



# British Smaller Companies VCT plc British Smaller Companies VCT2 plc

Offers for subscription for the tax year 2024/2025  
to raise up to £50 million, in aggregate, with an  
over-allotment facility of a further £25 million,  
in aggregate

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Transforming small businesses



## **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

This document, which comprises a prospectus relating to British Smaller Companies VCT plc (“BSC”) and British Smaller Companies VCT2 plc (“BSC2”) (BSC and BSC2 together the “Companies”) dated 17 October 2024, has been prepared in accordance with the Prospectus Regulations Rules Instrument 2019 made under Part VI of FSMA, and has been approved for publication by the Financial Conduct Authority as a prospectus under article 20 of the Prospectus Regulation.

The Companies and the Directors, whose names appear on pages 33 and 34 of this document, accept responsibility for the information contained herein. To the best of the knowledge of the Companies and the Directors, the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import. To the extent that information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors and the Companies are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

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

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

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



## British Smaller Companies VCT plc

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

## British Smaller Companies VCT2 plc

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

Prospectus relating to: Offers for subscription by British Smaller Companies VCT plc and British Smaller Companies VCT2 plc of New Shares to raise up to a maximum of £50 million, in aggregate, with an over-allotment facility of a further £25 million, in aggregate, payable in full in cash on application

### Sponsor:

Howard Kennedy Corporate Services LLP

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

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

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

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

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

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# Summary

## Introduction and Warnings

<b>Name and ISIN of Securities</b>	Ordinary shares of 10 pence each in the capital of British Smaller Companies VCT plc (“ <b>BSC</b> ”) (ISIN: GB0001403152) and ordinary shares of 10 pence each in the capital of British Smaller Companies VCT2 plc (“ <b>BSC2</b> ”) (ISIN: GB0005001796) (BSC and BSC2 together the “ <b>Companies</b> ”). At a general meeting of BSC2 to be held on 12 November 2024, a resolution will be proposed to reduce the nominal value of each issued fully paid up BSC2 ordinary share from 10 pence per Share to 0.01 pence per ordinary share.
<b>Identity and Contact Details of Issuer</b>	<p>BSC was incorporated and registered in England and Wales on 6 December 1995 as a public company limited by shares under the Companies Act 1985 with registered number 03134749 (LEI: 213800QXD4A9A3GGB469).</p> <p>BSC2 was incorporated and registered in England and Wales on 4 October 2000 as a public company limited by shares under the Companies Act 1985 with registered number 04084003 (LEI: 213800846X6PYSUG1328).</p> <p>The registered office of the Companies is at 4th Floor, 2 Bond Court, Leeds LS1 2JZ and they can be contacted at <a href="http://www.bscfunds.com">www.bscfunds.com</a> or by telephone on 0113 244 1000.</p>
<b>Competent Authority approving the Prospectus</b>	The Financial Conduct Authority, 12 Endeavour Square, London EC20 1JN, telephone 020 7066 1000.
<b>Date of Approval of the Prospectus</b>	17 October 2024.
<b>Warnings</b>	<p>This summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest in the securities should be based on a consideration of the Prospectus as a whole by the Investor.</p> <p>An Investor could lose all or part of their invested capital.</p> <p>Civil liability attaches only to those persons who have tabled this summary, but only where this summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid Investors when considering whether to invest in the New Shares.</p>

## Key Information on the Issuers

<b>Who is the Issuer of the Securities?</b>	
<b>Domicile and legal form</b>	<p>BSC is domiciled in England and was incorporated and registered in England and Wales on 6 December 1995 as a public company limited by shares under the Companies Act 1985 with registered number 03134749 (LEI: 213800QXD4A9A3GGB469).</p> <p>BSC2 is domiciled in England and was incorporated and registered in England and Wales on 4 October 2000 as a public company limited by shares under the Companies Act 1985 with registered number 04084003 (LEI: 213800846X6PYSUG1328).</p>

## SUMMARY

	The principal legislation under which the Companies operate is the Companies Act 2006 and the regulations made thereunder.																										
<b>Principal Activities</b>	The Companies' portfolios comprise predominantly established unquoted UK companies. The Companies invest across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.																										
<b>Major Shareholders</b>	The Companies are not aware of any person or persons who have, or who following the Offers will, or could have, directly or indirectly, voting rights representing 3 per cent or more of the issued share capital of the Companies or who can, or could following the Offers, directly or indirectly exercise control over the Companies. There are no different voting rights for any of the Companies' shareholders.																										
<b>Directors</b>	<p>The Directors of BSC (all of whom are non-executive) are:</p> <p>Rupert Cook (Chair) Adam Bastin Jonathan Cartwright Purvi Sapre</p> <p>The Directors of BSC2 (all of whom are non-executive) are:</p> <p>Barbara Anderson (Chair) Arif Ahmed Roger McDowell</p>																										
<b>Statutory Auditors</b>	The statutory auditor of the Companies is BDO LLP, 55 Baker Street, London W1U 7EU.																										
<b>What is the key financial information regarding the issuer?</b>	<table border="0"> <tr> <td></td> <td style="text-align: right; color: #0070C0;">Audited Financial Results for the Year Ended 31 March 2024</td> </tr> <tr> <td><b>BSC</b></td> <td></td> </tr> <tr> <td>Net assets (£'000)</td> <td style="text-align: right;">219,600</td> </tr> <tr> <td>Net asset value per BSC Share (p)</td> <td style="text-align: right;">83.6</td> </tr> <tr> <td>Net profit before taxation (£'000)</td> <td style="text-align: right;">10,618</td> </tr> <tr> <td>Earnings per BSC Share (p)</td> <td style="text-align: right;">4.34</td> </tr> <tr> <td>Dividend per BSC Share (p)</td> <td style="text-align: right;">4.0</td> </tr> <tr> <td>Total income before operating expenses (£'000)</td> <td style="text-align: right;">4,045</td> </tr> <tr> <td>Performance fee (accrued/paid) (£'000)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Investment management fee (accrued/paid) (£'000)</td> <td style="text-align: right;">3,179</td> </tr> <tr> <td>Any other material fees paid to service providers (£'000)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Total return after expenses and taxation (£'000)</td> <td style="text-align: right;">10,618</td> </tr> <tr> <td>Total return (p)</td> <td style="text-align: right;">262.5</td> </tr> </table>		Audited Financial Results for the Year Ended 31 March 2024	<b>BSC</b>		Net assets (£'000)	219,600	Net asset value per BSC Share (p)	83.6	Net profit before taxation (£'000)	10,618	Earnings per BSC Share (p)	4.34	Dividend per BSC Share (p)	4.0	Total income before operating expenses (£'000)	4,045	Performance fee (accrued/paid) (£'000)	-	Investment management fee (accrued/paid) (£'000)	3,179	Any other material fees paid to service providers (£'000)	-	Total return after expenses and taxation (£'000)	10,618	Total return (p)	262.5
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## SUMMARY

