held in custody by the Manager. No third-party custodian has been appointed. The Companies will take legal ownership of the Companies' assets.

Part 4

The Offers

4.1 Introduction to the Offers

The Offers are seeking to raise £40 million, in aggregate, through the issue of new Shares in each of the Companies. If the Offers are oversubscribed, they may be increased at the discretion of the Companies by a further £20 million, in aggregate. Investors will have the option to invest in either of the Companies or in any proportion in a combination of the two and if no preference is stated, each Investor's Application will be allocated 60 per cent to BSC and 40 per cent to BSC2.

4.2 Investment policy

The investment policy of both Companies is as follows:

The investment policy of the Company is to invest in UK businesses across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.

These investments will all meet the definition of a Qualifying Investment and be primarily in unquoted UK companies. It is anticipated that the majority of these will be re-investing their profits for growth and the investments will, therefore, comprise mainly equity instruments.

The Company seeks to build a broad portfolio of investments in early stage companies focused on growth with the aim of spreading maturity profiles and maximizing return as well as ensuring compliance with the VCT guidelines in this regard.

Borrowing

The Company funds the investment programmes out of its own resources and has no borrowing facilities for this purpose.

Co-investment

The Companies have in aggregate first choice of all investment opportunities meeting the VCT qualifying criteria that require up to £4.5 million of equity. Amounts above £4.5 million will be allocated one third to YFM's co-investment funds and two thirds to the Companies. Where there are opportunities for the Companies to co-invest with each other the basis for allocation is 60 per cent to BSC and 40 per cent to BSC2. Each of the Companies has discretion as to whether or not to take up or, where the other Company does not take up its allocation, increase its allocation in such co-investment opportunities.

Asset mix

Pending investment in venture capital trust qualifying securities, surplus cash is primarily held in interest bearing instant access, short-notice bank accounts, money market funds and investment funds listed on a recognised stock exchange (including FCA authorised and regulated UCITS funds). Subsequent to the Finance (No. 2) Act 2015 investments can no longer be made in non-qualifying quoted investments traded on an unregulated exchange. This change therefore now excludes most AIM investments in this category.

4.3 VCT Regulations

The Companies' investment policies are designed to ensure that the Companies continue to qualify and are approved as VCTs by HMRC. The current VCT conditions, amongst others, state that the Companies may not invest more than 15 per cent by value of their investments, calculated in accordance with section 278 of the Tax Act ("VCT Value"), in a single company or group of companies and must have at least 80 per cent of its investments by VCT Value throughout the period in shares and securities comprised in Qualifying Holdings. At least 70 per cent by VCT Value of Qualifying Holdings must be in "eligible shares", which are ordinary shares which have no preferential rights to assets on a winding up and no rights to be redeemed but may have certain preferential rights to dividends. At least 10 per cent of each Qualifying Investment must be in eligible shares.

The companies in which investments are made must have no more than £15 million of gross assets at the time of investment and no more than £16 million immediately after the investment to be classed as a Qualifying Holding.

PART 4

Additionally, the Finance (No. 2) Act 2015 and the Finance Act 2016 have imposed some further conditions in respect of investments, including those regarded as non-Qualifying Investments. These include:

1. An aggregate limit of £12 million (or £20 million for Knowledge Intensive Companies) on the amount of Risk Finance State Aid investment a business can receive during its lifetime;
2. No more than seven years can have elapsed since the first commercial sale achieved by the business (ten years in the case of a Knowledge Intensive Company), unless:
 - 2.1 the company has previously raised relevant Risk Finance State Aid and the company is raising further funds for the same business activities, or
 - 2.2 the investment comprises more than 50 per cent of the average of the previous five years' turnover and the funds are to be used in the business to fund growth into new product markets or geographies;
3. VCTs may only invest in Qualifying Holdings and in certain money market securities, shares and securities in a company which are listed on a European regulated market, and short-term cash deposits.

4.4 Co-investment policy

The Companies' co-investment policies are set out in their investment policies referred to above.

4.5 The Investment Team

David Hall – Managing Director

- > Chairman of YFM's Investment and Portfolio Committee
- > Over 30 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 – Director – Head of Portfolio

- > Has led YFM's portfolio management activities since 2009
- > Over 20 years of private equity, venture capital and fund management experience
- > Previously, 10 years at 3i, where he was as a Portfolio Director
- > First class degree in Mathematics from Imperial College

Victor Christou – Director – Head of Growth

- > Responsible for the portfolio management and Chair of the Portfolio Management Committee of growth assets
- > Over 20 years' experience in venture capital both as an entrepreneur and investor
- > Previously CEO at Cambridge Innovation Capital plc
- > Sloan Fellow at Stanford University Business School
- > PhD in Chemistry, and Royal Society Research Fellow at University of Oxford

Ian Waterfield – Director – Head of New Investment (North)

- > Leads the New Investments team in the North across the Leeds and Manchester offices and in the Midlands
- > 19 years of private equity, venture capital and fund management experience
- > Joined YFM in 2007, previously 12 years with KPMG, latterly as Associate Director in Transaction Services, acting for a wide variety of clients
- > First class degree in Accounting and Finance from Leeds University and Chartered Accountant, qualifying with KPMG

Eamon Nolan – Director – Portfolio Director

- > Responsible for managing investments
- > Over 20 years of private equity, venture capital and fund management experience
- > Joined YFM in 2014, previously 15 years at 3i, where he was Portfolio Director of their Asset Management Group, having spent 8 years in their Small and Medium Investments team

Jamie Roberts – Director – Head of New Investment (South)

- > Leads the New Investments team in the South across the London and Reading offices
- > 9 years of private equity, venture capital and fund management experience
- > Joined YFM in 2012, prior to joining YFM spent 8 years working in Corporate Banking for two UK clearing banks
- > BA in Banking and Finance from the University of Wales

Paul Cannings – Director

- > Over 30 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 – Member of Investment Committee

- > Responsible for making investments
- > Over 30 years of private equity, venture capital and fund management experience
- > Maths graduate and Chartered Accountant, qualifying with Grant Thornton

4.6 Directors

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

BSC

- > **Helen Sinclair** Chair of the board (appointed 1 March 2008) 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 eight years at 3i plc focusing on MBOs and growth capital investments. She later co-founded Matrix Private Equity (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 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, Gresham House Strategic plc, North East Finance (Holdco) Limited and WH Ireland Group plc.
- > **Adam Bastin** (appointed 11 September 2019) is currently VP, Corporate Development at Arm Limited, the world's largest semiconductor IP company, where he leads acquisitions and investments on behalf of Arm, and therefore brings a well-developed network in the technology sector in the UK and internationally. Adam is an experienced M&A, corporate finance and investment professional with 20 years' transaction experience, both for leading investment banks and FTSE 100 companies and is a qualified management accountant (CIMA). He brings a wealth of experience of investing in, acquiring and selling smaller companies, across a range of sectors and has served on the boards of various early-stage technology companies.
- > **Jonathan Cartwright** Chair of the Audit & Risk Committee (appointed 1 October 2019) is currently Chairman of BMO Capital and Income Investment Trust plc and Mobeus Income & Growth 4 VCT plc. He is also a non-executive director of Tennants Consolidated Limited where he is Chairman of the Audit Committee. Jonathan has significant experience of the investment trust and VCT sectors and of serving on the boards of both public and private companies in executive and non-executive roles.

- > **Rupert Cook** Chair of the Investment Committee (appointed 1 August 2017) specialises in strategy and corporate development, with 30 years' experience of technology companies, including 20 years in corporate finance and investment. He has led multiple fundraisings, acquisitions and sales of technology businesses as well as having co-founded and built up his own consultancy and training business through to sale to a UK plc. Earlier in his career, he was a senior manager at Cap Gemini plc, Director of Advisory Services at Interregnum plc and Head of Technology M&A at goetzpartners corporate finance. As well as being an active angel investor, both in the UK and the US, Rupert is currently Chair of Netacea Limited, and recently spent two years as Chief Strategy Officer of Immersive Labs Ltd, where he remains a non-executive director.

BSC2

- > **Peter Waller** Chair of the board (appointed 1 November 2010) 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 was appointed as Chair of the Company in May 2019. Peter is also Chair of KeyPoint Technologies (UK) Limited and the Director and Founder of Turnberry Management Company Limited. Over the past two decades Peter has worked as a board member with multiple private and public companies. His particular skills are in sales and marketing and working with companies to develop successful sales growth strategies.
- > **Barbara Anderson** (appointed 1 October 2020) is an experienced Non-Executive Director and Chair who has worked extensively with SMEs, third sector and PLCs in regulated sectors, international private companies and venture capital specialists. Amongst other roles, Barbara is currently Non-Executive Director and Chair of Audit & Risk at Sovereign Housing Association and Independent Board Member and Chair of Audit & Risk at SmartDCC Ltd. Her expertise includes innovation for growth and sustainability including ESG, strategic planning, start-up acceleration and business transformation.
- > **Roger McDowell** Chair of the Audit & Risk Committee (appointed 6 March 2019) has considerable experience as a chairman and non-executive director of a wide range of technology, business services and manufacturing businesses. Following the flotation of his family's business and subsequent trade sale, he began his plural career in 2000, when he took board roles in three private equity backed technology businesses. He is chairman of Hargreaves Services Plc, Avingtrans Plc, Flowtech Fluidpower Plc and Brand Architekts Group Plc and non-executive director of Tribal Group Plc, Proteome Sciences Plc and Augean Plc. Roger is Chairman of the audit committee at Proteome Sciences.

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

	Name	Present aggregate Shareholding
BSC	Helen Sinclair	23,062
	Adam Bastin	13,247
	Jonathan Cartwright	26,494
	Rupert Cook	39,607
BSC2	Peter Waller	44,439
	Barbara Anderson	9,112
	Roger McDowell	266,391

4.7 Terms of the Offers

The Offers are to raise up to £40 million, in aggregate, and if they are oversubscribed, they may be increased by a further £20 million, in aggregate, at the discretion of the Companies. 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. There is a minimum subscription of £6,000 in either or both Companies under the Offers (before any Facilitated Fees are deducted) and, thereafter, in multiples of £1,000. The New Shares will rank *pari passu* with existing Shares. There is no maximum amount that can be subscribed under the Offers. However, prior to subscribing to the Offers, Investors may wish to consider that, as detailed in Part 5 of this document, tax reliefs are restricted to a maximum VCT allowance, in all VCTs in any single tax year, of £200,000 (including shares issued under a DRIS) per Qualifying Investor.

The results of the Offers will be announced through a Regulatory Information Service within 3 Business Days of the closing of the Offers. Subject to the Offers remaining open for both Companies, Investors will have the option to invest in either of the Companies or a combination of the two and if no preference is given, each Investor's subscription will be allocated 60 per cent to BSC and 40 per cent to BSC2, broadly reflecting the relative sizes of each fund. Subscription monies received from an Applicant who has chosen that those monies are allocated to a Company for which the Offer has closed, will be returned to the Applicant or will be allocated to the other Offer, if still open, as indicated by the Applicant.

An application has been made to the FCA for the New Shares to be admitted to the premium segment of the Official List and will be made to the London Stock Exchange for the New 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 New Shares will commence within ten Business Days of their allotment. The New 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 New Shares may be held in an account through the CREST system. The New Shares will be transferable in both certificated and uncertificated form. The Companies will apply for the New Shares to be admitted to CREST and it is expected that the New 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 New 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 Shares is GB0001403152. The ISIN of the BSC2 Shares is GB0005001796.

The Offers may not be withdrawn after dealings in the New Shares have commenced. In the event of any requirement for either of the Companies to publish a supplementary prospectus, Applicants who have yet to be entered into that Company'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.

The Offers open on 22 September 2021 and will close no later than 1 April 2022 or earlier should the Offers become fully subscribed. The Directors may, at their discretion, make allotments of New Shares at any time prior to the close of the Offers. Details of such allotments will be announced through a Regulatory Information Service provider by no later than the Business Day following the allotment.

4.8 Pricing of the Offers

Pricing Formula

The number of New Shares to be allotted under the Offers will be determined by the following formula:

$$\frac{A - B - C - D + E}{\text{NAV per Share}}$$

NAV per Share	where:
A	is the total amount remitted to the Companies, including any Facilitated Fee;
B	is any Facilitated Fee;
C	is the Initial Application Fee of 3.0 per cent of the Application Amount (3.5 per cent for Applications received from Applicants who have not invested their money through an Intermediary/Financial Adviser and have invested directly into the Companies);
D	is the amount of commission payable to an execution-only broker or platform, up to a maximum of 2.0 per cent;
E	is the amount of commission rebated by an execution-only broker or platform; and
NAV per Share	NAV per Share is the most recently published NAV per Share of the relevant Company, adjusted for any subsequent dividends paid or declared (and in respect of which no adjustment has been made to that latest published NAV per Share).

Applicants subscribing for the first £10 million of Application Amounts will receive additional New Shares equivalent to 0.5 per cent of the amount they subscribe and Applicants subscribing for the next £5 million of Application Amounts will receive additional New Shares equivalent to 0.25 per cent of the amount they subscribe, which in each case will be paid for by the Manager.

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The number of New Shares to be issued by each Company under the Offers will be rounded down to the nearest whole number (fractions of New Shares will not be allotted). If there is a surplus of funds from an Application Amount, the balance will be returned (without interest) in the form of a cheque made payable to the Applicant sent to the address shown on the Application Form; save where the amount is less than £2.00, in which case it will be retained by the relevant Company. Share and tax certificates will be sent to the Applicant at the address shown on the Application Form.

As at the date of this Document the most recently published (unaudited) NAVs were 88.2p and 63.5p for BSC and BSC2 respectively, being the unaudited NAVs as at 30 June 2021 for BSC and BSC2 respectively. On 23 July 2021 BSC paid an interim dividend of 2.0p per BSC Share, following which the unaudited NAV per BSC Share was 86.2p. BSC2 has declared an interim dividend of 1.5p per BSC2 Share, which will be paid on 25 October 2021, following which the unaudited NAV per BSC2 Share will be 62.0p.

The maximum aggregate amount to be raised by each of the Companies under the Offers, including the over-allotment facility, is £60 million. For illustrative purposes, assuming New Shares are issued at an illustrative Offer Price of 88.866p and 63.918p for BSC and BSC2 respectively (as set out on pages 34 and 35), the maximum number of New Shares that will be issued under the Offers by BSC and BSC2, assuming a 60 per cent/40 per cent split between BSC and BSC2 respectively, is 40,510,440 New Shares and 37,548,387 New Shares by BSC and BSC2 respectively (although the actual number of New Shares that will be issued by each of the Companies will depend on the Offer Prices which could be higher or lower than the illustrative Offer Prices of 88.866p and 63.918p).

Each of the Boards may close the Offers in respect of its Company earlier than the date stated on page 16. The Boards further reserve the right to accept an Application Form and to allot and arrange the listing of New Shares in respect of Applications received on or prior to the closing date of the Offers as the Boards see fit, which may not be on the dates stated on page 16.

Illustrative Offer Prices

An illustration of the application of the Pricing Formula based on the most recently published (unaudited) NAVs as at 30 June 2021 of 86.2p and 62.0p for BSC and BSC2 respectively (and in the case of BSC following the interim dividend of 2.0p per BSC Share that was paid on 23 July 2021, and in the case of BSC2 following the interim dividend of 1.5p per BSC2 Share that will be paid on 25 October 2021), assuming a full subscription, including the over-allotment facility, and a 60 per cent/40 per cent split between BSC and BSC2 respectively, is set out below.

BSC

	Direct	Through a Financial Advisor, no Facilitated Fee	Through a Financial Advisor, Facilitated Fee of 2%	Execution only platform or broker, 2% initial commission waived	Execution only platform or broker, no rebate of initial commission
Maximum amount raised	£36,000,000	£36,000,000	£36,000,000	£36,000,000	£36,000,000
Facilitated Fee	-	-	(£720,000)	-	-
Initial Application Fee (3.0 per cent – Direct 3.5 per cent)	(£1,260,000)	(£1,080,000)	(£1,080,000)	(£1,080,000)	(£1,080,000)
Execution only commission (2 per cent)	-	-	-	(£720,000)	(£720,000)
Initial commission waived	-	-	-	£720,000	-
Net amount invested	£34,740,000	£34,920,000	£34,200,000	£34,920,000	£34,200,000
NAV per BSC Share	86.2p	86.2p	86.2p	86.2p	86.2p
Number of Shares issued	40,301,624	40,510,440	39,675,174	40,510,440	39,675,174
Illustrative Offer Price*	89.326p	88.866p	90.737p	88.866p	90.737p

PART 4

BSC2

	Direct	Through a Financial Advisor, no Facilitated Fee	Through a Financial Advisor, Facilitated Fee of 2%	Execution only platform or broker, 2% initial commission waived	Execution only platform or broker, no rebate of initial commission
Maximum amount raised	£24,000,000	£24,000,000	£24,000,000	£24,000,000	£24,000,000
Facilitated Fee	-	-	(£480,000)	-	-
Initial Application Fee (3.0 per cent – Direct 3.5 per cent)	(£840,000)	(£720,000)	(£720,000)	(£720,000)	(£720,000)
Execution only commission (2 per cent)	-	-	-	(£480,000)	(£480,000)
Initial commission waived	-	-	-	£480,000	-
Net amount invested	£23,160,000	£23,280,000	£22,800,000	£23,280,000	£22,800,000
NAV per BSC2 Share	62.0p	62.0p	62.0p	62.0p	62.0p
Number of Shares issued	37,354,838	37,548,387	36,774,193	37,548,387	36,774,193
Illustrative Offer Price*	64.249p	63.918p	65.263p	63.918p	65.263p

* The example Offer Prices shown above are for illustrative purposes only as the NAVs may be different for the purposes of calculating the actual Offer Prices applicable to the allotment of New Shares under the Offers (which may be higher or lower than in the examples above).

