

£30 million Offers for Subscription

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

27 November 2018

2018/19
tax year

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

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

Each of the Directors of the VCTs, whose names are set out on pages 18 and 19 of this document, and the VCTs accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Directors and the VCTs (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

British Smaller Companies VCT plc

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

and

British Smaller Companies VCT2 plc

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

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

The Offers will close on Friday 5 April 2019 or earlier should the Offers become fully subscribed. The terms and conditions of application are set out on pages 43 to 45 of the Securities Note and are followed by an Application Form for use in connection with the Offers. The Offers are not being underwritten and are not subject to reaching a minimum level of subscription. If the Offers are oversubscribed, they may be increased by a further £5 million at the discretion of the Boards up to a maximum of £35 million funds raised, in aggregate.

Subject to the Offers remaining open for both VCTs, Investors will have the option to invest in either of the VCTs or a combination of the two and if no preference is given, each Investor's subscription will be allocated 60 per cent to BSC and 40 per cent to BSC2, broadly reflecting the relative sizes of each fund. Subscription monies received from an Applicant who has chosen that those monies are allocated to a VCT 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. The minimum investment under the Offers is £3,000.

The whole of this document should be read. Your attention is drawn to the "Risk Factors" set out on pages 3 and 4 of this document.

Contents

Page

| | | |
|--|--|----|
| Part 1: Introduction | | |
| 1.1 | Risk factors | 3 |
| 1.2 | Forward looking statements | 4 |
| 1.3 | Timetable, Key Offers Information and Costs of the Offers | 5 |
| Part 2: Letter from the Chairmen | | 6 |
| Part 3: Key Investment Highlights | | |
| 3.1 | Attraction of Venture Capital Trusts | 8 |
| 3.2 | The British Smaller Companies VCTs - investment highlights | 8 |
| 3.3 | Changing nature of the portfolio | 9 |
| 3.4 | YFM - Successful private equity fund manager | 9 |
| 3.5 | Consistent track record of successful realisations | 10 |
| 3.6 | Strong demand for investment in the UK regions | 10 |
| 3.7 | Strong historical performance | 12 |
| 3.8 | Well diversified and mature portfolio | 13 |
| 3.9 | Tax benefits to investors | 16 |
| 3.10 | Providing improved liquidity and buy-back policy | 16 |
| 3.11 | Dividends | 16 |
| Part 4: The Offers | | |
| 4.1 | Introduction to the Offers | 17 |
| 4.2 | Investment policy | 17 |
| 4.3 | Co-investment policy | 17 |
| 4.4 | The Investment Team | 17 |
| 4.5 | Directors | 18 |
| 4.6 | Costs of the Offers | 20 |
| 4.7 | Pricing of the Offers | 21 |
| 4.8 | Charges | 23 |
| 4.9 | The Offers and minimum and maximum subscription | 24 |
| 4.10 | Documents available for inspection and Prospectus | 26 |
| Part 5: Additional Information | | 27 |
| Part 6: Taxation | | 33 |
| Part 7: Definitions | | 35 |
| Part 8: Terms and Conditions of the Dividend Re-Investment Scheme | | 39 |
| Part 9: Terms and Conditions of Application | | 43 |
| Part 10: Notes on Application Form and Application Form | | 46 |

Part 1: Introduction

1.1 Risk factors

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

- If a Shareholder disposes of his or her Shares within five years of issue, he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed. Investment in the VCTs should, therefore, be regarded as long-term in nature and may not be suitable for all Shareholders. The market price of the Shares may not fully reflect their underlying net asset value. Past performance is not a guide to the future and the value of an investment in the VCTs and the income derived from it may go down as well as up and an Investor may not get back some or all of the amount invested.
- Although the Shares will be listed on the Official List of the UK Listing Authority there is a limited secondary market for Venture Capital Trust shares and Shareholders may, therefore, have difficulty in selling their Shares.
- Any realised losses on a disposal of Shares will not be allowable losses, for the purposes of capital gains tax, and will therefore not be capable of set off against any capital gains.
- If either of the VCTs ceases to retain approval as a Venture Capital Trust, before Shareholders have held their shares for five years from the date of purchase, any income tax relief will have to be repaid. Following a loss of Venture Capital Trust status, Shareholders will be taxed on dividends paid by the relevant VCT and, in addition, a liability to capital gains tax may arise on any subsequent disposal of their Shares.
- If at any time either of the VCT's Venture Capital Trust status is lost, dealings in its Shares will normally be suspended until such time as the relevant VCT has published proposals either to continue as an investment company or to be wound up, during which time the Shares will not be able to be publicly traded.
- Should either of the VCTs not qualify as a Venture Capital Trust, or if it qualifies but the Shares fall outside the qualifying limit of the Shareholder, the Shareholder will also generally be liable to income tax on the dividend paid by the relevant VCT.
- Tax relief on subscriptions for shares in a Venture Capital Trust is restricted where, within six months (before or after) that subscription, the investor had disposed of shares in the same Venture Capital Trust or a Venture Capital Trust which at any time merges with that Venture Capital Trust, and where, in the case of a merger taking place after the subscription, it was known at the time of the subscription that the Venture Capital Trusts were intending to merge. Existing Shareholders should be aware that the sale of existing Shares within these periods could, therefore, put their income tax relief relating to the Offers at risk.
- The tax reliefs described in this document are those currently available. The tax rules or their interpretation in relation to an investment in the VCTs and/or rates of tax may change during the life of the VCTs and may apply retrospectively, which may adversely affect the performance of the Shares.
- Changes to the VCT Regulations introduced in 2015 and 2017 mean that the VCTs are now required to invest in much younger companies than were previously permitted which means that investments are likely to be made in businesses that need to re-invest their profits for growth rather than pay dividends to shareholders. In addition, investments will comprise a greater proportion of equity instruments, making the returns more dependent on a successful exit, rather than regular returns of income and loan capital. Shareholder returns are, therefore, likely to be more volatile than in the past.
- The new "risk-to-capital" condition for Qualifying Investments that was introduced by the Finance Act 2018 is designed to focus investments towards earlier stage, growing businesses, and away from investments which could be regarded as lower risk. The VCTs 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 Venture Capital Trust status with a resultant clawback of Venture Capital Trust tax reliefs from investors. These changes may mean that there are fewer opportunities for investment and that the VCTs may not be able to provide further investment funds for companies already in their portfolios. Although HMRC have stated that Venture Capital Trust status will not be withdrawn where an investment is ultimately found to be non-qualifying if, after taking reasonable steps including seeking advice, a Venture Capital Trust considers that an investment is qualifying, violation of any of these conditions could result in the loss of Venture Capital Trust status by the VCTs

or HMRC requiring rectification of the breach. This might mean the VCTs are forced to dispose of the investment at a loss.

The restrictions regarding Qualifying Companies set out in the VCT Regulations mean that the VCTs' investments are likely to be in relatively small companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise. In particular, small companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for shares in smaller companies is often less liquid than that for shares in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such shares. Proper information for determining the value of smaller companies or the risks to which they are exposed may also not be available. Furthermore, an investment in an unquoted, AIM-traded or NEX Exchange-traded company, by its nature, involves more risk than an investment in the main market of the London Stock Exchange. All of these factors may adversely affect the performance of the Shares.

The VCTs' ability to obtain maximum value from their investments (for example, through a sale or takeover) may be limited by requirements imposed in order to maintain their Venture Capital Trust status (such as the condition that not less than 70 per cent by value (80 per cent for accounting periods commencing after 5 April 2019) of its total investments must be in shares in, or securities of, an unquoted (including AIM and NEX Exchange quoted) company carrying on a qualifying trade satisfying the conditions in Chapter 4 of the Income Tax Act 2007), which may adversely affect the performance of the Shares.

1.2 Forward looking statements

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

1.3 Timetable, Key Offer Information and Costs of the Offers



| | |
|---|---|
| Offers open to existing shareholders | 27 November 2018 |
| Exclusivity period for Existing Shareholders ends | 4 January 2019 |
| Offers open to new Investors | 5 January 2019 |
| Deadline for receipt of Application Forms* | 11.00 am 5 April 2019 |
| First and final allotment and closing of the Offers** | 5 April 2019 |
| Dealings commence | Within 10 Business Days following allotment |
| Share and tax certificates issued | Within 10 Business Days of allotment |

* The Offer will close earlier than stated if it is fully subscribed or at the Directors' discretion.

** At the Directors' discretion, they may make earlier allotments should it be deemed appropriate.

Key Offers Information

| | BSC | BSC2 |
|-----------------------|---------------------------|-------------|
| £30 million Offers*** | £18,000,000 | £12,000,000 |
| Minimum investment | £3,000 across both VCTs | |
| Maximum investment | £200,000 across both VCTs | |

*** If the Offers are oversubscribed, they may be increased at the discretion of the VCTs up to a maximum of £35 million funds raised in aggregate. The maximum to be raised would be £21 million for BSC and £14 million for BSC2 on the basis that the over-allotment facility is used in full and an allocation of 60 per cent to BSC and 40 per cent to BSC2.

Costs of the Offers

| | |
|--|------------------------------------|
| Execution only | 4.5 per cent of gross funds raised |
| Intermediaries offering advice and direct applications | 2.5 per cent of gross funds raised |

Part 2: Letter from the Chairmen

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

Dear Investor

We are delighted to offer you the opportunity to invest in the British Smaller Companies VCTs in their first major fundraising since a total of £40 million was raised in the 2014/15 and 2015/16 tax years.

As you may be aware, new VCT rules were introduced soon after the above fundraising closed in 2015 and it took the industry and HMRC some time to adapt to the new rules. The VCTs have made recent investments totalling £20.3 million under the new rules. In the expectation that the level of new and follow-on investment will continue we believe it is an appropriate time to raise further funds. In particular, as new investments make up a growing part of the VCTs’ portfolios, we would expect there to be an increasing level of follow-on investments to fund continued growth. Investors should be aware that VCTs are generally now only permitted to invest in earlier stage companies which have higher risks, but potentially higher rewards. Given the size of the VCT industry fundraisings over recent years, competition is high for quality investments which may mean that prices paid are higher for investors than they otherwise would have been, or some of the terms of the VCTs investment may be less attractive than they historically have been.

The key highlights of the Offers are set out below:

- **Increasing total returns¹:**

Both VCTs are in the top 10 for 10-year **share price** total return.

- **Successful private equity fund manager:**

The Investment Adviser, YFM Private Equity Limited (“YFM”), has over 35 years’ experience investing in fast-growing UK businesses and has been managing and advising Venture Capital Trusts since 1996.

- **Successful investment strategy:**

The 35 investments in unquoted companies realised by the VCTs since 2004 have generated a total return of 2.6 times their cost.

- **Strong demand for investment:**

- the VCTs have made investments of £20.3 million in the 18 months to 30 September 2018;
- investments made since the November 2015 Budget represent 29 per cent of the value of the combined unquoted portfolios as at 30 September 2018;
- interesting pipeline of investment opportunities under review.

- **Access to legacy portfolio:**

71 per cent of the portfolio by value is comprised of investments made before the Venture Capital Trust rules that were introduced in the November 2015 Budget.

- **Venture Capital Trust tax relief:**

30 per cent income tax relief on the amount subscribed under the Offers, providing the Offer Shares are held for a minimum of five years. Also, dividends and capital gains from Venture Capital Trusts are tax-free.

¹ Source: VCT Generalist Share Price Total Return index compiled by the AIC as at 30 September 2018

- **Dividend Re-investment Scheme:**

Opportunity for Investors to re-invest their dividends in a tax efficient way.

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

Each of the VCTs has a current policy of buying back Shares in the market at a discount of no more than 5 per cent to the latest published Net Asset Value, subject to available liquidity in the VCTs, applicable rules and regulations and market conditions.

- **Reduction in costs:**

The costs of subscribing have been reduced since the VCTs last issued prospectus offers for subscription.

Next steps:

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

Please note that Existing Shareholders will have priority until 4 January 2019 to invest in the Offers. After this date, if not fully subscribed, new Investors will also be able to apply for New Shares under the Offers.

Investors will be allocated New Shares on a first-come, first-served basis. In order to maximise the opportunity for Investors to subscribe for New Shares, the Directors of both VCTs, and the directors of the Investment Adviser, will only subscribe for New Shares if the Offers are not fully subscribed before, and, therefore, remain open beyond 4 January 2019.

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

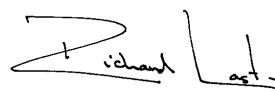
Yours faithfully



Helen Sinclair

Chairman

British Smaller Companies VCT plc



Richard Last

Chairman

British Smaller Companies VCT2 plc

Applications:

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

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

Part 3: Key Investment Highlights

3.1 Attraction of Venture Capital Trusts

The Venture Capital Trust market has evolved and developed over recent years, with a combination of factors contributing to the 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:
 - Grow their long-term returns;
 - 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

- BSC2 is 5th for the ten-year Generalist VCT **share price** total return
- BSC is 7th for the ten-year Generalist VCT **share price** total return

Successful private equity fund manager²

- The 35 investments in unquoted companies realised by the VCTs over the last 15 years generated a total return of 2.6x cost

Strong demand for investment in the UK regions

- The VCTs have made investments of £20.3 million in the 18 months to 30 September 2018
- Interesting pipeline of investment opportunities under review

Well diversified portfolio

- No holding represents more than 8.4 per cent of the Net Asset Value of either VCT
- Average holding period of the investment portfolio is almost 5 years

Dividend Re-investment Scheme and Share buy-back programme

- Improving liquidity

¹ Source: VCT Generalist Share Price Total Return index compiled by the AIC as at 30 September 2018

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

3.3 Changing nature of the portfolio

In November 2015 new conditions were imposed on Venture Capital Trusts that restricted their investment activities from those previously permitted. The two most significant restrictions were:

- Monies could not be used to fund replacement capital; and
- Investments could not be made into businesses that are greater than 7 years old unless:
 - they were deemed to be knowledge intensive (hi-tech businesses), in which case they could be up to 10 years old; or
 - the business was in receipt of previous Risk Finance State Aid.