	Audited	Unaudited Financial Results for the Year Ended 31 December 2023	Unaudited Financial Results for the 6 months Ended 30 June 2024	Unaudited Financial Results for the 6 months Ended 30 June 2023
<b>BSC2</b>				
Net assets (£'000)		135,616	162,894	133,027
Net asset value per BSC2 Share (p)		59.3	57.50	57.95
Net profit (loss) before taxation (£'000)		6,691	(473)	253
Earnings (loss) per BSC2 Share (p)		3.08	(0.18)	0.12
Dividend per BSC2 Share (p)		5.25	1.5	3.75
Total income before operating expenses (£'000)		2,047	1,701	720
Performance fee (accrued/paid) (£'000)		1,601	-	1,180
Investment management fee (accrued/paid) (£'000)		2,147	1,186	1,001
Any other material fees paid to service providers (£'000)		-	-	-
Total return after expenses and taxation (£'000)		6,691	(473)	253
Total return (p)		145.55	145.25	142.7
<b>What are the key risks that are specific to the issuer?</b>	<p>Set out below is a summary of the most material risk factors specific to the Companies.</p> <p>There can be no guarantee that each Company's investment objective will be achieved or that suitable investment opportunities will be available.</p> <p>Investments in unquoted companies, by their nature, involve a higher degree of risk than investment in companies listed on the Official List.</p> <p>Despite a falling inflation rate in the first half of 2024, and wage inflation now being in excess of Consumer Price Index (CPI) inflation, market commentators anticipate that the cost of living crisis will continue to put pressure on customers and businesses in the near term, resulting in spending hesitancy. This may have an adverse impact on the performance of the Companies' portfolio investments, reducing their value, and in turn, the future investment returns of the Companies.</p> <p>Any change in government and/or of governmental, economic, fiscal, monetary or political policy (in particular government spending reviews and political party policies) may affect levels of unemployment, stock market volatility, consumer confidence and interest rates. There may also be an impact on these factors from global political instability, including current conflicts in Ukraine and the Middle East. Resultant negative impacts on these metrics may have an adverse impact on the performance of the Companies' portfolio investments, reducing their value, and in turn, the future investment returns of the Companies.</p> <p>Government policy uncertainty and continuing long term challenges for the UK economy, such as heightened trade barriers between the UK and EU, and continued low productivity growth due to low levels of public and private investment, may have an adverse effect on the future investment returns of the Companies.</p> <p>Future changes to UK tax rates and exemptions could impact the returns of the Companies. Potential adjustments to capital gains tax rates and pension tax reliefs may alter the attractiveness of the United Kingdom for establishing new businesses, reducing the volume of investment opportunities for the Companies.</p>			



## SUMMARY

	<p>The UK government may alter the financial benefits associated with an investment in VCTs, such as reducing the upfront income tax relief available on an investment into a VCT; removing the tax-free status of dividends; or removing the capital gains tax exemption available on disposal of shares in a VCT.</p> <p>Realisation of the Companies' investments may be difficult, and take time. There may also be constraints imposed on the realisation of investments in order to maintain the tax status of the Companies. These factors may affect the performance of the Companies. The valuation of each Company's portfolio and opportunities for realisation may also depend on stock market conditions.</p> <p>There can be no guarantee that the Companies will be able to maintain their venture capital trust ("VCT") status. If either Company fails to maintain approval as a VCT before qualifying investors have held their shares for five years, qualifying Investors' associated income tax relief will have to be repaid. In addition, dividends paid in an accounting period where VCT status is lost will become taxable and a liability to capital gains tax may arise on any subsequent disposal of shares. Where either Company's VCT status is not maintained, that Company will also lose its exemption from paying tax on capital gains tax.</p> <p>There is a risk that the Companies fail to comply with VCT rules, breach of which could result in the loss of VCT status by the Companies with a resultant clawback of VCT tax reliefs from investors. The VCT rules include:</p> <ul style="list-style-type: none"> <li>(i) a maximum age limit for investments (generally seven years from first commercial sale, or ten years for knowledge intensive companies), and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12 million, or £20 million for knowledge intensive companies);</li> <li>(ii) a prohibition on companies receiving VCT funds to use those funds to acquire existing shares, businesses or certain intangible assets;</li> <li>(iii) a "risk-to-capital" condition for VCT qualifying investments, designed to focus investments towards earlier stage, growing businesses, and away from investments which could be regarded as lower risk;</li> <li>(iv) a prohibition on VCTs making certain non-qualifying investments, including those which breach the "risk-to-capital" condition;</li> <li>(v) a requirement to comply with HM Revenue &amp; Custom's financial health requirement, as a result of which VCTs may not be able to follow on investments in portfolio companies which are (a) more than seven years old (or ten years if knowledge intensive companies); or (b) if their accumulated losses exceed half of the subscribed share capital. This may mean that there are fewer opportunities for investment and that the Companies may not be able to provide further investment funds for companies already in their portfolios. Breach of any of these conditions could result in the loss of VCT status by the Companies; and</li> <li>(vi) dividends (or other forms of distribution or payments made to investors) cannot be paid from capital within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Companies to fund dividends and share buybacks.</li> </ul>
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### Key Information on the Securities

<p><b>What are the main features of the securities?</b></p>	
<p><b>Type, class and ISIN of securities</b></p>	<p>BSC will issue new ordinary shares of 10 pence each under the Offers (ISIN: GB0001403152) and BSC2 will issue new ordinary shares of 10 pence each under the Offers (ISIN: GB0005001796) ("<b>New Shares</b>"). At a general meeting of BSC2 to be held on 12 November 2024, a resolution</p>