Illustrative share allotments

Set out below is an illustration of the number of New Shares that would be allotted for an Application of £10,000, based on the illustrative Offer Prices above. Where applicable these examples assume a Facilitated Fee of 2 per cent or 0.5 per cent or commission waived by an execution only broker or platform of 2 per cent.

BSC

	Direct	Through a Financial Advisor, no Facilitated Fee	Through a Financial Advisor, Facilitated Fee of 0.5%	Through a Financial Advisor, Facilitated Fee of 2%	Execution only platform or broker, 2% initial commission waived	Execution only platform or broker, no rebate of initial commission
Application Amount	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000
Facilitated Fee	-	-	(£50)	(£200)	-	-
Initial Application Fee	(£350)	(£300)	(£300)	(£300)	(£300)	(£300)
Initial commission – execution only intermediary	-	-	-	-	(£200)	(£200)
Initial commission waived – execution only intermediary	-	-	-	-	£200	-
Amount invested	£9,650	£9,700	£9,650	£9,500	£9,700	£9,500
NAV per BSC Share	86.2p	86.2p	86.2p	86.2p	86.2p	86.2p
Illustrative number of New Shares to be allotted	11,194	11,252	11,194	11,020	11,252	11,020
Illustrative Offer Price as set out on page 34	89.326p	88.866p	89.326p	90.737p	88.866p	90.737p

BSC2

	Direct	Through a Financial Advisor, no Facilitated Fee	Through a Financial Advisor, Facilitated Fee of 0.5%	Through a Financial Advisor, Facilitated Fee of 2%	Execution only platform or broker, 2% initial commission waived	Execution only platform or broker, no rebate of initial commission
Application Amount	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000
Facilitated Fee	-	-	(£50)	(£200)	-	-
Initial Application Fee	(£350)	(£300)	(£300)	(£300)	(£300)	(£300)
Initial commission – execution only intermediary	-	-	-	-	(£200)	(£200)
Initial commission waived – execution only intermediary	-	-	-	-	£200	-
Amount invested	£9,650	£9,700	£9,650	£9,500	£9,700	£9,500
NAV per BSC2 Share	62.0p	62.0p	62.0p	62.0p	62.0p	62.0p
Illustrative number of New Shares to be allotted	15,564	15,645	15,564	15,322	15,645	15,322
Illustrative Offer Price as set out on page 35	64.249p	63.918p	64.249p	65.263p	63.918p	65.263p

4.9 Costs of the Offers

The initial costs of the Offers comprise (i) an Initial Application Fee of 3.0 per cent of the Application Amount (3.5 per cent for Applications received from Applicants who have not invested their money through an Intermediary/Financial Adviser and have invested directly into the Companies) and (ii) the initial commissions payable by the Companies in respect of Applications received through execution only brokers.

Applicants subscribing for the first £10 million of Application Amounts will receive additional New Shares equivalent to 0.5 per cent of the amount they subscribe and Applicants subscribing for the next £5 million of Application Amounts will receive additional New Shares equivalent to 0.25 per cent of the amount they subscribe, which in each case will be paid for by the Manager.

Initial Application Fee

The Initial Application Fee is 3.0 per cent of the Application Amount (3.5 per cent for Applications received from Applicants who have not invested their money through an Intermediary/Financial Adviser and have invested directly into the Companies) and is paid by the relevant Company to the Manager. In consideration, the Manager has agreed to meet the costs associated with the Offers, including any additional shares issued on the first £15 million of Application Amounts, save for commissions payable to execution only brokers, on behalf of the Companies and the Manager will, therefore, be responsible for all of these costs.

Commissions

Those Intermediaries that are permitted to receive commission will receive an initial commission of up to 2.0 per cent of the amount invested by their clients under the Offers. Provided that the Companies agree to pay trail commission, that the Intermediary continues to act for the Investor and that the Investor continues to be the beneficial owner of the New Shares, subject to applicable laws and regulations the Intermediary can be paid total trail commission of up to 2.5 per cent in aggregate of their client Investors' Application Amount, paid as to 0.5 per cent per annum over a period of up to 5 years. Trail commission in respect of the Offers will be paid annually (commencing in 2023) by the relevant Company.

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, the commission waived will be added to the amount subscribed and New Shares will be allotted to the Investor at the relevant Offer Price. Execution only brokers must indicate on the Application Form the basis on which they wish to receive their commission.

PART 4

Assuming the costs of the Offers are 5.0 per cent of the gross proceeds of the Offers and that all Applications are made through execution only brokers and no execution only commission is rebated, the net proceeds of the Offers for each of the Companies, assuming a full subscription, including the over-allotment facility, and a 60 per cent/40 per cent split between BSC and BSC2 respectively, would be £34,200,000 and £22,800,000 for BSC and BSC2 respectively.

Adviser Charges

The Companies 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 Companies. Ongoing fees to Intermediaries will not be facilitated by the Companies. The amount of any Facilitated Fee to be facilitated in this manner should be specified in Section 9 of the Application Form, and the Facilitated Fee will be paid to the relevant Financial Adviser on behalf of the Applicant from an equivalent amount due to the Applicant from the Companies. The Investor will be issued fewer New Shares (to the equivalent value of the Facilitated Fee) as set out on pages 35 and 36. Where the Facilitated Fee 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 Facilitated Fees, subject to VCT Regulations and personal circumstances.

Advising ordinary retail Investors

The Companies currently conduct their affairs so that the Shares can be recommended by Financial Advisers or Intermediaries to ordinary retail Investors in accordance with the FCA's rules in relation to non-mainstream investment products and intend to continue to do so for the foreseeable future. The FCA's restrictions which apply to non-mainstream investment products do not apply to the Shares because they are shares in a VCT which, for the purposes of the FCA rules relating to non-mainstream investment products, are excluded securities and may be promoted to ordinary retail Investors without restriction.

Application procedure

You may complete and submit your Application Form online at www.bscfunds.com. A blank Application Form is attached at the end of this Prospectus together with explanatory notes.

Applications under the Offers will be accepted on a first-come first-served basis, subject always to the discretion of the Directors. Investors are encouraged to submit their Application Forms early in order to be confident that their Application will be successful.

Applications accompanied by a post-dated cheque will not be accepted. Multiple Applications under the Offers from the same Investor will be processed in order of receipt. The Companies may, in their absolute discretion, reject Applications if cheques do not clear on first presentation.

The Terms and Conditions of Application for the New Shares under the Offers are set out on pages 76 to 79 of this Prospectus. By signing the Application Form, Investors will be declaring that they have read the Terms and Conditions of Application and agree to be bound by them. Prior to completing an Application Form, Investors are advised to read the Notes on how to complete the Application Form on pages 80 to 84.

Completed Application Forms submitted by post/hand should be sent to:

BSC & BSC2 Offers
The City Partnership (UK) Ltd
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

Alternatively, you may complete and send your Application by email to bscfunds@city.uk.com.

YFM, RAM Capital and City are acting exclusively for the Companies and for no-one else in relation to the Offers. Apart from the responsibilities and liabilities, if any, which may be imposed on YFM, RAM Capital and City by FSMA or the regulatory regime established thereunder, YFM, RAM Capital and City will not be responsible to anyone else other than the Companies for providing the protections afforded to their clients or for advising any other persons in relation to the Offers or any transaction contemplated in or by this Prospectus.

YFM, RAM Capital and City are not providing investment, financial or tax advice in relation to the Offers.

4.10 Annual charges

Management and administration

BSC

The annual fee for the twelve months to 31 March 2021 was £1,675,000, equal to 1.7 per cent of the average NAV.

The annual fee payable to the Manager is calculated as 1.0 per cent on all surplus cash, defined as all cash above £15 million, unless the hurdle has been met triggering a performance incentive payment (see below) in which case the amount determined to be surplus cash will be the excess over £7.5 million. The annual fee on all other assets is 2.0 per cent per annum. This is calculated half yearly at 31 March and 30 September.

The Manager also provides and procures the provision of secretarial and administration services to BSC. The Manager receives an annual accounting and secretarial fee, index linked, which is currently £69,000, equal to 0.1 per cent of the average NAV.

BSC2

The annual fee for the twelve months ending 31 December 2020 was £1,204,000, equal to 1.8 per cent of the average NAV.

The annual fee payable to the Manager is calculated as 1.0 per cent on all surplus cash, defined as all cash above £10 million, unless the hurdle has been met triggering a performance incentive payment (see below), in which case the amount determined to be surplus cash will be the excess over £5 million. The annual fee on all other assets is 2.0 per cent per annum. This is calculated half yearly at 30 June and 31 December.

The Manager also provides and procures the provision of secretarial and administration services to BSC2. The Manager receives an annual accounting and secretarial fee, index linked, which is currently £70,000, equal to 0.1 per cent of the average NAV.

Performance fee

BSC

A performance incentive fee is payable subject to BSC achieving a target level of Total Return (the “BSC Total Return Hurdle”) and dividend (“BSC Dividend Hurdle”). Subject to meeting the BSC Total Return Hurdle, the Manager will receive an amount equivalent to 20 per cent of the amount by which dividends paid per BSC share exceeds the BSC Dividend Hurdle, multiplied by the number of BSC Shares in issue at the year end. The incentive fee in any financial year will be subject to a cap if the excess of dividends paid over the BSC Dividend Hurdle is greater than the sum of the excess of the Total Return over the BSC Total Return Hurdle divided by 1.2. With effect from 31 March 2019 the BSC Total Return Hurdle was 228.6 pence per BSC Share and the annual increase is equivalent to 4.0 pence per BSC Share, as increased or decreased by the percentage increase or decrease (if any) in RPI from 1 April 2009. For the year ended 31 March 2021 the annual increase in the BSC Total Return Hurdle was 5.5 pence per BSC Share.

The BSC Dividend Hurdle was 4.0 pence per BSC Share (increasing in line with RPI) from 1 April 2009. For the year ended 31 March 2021 the BSC Dividend Hurdle was 5.5 pence per BSC Share.

If the annual incentive fee exceeds £5.0 million then the excess is deferred until following the next year’s Annual General Meeting. Payment of the remainder is made five Business Days after the relevant Annual General Meeting at which the audited accounts are presented to shareholders.

The BSC Total Return Hurdle for the year ended 31 March 2021 was 244.8 pence per BSC share while the Total Return at 31 March 2021 was 233.2 pence per BSC share, a shortfall of 11.6 pence per ordinary share. The total dividends paid in the year were 4.0 pence per ordinary share.

The BSC Total Return Hurdle for the year ending 31 March 2022 is 250.4 pence per BSC share. The Total Return as at 30 June 2021 was 245.6 pence per BSC Share. The BSC Dividend Hurdle for the year ending 31 March 2022 is 5.6 pence per BSC share.

The amount of the incentive payment paid to the Manager for any one year shall, when taken with all other relevant costs, ensure that BSC’s total costs in a single year do not exceed 5 per cent of net assets. Any excess over the 5 per cent is carried forward to be included in the calculation of the amount that can be paid in future years. Except with shareholder approval the maximum fee payable in any 12 month period will not exceed £7,500,000.

No fee was payable in respect of the year ended 31 March 2021.

There are also provisions for a compensatory fee in circumstances where BSC is taken over or the incentive agreement between BSC and the Manager is terminated, which is calculated as a percentage of the fee that would otherwise be payable under that incentive agreement by reference to the accounting period following its termination. In this instance 80 per cent is payable in the first accounting period after such an event, 55 per cent in the second, 35 per cent in the third and nothing is payable thereafter.

BSC2

A performance incentive fee is payable when the aggregate of cumulative dividends paid as at the last Business Day in December each year and the average of the middle market price per BSC2 Share on the five Business Days prior to that day, exceeds 120 pence per BSC2 Share (the "BSC2 Hurdle"). The fee is 20 per cent of the excess over this amount multiplied by the number of BSC2 Shares in issue and the BSC2 Shares under option (if any). Once the BSC2 Hurdle has been exceeded it is reset at that value going forward, which becomes the new BSC2 Hurdle. The fee is payable in cash or BSC2 Shares granted through rights to subscribe. These rights are exercisable in the ratio 95:5 between the Manager and Chord Capital Limited respectively.

No fee was payable in respect of the year ended 31 December 2020. The Net Asset Value and Total Return as at 30 June 2021 is stated after an incentive fee accrual of £3,316,000 in relation to the year ending 31 December 2021.

Other fees received by the Manager

In addition to the fees described above, which are paid by the Companies, the Manager receives advisory fees in connection with new investments which are paid by the relevant investee company. In respect of each of the Companies there is an aggregate annual cap applied to these fees for new investments of 3 per cent and for further investments of 2 per cent, with any fees above this cap being payable to the Companies. Where expenses have been incurred and the investment does not proceed, the Manager pays any abort fees. The Manager also receives monitoring or non-executive director fees from unquoted portfolio companies. In respect of each of the Companies these fees are capped at a maximum of £40,000 per annum for an unquoted company. The aggregate of these fees received by the Manager in the twelve months to 31 March 2021 was £1,158,000, of which £234,000 was borne by the Companies.

Part 5

Taxation Considerations

1. Tax position of Investors

The following is only a summary of the current law concerning the tax position of individual Qualifying Investors in VCTs. Potential Investors are recommended to consult a duly authorised independent Financial Adviser as to the taxation consequences of an investment in a VCT. The tax rules or their interpretation in relation to an investment in the Companies and/or rates of tax may change during the life of the Companies and can be retrospective. Tax legislation in the Investor's member state may have an impact on the income received from the New Shares.

2. Tax reliefs

The tax reliefs set out below are those currently available to individuals aged 18 or over who subscribe for New Shares under the Offers and will be dependent on personal circumstances. Whilst there is no specific limit on the amount of an individual's acquisition of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's applications or other acquisitions of shares in VCTs (including shares issued under a DRIS) in any tax year does not exceed £200,000. Qualifying Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

2.1 Income tax

2.1.1 Relief from income tax on investment

A Qualifying Investor subscribing for New Shares will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 invested in VCTs in any tax year.

The relief is given at the rate of 30 per cent on the amount subscribed regardless of whether the Qualifying Investor is a higher rate, additional rate or basic rate tax payer, provided that the relief is limited to the amount which reduces the Qualifying Investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

2.1.2 Dividend relief

A Qualifying Investor, who acquires shares in any VCT in any tax year having a value up to a maximum of £200,000, will not be liable to income tax on dividends paid on those shares and there is no withholding tax thereon.

2.1.3 Purchases in the market

A Qualifying Investor who purchases existing shares in the market will be entitled to claim dividend relief (as described in paragraph 2.1.2 above) but not relief from income tax (as described in paragraph 2.1.1 above).

2.1.4 Withdrawal of relief

Relief from income tax on an application for VCT shares (including an application for New Shares) will be withdrawn if the VCT shares are disposed of (other than between spouses or on death) within five years of issue or if the VCT loses its approval within this period as detailed in paragraph 2.3 on page 41.

Dividend relief ceases to be available once the Qualifying Investor ceases to be beneficially entitled to the dividend or if the VCT loses its approval within this period as detailed on page 41.

2.1.5 Linked sales

If an Investor subscribes for shares (except for shares issued under DRIS) in a VCT within six months before or after selling any shares in that same VCT or in some cases a VCT which merges with that VCT, or if there is a contractual link between the application and the disposal, the tax reliefs in relation to that will apply only to the amount invested less the amount for which shares are sold.

PART 5

2.2 Capital gains tax

2.2.1 Relief from capital gains tax on disposal of VCT shares

A disposal by a Qualifying Investor of VCT shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the limit of £200,000 for any tax year.

2.2.2 Purchases in the market

An individual purchaser of existing shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph 2.2.1 above).

2.3 Loss of VCT approval

For a company to be fully approved as a VCT it must meet the various requirements for full approval as set out on page 42.

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of the profits or gains in any accounting period ending when the VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt from capital gains tax, but gains thereafter will be taxable.

3. Illustration of effect of tax relief for Qualifying Investors

The table below has been prepared for illustrative purposes only and does not form part of the summary of the tax reliefs contained in this section. The table shows how the initial tax reliefs available can reduce the effective cost of an investment of £10,000 in a VCT by a Qualifying Investor subscribing for VCT shares to only £7,000:

	Effective Cost	Tax Relief
Investor unable to claim any tax reliefs	£10,000	Nil
Qualifying Investor able to claim tax reliefs	£7,000	£3,000

Income tax relief is only available if the shares are held for the minimum holding period of five years. The limit for obtaining income tax relief in VCTs is £200,000 in each tax year.

4. Obtaining tax reliefs

The Companies will provide to each Qualifying Investor a certificate which the Qualifying Investor may use to claim income tax relief, either by obtaining from HMRC an adjustment to their tax coding under the PAYE system or by waiting until the end of the tax year and using their tax return to claim relief.

Tax position of the Companies

The following is only a summary of the conditions to be satisfied for a company to be treated as a VCT.