The first restriction means that it is no longer possible to fund businesses where there is an ownership change, which excludes buy-outs of businesses by their managers with payments made to outgoing shareholders.

The second restriction has the effect of targeting younger riskier companies that by definition are less developed in terms of their product, market and, in many cases, management team.

As a result, the plans of these businesses are subject to higher degrees of change and evolution with the consequence that there is generally a need for further funding beyond the initial round, the size and scope of which is not always possible to determine at the point of the initial investment.

In November 2017 further restrictions were announced which limit the investment structures used with a greater requirement for funds to be invested in equity, rather than debt instruments.

This has the effect that returns from investments will derive more from a single sale of the equity, rather than through loan redemptions and interest over the life of an investment. The impact is that returns from these investments will be less consistent on an annual basis with a greater volatility both in terms of timing and quantum than from investments made prior to November 2015.

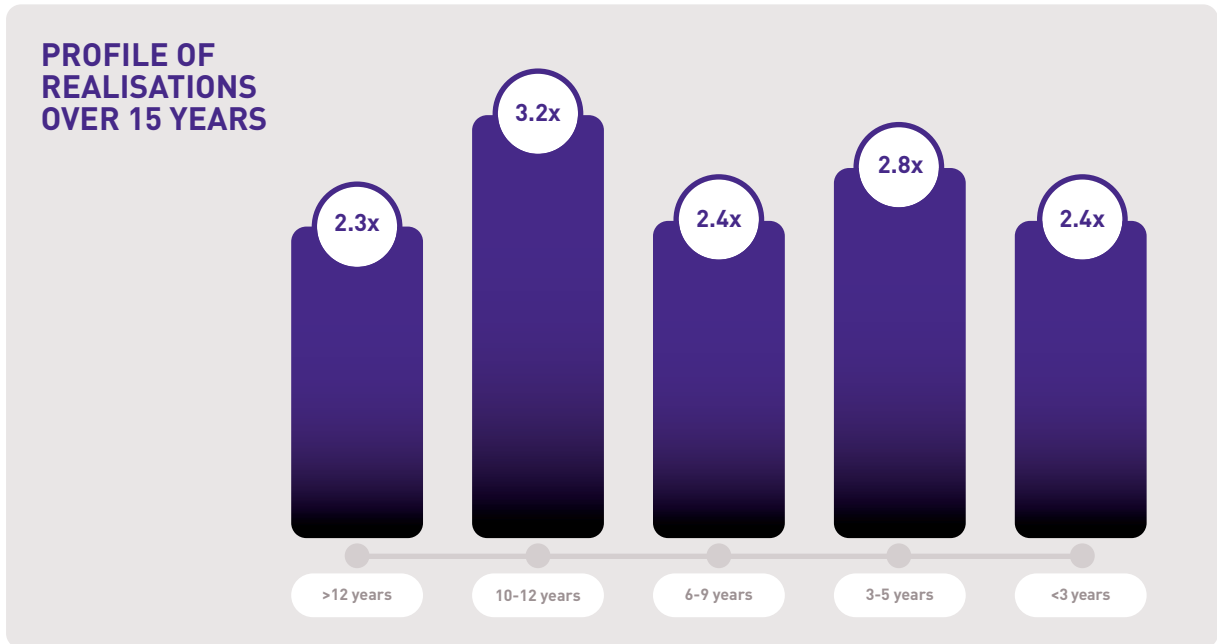
3.4 YFM - Successful private equity fund manager

YFM has been investing in growing businesses for over 35 years and has been managing and advising Venture Capital Trusts since 1996. Since 30 September 2013 YFM has been owned by its management team led by David Hall who has been responsible for the VCTs since 2003. YFM benefits from:

- **Highly experienced investment team** – 14 investment and portfolio staff spread across YFM's five regional offices with an average of 16 years' experience each.
- **Strong levels of deal flow in the UK regions** - selectively choosing from almost 300 **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.

3.5 Consistent track record of successful realisations

The 35 investments in unquoted companies realised by the VCTs over the last 15 years generated a total return of 2.6x cost, with more than half of the exits producing a return of 2.0x cost or higher. All of these investments have been in small unquoted businesses, albeit that a number did include ownership changes or were in businesses that would not now be permitted. The chart below shows the average returns in each of the three-year periods since 2004:



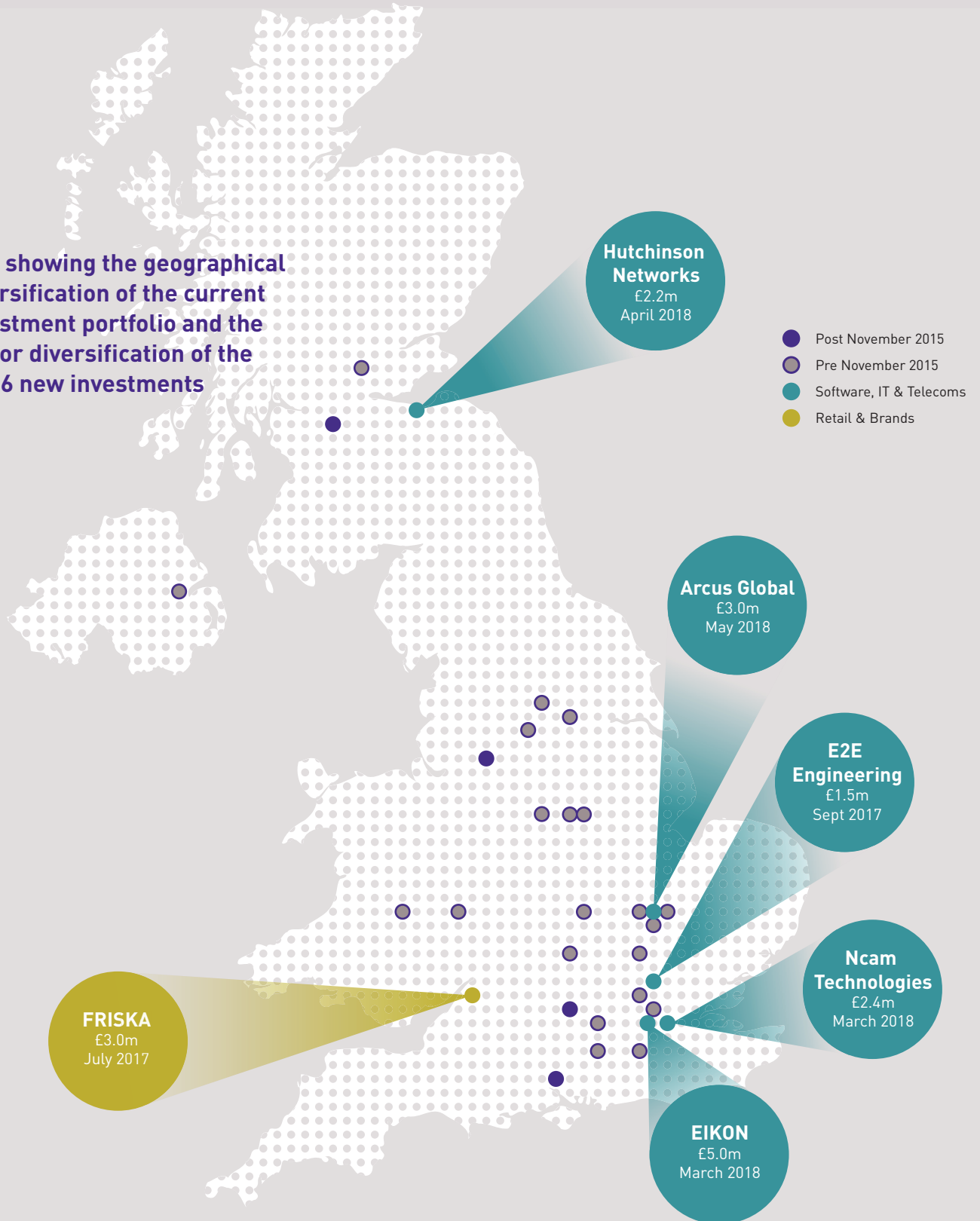
3.6 Strong demand for investment in the UK regions

The improved economic climate has increased the demand for equity investment funds provided by Venture Capital Trusts. In the 18 months to 30 September 2018 and in the subsequent period to the date of this document the VCTs have:

- completed six new investments
- invested, in aggregate, £20.3 million

The map below shows the geographic and sector diversification of the current investment portfolio.

Map showing the geographical diversification of the current investment portfolio and the sector diversification of the last 6 new investments



3.7 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 ten years to 30 September 2018.

| | Net cost ¹ p | NAV at 30 September 2018 p | Total return to date ² p | Increase over net cost | IRR ³ |
|------------------------------------|----------------------------|-------------------------------------|--|------------------------------|------------------|
| British Smaller Companies VCT plc | 97.2 | 78.6 | 174.1 | 79.1% | 9.2% |
| British Smaller Companies VCT2 plc | 82.6 | 58.1 | 100.6 | 21.8% | 2.8% |

1 Net cost is based on an Indicative Offer Price being calculated as the Net Asset Value at 30 September 2008, 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 September 2018 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 5 April 2009) with the value of subsequent dividends plus the 30 September 2018 Net Asset Value per Share.

Total return by offer

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

| Tax year of offer | Cost ¹ p | NAV at 30 September 2018 p | Total return to date ² p | Increase over cost | IRR ³ |
|-------------------|------------------------|-------------------------------------|--|--------------------------|------------------|
| BSC VCT | | | | | |
| 2005/6 | 99.5 | 78.6 | 188.6 | 89.5% | 7.5% |
| 2006/7 & 2007/08 | 102.5 | 78.6 | 184.1 | 79.6% | 7.4% |
| 2007/08 & 2008/09 | 106.3 | 78.6 | 179.1 | 68.5% | 7.3% |
| 2009/10 & 2010/11 | 97.3 | 78.6 | 169.1 | 73.8% | 10.0% |
| 2010/11 & 2011/12 | 128.0 | 78.6 | 162.9 | 27.2% | 4.7% |
| 2011/12 | 99.8 | 78.6 | 139.8 | 40.1% | 6.8% |
| 2012/13 & 2013/14 | 95.8 | 78.6 | 134.8 | 40.7% | 8.2% |
| 2013/14 & 2014/15 | 100.8 | 78.6 | 128.3 | 27.3% | 7.0% |
| 2014/15 & 2015/16 | 99.5 | 78.6 | 120.3 | 20.9% | 7.0% |
| 2015/16 | 102.3 | 78.6 | 110.3 | 7.8% | 3.6% |
| 2016/17 | 84.6 | 78.6 | 88.3 | 4.4% | 3.1% |

| Tax year of offer | Cost ¹ p | NAV at 30 September 2018 p | Total return to date ² p | Increase over cost | IRR ³ |
|-------------------|------------------------|-------------------------------------|--|--------------------------|------------------|
| BSC VCT2 | | | | | |
| 2009/10 & 2010/11 | 77.3 | 58.1 | 94.6 | 22.4% | 3.1% |
| 2010/11 & 2011/12 | 70.3 | 58.1 | 90.6 | 28.9% | 4.3% |
| 2011/12 | 70.5 | 58.1 | 86.6 | 22.8% | 4.0% |
| 2012/13 & 2013/14 | 68.0 | 58.1 | 82.1 | 20.7% | 4.2% |
| 2013/14 & 2014/15 | 68.0 | 58.1 | 77.6 | 14.1% | 3.5% |
| 2014/15 & 2015/16 | 65.0 | 58.1 | 73.1 | 12.5% | 3.9% |
| 2015/16 | 63.0 | 58.1 | 68.6 | 8.9% | 3.5% |
| 2016/17 | 62.2 | 58.1 | 64.1 | 3.1% | 1.9% |

1 Cost is the offer price for the relevant tax year

2 Total return to date is cumulative dividends paid plus the 30 September 2018 Net Asset Value in pence per Share.

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 September 2018 Net Asset Value per Share. This excludes the benefit of any initial tax relief.