## SUMMARY

	<p>(the “Resolution”) will be proposed to reduce the nominal value of each issued fully paid up BSC2 ordinary share from 10 pence per Share to 0.01 pence per ordinary share. If the Resolution is passed BSC2 will issue new ordinary shares of 0.01 pence each under the Offers.</p>
<p><b>Currency, par value and number to be issued</b></p>	<p>The currency of the New Shares is Sterling. The New Shares to be issued by the Companies are ordinary shares of 10 pence each. If the Resolution is passed the New Shares to be issued by BSC2 will be ordinary shares of 0.01 pence each. The Companies will issue up to £50 million of New Shares, in aggregate, with an over-allotment facility for up to a further £25 million of New Shares, in aggregate.</p>
<p><b>Rights attaching to the securities</b></p>	<p><b>As Regards Income:</b> The holders of the Shares as a class shall be entitled to receive such dividends as the Directors resolve to pay.</p> <p><b>As Regards Capital:</b> On a return of capital on a winding up or on a return of capital (other than on a purchase by the Companies of their own shares) the surplus capital and assets shall be divided amongst the holders of Shares pro rata according to the nominal capital paid up on their respective holdings of Shares.</p> <p><b>As Regards Voting and General Meetings:</b> Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership, each holder of Shares present in person or by proxy shall on a poll have one vote for each Share of which he is the holder.</p> <p><b>As Regards Redemption:</b> The Shares are not redeemable.</p>
<p><b>Seniority of securities</b></p>	<p>The Shares that are the subject of the Offers will rank equally with the existing Shares in the event of an insolvency of the Companies.</p>
<p><b>Restrictions on the free transferability of the securities</b></p>	<p>There are no restrictions on the free transferability of the Shares.</p>
<p><b>Dividend policy</b></p>	<p>A venture capital trust must distribute by way of dividend such amount as to ensure that it retains not more than 15 per cent of its income from shares and securities in any one financial year. The Companies remain committed to the objective, over time, of paying tax free dividends from realised investment returns. This depends upon the level of investment income and realisations that the Companies are able to make or achieve in any one period and cannot be guaranteed.</p>
<p><b>Where will the securities be traded?</b></p>	<p>Applications have been made to the FCA for the New Shares issued pursuant to the Offers to be admitted to the Official List and will be made to the London Stock Exchange for the New Shares issued pursuant to the Offers to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that each such admission will become effective, and that dealings in those New Shares will commence, within ten business days of their allotment.</p>
<p><b>What are the key risks that are specific to the securities?</b></p>	<p><b>Set out below is a summary of the most material risk factors specific to the Shares</b></p> <p>The market price of the New Shares may not fully reflect their underlying net asset value. The value of an investment in the Companies, and the income derived from it, may go down as well as up. Venture capital trusts exist to address a market failure, providing funding where the risk profile of returns is not sufficient for there to be active market participants; an Investor may not get back the full amount invested, even taking into account the available tax reliefs.</p>

## SUMMARY

	<p>Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid.</p>
	<p>The disposal of New Shares within five years of their issue will result in some or all of the 30 per cent income tax relief available on investment becoming repayable.</p> <p>The Companies will only pay dividends on their Shares to the extent that they have distributable reserves and cash available for that purpose. A reduction in income received, or in capital gains realised, from the Companies' investments may adversely affect the dividends payable to Shareholders.</p>

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

<p><b>Under which conditions and timetable can I invest in this security?</b></p>	<p><b>Details of the Offer and Admission to Trading</b></p> <p>Up to £50 million of New Shares are being made available under the Offers, in aggregate, with an over-allotment facility for up to a further £25 million of New Shares, in aggregate. The maximum number of New Shares that may be issued under the Offers by BSC and BSC2 is 90 million and 120 million New Shares respectively and the maximum gross proceeds that either BSC or BSC2 can raise under the Offers is £75 million. The New Shares are payable by an applicant in full upon application. The Offers will close on 4 April 2025, or earlier if fully subscribed. The directors of the Companies reserve the right to close the Offers in respect of either Company earlier and to accept applications and issue New Shares at any time following the receipt of valid applications. Applications have been made to the FCA for the Shares issued pursuant to the Offers to be admitted to the Official List and will be made to the London Stock Exchange for the New Shares issued pursuant to the Offers to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admission will become effective and that trading will commence in respect of the New Shares within ten business days of their allotment.</p> <p><b>Pricing of the Offers</b></p> <p>The number of New Shares to be allotted under an Offer will be determined by the following formula:</p> <p><b><math>A - B - C - D + E</math></b></p> <p><b>NAV per Share</b> where:</p> <p>A is the subscription accepted under the relevant Offer ("<b>Offer Amount</b>"), including a pro-rata share between the Companies of any adviser charge that is facilitated by the Companies ("<b>Facilitated Fee</b>");</p> <p>B is the pro-rata share between the Companies of any Facilitated Fee (up to 4.5 per cent of the Offer Amount);</p> <p>C is the initial application fee of 3.0 per cent of the Offer Amount (3.5 per cent of the Offer Amount for applications received from applicants who have not invested their money through a financial intermediary/adviser and have invested directly into the Companies);</p> <p>D where applicable, is initial commission of 2.0 per cent of the Offer Amount payable to an execution-only broker or platform or an intermediary of a professional investor;</p>
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## SUMMARY

	<p>E where applicable, is the amount of initial commission waived by an execution-only broker or platform (up to a maximum of 2.0 per cent of the Offer Amount); and</p> <p>NAV per Share is the most recently published net asset value per Share of the relevant Company, adjusted for any subsequent dividends paid or declared (and in respect of which no adjustment has been made to that latest published NAV per Share).</p>
	<p>Applicants whose applications are accepted and contribute cleared funds to the first £25 million of subscriptions accepted under the Offers will receive additional New Shares equivalent to 0.125 per cent of their respective Offer Amounts. These additional New Shares will be paid for by YFM Private Equity Limited, the Companies' investment manager.</p> <p>To the extent possible, applicants will receive additional New Shares equivalent to receiving a return on funds awaiting allotment. The rate of return is aligned to the interest rate provided by the bank on funds awaiting allotment and is subject to change. The initial rate is anticipated to be equivalent to receiving a c.3.35 per cent per annum return on funds awaiting allotment, calculated by reference to the number of days between the acceptance of an application (including full receipt of cleared funds) and the date of allotment. The initial rate is provided by the Companies' receiving agent's banking provider and is subject to change.</p> <p>Each of the boards of the Companies may close the Offers in respect of its Company at any time and reserve the right to accept an application form and to allot and arrange the listing of New Shares in respect of applications received on or prior to the closing date of the Offers as they see fit.</p> <p><b>Dilution</b></p> <p>The existing issued BSC Shares will represent 84.9 per cent of the enlarged ordinary share capital of BSC immediately following the Offers, assuming the Offers are fully subscribed in both Companies, including the over-allotment facility, with subscriptions split as to 60 per cent/40 per cent as between BSC and BSC2 respectively at an Offer Price for BSC of 84.021p, and on that basis BSC shareholders who do not subscribe under the Offers will, therefore, be diluted by 15.1 per cent.</p> <p>The existing issued BSC2 Shares will represent 84.4 per cent of the enlarged ordinary share capital of BSC2 immediately following the Offers, assuming the Offers are fully subscribed in both Companies, including the over-allotment facility, with subscriptions split 60 per cent/40 per cent as between BSC and BSC2 respectively at an Offer Price for BSC2 of 57.732p, and on that basis BSC2 shareholders who do not subscribe under the Offers will, therefore, be diluted by 15.6 per cent.</p>
<p><b>Why is this prospectus being produced?</b></p>	<p>Each Company is a tax efficient listed company which aims to achieve long-term investment returns for private investors. Funds raised under the Offers will be utilised by each Company in accordance with its published investment policy, to maintain liquidity and to enable payment of costs without reducing the overall amounts currently available for investment. The Companies co-invest with each other and other funds managed by YFM Private Equity Limited, the Companies' Manager.</p> <p>The net aggregate proceeds of the Offers, assuming a £75,000,000 subscription (with the over-allotment facility fully utilised) and the maximum initial charge, will be £72,375,000. On these assumptions and assuming a split of subscription monies as to 60 per cent to BSC and 40 per cent to BSC2, the net proceeds will be £43,425,000 and £28,950,000 for BSC and BSC2 respectively.</p> <p>The Offers are not subject to an underwriting agreement.</p> <p>No conflict of interest is material to the Offers.</p>