The Companies have to satisfy a number of tests to qualify as a VCT. A summary of these tests is set out below:

1. Qualification as a VCT

To obtain Venture Capital Trust status a company must be approved by HMRC as a Venture Capital Trust. A Venture Capital Trust must be approved at all times. A Venture Capital Trust cannot be approved unless the tests detailed below are met throughout the most recent complete accounting period of the Venture Capital Trust and HMRC is satisfied that they will be met in relation to the accounting period of the Venture Capital Trust which is current when the application is made. Where a Venture Capital Trust raises further funds it is given a grace period to invest those funds before the funds become subject to such tests. To maintain approval, the conditions summarised below must continue to be satisfied throughout the life of the Venture Capital Trust:

- (a) the Venture Capital Trust's income must have been derived wholly or mainly from shares and securities;
- (b) no holding in a company (other than a Venture Capital Trust or a company which would, if its shares were listed, qualify as a Venture Capital Trust) by the Venture Capital Trust may represent more than 15 per cent, by value, of the Venture Capital Trust's total investments at the time of investment;
- (c) the Venture Capital Trust must not have retained more than 15 per cent of the income derived from shares or securities in any accounting period;
- (d) the Venture Capital Trust must not be a close company. Its ordinary share capital must be listed on a regulated European market;
- (e) at least 80 per cent, by value, of its investments must be represented by shares or securities comprising Qualifying Investments;
- (f) at least 30 per cent, by value, of funds raised from shares issued in accounting periods beginning on or after 6 April 2018 must be invested in Qualifying Investments of investee companies by the anniversary of the end of the accounting period in which those shares are issued;
- (g) at least 70 per cent by value of the Venture Capital Trust's Qualifying Investments must be in "eligible shares", that is ordinary shares which carry no preferential rights to assets on a winding up and no rights to be redeemed although they may have certain preferential rights to dividends so long as that right is non-cumulative and is not subject to discretion (investments made prior to 6 April 2018 from funds raised before 6 April 2011 are excluded from this requirement);
- (h) at least 10 per cent of the Venture Capital Trust's total investment in each Qualifying Investment must be in eligible shares, as described above;
- (i) the Venture Capital Trust must not make an investment in a company which causes that company to receive more than £5 million of Risk Finance State Aid investment in the 12 months ended on the date of the investment (£10 million for Knowledge Intensive Companies);
- (j) no investment can be made by the Venture Capital Trust into a company which causes that company to receive more than £12 million (£20 million for Knowledge Intensive Companies) of State Aid investment (including from VCTs) over the company's lifetime. A subsequent acquisition by the company of another company that has previously received State Aid Risk Finance can cause the lifetime limit to be exceeded;
- (k) no funds received from an investment into a company can be used to acquire shares in another company nor another existing business or trade;
- (l) no investment can be made by the Venture Capital Trust in a company whose first commercial sale was more than seven years prior to date of investment, except where previous Risk Finance State Aid was received by the company within seven years (10 years for a Knowledge Intensive Company) or where the company is entering a new product market or a new geographic market and a turnover test is satisfied;
- (m) the Venture Capital Trust must not make a non-Qualifying Investment other than those specified in section 274 ITA 2007;
- (n) the Venture Capital Trust must not return capital to shareholders before the end of the accounting period during which the third anniversary of the Application for shares occurs.

3. Qualifying Investments

A Qualifying Investment comprises shares or securities first issued to the Venture Capital Trust (including loans with a five year or greater maturity period but excluding guaranteed loans and securities) by a company satisfying the conditions set out in Chapters 3 and 4 of Part 6 of ITA 2007. The conditions are detailed, but include that the company must be a Qualifying Company (as defined below), have gross assets not exceeding £15 million immediately prior to the investment and £16 million immediately thereafter, apply the funds raised for the purposes of a qualifying trade within certain time limits, have fewer than 250 full-time equivalent employees (500 employees in the case of a Knowledge Intensive Company), and must not receive more than £5 million (£10 million for a Knowledge Intensive Company) from Venture Capital Trusts or other Risk Finance State Aid investment sources during the 12 month period which ends on the date of the Venture Capital Trust's investment. Neither the Venture Capital Trust nor any other company may control the investee company. In certain circumstances an investment in a company by a Venture Capital Trust can be split into a part which is a qualifying holding and a part which is a non-qualifying holding.

4. Qualifying Companies

A Qualifying Company must be unquoted (companies whose shares are traded on AIM or Aquis Stock Exchange are treated as unquoted companies for this purpose) and carry on a qualifying trade. Shares in an unquoted company which subsequently becomes listed may still be regarded as a Qualifying Investment for a further five years following listing, provided all other conditions are met. The definition of a qualifying trade excludes certain activities such as dealing in property, shares or securities and the provision of financial services. The trade must be carried on by, or be intended to be carried on by the Qualifying Company or a subsidiary, which must be at least 90 per cent owned by the parent company at the time of the issue of the shares or securities to the Venture Capital Trust (and at all times thereafter). A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the Venture Capital Trust and continue it thereafter. At least 10 per cent of the Venture Capital Trust's total investment in the investee company must be in eligible shares, as described above. The company cannot receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of Risk Finance State Aid investment (including from Venture Capital Trusts) over the company's lifetime. The company's first commercial sale must be no more than seven years (or 10 years for a Knowledge Intensive Company) of the company's first commercial sale and the company is raising funds for the same business activities or where the company is entering a new product market or geographic market and a turnover test is satisfied. Funds received from an investment by a Venture Capital Trust cannot be used to acquire shares in another company nor another existing business or trade.

A Qualifying Company must have a permanent establishment in the UK, but need not be UK resident, and may have no subsidiaries other than qualifying subsidiaries which must, in most cases, be at least 51 per cent owned.

5. Recent legislative changes

The Finance Act 2018, placed the following further restrictions on VCTs:

- > For an investment to be considered as Qualifying Investments for VCT purposes HMRC will use a "principles-based approach" known as the "risk-to-capital condition" and this depends on taking a view as to whether an investment has been structured as for "capital preservation", where an investor's tax relief is likely to provide much of the return;
- > loans have to be unsecured;
- > the return on any loans above ten per cent are required to represent a commercial return on the principal;
- > with effect from 6 April 2019 the period of disregard for the proceeds on the disposal of a Qualifying Investment was increased from six months to twelve months.

Part 6

Financial Information on the Companies

Introduction

Audited statutory accounts of BSC for the year ended 31 March 2021, in respect of which BSC's auditors, BDO LLP, of 55 Baker Street, London W1U 7EU, a registered member firm of the Institute of Chartered Accountants in England and Wales, made an unqualified report under section 495 of the Act as appropriate, have been delivered to the Registrar of Companies and these audited statutory accounts did not contain any statements under section 498(2) or (3) of the Act. A copy of these audited statutory accounts is available at www.bscfunds.com.

Audited statutory accounts of BSC2 for the year ended 31 December 2020, in respect of which BSC2's auditors, BDO LLP, registered auditor of 55 Baker Street, London W1U 7EU, a registered member firm of the Institute of Chartered Accountants in England and Wales, made an unqualified report under section 495 of the Act, have been delivered to the Registrar of Companies and these audited statutory accounts did not contain any statements under section 498(2) or (3) of the Act. A copy of these audited statutory accounts is available at www.bscfunds.com.

Unaudited interim accounts of BSC2 for the six months ended 30 June 2021 and 30 June 2020 are available at www.bscfunds.com. These interim accounts for the six months ended 30 June 2021 have been reviewed by BSC2's auditors.

These financial statements are prepared in accordance with International Financial Reporting Standards and also contain a description of the relevant Company's financial condition, changes in financial condition and results of operations for each of the above financial years.

Historical Financial Information

Historical financial information relating to each Company on the matters referred to below is included in the published annual report and audited statutory accounts for the years stated above, and in the unaudited interim accounts of BSC2 for the periods shown above, and is incorporated by reference into this document (the pages of those accounts and interim reports that are not referred to below are not relevant to Investors and are not incorporated into and do not form part of this document).

BSC

Audited
Statutory Accounts
for the Year Ended
31 March 2021
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BSC2

Nature of information	Audited Statutory Accounts for the Year Ended 31 December 2020 Page No.	Unaudited Interim Report for the 6 Months Ended 30 June 2021 Page No.	Unaudited Interim Report for the 6 Months Ended 30 June 2020 Page No.
Financial Highlights	2	N/A	N/A
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Financial Summary	N/A	2	2
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Operating and financial review

	Audited Statutory Accounts for the Year Ended 31 March 2021
BSC	
Total Net Assets (£000)	110,360
Change in Net Asset Value (£000)	21,399
Net Asset Value per BSC Share (p)	75.8
Dividends paid per BSC Share (p)	4.0
Cumulative Dividends paid per BSC Share (p)	157.4

	Audited Statutory Accounts for the Year Ended 31 December 2020	Unaudited Interim Report for the 6 Months Ended 30 June 2021	Unaudited Interim Report for the 6 Months Ended 30 June 2020
BSC2			
Total Net Assets (£000)	70,929	89,041	62,645
Change in Net Asset Value (£000)	8,284	18,112	(9,688)
Net Asset Value per BSC2 Share (p)	55.0	63.5	48.4
Dividends paid per BSC2 Share (p)	3.5	1.5	2.0
Cumulative Dividends paid per BSC2 Share (p)	70.0	71.5	68.5

A description of the changes in the performance of the Companies, both capital and revenue, and changes to their portfolios of investments:

- > for the financial year ended 31 March 2021 in respect of BSC and 31 December 2020 in respect of BSC2, is set out in the sections headed “Chairman’s Statement” and “Investment Review” in the published audited statutory accounts of the relevant Company for these periods; and
- > for the six months ended 30 June 2021 and 30 June 2020 in respect of BSC2 is set out in the sections headed “Chairman’s Statement” and “Investment Review” in the unaudited interim reports for these periods.

The investment portfolio table on page 47 of this document has been extracted without material adjustment from the first quarter results for the three months ended 30 June 2021 in the case of BSC and from the interim accounts for the six months ended 30 June 2021 in the case of BSC2.

As at 30 June 2021 BSC’s unaudited Net Asset Value was 88.2 pence per BSC Share and as at 30 June 2021 BSC2’s unaudited Net Asset Value was 63.5 pence per BSC2 Share. On 23 July 2021 BSC paid an interim dividend of 2.0p per BSC Share, following which the unaudited NAV per BSC Share was 86.2p. BSC2 has declared an interim dividend of 1.5p per BSC2 Share, which will be paid on 25 October 2021, following which the unaudited NAV per BSC2 Share will be 62.0p. Subsequent to 30 June 2021 the Companies exchanged contracts to realise a proportion of their investment in Matillion Limited, as part of the latter’s wider fundraising (the “Matillion Transactions”). In isolation from other changes to their balance sheets since 30 June 2021, the unaudited impact on the Companies’ net asset values at 30 June 2021 of the Matillion Transactions is estimated to be a further increase of 1.8 pence per BSC Share and 1.4 pence per BSC2 Share, equivalent to 2.0 per cent and 2.2 per cent of their respective NAVs. The completion of the Matillion Transactions is subject to regulatory clearances.

PART 6

There have been no significant changes in the financial position of BSC since 30 June 2021, the date of the last unaudited published financial information of BSC.

There have been no significant changes in the financial position of BSC2 since 30 June 2021, the date of the last unaudited published financial information of BSC2.

Investment portfolio

A list of the current investments held by BSC and BSC2 as at the date of this document, save in respect of Deep-Secure Ltd which was realised in July 2021, the values being as at 30 June 2021 (being the latest published NAVs of the Companies) is set out below. There has been no material change to the Companies investment portfolios since 30 June 2021. All the investments are in portfolio companies incorporated in the UK.

Investee company (All in £000)	Sector	BSC		BSC2		Combined	
		Carrying cost*	Valuation	Carrying cost*	Valuation	Carrying cost*	Valuation
Unquoted Investments							
Matillion Limited	Data & Analytics	2,046	30,171	1,778	27,078	3,824	57,249
Deep-Secure Ltd**	Software Applications	1,000	6,551	500	3,275	1,500	9,826
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	Business Services	2,934	4,585	1,956	3,057	4,890	7,642
Wooshii Limited	New Media	3,660	4,277	2,440	2,852	6,100	7,129
Springboard Research Holdings Limited	Data & Analytics	2,733	4,257	1,822	2,838	4,555	7,095
Unbiased EC1 Limited	Software Applications	2,946	4,027	1,964	2,685	4,910	6,712
SharpCloud Software Limited	Data & Analytics	3,407	4,007	2,271	2,671	5,678	6,678
Elucidat Ltd	Software Applications	2,700	3,970	1,800	2,643	4,500	6,613
Force24 Ltd	Software Applications	2,400	3,409	1,600	2,273	4,000	5,682
ACC Aviation Group Limited	Business Services	220	3,315	145	2,218	365	5,533
KeTech Enterprises Limited	Data & Analytics	1,500	2,748	1,500	2,748	3,000	5,496
Displayplan Holdings Limited	New Media	130	2,925	70	1,575	200	4,500
Arcus Global Limited	Software Applications	2,925	2,599	1,950	1,732	4,875	4,331
Ncam Technologies Limited	New Media	2,512	2,394	1,675	1,596	4,187	3,990
Sipsynergy (via Hosted Network Services Limited)	Software Applications	2,163	1,745	1,636	1,453	3,799	3,198
Tonkotsu Limited	Retail & Brands	2,388	1,739	1,592	1,160	3,980	2,899
Vypr Validation Technologies Limited	Data & Analytics	1,500	1,681	1,000	1,121	2,500	2,802
Arraco Global Markets Limited	Business Services	2,250	1,676	1,500	1,118	3,750	2,794

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Outpost VFX Limited	New Media	1,500	1,676	1,000	1,118	2,500	2,794
Frescobol Carioca Ltd	Retail & Brands	1,800	1,296	1,200	864	3,000	2,160
<i>Largest 20 unquoted venture capital investments</i>		42,714	89,048	29,399	66,075	72,113	155,123
Other unquoted venture capital investments		15,599	6,350	14,639	5,087	30,238	11,437
Total unquoted venture capital investments		58,313	95,398	44,038	71,162	102,351	166,560

* Carrying cost is original cost less repayments and the cost of part realisations.

** Realised in July 2021 at the value shown.

There have been three follow-on investments made by each of the Companies since 30 June 2021 of £431,000 in aggregate, in the case of BSC, and £287,000 in aggregate, in the case of BSC2.

Realisations since 30 June 2021

Investee company (All in £000)	Sector	BSC		BSC2		Combined	
		Carrying cost*	Valuation	Carrying cost*	Valuation	Carrying cost*	Valuation
Unquoted Investments							
Deep-Secure Ltd	Software Applications	(1,000)	(6,551)	(500)	(3,275)	(1,500)	(9,826)
Total Realisations		(1,000)	(6,551)	(500)	(3,275)	(1,500)	(9,826)

* Carrying cost is original cost less repayments and the cost of part realisations.

Two additional investments have also been realised at the investment value held at 30 June 2021. Total proceeds of all realisations were £9,897,000 (BSC £6,622,000, BSC2 £3,275,000).

Summaries of investments

Brief details are given below of the investments which together represent 55.4 per cent of the combined Net Asset Value of the Companies as at 30 June 2021. These investments represent 53.7 per cent of BSC's NAV and 57.9 per cent of BSC2's NAV at that date, and have been extracted from the unaudited interim report for BSC for the three month period ended 30 June 2021 and the unaudited interim report for the six month period ended 30 June 2021 for BSC2. All of the investments listed are invested in by both Companies.

Top 10 unquoted investments by combined value

Matillion Limited			Audited financial information: year ended 31 December	
			2020 \$m	2019 \$m
Cost	£3,824,000	Revenue	29.98	16.05
Valuation	£57,249,000	LBITA	(11.57)	(16.43)
Basis of valuation	Revenue Multiple	Loss before tax	(11.89)	(15.53)
Equity held	7.3%	Retained losses	(36.88)	(24.83)
Sector	Data & Analytics	Net assets	22.89	33.18

Matillion is a leading provider of cloud-based data extraction and transformation tools. The company helps businesses utilise their data for insight and decision making and is headquartered in Manchester with offices in Denver, Seattle and New York.

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Audited financial information:
year ended 31 December

Deep-Secure Ltd			2020	2019
			£m	£m
Cost	£1,500,000	Revenue	6.59	4.87
Valuation	£9,826,000	EBITA	1.22	0.20
Basis of valuation	Sales proceeds	Loss before tax	(0.12)	(1.39)
Equity held	47.6%	Retained losses	(5.36)	(6.24)
Sector	Software Applications	Net liabilities	(4.96)	(5.83)

Deep-Secure provides market-leading Content Threat Removal (CTR) technology which provides true protection against all known and unknown document-based malware via strong underlying technology owned entirely by the company. The investment was realised in July 2021 at the value shown.

Audited financial information:
year ended 30 September

Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)			2020	2019
			£m	£m
Cost	£4,890,000	Revenue	27.55	30.01
Valuation	£7,642,000	EBITA	1.42	1.51
Basis of valuation	Earnings Multiple	Profit (loss) before tax	0.27	(0.50)
Equity held	44.4%	Retained losses	(3.90)	(3.93)
Sector	Business Services	Net assets	1.64	1.61

Intelligent Office UK is a leading provider of support services to the legal sector. The company has more than 900 employees in over 60 sites across the UK, as well as four onshore shared service centres.