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

3.8 Well diversified and mature portfolio

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

All investments

| Sector | % of venture capital investments by value | | |
|---------------------------------------|---|------------|------------|
| | BSC | BSC2 | Combined |
| Software, IT and Telecommunications | 42 | 43 | 42 |
| Business Services | 27 | 24 | 26 |
| Manufacturing and Industrial Services | 14 | 15 | 15 |
| Healthcare | 9 | 10 | 9 |
| Retail and Brands | 8 | 8 | 8 |
| Total | 100 | 100 | 100 |

Investments since November 2015

| Sector | % of venture capital investments by value | | |
|-------------------------------------|---|------------|------------|
| | BSC | BSC2 | Combined |
| Software, IT and Telecommunications | 90 | 90 | 90 |
| Retail and Brands | 10 | 10 | 10 |
| Total | 100 | 100 | 100 |

Investments made before November 2015

| Sector | % of venture capital investments by value | | |
|---------------------------------------|---|------------|------------|
| | BSC | BSC2 | Combined |
| Software, IT and Telecommunications | 23 | 25 | 24 |
| Business Services | 37 | 33 | 35 |
| Manufacturing and Industrial Services | 20 | 20 | 20 |
| Healthcare | 12 | 14 | 13 |
| Retail and Brands | 8 | 8 | 8 |
| Total | 100 | 100 | 100 |

The average holding period for the 35 unquoted investments realised by the VCTs since 2004 was 7.0 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. The average holding period of the investment portfolio is almost five years.

| | % of venture capital investments | | | | Total |
|----------|----------------------------------|-----------|-----------|----------|-------|
| | < 3 years | 3-5 years | 5-7 years | 7+ years | |
| Combined | 33 | 49 | 8 | 10 | 100 |

Investment portfolios as at 30 September 2018 are summarised below (all in £'000):

| Unquoted Investments | Sector | Description | BSC | | BSC2 | | Total | | % of net assets by value |
|--|-------------------------------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------------|
| | | | Cost* | Valuation | Cost* | Valuation | Cost* | Valuation | |
| ACC Aviation (via NewAcc(2014) Limited) | Business Services | Buyout | 220 | 7,159 | 145 | 4,773 | 365 | 11,932 | 8.1 |
| Matillion Limited | Software, IT & Telecommunications | New growth | 2,666 | 6,063 | 1,778 | 4,042 | 4,444 | 10,105 | 6.8 |
| Mangar Health Limited | Healthcare | Buyout | 2,460 | 4,446 | 1,640 | 2,964 | 4,100 | 7,410 | 5.0 |
| Intelligent Office UK | Business Services | Buyout | 2,934 | 4,438 | 1,956 | 2,959 | 4,890 | 7,397 | 5.0 |
| Deep-Secure Ltd | Software, IT & Telecommunications | Old growth | 1,000 | 3,875 | 500 | 1,939 | 1,500 | 5,814 | 3.9 |
| Gill Marine Holdings Limited | Retail & Brands | Buyout | 2,500 | 3,261 | 1,870 | 2,439 | 4,370 | 5,700 | 3.9 |
| KeTech Enterprises Limited | Software, IT & Telecommunications | Buyout | 2,000 | 2,669 | 2,000 | 2,669 | 4,000 | 5,338 | 3.6 |
| Business Collaborator Limited | Software, IT & Telecommunications | Old growth | 2,010 | 3,130 | 1,340 | 2,087 | 3,350 | 5,217 | 3.5 |
| Eikon Holdco Limited | Software, IT & Telecommunications | New growth | 3,000 | 3,000 | 2,000 | 2,000 | 5,000 | 5,000 | 3.4 |
| GTK (Holdco) Limited | Manufacturing & Industrial Services | Buyout | 222 | 2,883 | 146 | 1,897 | 368 | 4,780 | 3.2 |
| Springboard Research Holdings Limited | Business Services | Old growth | 2,647 | 2,699 | 1,765 | 1,799 | 4,412 | 4,498 | 3.0 |
| Leengate Holdings Limited | Manufacturing & Industrial Services | Buyout | 1,401 | 2,415 | 934 | 1,610 | 2,335 | 4,025 | 2.7 |
| Friska Limited | Retail & Brands | New growth | 1,800 | 1,803 | 1,200 | 1,202 | 3,000 | 3,005 | 2.0 |
| Arcus Global Limited | Software, IT & Telecommunications | New growth | 1,800 | 1,800 | 1,200 | 1,200 | 3,000 | 3,000 | 2.0 |
| Sipsynergy (via Hosted Network Services Limited) | Software, IT & Telecommunications | New growth | 1,770 | 1,358 | 1,309 | 1,004 | 3,079 | 2,362 | 1.6 |
| Hutchinson Networks Limited | Software, IT & Telecommunications | New growth | 1,320 | 1,320 | 880 | 880 | 2,200 | 2,200 | 1.5 |
| Wakefield Acoustics (via Malvar Engineering Limited) | Manufacturing & Industrial Services | Buyout | 1,080 | 1,302 | 720 | 867 | 1,800 | 2,169 | 1.5 |
| Ncam Technologies Limited | Software, IT & Telecommunications | New growth | 1,466 | 1,100 | 977 | 733 | 2,443 | 1,833 | 1.3 |
| Traveltek Group Holdings Limited | Software, IT & Telecommunications | New growth | 1,470 | 1,090 | 980 | 726 | 2,450 | 1,816 | 1.3 |
| Macro Art Holdings Limited | Business Services | Buyout | 720 | 1,070 | 480 | 713 | 1,200 | 1,783 | 1.2 |
| Largest 20 unquoted venture capital investments | | | 34,486 | 56,881 | 23,820 | 38,503 | 58,306 | 95,384 | 64.5 |

| Unquoted Investments | BSC | | BSC2 | | Total | | % of net assets by value |
|---|---------------|---------------|---------------|---------------|----------------|----------------|--------------------------|
| | Cost* | Valuation | Cost* | Valuation | Cost* | Valuation | |
| Largest 20 unquoted venture capital investments | 34,486 | 56,881 | 23,820 | 38,503 | 58,306 | 95,384 | 64.5 |
| Other unquoted venture capital investments | 9,976 | 7,415 | 10,429 | 6,443 | 20,405 | 13,858 | 9.4 |
| Total unquoted venture capital investments | 44,462 | 64,296 | 34,249 | 44,946 | 78,711 | 109,242 | 73.9 |
| Total quoted venture capital investments | 688 | 2,484 | 859 | 2,466 | 1,547 | 4,950 | 3.4 |
| Total venture capital investments | 45,150 | 66,780 | 35,108 | 47,412 | 80,258 | 114,192 | 77.3 |
| Listed investment funds | 2,418 | 2,390 | - | - | 2,418 | 2,390 | 1.6 |
| Total investments | 47,568 | 69,170 | 35,108 | 47,412 | 82,676 | 116,582 | 78.9 |
| Current assets | 16,048 | 16,048 | 15,089 | 15,089 | 31,137 | 31,137 | 21.1 |
| Net assets | 63,616 | 85,218 | 50,197 | 62,501 | 113,813 | 147,719 | 100.0 |

* original cost less repayments and the cost of part realisations

3.9 Tax benefits to Investors

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

- 30 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.

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 6. Investors are recommended to consult with their independent financial adviser as to the taxation consequences of their investment in a Venture Capital Trust. In addition, the availability of tax reliefs depends on the VCTs maintaining their Venture Capital Trust qualifying status.

3.10 Providing improved liquidity and buy-back policy

Both VCTs want to create some liquidity in the secondary market and to facilitate this they operate an active Share buy-back policy whereby Shares are bought back by the VCTs at a small discount to Net Asset Value. This policy and the rate of discount applied to Shares bought back are regularly reviewed. The current discount rate applied by both VCTs is targeted to be no more than 5 per cent.

3.11 Dividends

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 Directors of each of the VCTs aim to maximise tax free distributions to Shareholders of income or realised gains.

Part 4: The Offers

4.1 Introduction to the Offers

The Offers are seeking to raise £30 million, in aggregate, through the issue of new Ordinary Shares in each of the VCTs. If the Offers are oversubscribed, they may be increased at the discretion of the VCTs by a further £5 million. Investors will have the option to invest in either of the VCTs or a combination of the two and if no preference is stated, each Investor's subscription will be allocated 60 per cent to BSC and 40 per cent to BSC2.

4.2 Investment policy

The investment policy of each VCT is to create a portfolio that blends a mix of businesses operating in established industries with those that offer opportunities in the application and development of innovation.

Investing across a range of companies and sectors reduces exposure to particular markets and individual companies. The changes to the VCT legislation in November 2015 and those announced in the November 2017 Budget mean that there is greater emphasis on earlier stage growth businesses opportunities focussing on the application and development of innovation.

To this end each VCT will invest in UK businesses across a broad range of sectors including but not limited to software, information technology and telecommunications, retail and brands, business services, manufacturing and industrial services and healthcare.

These investments will primarily be in unquoted UK companies which meet the definition of a Qualifying Investment, in order to maintain each VCT's Venture Capital Trust status. It is anticipated that the majority of these businesses will be re-investing their profits for growth and the investments will, therefore, comprise mainly equity instruments. In order to limit the risk to the portfolio that is derived from any particular investment, at the point of investment no more than 15 per cent of each VCT by value will be in any one investment.

4.3 Co-investment policy

The VCTs have first choice of all investment opportunities in Qualifying Investments requiring 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 VCTs. Where there are opportunities for the VCTs to co-invest the agreed initial basis for allocation is 60 per cent to BSC and 40 per cent to BSC2. The Board of each of the VCTs has the discretion as to whether to take up their allocation in such co-investment opportunities.

4.4 The Investment Team

David Hall – Managing Director

- Chairman of YFM's Investment and Portfolio Committee
- 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
- 19 years of private equity, venture capital and fund management experience
- Previously, 10 years at 3i, latterly as a Portfolio Director
- First class degree in Mathematics from Imperial College

Paul Cannings – Director – Head of New Investments

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

Ian Waterfield – Investment Director

- Responsible for making and managing investments
- 16 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 – Portfolio Director

- Responsible for managing investments
- 19 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

Colin Granger – Investment Director

- Responsible for making and managing investments
- 11 years of private equity, venture capital and fund management experience
- Joined YFM in 2016, previously 9 years at Milestone Capital Partners LLP where he was a partner, responsible for investing in growth businesses in the lower mid-market
- BSc in Management Science from the University of Warwick and a Chartered Accountant, qualifying with PwC

4.5 Directors

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

British Smaller Companies VCT plc

Helen Sinclair (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 8 years at 3i plc focusing on MBOs and growth capital investments. She later co-founded Matrix Private Equity (now Mobeus Equity Partners) 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 and North East Finance (Holdco) Limited.

Edward Buchan (appointed 22 September 2010) is a Fellow of the Institute of Chartered Accountants in England and Wales, starting his career with Deloitte before moving to Hill Samuel Bank Limited where he became Head of Corporate Finance and a member of the Bank Executive Committee. He subsequently joined Close Brothers Corporate Finance Limited and then West LB Panmure, specialising in the transport and logistics industry sectors and latterly has been a senior consultant in corporate finance at Edmond De Rothschild Securities. It is Mr Buchan's intention to resign from the Board with effect from BSC's next AGM and BSC intends to begin the recruitment process for his replacement early in 2019.

Rupert Cook (appointed 1 August 2017) specialises in corporate and business development, with twenty-five years' experience of technology, including fifteen years in corporate finance and investment. He has led multiple fund-raising, acquisitions and sales of IT businesses as well as having co-founded and built up his own IT Services 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. Rupert is the founder of Red Penguin Ventures Limited, and was previously a partner at Realise Capital Partners, both of which are firms which advise and have investments in a range of technology businesses. He is investor-director of Krowd 9 Limited, Operatix Limited and Immersive Labs Limited.

British Smaller Companies VCT2 plc

Richard Last (appointed 16 November 2000) is a Fellow of the Institute of Chartered Accountants in England and Wales with substantial experience in the IT software and services sectors and is chairman and non-executive director of ITE Group plc which is listed on the main market of the London Stock Exchange. He is also a chairman and non-executive director of Gamma Communications plc, Lighthouse Group plc, Tribal Group plc and Arcotech Group plc and non-executive director of Corero Network Security plc, all AIM listed. In addition, he is director of several private companies. It is Mr Last's intention to resign from the Board with effect from BSC2's next AGM and BSC2 has started a recruitment process for his replacement.

Robert Pettigrew (appointed 16 November 2000) has more than 30 years' experience in the development of emerging businesses and, in particular, the commercial exploitation of new technologies. He co-founded The Generics Group of companies (renamed Science Group plc) in 1986, which is one of the country's leading technology consulting and investment groups and was a key member of the team that took the company public in December 2000. He retired from The Generics Group at the end of 2002 to pursue independent investment activities. He is currently an investor-director and non-executive chairman of Sunamp Limited, 4 T 2 Technologies Limited and Pervasid Limited, and a director and non-executive chairman of Cambridge Touch Technologies Limited.

Peter Waller (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 is currently chairman of KeyPoint Technologies (UK) Limited, and a director and founder of Turnberry Management Company Limited. For the past decade Peter has worked as a board member with a succession of early stage and early growth private and public companies. His particular skills are in sales and marketing and working with companies to develop successful sales growth strategies. Following the resignation of Mr Last, Peter will take on the role of Chairman.

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

| | Name | Present aggregate Shareholding |
|-------------|------------------|--------------------------------|
| BSC | Helen Sinclair | 23,062 |
| | Edward Buchan | 22,280 |
| | Rupert Cook | 7,750 |
| BSC2 | Richard Last | 134,632 |
| | Robert Pettigrew | 80,333 |
| | Peter Waller | 35,560 |

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

4.6 Costs of the Offers

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

The VCTs will apply a different Offer Costs Percentage depending on which of these two categories the Intermediary and Investor falls into. For Application Forms received through execution only brokers, the VCTs will pay the Investment Adviser a fee of 4.5 per cent of the relevant gross funds raised. For Application Forms received through Financial Advisers or for Application Forms received directly from Investors, the VCTs will pay the Investment Adviser a fee of 2.5 per cent of the relevant gross funds raised.

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

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

Adviser Charges

The VCTs have agreed to facilitate the payment of one-off Adviser Charges, by accepting instructions from an Investor to deduct the amount of the fee agreed by them with their Financial Adviser, from the amount they send to the relevant VCT. Ongoing fees to Intermediaries will not be facilitated by the VCTs. Investors who wish the relevant VCT to facilitate the payment of a fee in this manner are required to specify the amount of the Adviser Charge in Part (ii) of Section 9 of the Application Form, and the Adviser Charge will be paid to the relevant Financial Adviser on behalf of the Applicant from an equivalent amount due to the Applicant from the relevant VCT. The Investor will be issued fewer Offer Shares (to the equivalent value of the Adviser Charge) through the Pricing Formula set out below. Where the Adviser Charge stated on the Application Form is inclusive of VAT, the Investor may remain liable for the VAT element thereof.

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

Commissions

Initial commission may be payable by the VCTs (although the Investment Adviser ultimately bears the cost for such commissions) in respect of applications received through execution only brokers. Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2 per cent of the amount invested by their clients under the Offers. Provided that the VCTs 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 Offer Shares, subject to applicable laws and regulations the Intermediary can be paid total trail commission of up to 2.0 per cent in aggregate of their client Investors' gross subscriptions, paid as to 0.5 per cent over a period of up to 4 years or 0.4 per cent over 5 years, as agreed with the Investment Adviser. Trail commission in respect of the Offers will be paid annually (commencing in 2020) by the relevant VCT.