# Part 1

## Risk Factors

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

### Risk factors relating to the Shares

The market price of the New Shares may not fully reflect their underlying Net Asset Value. The value of an investment in the Companies, and the income derived from it, may go down as well as up. VCTs exist to address a market failure, providing funding where the risk profile of returns is not sufficient for there to be active market participants; an Investor may not get back the full amount invested, even taking into account the available tax reliefs.

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

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

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

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

### Risk factors relating to the Companies

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

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

Despite a falling inflation rate in the first half of 2024, and wage inflation now being in excess of Consumer Price Index (CPI) inflation, market commentators anticipate that the cost of living crisis will continue to put pressure on customers and businesses in the near term, resulting in spending hesitancy. This may have an adverse impact on the performance of the Companies' portfolio investments, reducing their value, and in turn, the future investment returns of the Companies. Any change in government and/or of governmental, economic, fiscal, monetary or political policy, in particular government spending reviews and political party policies may affect levels of unemployment, stock market volatility, consumer confidence and interest rates. There may also be an impact on these factors from global instability, including current conflicts in Ukraine and the Middle East. Resultant negative impacts on these metrics may have an adverse impact on the performance of the Companies' portfolio investments, reducing their value, and in turn, the future investment returns of the Companies.

Government policy uncertainty and continuing long term challenges for the UK economy, such as heightened trade barriers between the UK and EU, and continued low productivity growth due to low levels of public and private investment, may have an adverse effect on the future investment returns of the Companies.



## PART 1

Future changes to UK tax rates and exemptions could impact the returns of the Companies. Potential adjustments to capital gains tax rates and pension tax reliefs may alter the attractiveness of the United Kingdom for establishing new businesses, reducing the volume of investment opportunities for the Companies.

The UK government may alter the financial benefits associated with an investment in VCTs, such as reducing the upfront income tax relief available on an investment into a VCT; removing the tax-free status of dividends; or removing the capital gains tax exemption available on disposal of shares in a VCT.

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

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

There is a risk that the Companies fail to comply with VCT rules, breach of which could result in the loss of VCT status by the Companies with a resultant clawback of VCT tax reliefs from investors. The VCT rules include:

- i) a maximum age limit for companies receiving investments from VCTs (generally seven years from first commercial sale or ten years for Knowledge Intensive Companies), and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12 million, or £20 million for Knowledge Intensive Companies);
- (ii) a prohibition on companies receiving VCT funds to use those funds to acquire existing shares, businesses or certain intangible assets;
- (ii) a "risk-to-capital" condition for Qualifying Investments, designed to focus investments towards earlier stage, growing businesses, and away from investments which could be regarded as lower risk;
- (iv) a prohibition on VCTs making certain non-Qualifying Investments, including those which breach the "risk-to-capital" condition;
- (v) a requirement to comply with HMRC's financial health requirement, as a result of which VCTs may not be able to follow on investments in portfolio companies which are (a) more than seven years old (or ten years if Knowledge Intensive Companies) or (b) if their accumulated losses exceed half of the subscribed share capital. This may mean that there are fewer opportunities for investment, and that the Companies may not necessarily be able to provide further investment funds for companies already in their portfolios; and
- (vi) dividends (or other forms of distribution or payments made to investors) cannot be paid from capital within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Companies to fund dividends and share buybacks.

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

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

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

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

# General

## FORWARD-LOOKING STATEMENTS

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

## GOVERNING LAW

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

## NON-MAINSTREAM POOLED INVESTMENT STATUS AND UK MIFID LAWS

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

## WEBSITES

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

## WITHDRAWAL

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

# Timetable, Key Offers Information, Application Procedures and Costs of the Offers

## Timetable

Offers open	<b>17 October 2024</b>
Applications processed	<b>24 October 2024</b>
Deadline for receipt of Application Forms and cleared funds*	<b>Close of business on 28 March 2025</b>
Closing of the Offers*	<b>On or before 4 April 2025</b>
First allotment of up to £25,000,000	<b>After 1 January 2025 and on or before 31 January 2025</b>
Second and final allotment*	<b>After 28 March 2025 and on or before 4 April 2025</b>
Allotment letters and tax certificates issued by email or post	<b>Within 3 Business Days following allotment</b>
Share certificates (where applicable) issued by post	<b>Within 10 Business Days following allotment</b>
Financial Intermediary payments issued by BACS	<b>Within 5 Business Days following allotment</b>
Dealings commence	<b>Within 10 Business Days following allotment</b>

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

## Key Offers Information

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

	<b>BSC</b>	<b>BSC2</b>
Maximum amount raised	<b>£45,000,000</b>	<b>£30,000,000</b>
Offer Price	<b>84.021p</b>	<b>57.732p</b>
Maximum number of New Shares to be allotted	<b>53,558,282</b>	<b>51,964,285</b>

\* Assuming a NAV per Share for BSC and BSC2 of 81.6p and 56.0p respectively, that the Offers are fully subscribed, including the over-allotment facility, an allocation of 60 per cent to BSC and 40 per cent to BSC2 and that all Applications are made through a Financial Adviser without a Facilitated Fee and do not benefit from an Initial Application Fee discount.

## Costs of the Offers

The number of New Shares allotted in respect of the Offers will be calculated on the basis of the “Pricing Formula” as set out on page 36.

Minimum individual Application under the Offers (including any Facilitated Fee)	<b>£6,000</b>
Initial Application Fee*	<b>3 per cent</b>
Initial commission payable to execution only platforms or brokers	<b>2 per cent</b>
Aggregate net proceeds of the Offers**	<b>£71,250,000</b>

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

\*\* Assuming that the Offers are fully subscribed, including the over-allotment facility, that all Applications, which do not benefit from an Initial Application Fee discount, are made through execution-only platforms or brokers and that no initial commission is waived.