Unaudited financial information:
year ended 31 March

Wooshii Limited			2020	2019
			£m	£m
Cost	£6,100,000	Revenue	2.18	1.49
Valuation	£7,129,000	LBITA	(1.73)	(0.42)
Basis of valuation	Revenue Multiple	Loss before tax	(1.87)	(0.42)
Equity held	33.2%	Retained losses	(3.39)	(1.69)
Sector	New Media	Net liabilities	(1.83)	(0.14)

Wooshii is a global video production agency using technology to manage a geographically distributed network of creative professionals. The company offers clients the convenience and quality of a traditional video marketing agency combined with cutting edge video management tools. It has an impressive client list including Coca Cola, Google, Microsoft and Amazon.

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Audited financial information:
year ended 31 December

Springboard Research Holdings Limited

			2020 £m	2019 £m
Cost	£4,555,000	Revenue	7.39	6.34
Valuation	£7,095,000	EBITA	1.77	0.50
Basis of valuation	Revenue Multiple	Profit (loss) before tax	0.51	(0.70)
Equity held	32.4%	Retained losses	(3.14)	(3.46)
Sector	Data & Analytics	Net liabilities	(0.01)	(0.33)

Springboard Research is the leading provider of performance insights for the retail industry across Europe and North America. The company has seen a significant increase in usage of its products as the industry reacts to the new retail environment created by Covid-19.

Audited financial information:
year ended 30 September

Unbiased EC1 Limited

			2020 £m	2019 £m
Cost	£4,910,000	Revenue	5.02	4.02
Valuation	£6,712,000	(LBITA) EBITA	(0.84)	0.20
Basis of valuation	Revenue Multiple	(Loss) profit before tax	(1.10)	0.06
Equity held	26.5%	Retained (losses) profits	(0.96)	0.23
Sector	Software Applications	Net (liabilities) assets	(0.96)	0.23

Unbiased is a technology-enabled marketplace that connects consumers to Independent Financial Advisers, Mortgage Brokers and Accountants. The company has a strong, well-established position and brand awareness in the IFA market with a high level of recurring subscription income from the thousands of professionals in their network.

Unaudited financial information:
year ended 31 December

SharpCloud Software Limited

			2020 £m	2019 £m
Cost	£5,678,000	Revenue	1.65	1.24
Valuation	£6,678,000	LBITA	(2.09)	(0.58)
Basis of valuation	Revenue Multiple	Loss before tax	(2.20)	(0.74)
Equity held	32.5%	Retained losses	(3.25)	(0.87)
Sector	Data & Analytics	Net assets	0.74	3.12

SharpCloud provides a leading visual business collaboration platform for managers. It offers a product that provides top-down insight and the ability to aggregate fragmented data. The company has an impressive client list including many blue chip companies and government organisations.

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Audited financial information:
year ended 31 December

Elucidat Ltd			2020 £m	2019* £m
Cost	£4,500,000	Revenue	3.00	1.42
Valuation	£6,613,000	LBITA	(0.49)	(0.24)
Basis of valuation	Revenue Multiple	Loss before tax	(0.92)	(0.41)
Equity held	20.3%	Retained losses	(1.12)	(0.40)
Sector	Software Applications	Net assets	2.41	3.12

* unaudited 7 month period

Elucidat provides a cloud based e-learning authoring platform which allows its customers to drive down the cost of producing business-critical training. The company has impressive customer retention and a client list including Tesco, Target and Walmart.

Unaudited financial information:
year ended 31 December

Force24 Ltd			2020 £m	2019 £m
Cost	£4,000,000	Revenue	3.48	2.98
Valuation	£5,682,000	(LBITA) EBITA	(0.38)	0.23
Basis of valuation	Revenue Multiple	Loss before tax	(0.66)	(0.01)
Equity held	28.5%	Retained (losses) profits	(0.22)	0.63
Sector	Software Applications	Net assets	3.59	0.82

Force24 provides cloud-based marketing automation technology trusted by over 300 businesses including household brands such as Michelin, Tarmac and Children in Need to deliver personalised marketing campaigns.

Audited financial information:
year ended 31 December

ACC Aviation Group Limited			2020 £m	2019 £m
Cost	£365,000	Revenue	34.91	175.90
Valuation	£5,533,000	(LBITA) EBITA	(0.67)	12.24
Basis of valuation	Earnings Multiple	(Loss) profit before tax	(3.75)	9.27
Equity held	46.1%	Retained profits	12.28	8.04
Sector	Business Services	Net assets	12.30	26.21

ACC Aviation is the market leader in airline-to-airline “wet lease” brokerage and other associated services. The company serves clients around the world in all aspects of aircraft charter, leasing, interiors and aviation support.

Part 7

Additional Information on the Companies

1. Incorporation

- 1.1 BSC was incorporated and registered in England and Wales on 6 December 1995 as a public company limited by shares under the CA 1985 with registered number 03134749 (LEI: 213800QXD4A9A3GGB469).
- 1.2 BSC2 was incorporated and registered in England and Wales on 4 October 2000 as a public company limited by shares under the CA 1985 with registered number 04084003 (LEI: 213800846X6PYSUG1328).
- 1.3 On 23 February 1996 and 8 November 2000 the Registrar of Companies issued BSC and BSC2 respectively with certificates under Section 117 of the CA 1985 entitling them to commence business.
- 1.4 On 28 February 1996 and 30 June 2000 BSC gave notice, and on 3 November 2000 BSC2 gave notice, pursuant to Section 266(1) of the CA 1985, of their intention to trade as investment companies and on 25 November 1999 and 29 March 2004 BSC gave notice, and on 12 November 2004 BSC2 gave notice, pursuant to Section 266(3) of the CA 1985, that they no longer wished to be investment companies.

2. Registered Office and Principal Legislation

The registered office of the Companies is at 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS and they can be contacted at www.bscfunds.com or by telephone on 0113 261 6478. The information on the website does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus.

The principal legislation under which the Companies operate and which governs their Shares is the Act.

3. Share and Loan Capital

- 3.1 As at 30 June 2021 (being the end of the last financial period of BSC for which unaudited interim financial information has been published) there were 144,842,798 issued Shares in BSC, each ranking pari passu. All of the Shares are listed on the premium segment of the Official List. BSC held an additional 16,468,050 Shares in the treasury account at this date. Following the payment of the interim dividend of 2.0p per Share, BSC issued 1,022,316 Shares on 23 July 2021 taking the total number of issued Shares to 145,865,114 at this date.
- 3.2 As at 30 June 2021 (being the end of the last financial period of BSC2 for which unaudited financial information has been published) there were 140,231,049 issued Shares in BSC2, each ranking pari passu. All of the Shares are listed on the premium segment of the Official List. BSC2 held an additional 14,601,235 Shares in the treasury account at this date.
- 3.3 By ordinary and special resolutions passed by BSC on 10 September 2021, the BSC Directors were authorised in accordance with Section 551 of the Act to allot Shares up to an aggregate nominal amount of £7,000,000 (representing approximately 48 per cent of the Shares in issue as at 15 June 2021) and disapplied the pre-emption provisions of Section 561 of the Act in respect of any such allotment, in each case for a period expiring 15 months thereafter (unless previously revoked, varied or extended by BSC in general meeting).
- 3.4 By ordinary and special resolutions passed by BSC2 on 10 June 2021, the BSC2 Directors were authorised in accordance with Section 551 of the Act to allot Shares up to an aggregate nominal amount of £10,000,000 (representing approximately 70 per cent of the Shares in issue as at 12 March 2021) and disapplied the pre-emption provisions of Section 561 of the Act in respect of any such allotment, in each case for a period expiring 15 months thereafter (unless previously revoked, varied or extended by BSC2 in general meeting).
- 3.5 Immediately following the close of the Offers, assuming £60 million is raised in aggregate by the Companies under the Offers, including the over-allotment facility, at an Offer Price of 88.866 pence and 63.918 pence per Offer Share for BSC and BSC2 respectively and that New Shares are allocated 60 per cent to BSC and 40 per cent to BSC2, the issued share capital of BSC, fully paid or credited as fully paid, will be £20,284,360 divided into 202,843,604 Shares (of which 16,468,050 Shares are held in treasury) and the issued share capital of BSC2, fully paid or credited as fully paid, will be £19,238,067 divided into 192,380,671 Shares (of which 14,601,235 Shares are held in treasury). The maximum number of New Shares which may be issued by BSC and BSC2 under the Offers is 67,517,400 and 93,870,968 respectively.

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- 3.6 The maximum number of New Shares, assuming a subscription of £60,000,000, including the over-allotment facility, an Offer Price of 88.866 pence per Offer Share and 63.918 pence per Offer Share for BSC and BSC2 respectively and an allocation of 60 per cent to BSC and 40 per cent to BSC2, will be 40,510,440 for BSC and 37,548,387 for BSC2. This represents a dilution to existing Shareholders of 21.7 per cent in BSC and 21.1 per cent in BSC2.
- 3.7 Except for commissions paid to authorised introducers in respect of previous offers for subscription of Shares, no commissions, discounts, brokerages or other special terms have been granted by the Companies during or since the financial periods set out in Part 6.
- 3.8 No share or loan capital of the Companies is under option or has been agreed, conditionally or unconditionally, to be put under option. Other than pursuant to the Offers and under the Dividend Re-investment Schemes, no material issue of Shares (other than to Shareholders pro rata to existing holdings) will be made within one year of the closing of the Offers without the prior approval of Shareholders in general meeting.
- 3.9 The Shares issued under the Offers will be created under the Act, issued in registered form and temporary documents of title will not be issued. The ISIN of the BSC Shares is GB0001403152. The ISIN of the BSC2 Shares is GB0005001796.

Each Company will be subject to the continuing obligations of the FCA and the London Stock Exchange with regard to the issue of securities for cash and to the provisions of section 561 of the Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) except to the extent disapplied by the Companies in general meeting.

4. Memorandum and Articles

4.1 Memorandum of Association

The memorandum of association of the Companies provide that each Company's principal object is to carry on the business of a Venture Capital Trust. The objects of the Companies are set out in full in clause 4 of their memorandum of association which are available for inspection at the address specified in paragraph 9.1 below.

4.2 Articles of Association

The Articles of each Company contain provisions, inter alia, to the following effect:

4.2.1 Voting rights

Subject to any disenfranchisement as provided in paragraph 4.2.4 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.

4.2.2 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:

- (a) 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;
- (b) it is in respect of only one class of share; and
- (c) the transferees do not exceed four in number.

4.2.3 Dividends

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.

4.2.4 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 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.

4.2.5 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.

4.2.6 Changes in share capital

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.

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.

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.

4.2.7 Variation of 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.

4.2.8 Directors' interests

A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors declare, in accordance with the Act, the nature of his interest.

Provided that he has declared his interest in accordance with paragraph 4.2.8 above, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or

in which the Company is interested and may be a Director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit which he derives from such office or interest or any such transaction or arrangement.

A Director shall not vote at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company unless his interest arises only because the case falls within one or more of the specified paragraphs in the Articles.

Where proposals are under consideration concerning the appointment of two or more Directors to offices or employment with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

4.2.9 Remuneration of Directors

The ordinary remuneration of the Directors (other than an executive Director appointed under the Articles) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate of the ordinary remuneration of the Directors of BSC2 shall not exceed £100,000 per year and the ordinary remuneration of the Directors of BSC shall not exceed £130,000 per year) to be divided among them in such proportions and manner as the Directors may determine. It is proposed, subject to the passing of a special resolution at the annual general meeting of BSC2 to be held in 2022, to increase the limit applicable to BSC2 to £120,000 per year. The Directors of the Companies shall also be paid by the Company all travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.

The emoluments and benefits of any executive Director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

4.2.10 Retirement of Directors

At each annual general meeting of the Company one-third of the Directors who are subject to retirement by rotation, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, or if their number is less than three then one of them, shall retire from office, provided that no Director shall be required to retire by rotation earlier than the third annual general meeting after the meeting at which he was elected or last elected. A Director retiring at a meeting shall retain office until the dissolution of that meeting and shall be eligible for re-election.

It is the policy of the Boards that each Director's appointment will run for a term of one year or until the following annual general meeting, at which he or she may seek re-election, but always subject to the agreement of the Board, and the performance evaluation carried out each year, that it is appropriate for the director to seek a further term.

A Director shall be capable of being appointed or reappointed a Director despite having attained the age of 70 or any other age and shall not be required to retire by reason of his or her having attained any particular age.

4.2.11 Borrowing powers

The Directors may exercise all powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Directors shall restrict the borrowings of the Company and, by the exercise of the Company's voting and other rights or powers of control over its subsidiary undertakings (if any), secure that

they restrict their borrowings, so that the aggregate amount at any time outstanding in respect of money borrowed by the group, being the Company and its subsidiary undertakings for the time being (excluding intra-group borrowings), shall not without the previous sanction of an ordinary resolution of the Company exceed a sum equal to the aggregate of the amount paid up or credited as paid up on the allotted or issued share capital and the amount standing to the credit of the consolidated revenue reserves of the group as shown by the latest audited consolidated balance sheet of the group adjusted as specified in the Articles. Prior to the publication of an audited balance sheet of the Company such aggregate amount shall be limited to 90 per cent of the amount paid up or credited as paid up (whether in respect of the nominal value or premium) on the allotted or issued share capital of the Company.

4.2.12 Distribution of realised capital profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period"), distribution of the Company's capital profits (within the meaning of Section 833(2) of the Act) shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the Act, any expenses, loss or liability (or provision therefor) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by Section 829(1) of the Act) or applied in paying dividends on any shares in the Company otherwise than by way of redemption or purchase by the Company of its own shares. In periods other than a Relevant Period any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or be applied in paying dividends on any shares in the Company.

4.2.13 Duration of the Companies

BSC's Articles require that at the annual general meeting of BSC held after the later of i) 31 March 2020 and ii) the fifth anniversary of the last allotment of shares (from time to time) in BSC and, if BSC has not then been wound-up or reconstructed or re-organised, at each fifth annual general meeting of BSC thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that BSC shall continue as a Venture Capital Trust.

BSC2's Articles require that at the annual general meeting of BSC2 held after the later of i) 31 December 2020 and ii) the fifth anniversary of the last allotment of shares (from time to time) in BSC2 and, if BSC2 has not then been wound-up or reconstructed or re-organised, at each fifth annual general meeting of BSC2 thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that BSC2 shall continue as a Venture Capital Trust.

If any such further resolutions are not passed, the Directors shall draw up proposals for the voluntary liquidation, reconstruction or other reorganisation of the Company for submission to the members of the Company at a general meeting to be convened by the Directors on a date, in the case of BSC not more than six months after such annual general meeting, and in the case of BSC2 not more than four months after such annual general meeting. Implementation of the proposals will require the approval of Members by Special Resolution.

4.2.14 General meetings

Annual general meetings shall be held at such time and place as may be determined by the Directors and not more than fifteen months shall elapse between the date of one annual general meeting and that of the next. The Directors may, whenever they think fit, convene a general meeting of the Company, and general meetings shall also be convened on the requisition by members pursuant to the provisions of the Statutes. Any meeting convened under the Articles by requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the Directors. General meetings of the Company other than annual general meetings shall be called general meetings. The Articles allow meetings of the Companies to take place, if necessary, by electronic means and at more than one location.

Annual general meetings shall be called on not less than twenty-one days' notice in writing and general meetings shall be called on not less than fourteen days' notice in writing. The notice shall be exclusive of the day on which it is given and of the day of the meeting and shall specify the place, the day and hour of meeting, and in case of special business the general nature of such business. The notice shall be given to the members, other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive notice from the Company, to the Directors and to the auditors. A notice calling an annual general meeting shall specify the meeting as such and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such.

In every notice calling a meeting of the Company or any class of the members of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, to speak and vote instead of him.

If within fifteen minutes from the time appointed for the meeting a quorum is not present, (or such longer time not exceeding one hour as the Chairman of the meeting may decide to wait) the meeting, if convened by or upon the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same place and time one week later or to such day and such time (being not more than twenty-eight days hence) and at such place as the Directors shall determine. At any such adjourned meeting if a quorum is not present within 15 minutes from the time appointed for the meeting the member or members present in person or by proxy and entitled to vote shall be a quorum and have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place. If the meeting is adjourned for 14 days or more the Company shall give not less than five days' notice thereof by advertisement in one national newspaper, but no other notice shall be required.

The Chairman may, with the consent of the meeting (and shall, if so directed by the meeting) adjourn any meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished and which might properly have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more (otherwise than due to the absence of a quorum) or without a time and place for the adjourned meeting being fixed at least seven clear days' notice of the adjourned meeting shall be given in the same manner as in the case of the original meeting.

5. Directors' and other interests in the Companies

- 5.1 DTR 5 of the DTRs requires a Shareholder to notify the relevant Company of the percentage of its shares they hold if such percentage reaches, exceeds or falls below 3 per cent or subsequent 1 per cent thresholds. The relevant Company will make such information public through a Regulatory Information Service. Neither Company is aware of any person who, as at the date of this document and immediately following the issue of the New Shares, (assuming full subscription under the Offers, including the over-allotment facility) is or will, directly or indirectly, be interested in 3 per cent or more of the issued share capital of either Company. Further, as at the date of this document and immediately following the issue of such New Shares, (assuming gross proceeds of £60 million, including the over-allotment facility, are raised under the Offers at an Offer Price of 88.866 pence for BSC and 63.918 pence for BSC2 and that New Shares are allocated 60 per cent to BSC and 40 per cent to BSC2), neither Company is aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over it.