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

4.7 Pricing of the Offers

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

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

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

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

Indicative Offer Prices – BSC

An illustration of the application of the Pricing Formula based on the most recently published (unaudited) NAV of BSC at 30 September 2018 (78.6 pence) is set out below.

| Unaudited NAV per Share as at 30 September 2018 | Indicative Offer Price*: Direct or through a Financial Adviser | Indicative Offer Price*: Execution only platform or broker |
|---|--|--|
| 78.6p | 80.615p | 82.226p |

* The example Allotment Offer Prices shown above are for illustrative purposes only as the NAV of BSC may be different for the purposes of calculating the actual Allotment Offer Prices applicable to the allotment of Offer 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 Offer Shares that would be allotted for a subscription of £10,000, based on the Indicative Offer Prices above. Where applicable these examples assume an Adviser Charge of 2 per cent or commission waived by an execution only broker or platform of 2 per cent.

| | Direct or through a Financial Adviser (no Adviser Charge) | Through a Financial Adviser (2% Adviser Charge) | Execution only platform or broker, no commission waived by an Intermediary | Execution only platform or broker, 2% commission waived by an Intermediary |
|--|---|---|--|--|
| Amount subscribed | £10,000 | £10,000 | £10,000 | £10,000 |
| Adviser Charge | - | (£200) | - | - |
| Commission waived by the Intermediary | - | - | - | £200 |
| | £10,000 | £9,800 | £10,000 | £10,200 |
| Indicative Offer Price as set out above | 80.615p | 80.615p | 82.226p | 82.226p |
| Illustrative number of Offer Shares to be allotted | 12,404 | 12,156 | 12,161 | 12,404 |

Indicative Offer Prices – BSC2

An illustration of the application of the Pricing Formula based on the most recently published (unaudited) NAV of BSC2 at 30 September 2018 (58.1 pence) is set out below.

| Unaudited NAV per Share as at 30 September 2018 | Indicative Offer Price*: Direct or through a Financial Adviser | Indicative Offer Price*: Execution only platform or broker |
|---|--|--|
| 58.1p | 59.590p | 60.780p |

* The example Allotment Offer Prices shown above are for illustrative purposes only as the NAV of BSC2 may be different for the purposes of calculating the actual Allotment Offer Prices applicable to the allotment of Offer 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 Offer Shares that would be allotted for a subscription of £10,000, based on the Indicative Offer Prices above. Where applicable these examples assume an Adviser Charge of 2 per cent or commission waived by an execution only broker or platform of 2 per cent.

| | Direct or through a Financial Adviser (no Adviser Charge) | Through a Financial Adviser (2% Adviser Charge) | Execution only platform or broker, no commission waived by an Intermediary | Execution only platform or broker, 2% commission waived by an Intermediary |
|--|---|---|--|--|
| Amount subscribed | £10,000 | £10,000 | £10,000 | £10,000 |
| Adviser Charge | - | (£200) | - | - |
| Commission waived by the Intermediary | - | - | - | £200 |
| | £10,000 | £9,800 | £10,000 | £10,200 |
| Indicative Offer Price as set out above | 59.590p | 59.590p | 60.780p | 60.780p |
| Illustrative number of Offer Shares to be allotted | 16,781 | 16,445 | 16,452 | 16,781 |

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

The Indicative Offer Price for BSC is 82.226 pence for applications through execution only brokers and 80.615 pence for applications through Financial Advisers or for direct applications. The Indicative Offer Price for BSC2 is 60.780 pence for applications through execution only brokers and 59.590 pence for applications through Financial Advisers or for direct applications. The Indicative Offer Prices are calculated based on the Net Asset Values as at 30 September 2018, being the latest reported Net Asset Values as at the date of this document, adjusted for the costs of the Offers. The Allotment Offer Price may differ from the Indicative Offer Price as it is based upon the last published NAV immediately prior to the relevant allotment of Shares under the Offer. It is expected that a new NAV for each VCT will be announced after December 2018.

4.8 Charges

Annual advisory and administration costs

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

Subject to the approval of BSC's Shareholders to the revisions to BSC's incentive agreement referred to under the heading "Performance incentive fee" below, the Investment Advisor's fee for BSC on surplus cash (defined as cash in excess of £15 million until the threshold for the next incentive fee is met and in excess of £7.5 million thereafter) will reduce to 1 per cent per annum.

In addition it is proposed that the Investment Advisor's fee be varied for BSC2. The new fees will be 1 per cent per annum on all Surplus Cash, defined as all cash above £10 million, unless the hurdle has been met triggering an incentive payment in which case the amount determined to be surplus will be the excess over £5 million. The fee on all other assets will be 2 per cent per annum.

The current arrangements are:

| | Terms | Half Yearly / Yearly Interval |
|------|--|-------------------------------|
| BSC | 2.0% of NAV | 31 March, 30 September |
| BSC2 | 2.50% of NAV up to £16 million 1.25% of NAV over £16 million and up to £26.667 million 2.00% over £26.667 million ¹ | 31 December, 30 June |

¹ The Net Asset Value at 30 September 2018 was £62.5 million and, therefore, the overall advisory fee equates to 2 per cent.

The Investment Adviser also provides secretarial and administrative services to both VCTs for annual fees at a current level of £65,000 and £66,000 (subject to annual adjustment in line with RPI) for BSC and BSC2 respectively.

Performance incentive fee

In line with normal Venture Capital Trust practice, the Investment Adviser is entitled to receive a performance related incentive fee paid in cash. For BSC, the current policy is that the Investment Adviser will receive an incentive payment equal to 20 per cent of the amount by which dividends paid in the relevant accounting period exceed 4.0 pence per Share (increasing in line with RPI), subject to cumulative shortfalls (currently £nil) in any prior accounting period being made up. As at 31 March 2018, the adjusted target was 5.1 pence per Share, and the calculation was verified by BSC's auditors. The incentive payment is also conditional upon the average Net Asset Value being not less than 94.0 pence per Share in the relevant accounting period, as adjusted for the impact of Share issues and buy backs. The adjusted Net Asset Value per Share at 31 March 2018 was 92.2 pence per Share.

With effect from 1 April 2014 the amount of the incentive payment paid to the Investment Adviser for any one year shall, when taken with all other relevant costs, ensure that the total expenses of each VCT in any financial year is no greater than five per cent of its Net Asset Value at the end of the financial year (as adjusted for all realised gains that have been distributed during that year) (the "Total Expenses Ratio"). Any unpaid incentive payment will be carried over to subsequent financial years and be included in the calculation of the Total Expenses Ratio. Further details are given on pages 46 and 47 of the Registration Document.

The BSC Board has convened a general meeting of BSC for 7 January 2019 to approve revisions to the incentive agreement between BSC and YFM. The major proposed revisions are:

- the incentive fee will be subject to achieving a target level of total return, replacing the current requirement to achieve an average adjusted Net Asset Value (NAV) per Ordinary Share;
- an incentive fee will be payable once a total return of at least 228.6 pence per Ordinary Share has been achieved. This is 12.6 pence per Ordinary Share higher than the total return at 31 March 2018 (216.0 pence per Ordinary Share) and represents 15.8 per cent of NAV at 31 March 2018;
- there will be an annual increase to the total return per Ordinary Share that must be achieved in order for an incentive fee to be paid. This is the minimum level of dividends required in order to pay an incentive fee under the current arrangements, as set out below;

- if the required total return is achieved the incentive fee can only be paid if the actual dividends paid exceed the minimum requirement, calculated on the same basis as the existing scheme; The minimum requirement is annual dividends of at least 4.0 pence per Ordinary Share, as increased or decreased by the percentage increase or decrease (if any) in RPI. For the year ending 31 March 2019 the requirement is 5.3 pence per Ordinary Share;
- as a result of the above the total return hurdle for the year ending 31 March 2019 is 233.9 pence per Ordinary Share while the total return at 30 September 2018 was 219.0 pence per Ordinary Share.

It is expected that under all scenarios the amended scheme will generate a lower fee payable than the old scheme because of a new threshold for growth in NAV used in the calculation of applicable dividends to be included in the dividend calculation, in order to calculate the fee payable to the Investment Adviser.

For BSC2, the Investment Adviser will receive an amount (satisfied by the issue of Shares) equivalent to 20 per cent of the amount by which the cumulative dividends paid as at the last business day in December in any year plus the middle market quotation per Share exceeds 120 pence per Share on that same day, multiplied by the number of Shares in issue and the Shares under option (if any). These subscription rights are exercisable in the ratio 95:5 between the Investment Adviser and Chord Capital Limited. Further details are given on pages 48 and 49 of the Registration Document.

The BSC2 Board have agreed to amend the incentive agreement such that the amount received by YFM and Chord Capital Limited will be paid in cash instead of Shares.

Annual costs

The Total Expenses Ratio for each VCT, excluding any performance related fees, VAT and trail commission payable to Intermediaries, is capped at 2.9 per cent of their respective NAV as at the relevant financial year end. Any costs above this level are borne by the Investment Adviser, by way of a reduction in its fees.

4.9 The Offers and minimum and maximum subscription

The Offers are open exclusively to Existing Shareholders until 4 January 2019 and thereafter, if not fully subscribed, will be open to the public for subscription until 5 April 2019.

The Offers are to raise up to £30 million in aggregate and if they are oversubscribed they may be increased by a further £5 million at the discretion of the VCTs up to a maximum of £35 million funds raised, in aggregate. In the event that applications are received in excess of the maximum subscription under the Offers, the Directors reserve the right to use their absolute discretion in the allocation of successful applications. The results of the Offers will be announced through a Regulatory Information Service within 3 Business Days of the closing of the Offers. Subject to the Offers remaining open for both VCTs, Investors will have the option to invest in either of the VCTs or a combination of the two and if no preference is given, each Investor's subscription will be allocated 60 per cent to BSC and 40 per cent to BSC2, broadly reflecting the relative sizes of each fund. Subscription monies received from an Applicant who has chosen that those monies are allocated to a VCT 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.

The maximum proceeds for the VCTs before issue costs are estimated to be £21 million for BSC and £14 million for BSC2, subject to raising in aggregate a maximum of £35 million, including the over-allotment facility, and assuming that the proceeds are split as to 60:40 between BSC and BSC2. The maximum amount payable by the VCTs in respect of the Offers will be 4.5 per cent, as set out in paragraph 4.6 above and, therefore, the maximum costs and net proceeds on the above assumptions will be £0.945 million and £20.055 million respectively for BSC and £0.630 million and £13.370 million respectively for BSC2. Investors may invest under the Offers in the 2018/19 tax year only. The number of Offer Shares to be issued to Applicants will be calculated in accordance with the Pricing Formula set out on page 21. The Offers are not underwritten and there is no minimum subscription level for the Offers to proceed. Multiple applications are permitted.

The minimum application per Investor under the Offers is £3,000 across both VCTs (before any Adviser Charges that the Applicant may be liable to pay to their Financial Adviser). Applicants are free to choose how the entire subscription is allocated and if Applicants do not wish to exercise that choice the subscription will be allocated 60 per cent to BSC and 40 per cent to BSC2.

The Offers are open exclusively to Existing Shareholders until 4 January 2019.

Applications in excess of £3,000 may be made for any higher amount in multiples of £1,000, subject to availability. There is no maximum investment although tax reliefs are only available on a maximum investment of £200,000 per individual in Venture Capital Trusts in any one tax year. A husband and wife can each invest up to £200,000 in any one tax year with each enjoying the tax reliefs.

Those Intermediaries who are permitted to receive commission will receive total trail commission from the relevant VCT of up to 2.0 per cent in aggregate of their client Investors' gross subscriptions, paid as to 0.5 per cent over a period of up to 4 years or 0.4 per cent over 5 years of the amount invested by their clients under the Offers as agreed with the Investment Adviser for so long as regulations permit.

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

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

The Offers open on 27 November 2018 and will close no later than 5 April 2019 or earlier should the Offers become fully subscribed. The Directors may, at their discretion, make allotments of Offer 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.

4.10 Documents available for inspection and Prospectus

Copies of the following documents are available for inspection at the VCTs' registered office (below) and at the offices of Howard Kennedy at No.1 London Bridge, London, SE1 9BG, during normal business hours on any weekday (Saturdays and public holidays excepted) while the Offers remain open:

- (i) the Articles of each VCT;
- (ii) the Directors' letters of appointment referred to in paragraph 3.9 of Part 5 of the Registration Document;
- (iii) the audited accounts of BSC for the periods ended 31 March 2016, 31 March 2017 and 31 March 2018 and the unaudited interim financial statements of BSC for the six month periods to 30 September 2017 and 30 September 2018 and the audited accounts of BSC2 for the periods ended 31 December 2015, 31 December 2016 and 31 December 2017, the unaudited interim financial statements of BSC2 for the 6 month periods to 30 June 2017 and 30 June 2018 and the unaudited interim financial statements of BSC2 for the nine month period to 30 September 2018; and
- (iv) this document, the Registration Document and the Summary.

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

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

Telephone: 0113 261 6478
Email: tracey.nice@yfmepl.com
Website: bscfunds.com

Part 5: Additional Information

1. Rights and restrictions on share capital

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

a) Dividends and other distributions

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

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

b) Voting rights

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

c) Variation in rights

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

d) Changes in share capital

(i) Without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, in the absence of such determination, as the Directors may determine. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are liable, to be redeemed.

(ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, subdivide its shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount so cancelled or the amount of the reduction.