## TIMETABLE, KEY OFFERS, INFORMATION, APPLICATION PROCEDURES AND COSTS OF THE OFFERS

Applicants whose Applications are accepted and contribute cleared funds to the first £25 million of subscriptions accepted under the Offers will receive additional New Shares equivalent to 0.125 per cent of their respective Offer Amounts. These additional New Shares will be paid for by YFM Private Equity Limited, the Companies' Manager.

To the extent possible, Applicants will receive additional New Shares equivalent to receiving a return on funds awaiting allotment. The rate of return is aligned to the interest rate provided by the bank on funds awaiting allotment and is subject to change. The initial rate is anticipated to be equivalent to receiving a c.3.35 per cent per annum rate of return on funds awaiting allotment, calculated by reference to the number of days between the acceptance of an Application (including full receipt of cleared funds) and the date of allotment. The initial rate is provided by the Receiving Agent's banking provider and is subject to change.

### Application Procedures

The terms and conditions of an Application under the Offers are set out in Part 10 of this document. The Application Form, together with notes on how to complete an Application Form, can be found on the Companies' website. Applications under the Offers will be accepted on a "first-come, first-served" basis, subject always to the discretion of the relevant Board. For these purposes, **"first-come, first served" shall be assessed based on the date and time of receipt of a fully completed Application, subject to receipt of Application monies (in full, including those making multiple payments) in cleared funds by the earlier of an Offer deadline or within five Business Days from receipt of Application to retain the Applicant's position of priority.** If Application monies are not received within such time, the relevant date and time shall be when the Applicant's Application monies are received in cleared funds. An Application may not be considered as "complete" until identity verification is completed and/or, where relevant, information or supporting evidence required for the Application is no longer outstanding. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the Application monies or, as the case may be, the unused balance thereof in excess of £2.00 will be returned as soon as possible (without interest) by BACS to each relevant Applicant (or their nominee), at the risk of the person(s) entitled thereto.

# Part 2

## Letter from the Chairs

### Directors:

#### BSC

Rupert Cook (Chair)  
Adam Bastin  
Jonathan Cartwright  
Purvi Sapre

### Registered Office:

4th Floor  
2 Bond Court  
Leeds  
LS1 2JZ

#### BSC2

Barbara Anderson (Chair)  
Roger McDowell  
Arif Ahmed

4th Floor  
2 Bond Court  
Leeds  
LS1 2JZ

17 October 2024

Dear Shareholder/Investor

We are delighted to announce and invite you to subscribe in the new Offers for BSC and BSC2.

The Companies are raising up to £50 million, with an over-allotment facility to raise, in aggregate, up to a further £25 million. The Boards may use the over-allotment facility in whole or in part at any time in the duration of the Offers, depending on investor appetite and anticipated investment deployment.

The last fundraise proved popular, with the Companies raising gross proceeds of £90 million in aggregate.

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

Despite a challenging macro environment in recent years, with higher levels of inflation and interest rates, the majority of the Companies' portfolio businesses have shown resilience in their trading and continued to deliver growth. In the 10 year period from 1 July 2014 to 30 June 2024, the Companies have generated Total Return increases of 68.3 per cent (BSC) and 64.2 per cent (BSC2) compared to their respective opening net asset values. During the same period the FTSE Small Cap rose by 51.4 per cent. The comparative performances over 1, 3, 5 and 10 years are shown in the table below.

	BSC	BSC2	FTSE Small Cap
1 year	4.5%	4.4%	10.4%
3 years	19.0%	16.1%	-8.4%
5 years	57.9%	50.3%	20.8%
10 years	68.3%	64.2%	51.4%

Demand for growth capital has been increasing, in recent years, as evidenced by investments totalling £39.2 million made in the year to 30 September 2024, following the £43.2 million invested in the previous 12 months. The fundraising will allow the Companies to continue to broaden the portfolio; provide further funding for existing investee companies to accelerate their growth plans; and facilitate the ongoing operation of the Companies.

The Companies are seeking to raise, in aggregate, up to £75 million before expenses, with an initial offer of £50 million. This can be extended by up to £25 million through an over-allotment facility at the discretion of each of the Boards. The maximum number of New Shares that may be issued under the Offers by BSC and BSC2 is 90 million and 120 million New Shares respectively and the maximum gross proceeds that either BSC or BSC2 can raise under the Offers is £75 million. The funds raised under the Offers will be utilised by each Company in accordance with its investment policy, to maintain liquidity, enable the Companies to buy back shares for Shareholders who wish to sell, seeking to deliver attractive returns for shareholders, including the payment of dividends over the medium term and to enable payment of costs.

## PART 2

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

Assuming 53,558,282 New Shares are issued by BSC at an illustrative Offer Price of 84.021p (as set out on page 37) and assuming 51,964,285 New Shares are issued by BSC2 at an illustrative Offer Price of 57.732p (as set out on page 37), the New Shares will comprise approximately 17.7 per cent and 18.4 per cent of the current Shares in issue of BSC and BSC2 respectively.

Please note that only Application Forms completed online or returned by post/hand/email to the Receiving Agent will be accepted. The minimum individual subscription in aggregate has been set at £6,000 (including any Facilitated Fee).

Should you wish to participate in the Offers, we would encourage you to do so online and by bank transfer. By doing so, you not only reduce the Offers' carbon footprint but expedite the processing time of your Application and payment.

Potential Investors should consult their professional or Financial Advisers before deciding whether and, if so, how much they should invest under the Offers. Should you have any administrative questions concerning the application procedures please contact the Receiving Agent on 01484 240 910 (Monday to Friday excluding public holidays, 9.00 am - 5.30 pm) or at [bscfunds@city.uk.com](mailto:bscfunds@city.uk.com). No investment, financial or tax advice can be given by YFM or the Receiving Agent. If you are in any doubt, you should consult your independent Financial Adviser.

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

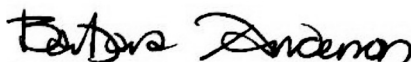
We very much look forward to welcoming participation from you and thank you for your continued support.

