

# £30 million Joint Offer plus £5 million over-allotment facility

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

2018/19 Tax Year

**Total Return<sup>1</sup>**  
**9.1% BSC**  
**12.2% BSC2**

IRR excluding all tax reliefs over 10 years (based on share price total return)

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



Successful Private Equity Fund Manager<sup>2</sup>

Both VCTs are ranked in the top ten for share price total return over the last 10 years, as reported by the AIC<sup>3</sup>

*"YFM are one of the most established names in the VCT market. Some impressive recent exits, as well as their long track record show why they continue to appeal to investors."*

*MH Hudson Allenbridge VCT Report  
November 2018*

Strong demand for investment in the UK regions

**6 new investments and £20.3m invested** in the 18 months to 30 September 2018 and in the subsequent period to the date of this document

Strong pipeline of investment opportunities under review

<sup>1</sup> YFM internal calculation based on historical financial information.

<sup>2</sup> YFM Private Equity Limited ("YFM") is the investment adviser to the VCTs and is a wholly owned subsidiary of YFM Equity Partners LLP.

<sup>3</sup> Source VCT Generalist share price total return index compiled by the AIC.

## INTRODUCTION

The VCTs invest in growing businesses located in the UK regions. The improved economic climate has increased the demand for equity investment funds provided by Venture Capital Trusts. As a result of this the VCTs have deployed a total of £20.3m in the 18 months to 30 September 2018 and in the subsequent period to the date of this document and completed including 6 new investments.

To meet the growing demand for follow-on and new investment, the VCTs are seeking to raise £30 million of new investment funds, to take advantage of

the high level and quality of investment opportunities available throughout the UK regions.

### Successful private equity fund manager

YFM Private Equity Limited ("YFM"), a subsidiary of YFM Equity Partners LLP has a 35-year history of investing in growing businesses and has been managing and advising venture capital trusts since 1996. YFM's key strengths are its:

- **Highly experienced investment team:** 14 investment and portfolio staff spread across YFM's regional office network, with an average of 17-years' experience each
- **Strong levels of deal flow in the UK regions:** selectively choosing from over 400 investment opportunities each year

- **Active portfolio management style:** involved in setting strategy, strengthening management teams, evaluating acquisition opportunities and driving exit values

### Consistent track record of profitable realisations

The 35 VCT investments in unquoted companies realised over the last 15 years generated a total return of 2.6x cost, with over half of the exits producing a return of 2.0x cost or higher. For each of these investments, the chart below shows the average returns in each of the three year periods since 2004. [The type of investments now being made are different to some of those made historically].



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

## KEY RISKS

**This financial promotion is an advertisement, for information purposes and does not constitute the Prospectus relating to the Offers to subscribe for shares in BSC and BSC2 ("the VCTs") and it does not contain investment advice. You should only invest under the Offers on the basis of information contained in the VCT Offers Prospectus issued by the VCTs ("the VCT Offers Prospectus") which can be found at [www.bscfunds.com](http://www.bscfunds.com).**

The tax reliefs available are dependent on the VCTs maintaining HM Revenue & Customs approval and will also depend on

individual circumstances and on investors retaining their shares for a 5-year period.

Past performance is no guide to future performance and the value of an investment in the VCTs may go down as well as up and you may not get back the full amount invested. An investment in a Venture Capital Trust may be higher risk than investing in other securities listed on the London Stock Exchange official list. You should regard an investment in the VCTs as a long term investment. The VCTs invest in mostly unquoted companies which are small and which by their nature carry a heightened level of risk. In the past there has been limited liquidity in venture capital trust

shares listed on the London Stock Exchange. It may therefore be difficult to realise shares in the VCTs in the future and the share price may not reflect the underlying Net Asset Value. For a full list of risk factors, please see "Risk factors" on page 3 of the Securities Note, which together with the Registration Document and the Summary Document constitutes the VCT Offers Prospectus.