(iii) Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act, purchase its own shares.

e) Transfer of shares

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

(i) it is duly stamped (if so required), is lodged with the Company’s registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates (save in the case of a transfer by a person to whom no certificate was issued) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(ii) it is in respect of only one class of share; and

(iii) the transferees do not exceed four in number.

f) **Distribution of assets on liquidation**

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

g) **Disclosure of interests in shares**

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

2. Investor profile

A typical investor for whom the Offers are designed is a UK income tax payer aged 18 or over, who is professionally advised, with an investment range of between £3,000 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 VCTs to be attractive (that is to say an investment policy with potential returns and associated risks that may be higher than investment in the FTSE All-Share Index). This may include retail and sophisticated investors and high net-worth individuals.

3. Overseas investors

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

4. Shareholder authorities – BSC

- (i) **By an ordinary resolution passed on 5 September 2018** the directors were generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of BSC to allot shares in BSC or to grant rights to subscribe for or to convert any security into shares in BSC up to an aggregate nominal amount of £5,000,000, during the period commencing on the passing of this resolution and expiring on the later of 15 months from the passing of this resolution or the next annual general meeting of BSC (unless previously revoked, varied or extended by BSC in general meeting), but so that this authority shall allow BSC to make before the expiry of this authority offers or agreements which would or might require shares in BSC to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and that all previous authorities given to the directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

- (ii) **By an ordinary resolution passed on 5 September 2018** the directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of BSC to allot shares in BSC in connection with the dividend re-investment scheme up to an aggregate nominal amount of £1,500,000 representing approximately 14 per cent of the share capital in issue as at 26 June 2018 (excluding treasury shares) during the period commencing on the date of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by BSC in general meeting) but so that this authority shall allow BSC to make before the expiry of this authority offers or agreements which would or might require shares to be allotted after such expiry and that all previous authorities given to the directors to allot shares in connection with the dividend re-investment scheme be and they are hereby revoked, provided that such revocation shall not have retrospective effect.
- (iii) **By a special resolution passed on 5 September 2018** the directors were empowered in accordance with Section 570(1) of the Act during the period commencing on the passing of this resolution and expiring at the conclusion of BSC's next annual general meeting, or on the expiry of 15 months following the passing of this resolution, whichever is the later, (unless previously revoked, varied or extended by BSC in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in resolution (i) above as if Section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the allotment for cash of equity securities up to an aggregate nominal amount of £5,000,000, but so that this authority shall allow BSC to make offers or agreements before the expiry and the directors may allot securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 560(3) of the Act (treasury shares) as if in the first paragraph of this resolution the words "pursuant to the general authority conferred upon the directors in Resolution (i) above" were omitted.
- (iv) **By a special resolution passed on 5 September 2018** that the directors were empowered in accordance with section 570 of the Act during the period commencing on the passing of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by BSC in general meeting), to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in resolution (ii) above as if section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the dividend re-investment scheme up to an aggregate nominal amount of £1,500,000, representing approximately 14 per cent of the issued share capital of BSC as at 26 June 2018 (excluding treasury shares) but so that this authority shall allow BSC to make offers or agreements before the expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

5. Shareholder authorities – BSC2

- (i) **By an ordinary resolution passed on 9 May 2018** the directors were generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of BSC2 to allot shares in BSC2 or to grant rights to subscribe for or to convert any security into shares in BSC2 up to an aggregate nominal amount of £4,000,000, during the period commencing on the passing of this resolution and expiring on the later of 15 months from the passing of this resolution or the next annual general meeting of BSC2 (unless previously revoked, varied or extended by BSC2 in general meeting), but so that this authority shall allow BSC2 to make before the expiry of this authority offers or agreements which would or might require shares in BSC2 to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and that all previous authorities given to the directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect.
- (ii) **By a special resolution passed on 9 May 2018** the directors were empowered in accordance with Section 570(1) of the Act during the period commencing on the passing of this resolution and expiring at the conclusion of BSC2's next annual general meeting, or on the expiry of 15 months following the passing of this Resolution, whichever is the later, (unless previously revoked, varied or extended by BSC2 in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in resolution (i) above as if Section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the allotment for cash of equity securities up to an aggregate nominal amount of £4,000,000, but so that this authority shall

allow BSC2 to make offers or agreements before the expiry and the directors may allot securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 560(3) of the Act as if in the first paragraph of this resolution the words “pursuant to the general authority conferred upon the directors in resolution (i) above” were omitted.

6. Dilution

The maximum number of Offer Shares, assuming a subscription of £35,000,000, including the over-allotment facility, an Indicative Offer Price per Share of 80.615 pence and of 59.590 pence for BSC and BSC2 respectively and an allocation of 60 per cent to BSC and 40 per cent to BSC2, will be 26,049,743 for BSC and 23,493,875 for BSC2. This represents a dilution to existing Shareholders of 19.4 per cent in BSC and 17.9 per cent in BSC2.

7. Working capital statements

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.

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. Capitalisation and indebtedness

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

The capitalisation of the VCTs, extracted from the unaudited interim financial statements (for BSC) for the six-month period to 30 September 2018 and from the unaudited interim financial statements (for BSC2) for the nine-month period to 30 September 2018, is set out in the table below.

| Shareholders equity £'000 | BSC | BSC2 |
|-----------------------------------|---------------|---------------|
| Revenue reserve | 2,948 | 1,597 |
| Capital reserve* | 48,101 | 27,291 |
| Distributable reserves | 51,049 | 28,888 |
| Share capital | 11,517 | 11,318 |
| Share premium | 1,052 | 4,345 |
| Investment holding gains (losses) | 21,600 | 12,335 |
| Other reserves** | - | 5,615 |
| Total | 85,218 | 62,501 |

* includes special reserve, realised capital reserve and treasury reserve

**includes capital redemption reserve and merger reserve (BSC2 only)

9. Third party information

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

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

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

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

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

11. Use of the Prospectus

- (a) The VCTs and the Directors consent to the use of the Prospectus by financial Intermediaries, and accept responsibility for the content of the Prospectus, with respect to the subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offers. The Offers will close on or before 5 April 2019. There are no conditions attaching to this consent. Financial Intermediaries may use the Prospectus only in the UK.
- (b) **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 must state on its website that it uses the Prospectus in accordance with the consent set out at paragraph 11(a) above.**

12. General

- a) As at 30 September 2018 BSC's unaudited Net Asset Value was 78.6 pence per Share and as at 30 September 2018 BSC2's unaudited Net Asset Value was 58.1 pence per Share.
- b) The Offer Shares are created under the Act, are denominated in sterling and are in registered form. The VCTs' share registers are kept by Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Evidence of title to the Offer Shares will be through possession of a share certificate in the Shareholder's name. Alternatively Offer Shares may be held in an account through the CREST system.
- c) No tax is withheld on dividends paid, and the VCTs do not assume responsibility for the same.
- d) Neither VCT is aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over it.
- e) Save as disclosed in paragraph 5.17 of Part 5 of the Registration Document, there are no potential conflicts of interest between the duties of any Director to the VCTs and their private interests and/or other duties.

Part 6: Taxation

Tax reliefs for individual Investors resident in the UK

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

Relief from income tax

An investor subscribing up to £200,000 in any tax year for eligible shares in a Venture Capital Trust will be entitled to claim income tax relief on the investment, in the year in which the investment is made, at the rate of 30 per cent for investments in the tax year 2018/19, although this relief will be withdrawn if either the Shares are disposed of within five years or an investor takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of such Shares. Relief is restricted to the amount which reduces the investor's income tax liability to nil. HMRC has confirmed that the Ordinary Shares are eligible Venture Capital Trust shares for the purposes of claiming VCT income tax relief. There are restrictions on the ability to claim income tax relief on subscription for shares in a Venture Capital Trust after 5 April 2014 where the investor has disposed of shares (other than to a spouse) in the same Venture Capital Trust within six months of the date of subscription whether before or after, or in another Venture Capital Trust where it is known that the two VCTs intend to merge.

Dividend relief

An investor who subscribes for or acquires ordinary shares in a Venture Capital Trust will not be liable for UK income tax on dividends paid by the Venture Capital Trust in respect of investments of up to a maximum of £200,000 in any one tax year. The income received by the Venture Capital Trust will usually constitute either interest (on which the Venture Capital Trust may be subject to tax) or a dividend from a UK company (on which the Venture Capital Trust would not be subject to tax). The Venture Capital Trust's income, reduced by the payment of tax (if applicable), can then be distributed tax-free to investors who benefit from this dividend relief.

Capital gains tax relief

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

Loss of tax reliefs

- (i) If a company which has been granted approval or provisional approval as a Venture Capital Trust subsequently fails to comply with the conditions for approval, Venture Capital Trust status may be withdrawn or treated as never having been given. The exemptions from corporation tax and capital gains will not apply to any gains realised by the Venture Capital Trust after this time.
- (ii) For investors, the withdrawal of Venture Capital Trust status may (depending upon the timing of such withdrawal) result in:
 - repayment of the 30 per cent income tax relief on subscription for new Venture Capital Trust shares;
 - income tax becoming payable on payments of dividends by Venture Capital Trusts; and
 - a liability to tax on capital gains being suffered in the normal way on the disposal of shares in Venture Capital Trusts, except that any part of the gain attributable to the period for which the Venture Capital Trust was approved would be exempt.

Consequences of an Investor dying or a transfer of shares between spouses

(i) **Initial income tax**

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

(ii) **Tax implications for the beneficiary**

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

(iii) **Transfer of shares between spouses**

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

General

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

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

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

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

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

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

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

Part 7: Definitions

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

| | |
|--|---|
| “Act” | the Companies Act 2006, as amended from time to time; |
| “Admission” | the admission of the Offer Shares to a premium listing on the Official List and to trading on the London Stock Exchange’s main market for listed securities; |
| “Adviser Charge(s)” | the fee(s) payable to an Intermediary, agreed with the Investor for the provision of a personal recommendation or related services in relation to an investment in Offer Shares, and detailed on the Application Form; |
| “AIM” | the Alternative Investment Market of the London Stock Exchange; |
| “Allotment Offer Price” | the price of the Offer Shares calculated based on the latest reported NAV as at the allotment date; |
| “Applicant(s)” | an Investor(s) who applies to subscribe for Offer Shares; |
| “Application Form” | form of application for Offer Shares set out at the end of this document; |
| “Articles” | the articles of association of the relevant VCT (as amended from time to time); |
| “Board(s)” or “Directors” | the directors of the relevant VCT at the date of this document; |
| “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; |
| “CREST” | relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited (registered number 2878738); |
| “Dealings” | Buying, selling, subscribing for or underwriting of securities in the VCTs or offering or agreeing to do so, either as principal or agent; |
| “Directors” or “Board(s)” | the directors of the relevant VCT at the date of this document; |
| “Dividend Re-investment Scheme(s)”, “DRIS” or “Scheme(s)” | the respective dividend re-investment scheme established for each VCT; |
| “DTRs” | the Disclosure and Transparency Rules made by the FCA under Part VI of FSMA; |
| “Election Date” | the day by which Mandate Forms must be received by Link Asset Services, as announced by the VCTs as the applicable deadline for the dividend concerned and expected to be at least 10 Business Days before the payment date of a dividend which is to be re-invested; |
| “Existing Shareholders” | registered holders of Ordinary Shares as at 22 October 2018, or a person who, as at 22 October 2018, was a spouse or civil partner of a registered holder of Ordinary Shares; |

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| “FCA” | the Financial Conduct Authority, or its successor; |
| “Financial Adviser” | an authorised intermediary offering investment advice to his client; |
| “FSMA” | Financial Services and Markets Act 2000, as amended from time to time; |
| “HMRC” | HM Revenue & Customs; |
| “Howard Kennedy” | Howard Kennedy Corporate Services LLP; |
| “Indicative Offer Price” | the price of the Offer Shares as at the date of this document, as set out on pages 21 and 22; |
| “Intermediary (ies)” | an authorised firm who signs the Application Form and whose details are set out in Section 9 of that document; |
| “Investment Adviser” or “YFM Private Equity” or “YFM” | YFM Private Equity Limited, registered number 02174994, in its position as the FCA authorised and regulated subsidiary of YFM Equity Partners; |
| “Investment Team” | those persons whose details are set out on pages 17 and 18 under the heading “The Investment Team”; |
| “Investor(s)” | an individual(s) who subscribes for Offer Shares; |
| “ITA” | Income Tax Act 2007, as amended from time to time; |
| “IFRS” | International Financial Reporting Standards; |
| “Link Asset Services” or “Link” | a trading name of Link Market Services Limited, whose details are given on page 5 of the Registration Document; |
| “Listing Rules” | listing rules issued by the UK Listing Authority, as amended from time to time; |
| “London Stock Exchange” | London Stock Exchange plc; |
| “Mandate Form” | the mandate form in a form provided by the VCTs which enables non-CREST Shareholders to participate in the DRIS; |
| “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 Ordinary Share; |
| “New Ordinary Shares” or “New Shares” | the new Ordinary shares to be issued from time to time under the Scheme; |
| “NEX Exchange” | Nex Exchange Limited, registered in England and Wales with company number 04309969 whose registered office is at 2 Broadgate, London EC2M 7UR; |
| “Offer Agreement” | an offer agreement dated 27 November 2018 as set out in paragraph 4.1 on page 45 of the Registration Document; |
| “Offers” | the offers for subscription by the VCTs of Ordinary Shares, in respect of the tax year 2018/2019, details of which are set out in the Prospectus; |