Yours faithfully



**Rupert Cook**  
Chair

British Smaller Companies VCT plc



**Barbara Anderson**  
Chair

British Smaller Companies VCT2 plc

# Part 3

## Key Investment Highlights

### 3.1 Attraction of Venture Capital Trusts

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

- > As the size of some Venture Capital Trusts has become larger, their investment portfolios have become more diversified and mature, helping to mitigate the overall level of risk.
- > The increased scale of the larger Venture Capital Trusts has helped reduce the annual running costs per share of those entities.
- > Access to a portfolio of higher risk, unquoted growth-orientated investments that have achieved long-term growth in prior periods.
- > Investment in shares which:
  - 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 returns<sup>1</sup>

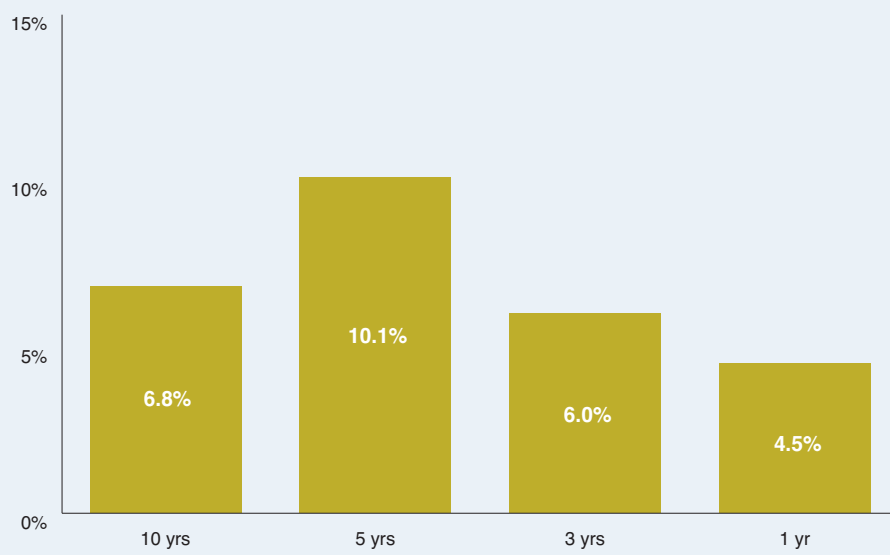
- > The BSC VCTS are among the most consistent performers in respect of net asset value plus cumulative dividends paid ("NAV Total Return") of all generalist VCTs that have a 10 year track record.
- > The graphs below reflect the Companies' most recent published financial information to 30 June 2024.



<sup>1</sup> Source: VCT Generalist NAV Total Return index compiled from Morningstar by the AIC as at 19 September 2024 – total return percentage over the period in question, assuming reinvested dividends

**BSC2**

Annualised rate of return over 10, 5, 3 and 1 year periods to 30 June 2024



Excluding all tax reliefs

- > BSC and BSC2 competitive ongoing costs.
  - The ongoing costs for BSC for the year ended 31 March 2024 were 1.85 per cent of the average NAV and for BSC2 for the year ended 31 December 2023 were 2.14 per cent of the average NAV.
- > Companies' long track record.
  - The last 40 investments in unquoted companies realised by the Companies to 30 June 2024 generated an average total return of 2.3x cost.
- > Strong demand for investment which aligns to YFM's strong regional footprint.
  - The Companies have made investments totalling £39.2 million in the 12 months to 30 September 2024, which compares to £43.2m for the comparable period to 30 September 2023.
- > Broad portfolio of investments.
  - 42 investments at 30 June 2024, with 71 per cent of the combined portfolio valuation being held for more than three years.
  - Investments held across a broad range of sectors, with Data accounting for 28 per cent of the combined portfolio value at 30 June 2024, Application Software 25 per cent and Tech-enabled Services a further 18 per cent.
  - Average holding period of the investment portfolio is approximately 6.2 years.
- > Dividend Re-investment Scheme and Share buy-back programme.

### 3.3 YFM Private Equity

YFM has been investing in growing businesses for over 40 years and has been managing Venture Capital Trusts since 1996. YFM currently manages eight funds, which it is managing under delegation. On behalf of the Companies, YFM will be pursuing an active investment strategy. Since 30 September 2013 YFM has been owned by its management team. YFM's Executive Chair, David Hall, has been responsible for YFM as Manager or investment adviser of the Companies since 2003. YFM benefits from:

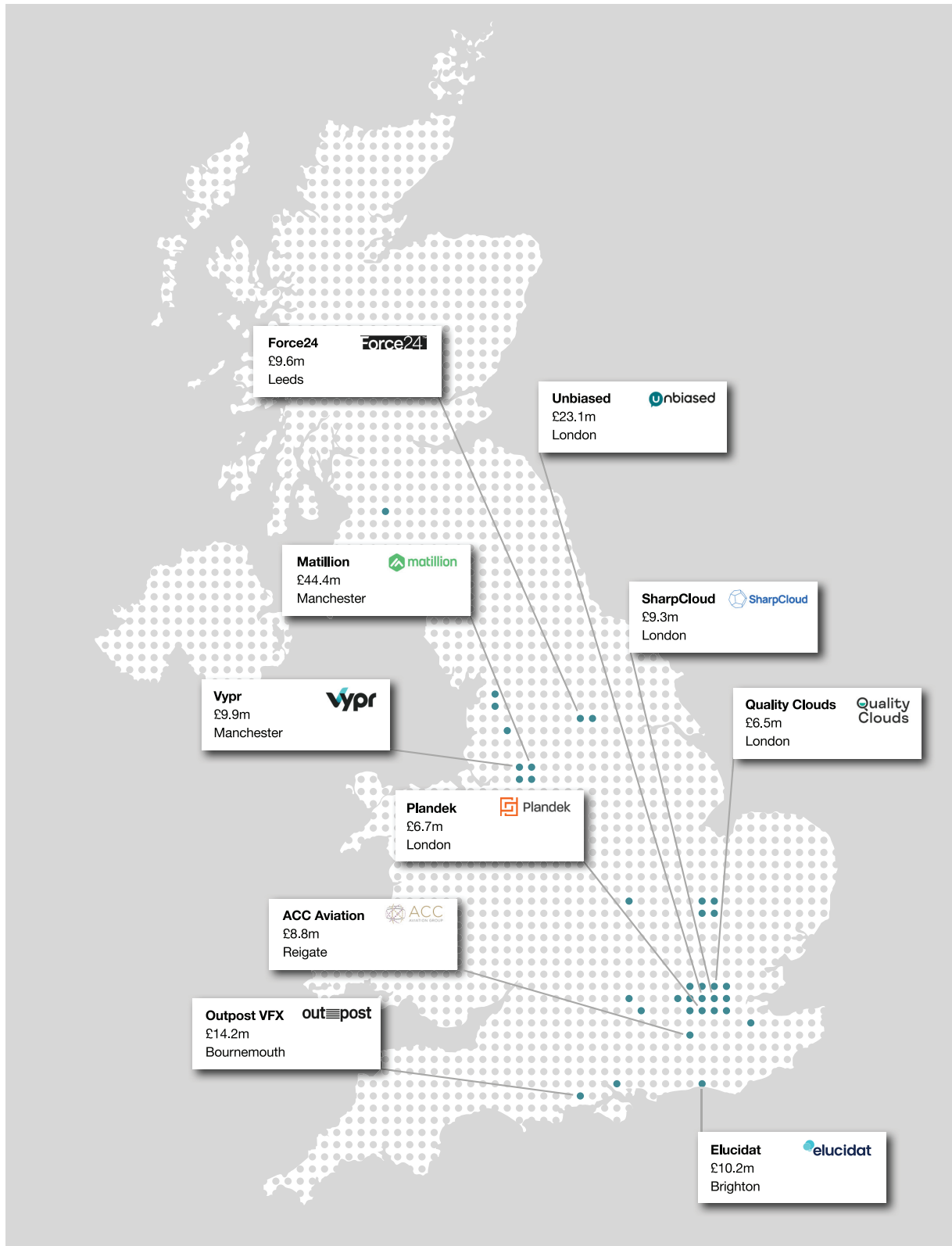
- > Highly experienced and one of the UK's largest VCT Investment Teams – 40 investment and portfolio staff spread across YFM's five regional offices with an average of nine years' experience each, whose combined experience aligns with the published investment policy of the Companies.
- > Experienced board and management team with significant experience in investment management throughout their careers, further broadened and strengthened in 2023 and 2024 in line with YFM's continued growth.
- > Strong levels of deal flow in the UK regions - selectively choosing from around 500 investment opportunities each year generated by YFM's regional office network and strong ties with the local corporate finance community.
- > Active portfolio management - through a combination of YFM involvement and non-executive director board representation, YFM is actively involved in setting strategy, strengthening management teams, improving management performance, evaluating acquisitions and driving exit values.