We recommend that you seek independent financial advice from an appropriately authorised independent financial adviser as to whether this investment is suitable for you as well as your personal entitlement to tax reliefs associated with the Offers.

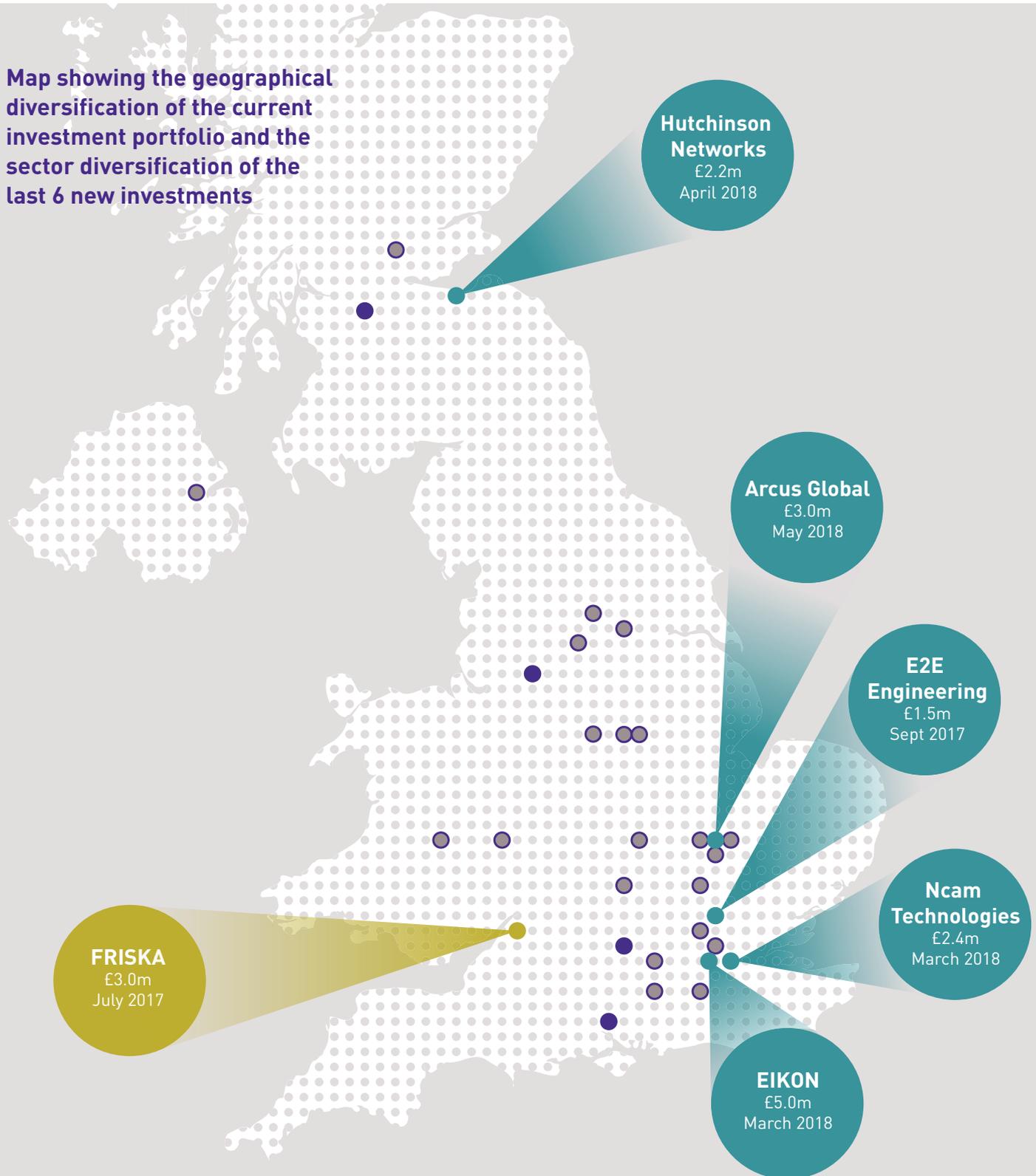
## STRONG DEMAND FOR INVESTMENT IN THE UK REGIONS

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 6 new investments
- Invested in aggregate a total of £20.3 million