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| “Offer Costs Percentage” | the costs of the Offers as a percentage of subscription proceeds, as set out on page 20; |
| “Offer Shares” | Shares to be issued under the Offers; |
| “Official List” | the Official List of the UK Listing Authority; |
| “Ordinary Shares” or “Shares” | ordinary shares of 10p each in the capital of the relevant VCT; |
| “Participating Shareholder(s)” | those Shareholders who elect to participate in the Scheme; |
| “Pricing Formula” | the pricing formula relating to the Offer as set out on page 21 of this document; |
| “Prospectus” | the Securities Note, the Registration Document and the Summary, which together describe the Offers in full; |
| “Prospectus Rules” | prospectus rules made under Part VI of FSMA; |
| “Qualifying Company” | an unquoted (including AIM-traded) company carrying on a qualifying trade wholly or mainly in the UK satisfying the conditions in Chapter 4 of Part 6 ITA. A summary of these requirements is given in Part 3 of the Registration Document; |
| “Qualifying Holdings” or “Qualifying Investments” | shares in, or securities of, a Qualifying Company held by a Venture Capital Trust which meets the requirements described in Chapter 4 of Part 6 ITA; |
| “Qualifying Investor” | an individual who subscribes for or acquires shares in a Venture Capital Trust and satisfies the conditions of eligibility for tax relief available to investors in a Venture Capital Trust; |
| “Receiving Agent” | Link Asset Services; |
| “Record Date” | the date set out in the dividend procedure timetable published by the London Stock Exchange plc by which a Shareholder must hold Ordinary Shares to be entitled to a dividend declared by the relevant VCT; |
| “Registrar” | Link Asset Services, a trading name of Link Market Services Limited; |
| “Registration Document” | the registration document dated 27 November 2018, which has been prepared in accordance with the Prospectus Rules in connection with the Offers; |
| “Regulatory Information Service” or “RIS” | a regulatory information service that is on the list of regulatory information services maintained by the FCA; |
| “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; |
| “Scheme”, “DRIS” or “Dividend Re-investment Scheme” | the dividend re-investment scheme of the relevant VCTs, the terms and conditions of which are set out in Part 8 of this document (as amended from time to time); |

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| “Securities Note” | this document dated 27 November 2018, which has been prepared in accordance with the Prospectus Rules in connection with the Offers; |
| “Shareholder(s)” | holder(s) of Ordinary Shares; |
| “Shares” or “Ordinary Shares” | ordinary shares of 10p each in the capital of the relevant VCT; |
| “Statutes” | the “Companies Acts” as defined in Section 2 of the Act; |
| “Summary” | the summary of the Offers dated 27 November 2018, which has been prepared in accordance with the Prospectus Rules in connection with the Offers; |
| “UK Listing Authority” | the FCA acting in its capacity as the competent authority under the FSMA; |
| “VAT” | value added tax; |
| “VCTs” | each of BSC and BSC2 and VCT means either one of them as the context requires; |
| “Venture Capital Trust” | a venture capital trust as defined in Section 259 Income Taxes Act 2007; |
| “VCT Regulations” | Part 6 ITA 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 8: Terms and Conditions of the Dividend Re-investment Scheme

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

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

3. The VCTs shall invest the monies held within the Scheme (being dividends paid on Ordinary Shares by, or on behalf of, Participating Shareholders) in the subscription of New Ordinary Shares in the relevant VCT. The VCTs shall not have the discretion to vary such investments and Shareholders may not instruct the VCTs to make any other investments.
4.
 - (a) On or as soon as practicable after a day on which any dividend is paid to Shareholders (a "Re-investment Day"), the funds held by the relevant VCT on behalf of each Participating Shareholder shall be applied on behalf of that Shareholder in the subscription for the maximum number of New Ordinary Shares as can be acquired with those funds.
 - (b) The number of New Ordinary Shares issued to a Participating Shareholder pursuant to condition 4(a) above shall be calculated by dividing the aggregate value of the dividends paid on the Ordinary Shares to which the Participating Shareholder is entitled by the greater of (i) the net asset value per Ordinary Share being the most recently announced net asset value per Ordinary Share as at the date the dividend is paid (as adjusted for the relevant dividend in question if this has not already been recognised in the most recently announced net asset value) less 5 per cent; and (ii) the nominal value per Ordinary Share.
 - (c) No fractions of New Ordinary Shares will be issued under the Scheme and subject to conditions 4(d) and 4(e) below the election may only be made by Shareholders in respect of the whole and not part of their shareholdings. Any balance of cash remaining with the VCTs after the subscription shall be held by the VCTs on behalf of the Participating Shareholder to whom it relates and added to the cash available in respect of that Shareholder for the subscription of New Ordinary Shares on the next Re-investment Day. No interest shall accrue or be payable by the VCTs in favour of any Shareholder on any such cash balances.
 - (d) The Scheme involves the re-investment of the whole dividend paid on each shareholding each time a dividend is paid by the VCTs, together with any cash residue brought forward from the previous dividend. The Directors may, at their discretion, allow Shareholders to make a partial re-investment of dividends, where they are acting on behalf of more than one beneficial holder, for example, through a nominee shareholding made in CREST or other custodians, nominees or trustees. A CREST Dividend Election Input Message must contain the number of Ordinary Shares for which the election is being made. A cash dividend will automatically be paid on any Ordinary Shares which are not specified in a CREST Dividend Election Input Message.
 - (e) Shareholders holding Ordinary Shares in certificated form who might wish to make a partial election should contact Link Asset Services to find out how to divide their holding so that they can make a re-investment election on the required number of Ordinary Shares.

5. The VCTs shall on the relevant Re-investment Day take all necessary steps to ensure that the Participating Shareholders are entered onto the share register of the relevant VCT as the registered holders of the New Ordinary Shares (as the case may be), issued to them under the Scheme, and that share certificates in respect of such Shares issued are posted to the Participating Shareholders at their own risk as soon as is reasonably practical. CREST members who have validly elected to receive New Ordinary Shares will have their CREST accounts credited directly with the relevant New Ordinary Shares.
6. To assist Participating Shareholders with their tax returns, attached to the new share certificates will be a Statement of Entitlement, or if shares are held in uncertificated form (that is CREST), a Statement of Entitlement will be sent to the Participating Shareholder's nominee separately, detailing the following:- (i) the total dividend payable; (ii) the subscription price per New Ordinary Share; (iii) the number of New Ordinary Shares allotted to a Participating Shareholder; (iv) the residual cash balance (if any) representing an entitlement to a fraction of a New Ordinary Share to be carried forward to the next dividend; and (v) the cash equivalent of the New Ordinary Shares issued, together with any such other information as shall be required under the Listing Rules of the UK Listing Authority.
7. Application to join the Scheme can be made at any time. If you hold your Shares in certificated form this can be done by returning a completed Mandate Form so as to be received by the VCT's registrars Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 5.00 pm 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 5.00 pm 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 Asset Services.

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

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

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

10. Further copies of this document and/or Mandate Forms and/or instructions for submitting a CREST Dividend Election Input Message may be obtained from Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or from the VCT's website at www.bscfunds.com.
11. All costs and expenses incurred in administering the Scheme will be borne by the VCTs.

12. Each Shareholder applying to participate in the Scheme will be deemed to warrant to the VCTs in the Mandate Form or CREST Dividend Election Input Message that (i) during the continuance of his or her participation in the Scheme he or she will remain the sole beneficial owner of the Ordinary Shares mandated to the Scheme free from encumbrances or security interests; and (ii) all information set out in the Mandate Form or CREST Dividend Election Input Message is correct and, to the extent any of the information changes, he or she will notify the changes to the VCT.
13. Each Participating Shareholder acknowledges that neither the VCTs nor Link Asset Services nor YFM is providing a discretionary management service. Neither Link Asset Services, nor YFM nor the VCTs shall be responsible for any loss or damage to Participating Shareholders as a result of their participation in the Scheme unless due to the wilful negligence or default of the VCTs, its servants or agents.
14. The financial calendar and procedure for future dividends (and any dividend re-investment alternative offered under the Scheme) both as to any final and/or interim and/or special interim dividend will be notified in writing to Shareholders and/or published through a RIS.
15. A Participating Shareholder who does not hold their Ordinary Shares in CREST may at any time, by giving written notice to Link Asset Services by 5.00 pm 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 5.00 pm on the Election Date. If a Participating Shareholder shall at any time cease to hold any Ordinary Shares in one of the VCTs, he or she shall be deemed to have served such a notice in respect of his or her participation in the Scheme in respect of such shares. If a Shareholder in whose name Ordinary Shares are held on behalf of a Participating Shareholder shall at any time cease to hold any such shares on behalf of that Participating Shareholder, he or she shall be deemed to have served such a notice in respect of his or her participation in the Scheme.
16. The VCTs shall be entitled, at any time and from time to time, to suspend the operation of the Scheme in whole or in part and/or to terminate the Scheme without notice to the Participating Shareholders. Circumstances under which the VCTs, acting by their Directors, might suspend or terminate the Scheme include, but are not limited to, changes in legislation governing venture capital trusts (including changes in available tax reliefs) and adverse market conditions in the public markets. The Directors shall also be entitled, at any time and from time to time, to give each Participating Shareholder the opportunity to choose to dis-apply their mandate in respect of a particular special interim dividend, as may at any time and from time to time be declared by the VCTs, to which the Participating Shareholder is entitled, and to instead receive the full cash dividend.
17. All notices and instructions to be given to the VCTs shall be in writing and delivered or posted to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Applications to participate in the Scheme will be made by way of a Mandate Form in the prescribed form (as may be amended from time to time) as provided by the VCT.
18. The VCTs shall be entitled to amend the Scheme's terms and conditions on giving one month's notice in writing to all Participating Shareholders. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to Participating Shareholders unless in the VCT's opinion, the change materially affects the interests of Participating Shareholders. Amendments to the Scheme's terms and conditions which are of a formal, minor or technical nature, or made to correct a manifest error and which do not adversely affect the interests of Participating Shareholders, may be effected without notice.
19. By completing and delivering a Mandate Form and/or a CREST Dividend Election Input Message the Participating Shareholder will (i) be deemed to have agreed to provide the relevant VCT with any information which it may request in connection with such application and to comply with legislation relating to venture capital trusts or other relevant legislation (as the same may be amended from time to time) and (ii) be deemed to have declared that no loan has been made to the Participating Shareholder or any associate, which would not have been made, or not have been made on the same terms but for the Participating Shareholder offering to subscribe for, or acquiring, New Ordinary Shares, and that the Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement, the main purpose of which is the avoidance of tax.

20. Subscriptions for venture capital trust shares only attract tax reliefs if in any tax year subscriptions to all venture capital trusts do not exceed £200,000 (including subscriptions pursuant to dividend re-investment schemes). From 17 July 2014, investors can subscribe for venture capital trust shares via a nominee and obtain income tax relief for their subscription. Participating Shareholders under the Scheme are responsible for ascertaining their own tax status and liabilities and the VCTs cannot and do not accept any liability in the event they do not receive any venture capital trust tax reliefs, or such reliefs are reduced or restricted in any way.
21. Since dividends on venture capital trust shares (including subscriptions pursuant to dividend re-investment schemes) acquired in excess of £200,000 in any tax year will not be exempted from income tax in the same way as venture capital trust shares acquired within this limit, Participating Shareholders will generally be liable to tax on such dividends.
22. The election to receive New Ordinary Shares in place of the cash dividend is not being offered to, or for the benefit of, any citizen of the United States, Canada or Australia, any corporation, partnership or other entity created or organised in, or under the laws of the United States, Canada or Australia or any political sub-division thereof or with a registered office in any of these countries or any estate or trust, the income of which is subject to United States Federal, or Canadian, or Australian income taxation regardless of its source. "United States" means United States of America (including the District of Columbia). References to the United States, Canada and Australia include their territories, possessions and all areas subject to their jurisdiction.

No person receiving a Mandate Form and/or the CREST Dividend Election Input Message in any territory other than the United Kingdom may treat it as constituting an invitation to him or her unless in the relevant territory such an invitation could lawfully be made to him or her without complying with any registration or other legal requirements. **It is the responsibility of the Shareholder outside the United Kingdom wishing to elect to receive New Ordinary Shares to satisfy himself or herself as to the full observance of the laws of the relevant territory in connection with the offer, including obtaining any governmental or other consents which may be necessary and observing any other formalities requiring to be observed in such territory.**
23. The VCTs shall not be required to issue New Ordinary Shares hereunder if the Directors so decide.
24. These Scheme terms and conditions shall be governed by, and construed in accordance with, English law and each Participating Shareholder submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the VCTs to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

Part 9: Terms and Conditions of Application

1. The contract created by the acceptance of an application will (unless the Boards resolve otherwise) be conditional on the Admission of the Offer Shares becoming effective.
2. The number of Offer Shares to be issued to Applicants will be calculated in accordance with the Pricing Formula.
 - a) The right is reserved to present all cheques and banker's drafts for payment on receipt and to retain share certificates and subscription monies, pending clearance of successful Applicant cheques and banker's drafts. The VCTs may treat applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the VCTs may, at their discretion, accept an application in respect of which payment is not received prior to the closing of the Offers. If any application is not accepted in full, or any contract created by acceptance does not become unconditional, or if any application is accepted for fewer Shares than the number applied for, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the Applicant.
 - b) Applications will be accepted generally on a first come, first served basis (but always subject to the absolute discretion of the Directors). Subscriptions which are not accompanied by cheques available for immediate presentation or by other valid payment means will be dealt with at the Directors' discretion. If any dispute arises as to the date or time at or on which an application is received, the Directors' determination shall be final and binding.
 - c) The VCTs reserve the right to allot and arrange for the listing of Offer Shares under the Offers prior to the stated closing date and generally vary the allotment and Admission timetable.
4. By completing and delivering an Application Form, you as the Applicant (and, if you sign an Application Form on behalf of somebody else, that person):
 - a) irrevocably offer to subscribe the amount of money specified in your Application Form subject to the provisions of this document, these Terms and Conditions and the memorandum of association and Articles of BSC and BSC2;
 - b) authorise the Receiving Agent to send share certificates in respect of the Offer Shares for which your application is accepted, and/or a crossed cheque for any monies returnable by post without interest at your risk to your address as set out on your Application Form and to procure that your name is placed on the registers of members of the VCTs in respect of such Offer Shares;
 - c) agree that, in consideration of the VCTs agreeing to process your application, your application will not be revoked until after the closing date of the Offers and that this paragraph constitutes a collateral contract between you and the VCTs which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by, the Receiving Agent of your Application Form subject to your statutory rights of withdrawal in the event of the publication of a supplementary prospectus by the VCTs;
 - d) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive share certificates for the Offer Shares applied for or to enjoy or receive any rights or distributions in respect of such Offer Shares unless and until you make payment in cleared funds for such Offer Shares and such payment is accepted by the VCTs (which acceptance shall be in their absolute discretion and may be on the basis that you indemnify them against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the VCTs of such late payment in respect of such Offer Shares, the VCTs may (without prejudice to their other rights) treat the agreement to allot such Offer Shares as void and may allot such Offer Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such Offer Shares (other than return of such late payment);
 - e) agree that in respect of those Offer Shares for which your Application Form has been received and is not rejected, your application may be accepted at the election of the VCTs either by notification to the UK Listing Authority of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
 - f) agree that any monies in respect of your application together with any other monies received in respect of all applications may be held on trust for the payment of the Offer Price in respect of Offer Shares for which you have subscribed or failing such payment be returned to you without interest and that any interest earned in respect of such monies will be paid to the VCTs;