### 3.4 Consistent successful track record of realisations

The last 40 investments in unquoted companies realised by the Companies to 30 June 2024 generated an average total return of 2.3x cost.

### 3.5 Strong demand for investment in the UK regions

The map below shows the geographical diversification of the investment portfolio as at 30 June 2024.



## PART 3

### 3.6 Strong historical performance

#### *Dividend yield per annum*

The table below sets out the dividend yield\* for the three years and five years to 30 June 2024.

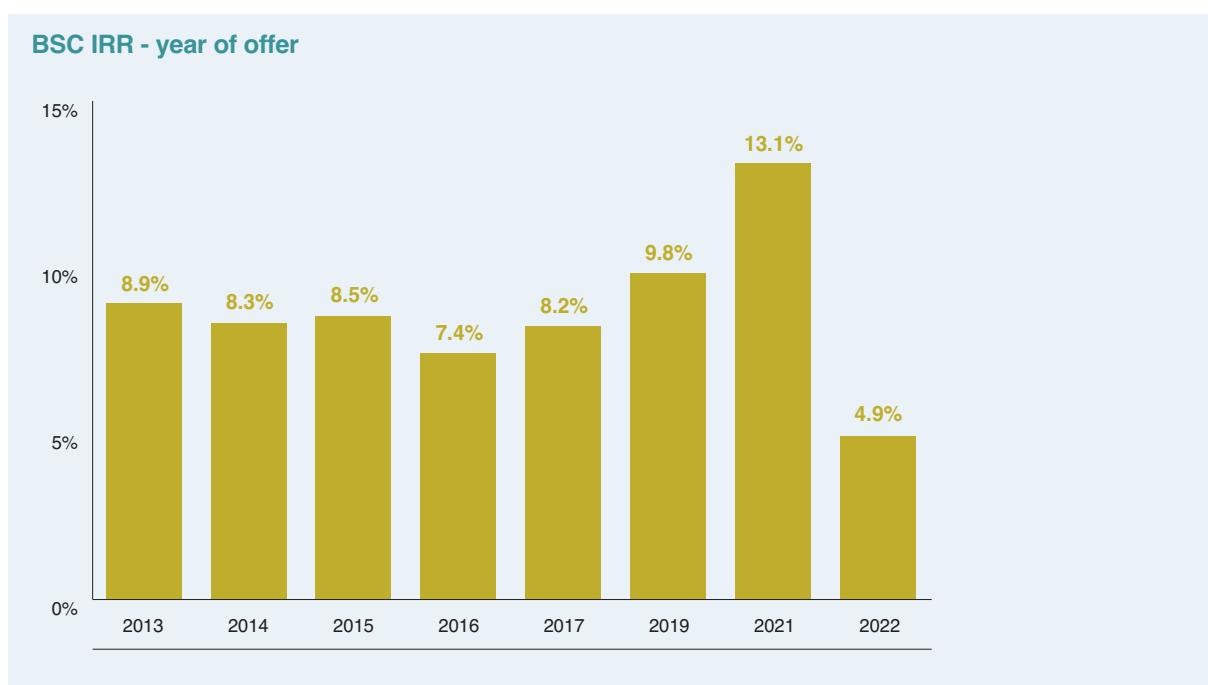
	3 years	5 years
<b>BSC</b>	8.1%	7.8%
<b>BSC2</b>	8.5%	8.5%

\* Dividend yield is the average dividends in the period as a % of the opening Net Asset Value

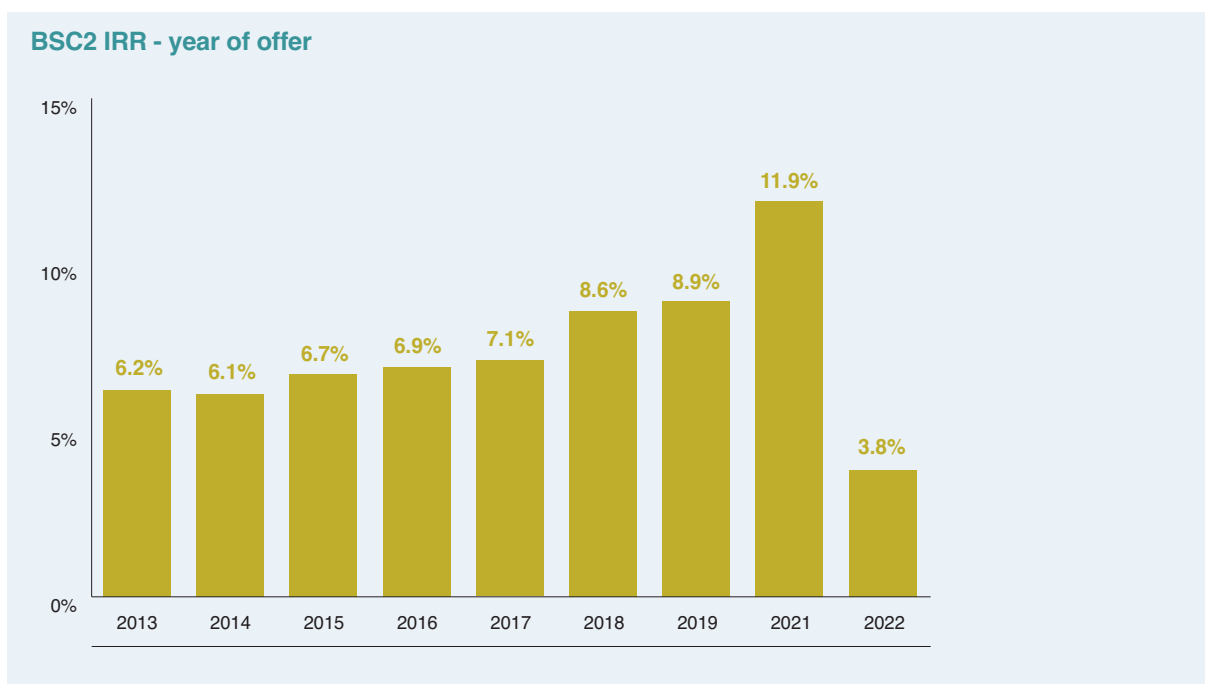
#### *Total Return by offer*

Since December 2005, BSC and BSC2 have operated a common investment strategy. The returns from each Company's offers for the last ten years are set out in the graphs below.