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- 5.2 The interests of the Directors and their immediate families in the voting share capital of the Company of which they are a director, all of which are beneficial, as at the date of this document, and of connected persons, are set out below together with the percentages which such interests represent of the Ordinary Shares in issue at the date of this document:

	Name	Number of Shares	% of issued voting share capital
BSC	Helen Sinclair	23,062	0.02%
	Adam Bastin	13,247	0.01%
	Jonathan Cartwright	26,494	0.02%
	Rupert Cook	39,607	0.03%
BSC2	Peter Waller	44,439	0.03%
	Barbara Anderson	9,112	0.01%
	Roger McDowell	266,391	0.19%

- 5.3 The interests of the Directors and their immediate families in the voting share capital of the Company of which they are a director, all of which are beneficial, and of connected persons, following the Offers (assuming gross proceeds of £60 million, including the over-allotment facility, are raised under the Offers at an Indicative Offer Price for BSC of 88.866 pence and 63.918 pence for BSC2 and that Offer Shares are allocated 60 per cent to BSC and 40 per cent to BSC2) will be as follows:

	Name	Number of Shares	% of issued voting share capital
BSC	Helen Sinclair	23,062	0.01%
	Adam Bastin	13,247	0.01%
	Jonathan Cartwright	26,494	0.01%
	Rupert Cook	208,400	0.11%
BSC2	Peter Waller	52,261	0.03%
	Barbara Anderson	322,012	0.18%
	Roger McDowell	579,291	0.33%

- 5.4 Save as disclosed in paragraphs 5.2 and 5.3, no Director, nor any person connected with any Director, has any interest in the share capital or loan capital of the Company of which they are a director, whether beneficial or non-beneficial.
- 5.5 As at the date of this document, neither YFM Equity Partners nor YFM hold any Shares in either Company.
- 5.6 So far as is known to the Companies, no interests in the Company's share capital or voting rights are notifiable under UK law or regulation.
- 5.7 No Shareholders have different voting rights to the other Shareholders.
- 5.8 No Shares are being reserved for allocation to Shareholders, Directors or employees of either Company.
- 5.9 All the Directors are non-executive and none of the Directors, therefore, has a service contract with the Company of which they are a Director, and no such contract is proposed. The services of each of the Directors are provided to the relevant Company pursuant to letters of appointment, under which they are required to devote such time to the affairs of the relevant Company as the Board reasonably requires consistent with their role as a non-executive Director. Each Director is currently entitled to receive the following annual fee, which is subject to annual review: Helen Sinclair - £40,000, Adam Bastin - £25,000, Jonathan Cartwright - £25,000, Rupert Cook - £25,000, Peter Waller - £40,000, Barbara Anderson - £24,000 and Roger McDowell - £24,000. No benefits are payable on termination.
- 5.10 No loan or guarantee has been granted or provided by either Company to any Director.
- 5.11 Except as listed in paragraph 8.15 below, none of the Directors has had any interest in any party which is related to either Company or has had any interest in any transactions since its incorporation which are or were unusual in their nature or conditions or significant to the business of that Company.

Save as disclosed in paragraph 8.15 below, there are no potential conflicts of interest between the duties of any BSC Director or the Manager to BSC and their private interests and or other duties.

Save as disclosed in paragraph 8.15 below, there are no potential conflicts of interest between the duties of any BSC2 Director or the Manager to BSC2 and their private interests and or other duties.

Save as disclosed in paragraphs 6 and 8.15 below, no Director, nor any member of the administrative, management, supervisory body or senior management of the Companies, nor the Manager has an interest in any transaction effected by either Company which is or was unusual in its nature or conditions or significant to the business of that Company.

- 5.12 It is anticipated that the aggregate of fees paid or to be paid to the Directors by BSC for the twelve month period ending 31 March 2022 will not exceed £115,000 and by BSC2 for the twelve month period ending 31 December 2021 will not exceed £88,000. Fees paid to the Directors of BSC for the year ended 31 March 2021 and to the Directors of BSC2 for the year ended 31 December 2020 were as follows:

	Name	Fees paid (£)
BSC	Helen Sinclair	40,000
	Adam Bastin	25,000
	Jonathan Cartwright	25,000
	Rupert Cook	25,000
BSC2	Peter Waller	40,000
	Barbara Anderson	24,000
	Roger McDowell	24,000

- 5.13 Each Company has taken out Directors' and Officers' liability insurance for the benefit of the Directors.
- 5.14 The following are directorships (unless otherwise stated) and partnerships held by the Directors in the five years prior to the date of this document and the principal activities of the Directors outside the Companies where these are significant with respect to the relevant Company:

BSC	Current directorships / partnerships	Former directorship / partnerships
Helen Rachelle Sinclair	British Smaller Companies VCT plc	FTGS Holdco Limited
	Mobeus Income & Growth 4 VCT plc	Downing One VCT plc
	The Income & Growth VCT plc	
	Gresham House Strategic plc	
	W H Ireland Group plc	
	W H Ireland Limited	
	North East Finance (Holdco) Limited	
	North East Finance (Subco) Limited	
	94 Goldhurst Terrace Ltd	
	16 Dennington Park Road Limited	
	39 Homer Street Management Limited	
	Hemstall Road Residents Co Limited	

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	Current directorships / partnerships	Former directorship / partnerships
Adam Bastin	British Smaller Companies VCT plc	DTL Data Science GP Limited
	Pragmatic Semiconductor Limited	DTL (Nominee) Limited
	Accelerator Advisory Limited	Trustonic Limited
	SeeChange Technologies Limited	Geomerics Limited
Jonathan Cartwright	British Smaller Companies VCT plc	Blackrock Income and Growth Investment Trust plc
	Tennants Consolidated Limited	Aberforth Split Level Income Trust plc
	BMO Capital and Income Investment Trust plc	Aberforth Geared Income Trust plc (dissolved)*
	Mobeus Income & Growth 4 VCT plc	The Income & Growth VCT plc
	Caledonia Investments plc Pension Scheme (Trustee)	Oundle School Enterprises Limited
Rupert Cook	British Smaller Companies VCT plc	Vizion Europe Limited (dissolved)
	Immersive Labs Ltd	Crystal Capital Ventures LLP (dissolved)
	Immersive Labs Holdings Limited	Krowd 9 Limited
	Netacea Limited	Operatix Limited
	Tobit9 Ltd	Red Penguin Ventures Limited (dissolved)*
	MKRC Ventures LP (Partner)	
BSC2		
	Current directorships / partnerships	Former directorship / partnerships
Peter Charles Waller	British Smaller Companies VCT2 plc	BCS Learning and Development Limited
	Keypoint Technologies (UK) Limited	
	Keypoint Technologies plc	
	Turnberry Management Company Limited	
Barbara Anderson	British Smaller Companies VCT2 plc	ReLondon
	Smart DCC Limited	The London Green Fund
	Sovereign Housing Association	
	Altido Ltd	
	London Youth Conservatoire Limited	
	28 Bolton Gardens Management Company Limited	

	Current directorships / partnerships	Former directorship / partnerships
Roger McDowell	British Smaller Companies VCT2 plc	D4T4 Solutions plc
	Hargreaves Services plc	Servelec Limited
	Proteome Sciences plc	Premier Technical Services Group Limited
	Brand Architekts Group plc	Fineguard Limited (dissolved)
	Avingtrans plc	Corsair Techinvest Limited (dissolved)*
	Tribal Group plc	
	Disperse Limited	
	Dovehoco 201 Limited	
	Koheilan Limited	
	Flowtech Fluidpower plc	
	Augean plc	
	Swallowfield plc	
	ThinkSmart plc	

* prior to being dissolved these companies were in voluntary liquidation

5.15 None of the Directors has:

5.15.1 any convictions in relation to fraudulent offences in the previous five years; or

5.15.2 been a member of the administrative, management or supervisory bodies or senior manager of a company or partnership associated with any bankruptcy, receivership or, save as set out in paragraph 5.16, liquidation within the previous five years; or

5.15.3 been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including recognised or designated professional bodies) or been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company for the previous five years.

5.16 None of the service providers to BSC have any material potential conflicts of interest as between their duty to BSC and duties owed by them to third parties and their other interests.

None of the service providers to BSC2 have any material potential conflicts of interest as between their duty to BSC2 and duties owed by them to third parties and their other interests.

5.17 There are no amounts set aside or accrued by either Company to provide pension, retirement or similar benefits to the Directors or directors of the Manager.

6. Material contracts

The following are the summaries of the principal contents of contracts, not being contracts entered into in the ordinary course of business, which have been entered into by the Companies within two years immediately preceding the publication of this document or which contain any provisions under which the Companies have any obligation or entitlement which is material to them as at the date of this document:

The Companies

6.1 An offer agreement dated 22 September 2021 (“the Offer Agreement”) between the Companies (1), the Directors (2), the Manager (3) and Howard Kennedy (4) under which the Manager has undertaken, as agent of the Companies, to use its reasonable endeavours to procure Applicants under the Offers and Howard Kennedy has agreed to act as sponsor to the Offers. Pursuant to the Offer Agreement the Initial Application Fee is 3 per cent of the Application Amount, or 3.5 per cent for Applications received from Applicants who have not invested their money through an Intermediary/Financial Adviser and have invested directly into the Companies, and is paid by the relevant Company to the Manager, in consideration

for which the Manager has agreed to meet the costs associated with the Offers, save for commissions payable to execution only brokers, on behalf of the Companies. As is usual in contracts of this type, the Manager agreed to indemnify the Companies against the costs of the Offers (excluding trail commission) exceeding 3 per cent of the Application Amount. Under the Offer Agreement, which may be terminated by the Companies, the Directors and the Manager in certain circumstances, warranties have been given by the Companies, the Directors and the Manager to the other parties, subject to certain limitations. The warranties are in the usual form for a contract of this type.

- 6.2 An offer agreement dated 27 November 2018 (“the 2018 Offer Agreement”) between the Companies (1), the Directors (2), the Manager (3) and Howard Kennedy (4) under which the Manager undertook, as agent of the Companies, to use its reasonable endeavours to procure Applicants under the 2018 Offers and Howard Kennedy agreed to act as sponsor to the 2018 Offers. Pursuant to the 2018 Offer Agreement, for Applications through execution only brokers, the Companies paid the Manager a fee of 4.5 per cent of the relevant gross funds raised and for Applications through Financial Advisers or for direct Applications the Companies paid the Manager a fee of 3 per cent of the relevant gross funds raised. As is usual in contracts of this type, the Manager agreed to indemnify the Companies against the costs of the Offers (excluding trail commission) exceeding the above costs. The Companies also agreed to indemnify Howard Kennedy in respect of its role as sponsor to the 2018 Offer. The Manager was responsible for all costs and expenses arising from the Offers, including any initial Intermediary commission payable, but excluding trail commission. Under the 2018 Offer Agreement, which could be terminated by the Companies, the Directors and the Manager in certain circumstances, warranties were given by the Companies, the Directors and the Manager to the other parties, subject to certain limitations. The warranties were in the usual form for a contract of this type.

BSC

- 6.3 An administration and investment advisory agreement dated 28 February 1996 between BSC and YFM Private Equity (the “IAA”), as varied by deeds of variation dated 1 July 2009, 16 November 2012, 17 October 2014, 24 August 2015 and 18 November 2019, pursuant to which YFM Private Equity agreed to provide administrative, company secretarial and investment advisory services to BSC in relation to BSC’s qualifying portfolio. The IAA took effect on 4 April 1996 for an initial period of 3 years and thereafter is terminable by either party on not less than 12 months’ notice or, inter alia, on the others’ breach or insolvency.

Pursuant to the IAA, the Manager receives an annual fee of 1.0 per cent on all surplus cash, defined as all cash above £15 million, unless the hurdle has been met triggering a performance incentive payment (see below) in which case the amount determined to be surplus cash will be the excess over £7.5 million. The annual fee on all other assets is 2.0 per cent per annum. This is calculated half yearly at 31 March and 30 September. The annual fee for the twelve months to 31 March 2021 was £1,675,000, equal to 1.7 per cent of the average NAV (1.5 per cent of the NAV at 31 March 2021).

The Manager receives an annual accounting and secretarial fee, index linked to RPI, which is currently £69,000. The annual fee for the twelve months to 31 March 2021 was £68,000, equal to 0.1 per cent of the average NAV.

Under the IAA the Manager is entitled to receive advisory fees in connection with new investments which are paid by BSC. There is an aggregate annual cap applied to these fees for new investments of 3 per cent and for further investments of 2 per cent, with any fees above this cap being payable to BSC. Where expenses have been incurred and the investment does not proceed, the Manager pays any abort fees. The Manager also receives monitoring or non-executive director fees from unquoted portfolio companies. These fees are capped at a maximum of £40,000 per annum for an unquoted company.

- 6.4 Pursuant to an incentive agreement (the “Incentive Agreement”) dated 7 July 2009, as varied by deeds of variation dated 15 August 2014, 13 October 2014 and 27 November 2018, a performance incentive fee is payable by BSC, details of which are set out on page 38.
- 6.5 Under the terms of a letter of engagement dated 26 November 2016 between BSC and Panmure Gordon (UK) Limited (“Panmure Gordon”), Panmure Gordon agreed to act as brokers to BSC, and, inter alia, to act as a market maker in the Shares of BSC and to carry out Share purchases on BSC’s behalf. Panmure Gordon are entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in advance on 1 January, 1 April, 1 July and 1 October. BSC indemnifies Panmure Gordon against losses arising out of Panmure Gordon’s appointment except where such losses arise from Panmure Gordon’s breach of agreement, negligence or wilful default.

BSC2

- 6.6 YFM Private Equity has acted as Manager and performed administrative and secretarial duties for BSC2 under an agreement dated 28 November 2000, superseded by an agreement dated 31 October 2005 and as varied by agreements dated 8 December 2010, 26 October 2011, 16 November 2012, 17 October 2014, 7 August 2015 and 13 November 2019 (the “IAA”). This agreement may be terminated by not less than twelve months’ notice given by either party at any time.

The annual fee payable to the Manager is 1.0 per cent on all surplus cash, defined as all cash above £10 million, unless the hurdle has been met triggering a performance incentive payment (see below), in which case the amount determined to be surplus cash will be the excess over £5 million. The annual fee on all other assets is 2.0 per cent per annum. This is calculated half yearly at 30 June and 31 December. The annual fee for the twelve months ending 31 December 2020 was £1,204,000, equal to 1.8 per cent of the average NAV (1.7 per cent of the NAV at 31 December 2020).

The Manager also provides and procures the provision of secretarial and administration services to BSC2. The Manager receives an annual accounting and secretarial fee, index linked to RPI, which is currently £70,000. The annual fee for the twelve months to 30 December 2020 was £69,000, equal to 0.1 per cent of the average NAV.

Under the IAA the Manager is entitled to receive advisory fees in connection with new investments which are paid by BSC2. There is an aggregate annual cap applied to these fees for new investments of 3 per cent and for further investments of 2 per cent, with any fees above this cap being payable to BSC2. Where expenses have been incurred and the investment does not proceed, the Manager pays any abort fees. The Manager also receives monitoring or non-executive director fees from unquoted portfolio companies. These fees are capped at a maximum of £40,000 per annum for an unquoted company.

- 6.7 Pursuant to a Subscription Rights Agreement dated 23 November 2001 between BSC2, YFM Private Equity Limited and Chord Capital Limited (“Chord”, formerly Generics Asset Management Limited), as amended, a performance incentive fee is payable by BSC2, details of which are set out on page 39.
- 6.8 By the terms of a letter of engagement dated 26 November 2016 between BSC2 and Panmure Gordon (UK) Limited, Panmure Gordon agreed to act as brokers to BSC2, and, inter alia, to act as a market maker in the Shares of BSC2 and to carry out Share purchases on BSC2’s behalf. Panmure Gordon is entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in advance on 1 January, 1 April, 1 July and 1 October. BSC2 indemnifies Panmure Gordon against losses arising out of Panmure Gordon’s appointment except where such losses arise from Panmure Gordon’s breach of agreement, negligence or wilful default.

7. Takeovers and Mergers

7.1 Mandatory takeover bids

The City Code on Takeovers and Mergers (the “City Code”) applies to all takeover and merger transactions in relation to the Companies, and operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover, and that shareholders of the same class are afforded equivalent treatment. The City Code provides an orderly framework within which takeovers are conducted and the Panel on Takeovers and Mergers (the “Panel”) has now been placed on a statutory footing. The Takeovers Directive was implemented in the UK in May 2006 and, since 6 April 2007, has effect through the Act.

The City Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and, if a person acquires control of a company, the other holders of securities must be protected. This is reinforced by Rule 9 of the City Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30 per cent or more of the voting rights to make a general offer. “Voting rights” for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30 per cent but not more than 50 per cent of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other

shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50 per cent of the voting rights.

There are no current mandatory takeover bids in relation to the Companies.

7.2 Squeeze out

Section 979 of the Act provides that if, within certain time limits, an offer is made for the share capital of either Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent in value of the shares to which the offer relates and, in a case where the shares to which the offer relates are voting shares, not less than 90 per cent of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, pay the consideration for the shares to the relevant company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration available under the takeover offer.

7.3 Sell out

Section 983 of the Act permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in a company which amount to not less than 90 per cent in value of all the voting shares in the company and carry not less than 90 per cent of the voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

8. General

- 8.1 There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BSC is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on BSC's financial position or profitability.

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BSC2 is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on BSC2's financial position or profitability.