- Post November 2015
- Pre November 2015
- Software, IT & Telecoms
- Retail & Brands

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



## WELL DIVERSIFIED AND MATURE PORTFOLIO

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

The average holding period for the 35 unquoted investments realised since 2004 was 7 years. Holding periods vary for each investment, with the determining factor based on maximising the return. The chart below sets out the age profile of the current combined portfolio of investments. The average holding period of the investment portfolio is almost 5 years.

### Dividend Re-investment Scheme ("DRIS")

Each of the VCTs operates a DRIS which provides investors a tax efficient way of building up their shareholding as an alternative to receiving dividends in cash.

- Tax free dividends are re-invested at a 5% discount to the most recent Net Asset Value
- Newly acquired shares attract 30% income tax relief

### Providing improved liquidity and buy-back policy

Both VCTs want to ensure that shareholders have some ability to realise their investment and to facilitate this they operate a share buy-back policy whereby shares are currently bought back at a 5% discount to Net Asset Value. This policy and the rate of discount are regularly reviewed.

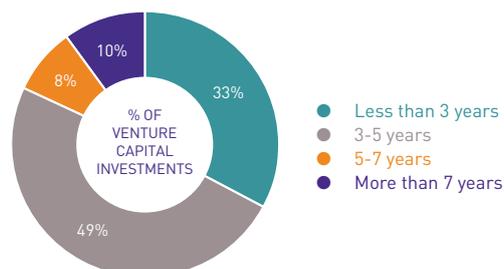
### New to Venture Capital Trusts?

VCTs offer significant tax benefits to investors which currently include:

- 30% income tax rebate on your investment (subject to your total income tax bill)
- Tax free dividends and capital distributions
- Exemption from capital gains tax on any capital on sale
- More information on Venture Capital Trusts can be found on the Association of Investment Companies website [www.theaic.co.uk](http://www.theaic.co.uk)

**Tax reliefs are subject to change. Please refer to your tax adviser or HM Revenue & Customs website for further guidance on Venture Capital Trust reliefs.**

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
Retail and Brands	9	10	9
Healthcare	8	8	8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>



**IMPORTANT NOTICE** An investment in British Smaller Companies VCT plc and British Smaller Companies VCT2 plc ("the VCTs") is suitable only for investors who are capable of evaluating the risks (see page 2) and merits of such an investment and who have sufficient resources to bear any loss which might arise. If you are in any doubt as to the action you should take, you should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000.

This document is an advertisement and is not a prospectus and any decision to invest in this product should be made on the basis of the information contained in the prospectus issued by British Smaller Companies VCT plc and British Smaller Companies VCT2 plc, which can be found on [www.bscfunds.com](http://www.bscfunds.com).

### OFFER DETAILS

<b>Closing date</b>	5 April 2019
<b>Offer size</b>	£30 million plus £5 million over-allotment facility
<b>Offer Price</b>	Calculated by reference to the most recently published Net Asset Value as set out in the Securities Note
<b>Minimum investment</b>	£3,000 (across both VCTs)
<b>Maximum investment</b>	£200,000 (per tax year)
<b>Existing Investors</b>	Existing investors are invited to take advantage of an exclusivity period until 4 January 2019, unless the Offer is fully subscribed earlier. New Investors will then be able to invest.
<b>Offer terms</b>	For full details of the Offer terms, please refer to the Securities Note

### OFFER DETAILS

For further details about the VCT Offer please speak to your financial adviser or contact Tracey Nice for a copy of the Securities Note.



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