- g) agree that the monies returnable to you may be retained pending clearance of your remittance and any verification of identity which is, or which the VCTs or the Receiving Agent may consider to be, required by the Money Laundering Regulations and that such monies will not bear interest;
 - h) agree that, having had the opportunity to read the Prospectus, you are deemed to have had notice of all information and statements concerning the VCTs and the Offer Shares contained therein;
 - i) confirm that in making such application you are not relying on any information and representation in relation to the VCTs other than the information contained in the Prospectus or any part thereof and accordingly you agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof will have any liability for any such other information or representation;
 - j) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offers shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the rights of the VCTs to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptance and contracts in any other manner permitted by law or in any court of competent jurisdiction;
 - k) irrevocably authorise the Receiving Agent or any other person authorised by them, as your agent, to do all things necessary to effect registration of any Offer Shares subscribed by you into your name and authorise any representatives of the Receiving Agent to execute any document required therefor;
 - l) agree to disclose promptly in writing to the VCTs any information which they may reasonably request in connection with your application, including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations and authorise them to disclose any information relating to your application as they consider appropriate;
 - m) confirm that you have reviewed the restrictions contained in paragraphs 5 and 6 below and warrant that you are not a "US Person" as defined in the United States Securities Act of 1933, as amended, nor a resident of Canada and that you are not applying for any Offer Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada, Australia, the Republic of South Africa or Japan;
 - n) declare that you are aged 18 years or over;
 - o) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have due authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake (save in the case of signature by a Financial Adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
 - p) declare that a loan has not been made to you or any associate, which would not have been made, or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, Offer Shares and that the Offer Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
 - q) declare that the Application Form has been completed to the best of your knowledge;
 - r) undertake that you will notify the VCTs if you are not, or cease to be, either a Qualifying Investor or beneficially entitled to the Offer Shares;
 - s) agree that all documents and cheques sent by post to, by or on behalf of the VCTs or the Receiving Agent will be sent at your risk.
5. No person receiving a copy of the Prospectus or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application thereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

6. The Offer Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States of America, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the VCTs have not been and will not be registered under the United States Investment Company Act of 1940, as amended. No application will be accepted if it bears an address in the USA.
7. Dealings prior to the issue of certificates for Offer Shares will be at the risk of Qualifying Investors. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.
8. The section headed Notes on Application Form forms part of these Terms and Conditions of Application.
9. It is a condition of these Offers that compliance with the Money Laundering Regulations is ensured. The Receiving Agent, YFM or the VCTs are therefore entitled to require, at their absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to the Receiving Agent, YFM or the VCTs to be acting on behalf of some other person. Pending the provision of evidence satisfactory to the Receiving Agent, YFM or the VCTs as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, the Receiving Agent, YFM or the VCTs may, at their absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or the Registrar may not enter the Applicant on the registers of members of the VCTs or issue any share certificates in respect of such application. If verification of identity is required, this may result in a delay in dealing with an application and in rejection of the application. The VCTs reserve the right, at their absolute discretion, for them or the Receiving Agent to reject any application in respect of which the Receiving Agent, YFM or the VCTs considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the VCTs reserve the right at their absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the shares in question (but in each case without prejudice to any rights the VCTs may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to the Receiving Agent, YFM or the VCTs such information as may be specified by it as being required for the purpose of the Money Laundering Regulations 2007.
10. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application for the Offers or not in all respects complying with the notes on the Application Form. In particular, but without limitation, the VCTs may accept applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner acceptable to the VCTs to apply in accordance with these Terms and Conditions of Application.

Part 10: Notes on 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.

Please send the completed Application Form by post, together with your cheque or banker's draft (if not paying by electronic transfer), or deliver it by hand, to:

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

If you have any questions on how to complete the Application Form please contact Tracey Nice at YFM on 0113 261 6478 or tracey.nice@yfmeop.com in the first instance or call Link Asset Services on 0800 181 4729 (freephone). However, no investment, financial or tax advice can be given by YFM or Link Asset Services. Lines are open between 9.00 am - 5.30 pm, Monday to Friday excluding public holidays. Alternatively please speak to your Financial Adviser.

- **Sections 1-2** of the Application Form require you to provide your personal details and your Application details
- **Section 3** asks you to confirm, where an offer is oversubscribed, that your funds be re-allocated to the other Offer (in respect of the same tax year), irrespective of whether you have applied for it
- **Section 4** asks you to confirm your dividend payment options
- **Section 5** asks you to provide your CREST details if you would like any New Shares allotted to you to be credited to your CREST account
- **Section 6** asks how you wish to receive Shareholder communications in the future
- **Section 7** asks you to confirm your method of payment and your payment details
- **Section 8** requires you to sign, state your name and date your Application Form

If you have used a financial Intermediary, Sections 9 and 10 require them to provide their firm's details so that the Receiving Agent can deal with the instructions as to (i) whether any permissible commission is to be paid and (ii) how any commission payable is to be administered

- **Section 9** asks you to confirm whether or not you have received financial advice in relation to your Application and to describe the type of financial Intermediary you have used, if any, with respect to your Application

If you apply directly and have not used a financial Intermediary with respect to your Application you should tick box (i) on the investment type box of section 9

Commission, where permissible, can be paid only to authorised financial Intermediaries who are acting on behalf of "execution only" clients and are not providing a platform service

You can make multiple applications using more than one Application Form. If you submit more than one Application Form, each Application Form will be dealt with in order of receipt and must be for a minimum Application of £3,000.

- The Application Form is printed towards the end of this Document as well as being available separately. Additional Application Forms can be obtained from www.bscfunds.com and from the Investment Adviser and the Receiving Agent

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 £13,000 further identification and verification checks will need to be carried out. This may delay processing.

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

Section 1 – Personal Details

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

Please indicate whether you or your spouse or civil partner is an Existing Shareholder in the VCTs. If it is your spouse or civil partner who is the Existing Shareholder please enter their name in the box provided.

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

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 VCTs and printed on the tax and Share certificates.

Section 2 – Investment Amount

Insert the amount of money which you wish to invest. Your total application must be for a minimum value of £3,000 and thereafter in multiples of £1,000 and for a minimum of £1,200 in each VCT for which you apply. 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.

- (i) If you wish your allocation to be split 60 per cent BSC, 40 per cent BSC2 then please complete rows 1 and 4 and the split will be calculated automatically.
- (ii) If you wish to invest in just BSC or just BSC2, or you wish to invest in both but a different split than 60:40, complete row 2 and/or row 3 as appropriate and row 4.
- (iii) If no preference is stated, each Investor's subscription will be allocated 60 per cent to BSC and 40 per cent to BSC2.

Section 3 – Re-allocation / Return Instructions

In the event that an Offer 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 other Offer, irrespective of whether you have applied for it 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 (i) will apply and your application monies will be re-allocated to the Offer that remains open.

Section 4 – Dividend Payment Details

Please complete this section if you are a New Shareholder or wish to update your payment preferences.

The dividends paid by the VCTs can be taken as cash. Section 4 of the Application Form allows you to indicate whether you would like to have them paid directly into your bank account or receive a cheque.

Payment to your bank account: in order to facilitate the payment of dividends on any shares held in the VCTs directly to your bank or building society account, please 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.

Dividends paid by cheque will be sent to the Shareholder's registered address using the standard mail delivery at the Shareholder's own risk if Section 4 is not completed. The VCTs' Registrar will charge administration fees for re-issuing cheques.

If you wish to participate in the VCTs' dividend re-investment scheme, having first read and understood the terms and conditions of the scheme which can be found in Part 8 of this document and on the VCTs' section on the website www.bscfunds.com, please then tick the appropriate box in Section 4.

Section 5 – CREST Details

Any New Shares allotted to you will be in a registered form capable of being transferred by means of the CREST system. Applicants who wish to take advantage of the ability to trade in New Shares in uncertificated form, and who have access to a CREST account, may arrange to have their New Shares allotted directly to their CREST account, or subsequently to convert their holdings into dematerialised form in CREST. Investors should be aware that New Shares delivered in certificated form are likely to incur higher dealing costs than those in respect of New Shares held in CREST. The VCTs' share registers will be kept by the VCTs' Registrar, Link Asset Services.

Section 6 – Preferences

Shareholder communications will usually be sent by email (if you've provided a valid email address), however, if you'd like hard copies in the post please tick the box on Section 6.

Section 6a – Authority in Relation to Providing Shareholder Information to Financial Intermediaries

In order that your adviser can provide you with a full valuation service of your shareholding you'll need to give your authority to YFM to disclose details of your shareholding(s).

Section 7 - Payment Details

Payment can be made by electronic transfer (to the Lloyds Bank plc account details of which are set out on Section 7 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 attach a cheque or banker's draft to the Application Form for the exact amount shown in Section 2. Your cheque or banker's draft must be made payable to "LMS re: BSC – 2018 OFS A/C" and crossed "A/C Payee only". Your payment must relate solely to this application. Cheques may be presented for payment on receipt. Application Forms accompanied by a post-dated cheque will not be accepted. Your Application Form will be acknowledged by Link Asset Services.

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

The payment instruction relating to the electronic transfer must also include a unique reference comprising your name and a contact telephone number which should be entered in the reference field on the payment instruction. For example MJ SMITH, with a telephone number of 01234 567 8910, would have a reference of MSMITH012345678910. The Receiving Agent cannot take responsibility for correctly identifying payments without a unique 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 in the same manner as originally received e.g. by cheque in the post or by a credit to the remitting account, at the risk of the persons entitled thereto.

Section 8 – Declaration and Signature

You must sign, state your name and date the Application Form in Section 8 and complete the declaration that you have read the VCTs' Key Information Document ("KID"). By signing and dating the Application Form you agree to invest in the VCTs in accordance with the Terms and Conditions of Application as set out on pages 43 to 45 of this Document.

If the KID declaration is not completed or if this section of the Application Form is unsigned the Receiving Agent will not be able to process your application and your application monies will be returned to you.

Section 9 – Financial Intermediary Details

Intermediaries must complete (in BLOCK CAPITALS) Section 9 giving their full company name and address, a contact name, telephone number, email address and details of their authorisation under the FSMA. The right is reserved to reject any application or withhold any payment of fees or commission if the VCTs 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. In order for commission or Adviser Charges to be paid by BACS, please complete the relevant boxes.

Investment Type

Please tick the relevant box to identify the type of investment you are making – Direct, Advised, Execution only.

You should tick box (i) if you have not used a financial Intermediary and have applied direct. The rest of Sections 9 and 10 should not be completed if you apply directly and have not used a financial Intermediary with respect to your application.

You should tick box (ii) if you have received financial advice with respect to your application. (If you tick box (ii) your financial Intermediary should complete Sections 9 and 10 of the Application Form). Intermediaries on advised investments are entitled to payment of Adviser Charges as agreed with their clients. Please insert the agreed fee in the box as a sum of money. The number of New Shares issued to the Applicant will be reduced by the amount of the Adviser Charge. The Adviser Charge is inclusive of VAT, if applicable.

You should tick box (iii) if you have not received financial advice with respect to your application and have used a financial Intermediary on an “execution only” basis (other than platform service providers). (If you tick box (iii) your financial Intermediary should complete Sections 9 and 10 of the Application Form).

For execution only – you should tick box (iii) and complete to show the fees or commission structure you wish to receive.

Section 10 – Authorised Financial Intermediary’s Declaration

Intermediaries should sign and date the Application Form in Section 10 and include their signing capacity.

Administration of Shareholder account

If you are an Existing Shareholder in the VCTs, your existing name, banking and dividend re-investment (if any) details will be applied to your application. If you are a new Shareholder please complete the bank account details in Section 4 in order to receive dividends in cash or tick the box for option B if you wish your dividends to be re-invested.

Existing Shareholders’ dividend payment/re-investment details and Shareholder communications preferences will not be altered as a result of New Shares being issued to them. Should any Existing Shareholder wish to change any of the existing instructions with regards to the administration of their account(s) they should do so separately by contacting the Registrars, Link Asset Services, or by registering via their Shareholder portal at www.signalshares.com

Money Laundering Notice – Important Procedures for Applications

A note for Investors

In processing a VCT application where the application amount (or total investment under a VCT Offer when an Applicant makes a series of applications) is above the anti-money laundering threshold, Link (as Receiving Agent) is obliged to apply the requirements of The Money Laundering Regulations to verify an Applicant's identity and/or the source of funds ("SOF"). This applies for amounts above an anti-money laundering threshold of €15,000 (or the sterling equivalent of £13,000 if currency exchange rates should have changed at the time of processing). The reason for these checks is to ensure that 1) investors are who they say they are; and 2) application monies have not been acquired illegally or that Link itself is not being used as part of criminal activity, most commonly the placement, layering and integration of illegally obtained money. This means that for some applications, Link will need to contact an Applicant to request documents as evidence of their identity, and in some cases an Applicant will need to provide SOF evidence with their application or Link may need to request SOF documents.