- 8.2 The maximum costs and expenses of the Offers, including any irrecoverable VAT and all fees and commissions payable will amount to £1,800,000 for BSC and £1,200,000 for BSC2 assuming £60 million is raised under the Offer, including the over-allotment facility, that this is split as to 60 per cent as to BSC and 40 per cent as to BSC2 and that the costs of the Offers are 5 per cent of gross funds raised. The proceeds will be applied in accordance with each Company's investment policy. On the basis that £60 million is raised under the Offers, including the over-allotment facility, and that this is split as to 60 per cent as to BSC and 40 per cent as to BSC2 and that the costs of the Offers are 5 per cent of gross funds raised, the net proceeds will amount to £34,200,000 for BSC and £22,800,00 for BSC2. The maximum costs and expenses of the Offers will be 5 per cent of gross funds raised by each Company under the Offers.
- 8.3 BDO LLP of 55 Baker Street, London W1U 7EU was appointed as auditor to BSC and to BSC2 on 17 January 2014 and 22 August 2016 respectively. BDO LLP is a registered member firm of the Institute of Chartered Accountants in England and Wales.
- 8.4 YFM Private Equity was incorporated under the name Mosspire Limited in England on 7 October 1987 as a private company under the CA 1985. The name of Mosspire Limited was changed to Yorkshire Investment Advisers Limited on 14 December 1987. The name of Yorkshire Investment Advisers Limited was changed to YFM Private Equity Limited on 7 October 2004. The registered number of YFM Private Equity is 02174994 and its registered office is at 5th Floor, Valiant Building, 14 South Parade, Leeds, LS1 5QS (telephone number 0113 244 1000). YFM Private Equity is authorised and regulated by the FCA to conduct venture capital business.
- 8.5 A VCT must satisfy the FCA that its directors and any manager have sufficient and appropriate experience in the management of assets on a scale and type in which the VCT proposes to invest. The VCT's board of directors must be able to demonstrate that it will act independently of any advisers of the VCT. A majority of the board (including the chairman) must not be directors, employees, partners, officers or professional

advisers of or to the manager or any other company in the same group as the manager or any investment entity managed by them. The VCT's investments must not represent more than 15 per cent by value of all its investments at the time of investment and no more than 10 per cent, in aggregate, of the value of the total assets of the VCT at the time an investment is made may be invested in other listed closed-ended investment funds, except where those funds themselves have published investment policies which permit them to invest no more than 15 per cent of their total assets in other listed closed-ended investment funds. The VCT must continue to meet the above conditions and must, at all times, invest and manage their assets in accordance with its investment policy set out in Part 4 and so as to comply with section 274 ITA. Any material change to the investment policy of either Company will only be made with Shareholder approval.

- 8.6 Howard Kennedy, sponsor to the Offers, has given and has not withdrawn its consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 8.7 The statements attributed to the Manager in this document have been included in the form and context in which they appear with the consent and authorisation of the Manager. In accordance with Prospectus Regulation Rule 5.3.2R(2)(f), the Manager accepts responsibility for those statements and to the best of its knowledge the information contained in those parts of the Prospectus is in accordance with the facts and those parts of the Prospectus make no omission likely to affect their import.
- 8.8 The unaudited Net Asset Value per BSC Share as at 30 June 2021 was 88.2 pence and the unaudited Net Asset Value per BSC2 Share as at 30 June 2021 was 63.5 pence. On 23 July 2021 BSC paid an interim dividend of 2.0p per BSC Share, following which the unaudited NAV per BSC Share was 86.2 pence. BSC2 has declared an interim dividend of 1.5p per BSC2 Share, which will be paid on 25 October 2021, following which the unaudited NAV per BSC2 Share will be 62.0 pence.
- 8.9 BSC had available as at 30 June 2021 cash at bank of £24.1 million, money market funds of £2.5 million and £5.0 million in listed investment funds and BSC2 had available as at 30 June 2021 cash at bank of £20.6 million, each of which should be supplemented by the net proceeds of the Offers. (source: unaudited interim accounts prepared by the relevant Company).
- 8.10 The capitalisation of BSC as at 30 June 2021 was as follows:

Shareholders' Equity	£000's
Called up Equity Share Capital	16,131
Legal Reserve (share premium account)	29,995
Other Reserves*	40,233
Total	86,359

* excludes revenue reserve and investment holdings gains and losses reserve.

There has been no material change to BSC's capitalisation since 30 June 2021

The capitalisation of BSC2 as at 30 June 2021 was as follows

Shareholders' Equity	£000's
Called up Equity Share Capital	15,483
Legal Reserves (share premium account)	22,634
Other Reserves*	21,113
Total	59,230

* excludes revenue reserve and investment holdings gains and losses reserve.

There has been no material change to BSC2's capitalisation since 30 June 2021.

- 8.11 There have been no significant factors, including unusual or infrequent events or new developments, which have materially affected either Company's income from operations. There have been no governmental, economic, fiscal, monetary or political policies or factors that have materially affected either Company's operations. However, levels and bases of, and relief from, taxation are subject to change and such changes could be retrospective and could materially affect either Company's operations.

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- 8.12 The Manager is responsible for the determination and calculation of each Company's Net Asset Value which the Boards intend to announce at least quarterly, through a Regulatory Information Service. The Boards believe that by announcing their Company's financial results on a regular basis, it should help to provide a fairer market price for its Shares.
- 8.13 In the opinion of BSC, its working capital is sufficient for its present requirements, that is for at least 12 months from the date of this document.
- 8.14 In the opinion of BSC2, its working capital is sufficient for its present requirements, that is for at least 12 months from the date of this document.
- 8.15 Save for the fees paid to the Directors as detailed in paragraph 5.9 above, the fees paid under the management and administration arrangements detailed in paragraph 6.3 above and the offer agreement at paragraph 6.1 above, there were no other related party transactions or fees paid by BSC to a related party during the period from 31 March 2021, the date of its last published audited financial information, to the date of this document.

Save for the fees paid to the Directors as detailed in paragraph 5.9 above, the fees paid under the management and administration arrangements detailed in paragraph 6.6 above and the offer agreement at paragraph 6.1 above, there were no other related party transactions or fees paid by BSC2 to a related party during the period from 30 June 2021, the date of its last published unaudited financial information, to the date of this document.

- 8.16 The investment portfolios of the Companies are valued in accordance with International Private Equity and Venture Capital ("IPEVC") valuation guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. These investments are valued on the basis of forward-looking estimates and judgments about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgments the valuation, which is undertaken by the Manager, takes into account all known material facts up to the date of approval of the financial statements by the Boards. The valuation of listed investments and investments traded on AIM or other public stock markets will be stated at closing bid prices. Investments not listed on a public stock market will be valued in accordance with the IPEVC valuation guidelines.
- 8.17 Investments will be valued quarterly by the Manager and these Net Asset Values will be communicated to Shareholders through the Regulatory Information Service. Each Company will also announce when there has been a major change to Net Asset Value, for instance as a result of a disposal of an investment or if that Company undertakes a fundraising and needs to announce an interim valuation. The Directors do not anticipate any circumstances arising under which the calculation of the Net Asset Value may be suspended. Any suspension will be communicated to Shareholders through the Regulatory Information Service.
- 8.18 The Boards have managed, and intend to continue to manage, the affairs of the Companies in order that they comply with the legislation applicable to VCTs. In this regard, the Companies have retained Philip Hare & Associates LLP to advise on their VCT status. The Companies have continued to conduct their affairs so as to comply with section 274 of the ITA for their current financial year and intend to continue to do so for subsequent periods. However, there can be no guarantee that VCT status will be maintained and Investors' attention is drawn to Part 5 of this Document.
- 8.19 Neither Company assumes responsibility for the withholding of tax at source.
- 8.20 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 Companies 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.
- 8.21 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 in the Prospectus, considers the investment policy of the Companies 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 and sophisticated investors and high net-worth individuals.

PART 7

- 8.22 The existing issued BSC Shares will represent 78.3 per cent of the enlarged ordinary share capital of BSC immediately following the Offers, assuming the Offers are fully subscribed in both Companies, including the over-allotment facility, with subscriptions split as to 60 per cent/40 per cent as between BSC and BSC2 respectively at an Offer Price for BSC of 88.866p, and on that basis BSC shareholders who do not subscribe under the Offers will, therefore, be diluted by 21.7 per cent.

The existing issued BSC2 Shares will represent 78.9 per cent of the enlarged ordinary share capital of BSC2 immediately following the Offers, assuming the Offers are fully subscribed in both Companies, including the over-allotment facility, with subscriptions split as to 60 per cent/40 per cent as between BSC and BSC2 respectively at an Offer Price for BSC2 of 63.918p, and on that basis BSC2 shareholders who do not subscribe under the Offers will, therefore, be diluted by 21.1 per cent.

- 8.23 The Companies and the Directors consent to the use of the Prospectus by financial intermediaries, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offers. The Offers are expected to close on or before 1 April 2022. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.
- 8.24 **In the event of an offer being made by a financial intermediary, the financial intermediary will provide information to investors on the terms and conditions of the offer at the time that the offer is made. Any financial intermediary using the Prospectus has to state on its website that it uses the Prospectus in accordance with the consent set out at paragraph 8.23 above.**

9. Documents available for inspection

- 9.1 The Companies' memorandum and Articles and the Prospectus are available for inspection at the registered office of the Companies at 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until closing of the Offers and may also be inspected at the Companies' website address at www.bscfunds.com.

22 September 2021

Part 8

Definitions

“Act”	the Companies Act 2006, as amended from time to time;
“Admission”	the admission of the New 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 New Shares, and detailed on the Application Form;
“AIM”	the Alternative Investment Market of the London Stock Exchange;
“Applicant(s)”	an Investor(s) who applies to subscribe for New Shares;
“Application”	an Application for New Shares;
“Application Amount”	the total amount remitted to the Companies under the Offers, including any Facilitated Fee;
“Application Form”	form of Application for New Shares set out at the end of this document;
“Acquis Stock Exchange”	the market operated by Aquis Exchange plc, registered in England and Wales with company number 07909192 whose registered office is at Palladium House, 1-4 Argyll Street, London W1F 7LD;
“Articles”	the articles of association of the relevant Company (as amended from time to time);
“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;
“CA 1985”	the Companies Act 1985, as amended from time to time;
“City” or “Receiving Agent”	The City Partnership (UK) Limited;
“Companies” or “VCTs”	BSC and BSC2 and each a “Company”;
“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 Companies or offering or agreeing to do so, either as principal or agent;
“Directors” or “Boards”	the directors of the relevant Company at the date of this document;
“Dividend Re-investment Scheme(s)” or “DRIS” or “Schemes”	the respective dividend re-investment scheme established for each Company, the terms and conditions of which are set out in Part 9 of this document (as amended from time to time);
“DTRs”	the Disclosure and Transparency Rules made by the FCA under Part VI of FSMA;
“Election Date”	the day by which the Mandate Forms must be received by the Registrar, as announced by the Companies 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;

PART 8

“EU MiFID II”	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (“MiFID”) and Regulation (EU) No 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (“MiFIR”), and together with MiFID, “MiFID II”;
“Facilitated Fees”	Advisor Charges, the payment of which is calculated by the Companies;
“FCA”	the Financial Conduct Authority acting in its capacity as the competent authority under the FSMA;
“Financial Adviser”	an authorised intermediary offering investment advice to his client;
“FSMA”	Financial Services and Markets Act 2000, as amended from time to time;
“HMRC”	HM Revenue & Customs;
“Howard Kennedy”	Howard Kennedy Corporate Services LLP;
“Initial Application Fee”	the fee payable to the Manager, as set out on page 16;
“Intermediary/(ies)”	an authorised firm who signs the Application Form and whose details are set out in section 8 of that document;
“Investment Team”	those persons whose details are set out on pages 30 to 31 under the heading “The Investment Team”;
“Investor(s)”	an individual(s) who subscribes for New Shares;
“ITA 2007”	Income Tax Act 2007, as amended from time to time;
“IFRS”	International Financial Reporting Standards;
“Knowledge Intensive Company”	a company satisfying the conditions in Section 331(A) of Part 6 ITA 2007;
“Link Group” or “Link” or “Registrar”	Link Group, a trading name of Link Registrars Limited, whose details are given on page 96;
“Listing Rules”	listing rules issued by the FCA, as amended from time to time;
“Manager” or “YFM”	YFM Private Equity Limited, registered number 02174994, in its position as the FCA authorised and regulated subsidiary of YFM Equity Partners;
“Money Laundering Regulations”	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;
“Net Asset Value(s)” or “NAV”	net asset value per Share;
“New Ordinary Shares”	the new Ordinary shares to be issued from time to time under the Schemes;
“New Shares”	the new Shares to be issued from time to time under the Offers;
“Offers”	the offer for subscription by the Companies for New Shares in respect of the tax year 2021/22 contained in this document;
“Official List”	the Official List of the FCA;
“Offer Price”	the subscription price of each New Share issued under the Offers as calculated in accordance with the Pricing Formula;
“Participating Shareholder(s)”	those Shareholders who elect to participate in the Schemes;
“Pricing Formula”	the pricing formula relating to the Offers as set out on page 33 of this document;
“Prospectus”	this document;
“Prospectus Regulation”	Regulation (EU) 2017/1129;
“Prospectus Regulation Rules”	the Prospectus Regulation rules of the FCA;

PART 8

“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 5 of the Prospectus;
“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 2007;
“Qualifying Investor”	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;
“RAM Capital”	RAM Capital Partners LLP;
“Registrar”	Link Group;
“Regulatory Information Service” or “RIS”	a regulatory information service that is on the list of regulatory information services maintained by the FCA;
“Restricted Territories”	US, Canada, Australia, Japan and South Africa (and each a Restricted Territory);
“Risk Finance State Aid”	state aid received by a company as defined in Section 280B (4) of ITA;
“RPI”	the general index of retail prices published by the Office of National Statistics each month;
“Securities Act”	The United States Securities Act of 1993, as amended;
“Shareholder(s)”	holder(s) of Shares;
“Shares” or “Ordinary Shares”	ordinary shares of 10p each in the capital of the relevant Company;
“Statutes”	the “Companies Acts” as defined in Section 2 of the Act;
“Total Return”	NAV plus cumulative dividends paid;
“UK MiFID Laws”	(1) the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017 (SI 2017/701), The Data Reporting Services Regulations 2017 (SI 2017/699) and the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2017 (SI 2017/488), and any other implementing measure which operated to transpose EU MiFID II in to UK law before 31 January 2020 (as amended and supplemented from time to time including by: (1) Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018; (2) The Financial Regulators’ Powers (Technical Standards etc.) and Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2019 (SI 2019/576); (3) The Financial Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019; and (4) The Financial Services (Electronic Money, Payment Services and Miscellaneous Amendments) (EU Exit) Regulations 2019; and (ii) the UK version of Regulation (EU) No 600/2014 of the European Parliament, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time including by: (a) Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018; (b) The Financial Regulators’ Powers (Technical Standards etc.) and Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2019 (SI 2019/576); (c) The Financial Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019; and (d) The Financial Services (Electronic Money, Payment Services and Miscellaneous Amendments) (EU Exit) Regulations 2019;

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“UK PRIIPs Laws”	the UK version of the EU Packaged Retail Investment and Insurance Products Regulations which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time including by the Packaged Retail and Insurance-based Investment Products (Amendment)(EU Exit) Regulations 2019 (February 2019) and the Cross-Border Distribution of Funds, Proxy Advisors, Prospectus and Gibraltar (Amendment) (EU Exit) Regulations 2019;
“VAT”	value added tax;
“VCT” or “Venture Capital Trust”	a company which is, for the time being, approved as a venture capital trust under Section 259 of the ITA 2007;
“VCT Regulations”	Part 6 ITA 2007 and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning Venture Capital Trusts as amended from time to time;
“YFM Equity Partners”	YFM Equity Partners LLP, registered number OC384467.

Part 9

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 VCTs. 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 VCTs 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); 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 Link Group to find out how to divide their holding so that they can make a re-investment election on the required number of Ordinary Shares.

PART 9

- (f) 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 VCTs 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.
 - (g) 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 Financial Conduct Authority.
 - (h) 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 VCTs' registrars Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL 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 Link.
 - (i) 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.
- 5 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.
- 6 An application will be made to the Financial Conduct 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.
- 7 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, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL or from the VCTs' website at www.bscfunds.com.
- 8 All costs and expenses incurred in administering the Scheme will be borne by the VCTs.

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- 9 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 VCTs.
- 10 Each Participating Shareholder acknowledges that neither the VCTs nor Link nor YFM is providing a discretionary management service. Neither Link, 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.
- 11 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 regulatory information service.
- 12 A Participating Shareholder who does not hold their Ordinary Shares in CREST may at any time, by giving written notice to City 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 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.
- 13 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 its 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.
- 14 All notices and instructions to be given to the VCTs shall be in writing and delivered or posted to Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL. 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 VCTs.
- 15 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 VCTs' 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.
- 16 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 VCTs 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.
- 17 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 VCT 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.

PART 9

- 18 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 VCT shares acquired within this limit, Participating Shareholders will generally be liable to tax on such dividends.
- 19 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.
- 20 No person receiving a copy of the 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.**
- 21 The VCTs shall not be required to issue New Ordinary Shares hereunder if the Directors so decide.
- 22 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.

Shareholders in any doubt about their tax position should consult their independent professional adviser.

Part 10

Terms and Conditions of Application

The following Terms and Conditions apply to the Offers:

Save where the context otherwise requires, words and expressions defined in this document have the same meaning when used in the Terms and Conditions of Application, the Application Form and explanatory notes.

The section headed “Notes on how to complete the Application Form” forms part of these Terms and Conditions of Application. Please note that only Applications submitted online at www.bscfunds.com or returned by post/hand/email to the Receiving Agent will be accepted.

1. The contract created by the acceptance of an Application under the Offers will be conditional on Admission, unless otherwise so resolved by the Boards.
2. The right is reserved by the Companies to present all cheques and bankers’ drafts for payment on receipt and to retain the relevant Share certificates and Application monies, pending clearance of such successful Applicants’ cheques and bankers’ drafts. The Companies may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Companies may, at their discretion, accept an Application in respect of which payment is not received by the Companies prior to the closing date of the Offers. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the Application monies or, as the case may be, the unused balance thereof in excess of £2.00 will be returned (without interest) by returning each relevant Applicant’s (or Nominee’s) cheque or bankers draft or by crossed cheque in favour of the Applicant (or Nominee), through the post at the risk of the person(s) entitled thereto. Balances of less than £2.00 may be retained by the Companies and used for their own purposes. In the meantime, Application monies will be retained by the Receiving Agent in a separate non-interest bearing account. The Boards reserve the right to close the Offers earlier than the closing date if fully subscribed. Applications which are accompanied by post-dated cheques will not be accepted, subject to the Boards’ discretion to accept such Applications. If any dispute arises as to the date or time on which an Application is received, the Boards’ determinations shall be final and binding.
3. Subject to paragraph (4) below, no person receiving a copy of this document or any part thereof, or an Application Form, in any territory other than the UK may treat the same as constituting an invitation or offer to them, nor should they in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to them or such Application Form could lawfully be used without contravention of any regulation or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy themselves as to the full observation of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying issue, transfer or other taxes required to be paid in such territory.
4. The New Shares have not been, nor will they be, registered in the United States under the Securities Act or under the securities laws of the Restricted Territories and they may not be offered or sold directly or indirectly within the United States or any of the Restricted Territories or to, or for the account or benefit of, US persons (as defined in Regulation S made under the Securities Act) or any national, citizen or resident of the United States or any of the Restricted Territories. The Offers are not being made, directly or indirectly, in or into the United States or any of the Restricted Territories or in any other jurisdiction where to do so would be unlawful. The distribution of this Document in jurisdictions other than the UK may be restricted by law and therefore, persons into whose possession this Document comes should inform themselves about and observe any of these restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities law of any such jurisdiction. The Application Form is not being and must not be forwarded to or transmitted in or into the United States or any Restricted Territory. No Application will be accepted if it bears an address in the United States.
5. Applicants will be bound by the Application(s) indicated by them on their Application Forms. Multiple Applications under the Offers are permitted. Applications will be accepted on a first-come, first-served basis, subject always to the discretion of the Boards. The right is reserved to reject in whole or in part and scale down any Application or any part thereof including, without limitation, Applications in respect of which any verification of identity which the Companies or the Receiving Agent consider may be required for the purpose of the Money Laundering Regulations has not been satisfactorily supplied. The Boards in their absolute discretion may decide to close or suspend the Offers. The Offers shall be suspended if the issue of such New Shares in the Companies would result in a breach of the Listing Rules, the Companies not having the requisite Shareholder authorities from time

to time to allot New Shares or a breach of any other statutory provision or regulation applicable to the Companies. Dealings prior to the issue of certificates for New Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.

6. By completing and delivering an Application Form, you confirm and warrant that you:
- i) offer to Subscribe the monetary amount stated on the Application Form in the Companies for such number of New Shares obtained by dividing the monetary amount by the applicable Offer Prices of the New Shares resulting from the Application of the Pricing Formula (as described in this document), subject to these terms and conditions of Application, and subject to the memorandum and articles of association of the relevant Company;
 - ii) agree that, in consideration of the Companies agreeing to process your Application, your Application will not be revoked until the Offers are closed and that this paragraph shall constitute a collateral contract between you and the Companies which will become binding upon dispatch by post to, or (in the case of delivery by hand or by email or by online submission) on receipt by, the Receiving Agent of your Application Form;
 - iii) agree and warrant that your cheque or bankers' draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the New Shares in the Companies until you make payment in cleared funds and such payment is accepted by the Companies in their absolute discretion (which acceptance shall be on the basis that you indemnify the Companies and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation), and you agree that, at any time prior to the unconditional acceptance by the Companies of such late payment, the Companies may (without prejudice to its other rights) void the agreement to allot such New Shares to you and may issue or allot such New Shares to some other person, in which case you will not be entitled to any payment in respect of such New Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or bankers' draft accompanying your Application Form, without interest;
 - iv) agree that if, following the issue of all or any New Shares applied for pursuant to the Offers, your remittance is not honoured on first presentation, those New Shares may, forthwith upon payment by the Manager (or such person as it may nominate) of the Offer Price of those New Shares to the Companies, be transferred to the Manager or such other person as the Manager may direct at the relevant Offer Price per New Share and any director of the relevant Company is hereby irrevocably appointed and instructed to complete and execute all or any form(s) of transfer and/or any other documents in relation to the transfer of those New Shares to the Manager or such other person as the Manager may direct and to do all such other acts and things as may be necessary or expedient, for the purpose of or in connection with, transferring title to those New Shares to the Manager, or such other person, in which case you will not be entitled to those New Shares or any payment in respect of such New Shares;
 - v) agree that, in respect of those New Shares for which your Application has been received and is not rejected, your Application may be accepted at the election of the Companies either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
 - vi) agree that any monies refundable to you may be retained by the Companies pending clearance of your remittance and any verification of identity which is, or which the Companies or the Receiving Agent may consider to be, required for the purpose of the Money Laundering Regulations and that such monies will not bear interest;
 - vii) authorise the Registrar to send Share certificate(s) or arrange for your CREST account to be credited in respect of the number of New Shares for which your Application is accepted and authorise the Companies to send a crossed cheque for any monies returnable, by post, at your own risk, without interest, to your address set out in the Application Form and to procure that your name is placed on the register of members of the relevant Company in respect of such New Shares;
 - viii) agree that all Applications, acceptances of Applications and contracts resulting therefrom and any non-contractual obligations arising out of or in connection with your Application shall be governed by and construed in all respects in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Companies to bring any action, suit or proceeding arising out of or in connection with any such Application, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;

PART 10

- ix) agree and acknowledge that you are making your Application on the basis of the information and statements concerning the Companies and the New Shares contained in this Document and that no person responsible solely or jointly for this Document or any part thereof or involved in the preparation thereof shall have any liability for any other information or representation relating to the Companies or the New Shares or for any change in the law or regulations affecting VCTs;
- x) irrevocably authorise the Receiving Agent and/or the Registrar and/or the Companies or any person authorised by any of them, as your agent, to do all things necessary to effect registration of any New Shares subscribed by or issued to you in your name and authorise any representative of the Receiving Agent, or of the Registrar or of the Companies, as relevant, to execute any document required thereof;
- xi) agree that, having had the opportunity to read the document, you shall be deemed to have had notice of all information and statements concerning the Companies and the New Shares contained therein;
- xii) confirm that you are not a US person within the meaning of Regulation S made under the Securities Act or a resident of any of the Restricted Territories and that you are not applying for any New Shares with a view to their offer, sale, delivery to or for the benefit of any US Person or a resident of any of the Restricted Territories, and that you have reviewed the restrictions contained in paragraphs (3) and (4) above and warrant compliance therewith;
- xiii) declare that you are an individual aged 18 or over;
- xiv) agree that all documents in connection with the Offers and returned monies will be sent by post at your risk;
- xv) agree to the Receiving Agent, where necessary, carrying out enquiries to verify your identity to ensure compliance with the Money Laundering Regulations;
- xvi) if an Application is made direct (not through a financial Intermediary), the Companies or a third party acting on behalf of the Companies, may carry out a check of the Investor's identity using an online anti-money laundering and identity verification system.

To enable this process you may be contacted by the Receiving Agent and asked to provide evidence of your identity (typically, an original or certified copy of a passport or driving licence, as well as a recent bank statement or utility bill);
- xvii) agree, on request by the Companies, YFM or the Receiving Agent, to disclose promptly in writing, any information which may be reasonably requested in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations and authorise the Companies, YFM or the Receiving Agent to disclose any information relating to your Application as the Companies, YFM, or the Receiving Agent consider appropriate;
- xviii) agree that neither YFM nor the Receiving Agent will treat you as a customer by virtue of your Application being accepted nor owe you any duties or responsibilities concerning the price of the New Shares in the Companies or the suitability for you of New Shares or be responsible to you for providing the protections afforded to their customers;
- xix) 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, New Shares and that the New Shares are being acquired for bona fide commercial purpose and not as part of a scheme of arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
- xx) confirm and warrant that the information provided in the Application Form is true and accurate;
- xxi) warrant that, if you sign the Application Form on behalf of somebody else, you have due authority to do so on behalf of that other person, and such person will also be bound accordingly and will be deemed also to have given confirmations, warranties, undertakings and authority contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Application Form; and
- xxii) consent to the information provided on the Application Form being provided to the Receiving Agent and the Registrar to process shareholding details and send notifications to you.

PART 10

7. The Companies reserve the right to publish revised Application Forms from time to time. Applicants and their Intermediaries should, therefore, check when completing the Application Forms that no subsequent version has been published or made available by the Companies - which will be downloadable from the Companies' website at www.bscfunds.com.

Notes on how to complete the Application Form

Before making an Application to acquire New 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.

Application Form Submission Online/email

You may complete and submit your Application Form online at www.bscfunds.com.

Alternatively, you may scan and send your completed Application via email to bscfunds@city.uk.com.

Payments associated with an Application Form may be made by electronic transfer, cheque, or banker's draft.

For payment by electronic transfer, the bank account to which you should remit the total Application Amount (including any initial Adviser Charges for facilitation) is as follows:

Bank name: **The Bank of Scotland plc**
Account name: **City-BSC VCTs Joint Offers-Segregated**
Account number: **22251869**
Sort Code: **80-22-60**

For payment by cheque or banker's draft, please send your cheque or banker's draft made payable to City-BSC VCTs Joint Offers-Segregated to City's address noted below.

Application Form Submission by Post/Hand

Please send the completed Application Form by post, together with your cheque or banker's draft (you may also pay by electronic transfer to the bank account noted above), to:

BSC & BSC2 Offers
The City Partnership (UK) Ltd
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

If you scan and send your Application Form to the Receiving Agent via email, please **do not** send a copy in the post.

If you have any questions on how to complete the Application Form, please contact Tracey Nice at YFM on 0113 261 6478 or 07500 330986 or tracey.nice@yfmeop.com in the first instance or call City on 01484 240 910. However, no investment, financial or tax advice can be given by YFM or City. Lines are open between 9.00 am - 5.30 pm, Monday to Friday excluding public holidays. Alternatively, please speak to your Financial Adviser.

Note: If there is a query over an Application there is no guarantee that it will be resolved in the order of receipt or before any subsequent Applications are received/processed. Also, if multiple Applications are received that take the investment total over the British Pound Sterling equivalent of €15,000, further identification and verification checks will need to be carried out. This may delay processing.

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

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

IF YOU ARE A NOMINEE APPLYING ON BEHALF OF A BLOCK OF INVESTORS, PLEASE DO NOT COMPLETE THE ATTACHED APPLICATION FORM. INSTEAD, PLEASE CONTACT THE RECEIVING AGENT FOR ALTERNATIVE INSTRUCTIONS.

Section 1: Applicant Details

Insert in BLOCK CAPITALS your full name, date of birth, National Insurance number, telephone number, email address (if you have one), current address, previous address (if you've been at your current address for less than three years), and non-UK tax residency details.

We are legally required to collect information about the tax residency and classifications of new Shareholders which may be shared with HMRC.

If you are an existing Shareholder in either of the Companies, please enter your IVC code in the relevant box(es). If your existing Shares are held in a nominee, please enter the nominee details in the relevant boxes.

It is very important that you complete this section clearly and accurately, as the Receiving Agent will send an email acknowledgement, or, if no email address is given, a confirmation letter to you at the address shown in this section.

If your Application to the Offers is successful, your name and address as stated in this section will be entered onto the Register of the Company/ies for which you are subscribing and printed on the tax and share certificates.

Section 2: Financial Intermediary

Please tick the relevant box (only one) to confirm if a financial Intermediary is associated with your Application.

Section 3: Application Amount

Insert the amount of money which you wish to invest. Your total Application must be for a minimum value of £6,000 and thereafter in multiples of £1,000 (including any initial Adviser Charge to be facilitated) in either or both Companies. Income tax relief is available on the total Application Amount (i.e., including any initial Adviser Charge to be facilitated). The maximum investment on which tax reliefs on investments in Venture Capital Trusts (including shares issued under a DRIS) is available is £200,000 in any tax year.

Insert in the relevant boxes how you wish your Application Amount to be split between the BSC Offer and the BSC2 Offer. If you do not state a preference, your Application Amount will be allocated 60 per cent to BSC and 40 per cent to BSC2.

In the event that the Offer for one of the Companies for which you have applied has closed, or is deemed closed, at the time your Application Form is processed, then you should tick either box (i) if the amount in respect of the closed Offer is to be re-allocated to the Offer by the other Company, irrespective of whether you have applied for that other Offer or box (ii) if the amount in respect of the closed Offer is to be returned to you. If you fail to tick a box, or you tick both boxes, option (ii) will apply and your Application monies in respect of the closed Offer will be returned to you.

Section 4: Shareholding Preferences

Please indicate how you would like to receive Shareholder communications.

If you wish for any New Shares for which your Application is accepted to be allotted to your nominee (CREST or otherwise), please provide the nominee details in the relevant boxes.

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

Section 5: Dividends

If you wish that any New Shares for which your Application is accepted are issued to your nominee, please do not complete this section. Please contact your nominee regarding your dividend options.

For any dividends that may from time to time become due on any New Shares which stand in your name on the Companies' registers, please confirm your payment preference.

If you wish to participate in the Companies' dividend re-investment schemes, having first read and understood the terms and conditions of the schemes which can be found on the website www.bscfunds.com, please then tick the appropriate box.

If you wish to receive your dividends by payment to your bank account, please tick the appropriate box 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.

If you do not confirm a dividend preference, your dividends will be paid by cheque. Cheques will be sent to the Shareholder's registered address using the standard mail delivery at the Shareholder's own risk. The Companies' Registrar will charge administration fees for re-issuing cheques.

Please note that if you are an existing Shareholder, for any New Shares in which your Application is accepted under the Offers and allotted to your existing holding(s), your dividend preference will apply to your total shareholding in the Companies.

Section 6: Payment

Payment can be made by electronic transfer (to the Bank of Scotland plc account details of which are set out on Section 6 of the Application Form), cheque or banker's draft. Your payment must relate solely to this Application.

To pay by cheque or banker's draft, please send the cheque or banker's draft to City (with the Application Form if you have not applied online or emailed the Application to City) at the address provided. The cheque should be for the total Application Amount in Section 3, made payable to City-BSC VCTs Joint Offers-Segregated, crossed "A/C Payee only" and referenced as described below. Your payment must relate solely to this Application. Cheques may be presented for payment on receipt. Application Forms accompanied by a post-dated cheque will not be accepted.

Receipt of your Application Form (online, email, or post) will be acknowledged by City by email (if you have provided an email address in Section 1) or post. Further, if you have provided an email address in Section 1, you will also receive confirmation of receipt of payment from City once the monies have been matched to your Application.

Your electronic transfer, cheque or banker's draft must be drawn in sterling from an account with a United Kingdom regulated credit institution 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.

Your payment, whether via electronic transfer or cheque, must also include a reference comprising your initials and telephone number provided in Section 1. Please enter this reference in the payment reference field on the electronic transfer payment instruction or on the back of the cheque.

For example, the payment from Ms Jane Bloggs with telephone number 0123 456 7891, should have a reference of JB01234567891.

Regardless of your payment method, please provide the details of the remitting bank account to allow the Company's Receiving Agent to match, reconcile, and confirm receipt of your monies. Verification of your bank account also forms part of the Company's checks under the Money Laundering Regulations.

The Receiving Agent cannot take responsibility for correctly identifying payments without a reference nor where a payment has been received but without an accompanying Application Form. 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 will be returned by a BACS credit to the remitting account, at the risk of the persons entitled thereto.

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

Section 7: Applicant Declaration

You must sign, state your name, and date the Application Form in Section 7. By signing and dating the Application Form you agree to invest in the Companies in accordance with the Terms and Conditions of Application as set out on pages 76 to 79 of the Prospectus.

If this section of the Form is not signed the Receiving Agent will not be able to process your Application and your Application monies will be returned to you.

Section 8: Financial Intermediary Details

Intermediaries must give (in BLOCK CAPITALS) in Section 8 the name of the network firm to which they are associated (if applicable), the name of their firm, the firm's full address, the individual adviser's/intermediary's name, FCA number (or equivalent), partner reference (if applicable), email address, administrative contact name and telephone number. The right is reserved to reject any Application or withhold any payment of fees or commission if the Companies are not, at their sole discretion, satisfied that the Intermediary is authorised or is unable to identify the Intermediary on the basis of information provided.

Section 9: Financial Intermediary Remuneration

Intermediaries must complete A or B (not both).

Please tick box (A) if you have provided financial advice to your client, who is not a Professional Client (as per the FCA's Conduct of Business Sourcebook ("COBS" 3.5) and have agreed on an initial Adviser Charge (nil or otherwise) which complies with COBS 6.1A. Please enter the initial Adviser Charge for facilitation in the box provided. If you do not want the Companies to facilitate payment of the initial Adviser Charge, or you have made alternative arrangements, please enter "0" if NIL.