Please be assured that such money laundering checks are a routine part of the proper processing of applications, as required by the regulations and which ultimately help to protect investors and their brokers, and do not indicate that the investor is suspected of anything illegal.

NOTE – Shares cannot be allotted if Link has not been able to verify an Applicant's identity and/or the source of funds. Failure to provide satisfactory evidence (where it is requested) may result in a delay in processing an application or, at the point of closure of the Offers, the application being treated as invalid and funds returned.

No money laundering verification is required to be enclosed if the application is for less than €15,000 (approximately £13,000) and the total shareholding of the Applicant (in the case of Existing Shareholders) does not exceed 10,000 shares, or if payment is by means of a cheque drawn on an account in the name of the Applicant (provided that (a) the cheque includes details of the Applicant's bank account or building society account (as applicable) and (b) the cheque is drawn on an account with a UK bank). However, please also note that the VCTs and the Receiving Agent may, in their absolute discretion, require Money Laundering verification.

The VCT, or a third party acting on behalf of the VCT, will carry out a check of your identity using an online anti-money laundering and identity verification system. To enable this process you may be asked to provide a copy of your passport or driving licence.

Verification of Applicant Identity

Link will carry out checks to verify an Applicant's identity using the widely accepted Experian Credit Reference system for applications of more than £13,000. Importantly, the Experian checks have no impact on an Applicant's credit score or their ability to obtain credit, and simply carry out a 'soft search' on the investor's credit report which leaves only an 'enquiry footprint' in order that the Applicant can see who has enquired (the enquiry simply shows that an identity check was carried out in respect of an investment, to comply with Anti-Money Laundering Regulations).

Typically this check is sufficient to verify the identity of most Applicants. In the few cases where the Experian check isn't able to verify the identity using a Credit Reference check, Link will need the Applicant to supply documentary evidence of their identity and will contact the Applicant (or their financial Intermediary if they have applied that way) to request copies of the relevant documents (typically an original or certified copy of a passport, driving licence and recent bank statements).

In addition, for applications that, together with any existing investment in the VCTs, bring the value of a total shareholding to the sterling equivalent of more than €15,000 (for these purposes approximately £13,000, as at the date of this Document), the VCTs, or a third party acting on behalf of the VCTs, may carry out a check of your identity using an online anti-money laundering and identity verification system. To enable this process you may be asked to provide a copy of your passport or driving licence.

If you do not want the online check to be carried out please tick the box in Section 7 of the Application Form that states that you are opting out of the electronic identity verification system. If you tick this box you **must** enclose:

- (i) a copy of your passport or driving licence certified by a bank or solicitor stating that it is a “true copy of the original and a true likeness of the client” followed by your name; and
- (ii) a recent (no more than three months old) bank or building society statement or utility bill showing your name and address with the Application Form. **Copies of online statements will not be accepted.**

If the cheque for your application is drawn by a third party, the above documentation **will** also be required from the third party.

Verification of Source of Funds (“SOF”)

Link is required to ensure that an Applicant’s monies do come from an account in their own name (where the Applicant has sole or joint ownership of the account), and for certain payment amounts and methods will therefore require the Applicant to provide verification of the account which is the Source of Funds.

Cheques for application amounts of £13,000 or less

SOF documents are **not** required for any application amounts of £13,000 or less OR for any application where payment is made by personal cheque (regardless of the amount).

Electronic transfers

SOF documents **are** required and must be provided with the application. This must be an original or certified copy (i.e. certified as a true copy by a solicitor or bank) of a bank statement in the name of the Applicant, clearly identifying the Applicant as an account holder and showing the payment to Link’s account and clearly referenced as being paid to Link or in respect of the VCTs. If that document is not readily available, Link will accept a PDF or JPEG scan copy of an online bank statement or transaction history which clearly shows the account holder name, account number and sort code, AND the VCT application amount as a transaction which allows Link to identify the monies as coming from a UK account in the Applicant’s name (note that a JPEG will only be accepted if it is a properly scanned document rather than a photograph, with all information legible and of good definition). Link may carry out additional checks in such instances if deemed necessary for the purposes of the regulations. **Original documents will be returned by post at your risk.**

Link will also accept an authorised written instruction from the Applicant’s bank on headed paper to confirm details of the accounts from which funds have been drawn. Those details must include the name(s) of the account holder, sort code and account number.

On request by the VCTs or YFM or the Receiving Agent, you will 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 VCTs, YFM or the Receiving Agent to disclose any information relating to your application as the VCTs, YFM or the Receiving Agent consider appropriate.

Failure to provide the necessary evidence of identity may result in your application being treated as invalid or in delay of confirmation.

Application Form

If you have any questions on how to complete the Application Form please contact YFM (details below) in the first instance or call Link Asset Services on 0800 181 4729 (freephone). 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

E: tracey.nice@yfmepl.com

W: bscfunds.com



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

Application Form

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc

- The closing date for the exclusivity period for Existing Shareholders is 4 January 2019
- The closing date for the Offers will be 11.00 am on 5 April 2019 (unless fully subscribed earlier)
- If you post this form you are recommended to use first class post and allow at least four days for delivery
- Your completed Application Form, together with any cheque(s) or banker's draft(s) should be delivered to:
Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
- Before completing this Application Form you should read the Terms and Conditions of Application and Notes on how to complete the Application Form which are available in the Offer Document section at www.bscfunds.com

1. Personal details*

| | |
|--|------------------------|
| Please use BLOCK CAPITALS | |
| IVC Code: | |
| Title and Full Name: | |
| Permanent Address: | |
| | |
| | |
| | |
| | Postcode: |
| Tel no (day): | Tel no (evening): |
| Date of Birth: | National Insurance No: |
| Country of residence for tax purposes: | |
| Email: | |
| Are you an Existing Shareholder or spouse or civil partner of an Existing Shareholder? Yes <input type="checkbox"/> No <input type="checkbox"/> | |
| Name of spouse or civil partner (if applicable): | |
| If your existing Shares are held by a nominee or in CREST, please tick this box (we may need to contact you for further information). <input type="checkbox"/> | |

* PLEASE NOTE – you should provide the contact email and telephone number you wish the Receiving Agent or the Investment Adviser to use in the event of any queries in respect of your Application Form, associated documents or application monies.

2. Investment Amount

The amounts you set out below must include the amount of any initial adviser charge set out in Section 9 of this Application Form, and any electronic transfer or cheque payment you provide must be for the total amount set out below. Please note that Applications must be for a minimum aggregate amount of £3,000 (and thereafter in multiples of £1,000), and for a minimum of £1,200 in each VCT for which you apply.

2018/19 tax year

| | |
|--|---|
| 1. British Smaller Companies VCT plc & British Smaller Companies VCT2 plc | £ |
| 2. British Smaller Companies VCT plc | £ |
| 3. British Smaller Companies VCT2 plc | £ |
| 4. TOTAL | £ |

- (i) If you wish your allocation to be split 60 per cent BSC, 40 per cent BSC2 then please complete rows 1 and 4 and the split will be calculated automatically.
- (ii) If you wish to invest in just BSC or just BSC2, or you wish to invest in both but a different split than 60:40, complete row 2 and/or row 3 as appropriate and row 4.
- (iii) If no preference is stated, each Investor's subscription will be allocated 60 per cent to BSC and 40 per cent to BSC2.

3. Re-allocation / Return Instructions

In the event that an Offer for which I have applied has closed, or is deemed closed, at the time my Application Form is processed, then I hereby request the following **(tick one box only)**:

- (i) The amount in respect of the closed Offer be re-allocated to the other Offer irrespective of whether I have applied for it
- (ii) The amount in respect of the closed Offer be returned to me

Please note that if you fail to tick a box above, or tick both boxes, option (i) will apply and your application monies will be re-allocated to the Offer that remains open.

4. Dividends Payment Mandate

Please complete either **OPTION A** or **OPTION B** only.

The dividends paid by the VCTs can be taken as cash or re-invested. If you elect to take cash dividends please provide your bank or building society details in **OPTION A** below.

OPTION A - Dividends paid in cash

| | |
|-----------------------------------|---|
| Name of Bank or Building Society: | Account Name: |
| | Account No: <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> |
| Branch: | Sort Code: <input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/> |

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

OPTION B - Dividends re-invested

Please tick the box if you have read the dividend re-investment scheme terms and conditions on the website www.bscfunds.com and you would like to have your dividends re-invested into Ordinary Shares, rather than received in cash.

5. CREST details

I request that any New Shares of which my application is accepted are issued to my nominee through CREST

| | |
|--------------------------|--|
| CREST Participant ID: | <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> |
| CREST Member Account ID: | <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> |

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

6. Preferences

If you are a New Shareholder and you would like to receive Shareholder communications in hard copy rather than electronically, please tick this box

6a. Authority in relation to providing shareholder information to financial Intermediaries

By ticking the box, I hereby authorise YFM to provide, to the financial Intermediary noted in Section 9 upon request, information regarding my shareholdings in the VCTs (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. Note – if you do not provide this authority, your Intermediary will not be able to request information from YFM without you providing a separate letter of authority.

7. Payment details – Complete section (i) or (ii)

(ii) I can confirm that I will make a bank transfer to Link Asset Services to the following account:

Bank name: **Lloyds Bank plc**

Account Name: **LMS: Re: BSC – 2018 OFS CHAPs A/C**

Account Number: **1795 0160** Sort Code: **30-80-12**

I confirm that funds will be transferred within 48 hours of posting the application, and understand that any delay in providing funds may affect acceptance of the application. I have provided any necessary source of funds evidence (if applicable) set out on pages 50 and 51 of the Securities Note.

In addition, please provide the following information about the account from which you will transfer the funds. The Receiving Agent cannot take responsibility for correctly identifying payments without a unique reference nor where a payment has been received but without an accompanying Application Form.

Bank or Building Society:

Account Name:

Account Number:

Sort Code:

Reference (initial/surname and telephone number)
e.g. MSMITH012345678910

If you do not want a check to be carried out please tick this box to opt out of the electronic identity verification system. If you tick this box you must provide the certified copy documents as set out in the Money Laundering Notice on pages 50 and 51 of the Securities Note.

(ii) I enclose a cheque or banker's draft made payable to "LMS re: BSC – 2018 OFS A/C" and crossed "A/C Payee Only"

8. Declaration and Signature

By signing this form I HEREBY DECLARE THAT: (i) I have read the Terms and Conditions of Application of the Securities Note dated 27 November 2018 and agree to be bound by them; (ii) I will be the beneficial Owner of the New Shares in the Company issued to me pursuant to this application; (iii) to the best of my knowledge and belief, the particulars I have given to the VCTs are correct.

I declare that I have read the VCTs' Key Information Document ("KID"), which is available in the VCTs' own sections at www.bscfunds.com, with hard copies also posted to you free of charge upon written request to the VCTs.

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

Signature:

Date:

Print name:

9. Financial Intermediary Details

TO BE COMPLETED BY FCA AUTHORISED INTERMEDIARIES ONLY

| | |
|------------------------------------|--------|
| FCA Authorised Intermediary Name: | |
| Contact name (for administration): | |
| Firm name: | |
| Address: | |
| | |
| Postcode: | |
| FCA No. | Tel no |
| Email: | |

Investment Type

Please tick ONE box

(i) **Direct – No Intermediary:** This is a direct investment (i.e. you are not submitting this application through an Intermediary). Please sign and date section 8.

(ii) **Advised:** You have been advised on this investment by an Intermediary. Please ensure this section and section 10 are completed by your Intermediary. Please sign and date section 8.

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

£

(iii) **Execution only:** This investment is being processed through your Intermediary who is not providing you with advice – please leave the rest of this section blank and ensure this section and section 10 are completed by your Intermediary. Please sign and date section 8.

For execution only applications

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

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

Financial Intermediary Bank Details

Please provide details of your bank or building society so that any initial commission or Adviser Charges can be paid via BACS.

| | |
|--|--|
| Name of Bank or Building Society: | Account Name: |
| | Account No: <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> |
| Branch: | Sort Code: <input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> |
| Email address for commission statements: | |

10. Authorised Financial Intermediary's Declaration

By signing this form I HEREBY DECLARE THAT I have read the Terms and Conditions of Application set out on pages 43 to 45 of the Securities Note (and as further contained herein) and agree to be bound by them. I confirm that (i) I have the authority to sign this declaration on behalf of the financial Intermediary; and (ii) the amount(s) inserted in Section 9 (ii) and 9 (iii) (if applicable) has been agreed with my client. Where we have completed the Application Form on behalf of the Applicant, I can confirm that the Applicant has given us the authority to complete the form on their behalf and that the Applicant will be providing funds in respect of the application.

Signature (to be signed by the FCA Authorised Intermediary):

Capacity:

Date:

Please note that this Application Form is likely to be rejected if this box is not completed correctly and/or the signatory's capacity is not inserted.

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

Your completed Application Form, together with any cheque(s) or banker's draft(s) and, if necessary, the certified copy documents as set out in the Money Laundering Notice on pages 50 and 51 of the Securities Note, should be delivered to:

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

Any queries in respect of completion of this form please contact:

Tracey Nice
Investor Relations Support Manager
T: 0113 261 6478
E: tracey.nice@yfmeop.com
W: bscfunds.com

Link Asset Services
T: 0800 181 4729

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc

YFM Equity
Partners

5th Floor, Valiant Building
14 South Parade
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Telephone 0113 244 1000
Email info@yfmepl.com



RAM
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Promoter to the Offers
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