Please tick box (B) if your financial Intermediary firm is entitled to receive commission in accordance with COBS 2.3/2.3A and any other applicable FCA regulations. Initial commission may be waived (a maximum of 2% of the total investment amount) for the benefit of your client. Please insert the amount of initial commission you wish to be waived in the box provided (please enter "0" if NIL).

Please confirm the bank account into which any Adviser Charges or initial commission payments associated with the Application should be paid by BACS.

Should you wish the Receiving Agent to carry a reference against any initial Adviser Charge or commission payment associated with the Application, please provide it in the box provided.

If you would like your firm's finance department to receive a copy of a statement detailing the initial Adviser Charges or commission payment(s) due to your firm, please provide the relevant email address in the box provided.

Section 10: Financial Intermediary Declaration

An individual with the authority to sign on behalf of the financial Intermediary firm detailed in Section 8 should sign and date the Application Form in Section 10.

Money Laundering Notice – Important Procedures for Applications

In accordance with the Money Laundering Regulations, the identity of all Applicants must be verified before Shares can be allotted. This is a routine step associated with the Application process and ensures that (i) Applicants are who they say they are; and (ii) Application monies have not been acquired illegally and there is no attempt to use the Companies and City as part of criminal activity.

Please note that Shares cannot be allotted if City is unable to verify the Applicant's identity, and the Application may ultimately be treated as invalid, and funds returned.

For Applications made via a financial Intermediary, the Intermediary should complete verification of the Applicant. By signing the Application Form, the financial Intermediary confirms that they have verified the identity of the Applicant and that if the Companies, Manager and/or City request additional information in connection with that verification, they will provide it within two Business Days of receiving the request.

For direct Applications which are above the British Pound Sterling equivalent of €15,000 (for single or linked Applications), City will use the Applicant's personal information from the Application Form to verify their identity through Veriphy, a specialist anti-money laundering ("AML") compliance solution provider. Veriphy's AML checks include identity and UK address validation as well as integral mortality, departure, sanction, and politically exposed person searches. **Veriphy's checks have no impact on an Applicant's credit score or their ability to obtain credit.**

In the small number of cases where Veriphy is unable to verify the Applicant's identity sufficiently, City will need the Applicant to supply evidence of their identity and will contact the Applicant (or their financial Intermediary if applicable) to request copies of the relevant documents (typically, an original or certified copy of a passport or driving licence, as well as a recent bank statement or utility bill) and explain how they should be provided. Please note that failure to provide satisfactory evidence following such a request may result in a delay in processing an Application or, at the point of the Offers closing to Applications, the Application being treated as invalid and funds returned.

Note: The Companies and City may, in their absolute discretion, and regardless of the Application Amount and/or the involvement of a financial Intermediary, require identity verification.

Application Form

General Information

Before completing the Application Form, please read the Prospectus including the Terms and Conditions of Application and the Notes on how to complete the Application Form, which are available in the Offer Document section at www.bscfunds.com.

Please complete the form in full, leaving blank any questions that do not apply to you.

The Companies, the Receiving Agent, the Registrar, RAM Capital and YFM cannot accept responsibility if any details provided by you are incorrect.

HM Revenue & Customs may inspect this Application Form. It is a serious offence to make a false declaration.

If you are a nominee applying on behalf of a block of investors, please do not use this form. Instead, please contact the Receiving Agent for alternative instructions.

If you have any questions on how to complete the Application Form, please contact YFM (details below) in the first instance or call City on 01484 240 910. Lines are open between 9.00 am - 5.30 pm, Monday to Friday excluding public holidays. Alternatively, please speak to your Financial Adviser.

Tracey Nice

Investor Relations Support Manager

T: 0113 261 6478 or 07500 330986

E: tracey.nice@ymep.com

W: bscfunds.com

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

PLEASE DO NOT POST COMPLETED APPLICATION FORMS TO THIS ADDRESS



The closing date for the Offers will be 1 April 2022 (unless fully subscribed earlier).

You may complete and submit your Application online via www.bscfunds.com.

Alternatively, you may complete and send your Application via email to bscfunds@city.uk.com or via post/hand delivery to:

BSC & BSC2 Offers

The City Partnership (UK) Ltd
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

If you scan and send your Application Form to the Receiving Agent via email, please **do not** send a copy in the post.

The Companies recommend that you use first class recorded mail and allow at least two working days for delivery. Applications submitted (in particular with a cheque) should allow at least three working days from date of receipt for funds to clear.

APPLICATION FORM

Section 1. Applicant Details

Title:	Forename(s)		
Surname:			
Date of Birth:		National Insurance Number:	
Telephone Number Should we need to contact you regarding your Application, we would like to do so by telephone. Please provide your telephone number below. We also ask that you use this telephone number as part of your Application payment reference.			
Telephone Number:			
Email Address Regarding this Application, the Receiving Agent would like to issue, via email, an acknowledgement of receipt, a confirmation of receipt of monies and, if the Companies accept your Application, a confirmation of allotment and an income tax relief certificate. If you would like to receive email correspondence from the Receiving Agent, please provide your email address below. Alternatively, the Receiving Agent will send the relevant correspondence to you in the post.			
Email:			
For Applications accepted under the Offers, the Companies' Registrar will send the associated share certificates in the post (if applicable).			
Current Address			
Address 1:		City:	
Address 2:		County:	
Address 3:		Postcode:	
For anti-money laundering purposes, if you have lived at your current address for less than three years, please provide your previous address below:			
Address 1:		City:	
Address 2:		County:	
Address 3:		Postcode:	

APPLICATION FORM

Section 1. Applicant Details (continued)

Non-UK tax residency details

Please list below any country(ies), other than the UK, in which you are resident for tax purposes and the relevant Taxpayer Identification Number (TIN).

Country:	TIN/Equivalent:
Country:	TIN/Equivalent:
Country:	TIN/Equivalent:

The Companies may, if necessary, disclose information to HMRC and the IRS to satisfy its FATCA and/or CRS obligations.

Existing Shareholder

If you are an existing Shareholder in the Companies (either or both), please provide the associated IVC code(s) below:

BSC IVC Code:	BSC2 IVC Code:
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If your existing Shares are held by a nominee (CREST or otherwise), please provide the following details as applicable:

CREST Participant ID:	CREST Member Account ID:
Nominee Name:	

APPLICATION FORM

Section 2: Financial Intermediary

Please indicate if a financial Intermediary firm is associated with your Application Form:

Yes, the financial Intermediary firm detailed in Section 8 is associated with my Application Form.

No, a financial Intermediary firm is **NOT** associated with my Application Form. I am a direct Investor.

Section 3: Application Amount

The minimum total Application Amount per investor is £6,000 (**including** any initial Adviser Charge to be facilitated) in either or both Companies.

Income tax relief is available on the total Application Amount (i.e., **including** any initial Adviser Charge to be facilitated).

I hereby offer to invest the following total Application Amount (that **includes** any initial Adviser Charge as set out in Section 9) in pounds sterling for New Shares at the Offer Price on the Terms and Conditions of the Offer.

Tax Year 2021/22

Total Application Amount

£

In the boxes below, please confirm how you wish your Application Amount to be split between the BSC Offer and the BSC2 Offer. If you do not wish to invest in one of the Companies, please enter "0" in the associated box.

BSC Offer

BSC2 Offer

Allocation Split (%)

If you do not state a preference, your Application will be allocated 60 per cent to BSC and 40 per cent to BSC2.

Reallocation/Return Instructions

If an Offer for which you have applied has closed, or is deemed closed, at the time your Application Form is processed, please confirm your reallocation/return preference below:

(i) Please reallocate the amount in respect of the closed Offer to the other Offer irrespective of whether I have applied for that other Offer.

(ii) Please return the amount in respect of the closed Offer to me.

Please note that if you fail to tick a box above, or tick both boxes, your Application monies in respect of the closed Offer will be returned to you.

APPLICATION FORM

Section 4: Shareholding Preferences

Communications

The Companies would like to communicate with you electronically in respect of your shareholding in the Companies. This means that you will receive either (i) notifications by email or (ii) notifications by letter notifying you that information and/or documents are available on the Companies' website and how they can be accessed or (iii) hard copy documents by post.

Please note that if you are an existing Shareholder, for any New Shares in which your Application is accepted under the Offers and allotted to your existing holding(s), your selection will apply to your total shareholding in the Companies.

Regarding any New Shares for which your Application is accepted, how would you like the Companies to communicate with you?

Notifications by email to the email address provided in Section 1

Notifications by letter to the address provided in Section 1

Hard copy documents by post to the address provided in Section 1

You have the right to opt out of electronic communication at any time and to revert to paper format by contacting Tracey Nice whose contact details are on the front of this Application Form.

If you do not confirm a communications preference above and you are a registered holder of New Shares, the Companies will send notifications to you by post to the address in Section 1.

Nominees

If you wish for any New Shares for which your Application is accepted to be allotted to your nominee, please provide the relevant details below:

CREST Participant ID:	CREST Member Account ID:
Nominee Name:	
Nominee Contact Name:	Nominee Contact Telephone Number:
Nominee Contact Email Address:	
Address 1:	City:
Address 2:	Country:
Address 3:	Postcode:

Section 5: Dividends

If you wish that any New Shares for which your Application is accepted are issued to your nominee, please do **NOT** complete this section. Please contact your nominee regarding your dividend options.

Payment preference

For any dividends that may from time to time become due on any New Shares which stand in your name on the Companies' registers, please confirm your payment preference.

Please note that if you are an existing Shareholder, for any New Shares in which your Application is accepted under the Offers and allotted to your existing holding(s), your selection will apply to your total shareholding in the Companies.

I wish to participate in the dividend reinvestment scheme, and I hereby accept its terms and conditions as detailed on the website www.bscfunds.com

I wish to receive cash dividends paid directly to my bank account detailed below

Dividend bank mandate

If you wish to receive cash dividends paid directly to your bank account, please provide the details of your bank account below. The bank account should be held at a UK regulated credit institution and in your name (sole or joint).

Account in name of:

Sort Code:

Account Number:

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Section 6: Payment

With reference to the following details, please **tick (A) or (B)** below:

Applications will not (unless otherwise agreed by the Companies) be regarded as valid unless cleared funds are received in respect of the Application. Applications with cleared funds will be given priority.

(A) Bank Transfer

I will pay by electronic bank transfer in pounds sterling from a bank account held at a UK regulated credit institution in my own or joint name(s), **which I have referenced using my initials and telephone number (alphanumeric, no spaces) provided in Section 1.**

The bank account to which you should remit the total Application Amount (incl. any initial Adviser Charges for facilitation) is as follows:

Bank name: The Bank of Scotland plc
Account name: City-BSC VCTs Joint Offers-Segregated
Account number: 22251869
Sort Code: 80-22-60

(B) Cheque

I will post a cheque or banker's draft, made payable to City-BSC VCTs Joint Offers-Segregated, crossed "A/C Payee only" and drawn in pounds sterling against a bank account held at a UK regulated credit institution in my own or joint name(s), **which I have referenced (back of cheque) with my initials and telephone number (alphanumeric, no spaces) provided in Section 1.**

Cheques should be sent to:

BSC & BSC2 Offers
The City Partnership (UK) Ltd
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

Remitting bank account details

Regardless of your payment method, please provide the details of the remitting bank account to allow the Companies' Receiving Agent to match, reconcile, and confirm receipt of your monies. Verification of your bank account also forms part of the Companies' checks under the Money Laundering Regulations.

The bank account should be held at a UK regulated credit institution and in **your name (sole or joint)** – the Companies do **NOT** accept payments from business accounts or third parties, including a spouse/civil partner.

Account in name of:

Sort Code:

Account Number:

Section 7: Applicant Declaration

By signing this Application Form, I hereby irrevocably declare that:

1. I have read and understood the Companies' Key Information Document which can be found at www.bscfunds.com;
2. I have decided to invest on the basis of the information in the Prospectus;
3. I agree to be bound by the Terms and Conditions of Application set out in the Prospectus;
4. I have provided accurate information, to the best of my knowledge;
5. I agree to the Companies facilitating payment of my financial Intermediary's fees and charges as set out in this Application Form;
6. I hereby authorise YFM to provide, to the financial Intermediary noted in Section 8 upon request, information regarding my shareholdings in the Companies (including any existing Shares) for which I have applied. This authority shall remain in effect until I revoke such authority by informing YFM in writing. This authority only extends to the provision of information regarding my shareholding, and I understand that my financial Intermediary will be unable to instruct any register changes or transactions on my behalf.
7. I consent to the Companies or a third party acting on the Companies' behalf, undertaking an online identity check for the purposes of the Money Laundering Regulations.

Print Name:

Signature:

Date:

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Section 8: Financial Intermediary Details

Network Firm Name (if applicable):	Network Firm FCA No. (if applicable):
Firm Name:	
Firm FCA No:	
Firm Address 1:	Firm City:
Firm Address 2:	Firm Country:
Firm Address 3:	Firm Postcode:
Individual Adviser/Intermediary Name:	
Individual Adviser/Intermediary FCA No. (or equivalent):	Individual Adviser/Intermediary Partner Reference (if applicable)
<p>The Receiving Agent will acknowledge receipt of your client's Application and confirm when your client's monies clear the Offers' bank account by email. Please provide your email address below:</p>	
Individual Adviser/Intermediary Email Address:	
<p>Should the Companies or the Receiving Agent need to contact your firm regarding this Application, please provide the relevant administrative contact details below:</p>	
Administrative Contact Name:	Telephone Number:

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Section 9: Financial Intermediary Remuneration

Please **complete either (A) or (B)** below:

(A) Initial Adviser Charge

I have provided financial advice to my client, who is not a Professional Client (as per COBS 3.5) and have agreed on the following initial Adviser Charge which complies with COBS 6.1A.

Please enter the initial Adviser Charge for facilitation in the box below. If you do **NOT** want the Companies to facilitate payment of the initial Adviser Charge, or you have made alternative arrangements, **please enter "0" if NIL.**

Initial Adviser Charge for facilitation (£):

(B) Initial Commission

We confirm and warrant to the Companies that we are entitled to receive commission in accordance with COBS 2.3/2.3A and any other applicable FCA regulations.

Initial commission may be waived (a maximum of 2% of the total Application Amount) for the benefit of your client. Please insert the amount of initial commission you wish to be waived in the box below (please enter "0" if NIL):

%

Initial commission waived (%)
(% of total Application Amount)

Fee/commission payment administration

Please confirm the bank account into which any Adviser Charges or initial commission payments associated with this Application should be paid by BACS:

Account in name of:

Sort Code:

Account Number:

Regarding any New Shares for which your client's Application is accepted, the Receiving Agent will send an allotment confirmation email and fee/commission statement to you. Pro rata payment of the initial Adviser Charge or initial commission will follow the allotment of New Shares.

Should you wish the Receiving Agent to carry a reference against any initial Adviser Charge or initial commission payment associated with this Application, please provide it below:

Payment reference:

If you would like your firm's finance department to receive a copy of a statement detailing the initial Adviser Charges or commission payment(s) due to your firm, please provide the relevant email address below:

Firm's Finance Department Email Address:

Section 10: Financial Intermediary Declaration

By submitting this Application Form, we, the financial Intermediary firm identified in Section 8 confirm that:

1. We have read and understood, and agree to be bound by, the Offer Terms and Conditions of Application set out in the Prospectus and as further set out in this Application Form;
2. We have applied customer due diligence measures on a risk sensitive basis in respect of the Application to the standard required by the Money Laundering Regulations within the guidance for the UK financial sector issued by the Joint Money Laundering Steering Group and in the event that the Companies, the Manager and/or the Receiving Agent require additional information in order to accept the Application, we will provide it to them within two Business Days of receiving their request;
3. Where we have provided advice to the Applicant in connection with an investment in the Companies, such investment is considered to be a suitable investment for the Applicant in their current circumstances;
4. Our details included in this Application Form are true and accurate;
5. We undertake to forthwith notify the Companies of any changes to our details provided above and/or if the Applicant ceases to be our client in respect of his or her investment in the Companies;
6. Where we have completed this Application Form on behalf of the Applicant, we confirm that the Applicant has given us the authority to do so; and
7. I confirm that I have the authority to sign this declaration on behalf of the financial Intermediary firm detailed in Section 8.

Name of Authorised Signatory:

Signature:

Date:

Manager and Service Providers

Manager

YFM Private Equity Limited

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

Registrars

Link Group

10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Receiving Agent

The City Partnership (UK) Limited

The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

Sponsor

Howard Kennedy Corporate Services LLP

No.1 London Bridge
London
SE1 9BG

Solicitors

Howard Kennedy LLP

No.1 London Bridge
London
SE1 9BG

Stockbrokers

Panmure Gordon (UK) Limited

One New Change
London
EC4M 9AF

Financial Adviser

Brewin Dolphin Limited

34 Lisbon Street
Leeds
LS1 4LX

Offers for Subscription

Independent Auditor

BDO LLP

55 Baker Street
London
W1U 7EU

VCT Status Adviser

Philip Hare & Associates LLP

Hamilton House
1 Temple Avenue
London
EC4Y 0HA

Bankers

Santander UK plc

44 Merrion Street
Leeds
LS2 8JQ

Company Secretary

The City Partnership (UK) Limited

110 George Street
Edinburgh
EH2 4LH

Promoter

RAM Capital Partners LLP

4 Staple Inn
London
WC1V 7QH



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

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

Telephone 0113 244 1000
Email info@yfmepl.com

bscfunds.com

Transforming small businesses