Note: There were no fundraisings in 2020 and it is too soon to give meaningful refunds for the fundraisings in 2023 and 2024.







IRR is the unaudited annual rate of return that equates the cost at the date of the original investment, with the value of subsequent dividends plus the 30 June 2024 Net Asset Value per Share. This excludes the benefit of any initial tax relief.

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

### 3.7 Broad and maturing portfolio

The Companies invest across a range of sectors, with the analysis as at 30 June 2024 set out in the tables below.

#### All investments

Sector	% of venture capital investments by value		
	BSC	BSC2	Combined
Data	27	29	28
Application Software	26	25	25
Tech-enabled Services	18	18	18
New Media	9	8	9
Cloud & DevOps	9	9	9
Business Services	6	5	5
Retail & Brands	4	4	4
Advanced Manufacturing/Other	1	2	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

As at 30 June 2024, the average holding period for the last 40 unquoted investments realised by the Companies was 7.4 years. Holding periods vary from investment to investment, but the determining factor is based on maximising the return from each investment.

PART 3

The table below sets out the age profile of the combined portfolio of investments by value. As at 30 June 2024, the average holding period of the investment portfolio is approximately 6.2 years.

	% of venture capital investments by value of venture capital investments				Total
	< 1 year	1-3 years	3-5 years	5+ years	
Combined	7%	22%	30%	41%	100%

The investment portfolios as at 30 June 2024 are summarised below (all in £'000):

Investee company (All in £000)	Sector	BSC		BSC2		Combined		Cumulative % of net assets by value
		Carrying cost*	Valuation	Carrying cost*	Valuation	Carrying cost*	Valuation	
<b>Unquoted Investments</b>								
Matillion Limited	Data	1,778	24,076	1,456	20,337	3,234	44,413	10.7
Unbiased EC1 Limited	Tech-enabled Services	5,596	13,889	3,731	9,260	9,327	23,149	16.3
Outpost VFX Limited	New Media	5,750	8,506	3,833	5,671	9,583	14,177	19.7
Elucidat Ltd	Application Software	4,260	6,106	2,840	4,070	7,100	10,176	22.1
Vypr Validation Technologies Limited	Tech-enabled Services	3,300	5,947	2,200	3,963	5,500	9,910	24.5
Force24 Ltd	Application Software	3,900	5,781	2,600	3,854	6,500	9,635	26.8
SharpCloud Software Limited	Data	3,577	5,565	2,385	3,711	5,962	9,276	29.1
ACC Aviation Group Limited	Business Services	220	5,299	145	3,547	365	8,846	31.2
Plandek Limited	Cloud & DevOps	3,540	4,043	2,360	2,696	5,900	6,739	32.8
Quality Clouds Limited	Cloud & DevOps	3,916	3,930	2,610	2,619	6,526	6,549	34.4
Summize Limited	Application Software	2,550	3,741	1,700	2,493	4,250	6,234	35.9
DrDoctor (trading as ICNH Ltd)	Application Software	3,565	3,565	2,377	2,377	5,942	5,942	37.3
Workbuzz Analytics Ltd	Application Software	2,577	3,558	1,718	2,372	4,295	5,930	38.8
Traveltek Group Holdings Limited	Application Software	1,716	3,324	1,163	2,598	2,879	5,922	40.2
AutomatePro Limited	Cloud & DevOps	2,225	3,518	1,483	2,344	3,708	5,862	41.6
<i>Largest 15 unquoted venture capital investments</i>		<b>48,470</b>	<b>100,848</b>	<b>32,601</b>	<b>71,912</b>	<b>81,071</b>	<b>172,760</b>	<b>41.6</b>
Other unquoted venture capital investments		37,985	33,886	29,966	24,266	67,951	58,152	55.6
<b>Total unquoted venture capital investments</b>		<b>86,455</b>	<b>134,734</b>	<b>62,567</b>	<b>96,178</b>	<b>149,022</b>	<b>230,912</b>	<b>55.6</b>
Cash and cash equivalents		114,097	114,097	64,440	64,440	178,537	178,537	98.6
Other assets		3,664	3,664	2,276	2,276	5,940	5,940	100.0
<b>Net assets</b>		<b>204,216</b>	<b>252,495</b>	<b>129,283</b>	<b>162,894</b>	<b>333,499</b>	<b>415,389</b>	<b>100.0</b>

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

### 3.8 Tax benefits to Investors

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

- > 30 per cent income tax relief on an individual's investment (subject to a minimum five year period of retention and also an individual's 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 5. Investors are recommended to consult with their independent Financial Adviser as to the taxation consequences of their investment in a Venture Capital Trust. In addition, the availability of tax reliefs depends on the Companies maintaining their Venture Capital Trust qualifying status.

### 3.9 Providing improved liquidity and buy-back policy

To facilitate liquidity in the secondary market for their Shares, the Companies operate an active Share buy-back policy, whereby Shares are bought back by the Companies, at a discount to Net Asset Value. This policy and the rate of discount applied to Shares bought back are regularly reviewed. The current discount rate applied by both Companies is targeted to be no more than 5 per cent.

### 3.10 Dividends and Dividend Re-investment Schemes

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

The Companies each currently operate a Dividend Re-investment Scheme, providing Shareholders with the opportunity to reinvest the cash dividends paid by the Companies through the issue of new Shares. It is expected that the first applicable dividend in relation to which the Schemes will operate for the New Shares will be the first dividend paid after 5 April 2025 by BSC and BSC2 respectively. Shareholders whose New Shares are allotted in the proposed January 2025 allotment may have the opportunity to participate at an earlier date. Currently, Shareholders whose dividends are re-invested under the Schemes receive Shares at the latest reported Net Asset Value as at the date the dividend is paid (adjusted for the relevant dividend if this Net Asset Value does not already recognise the dividend). Whilst the Schemes can be withdrawn at any time, the Directors have no plans to do so.

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

Shareholders wishing to participate in the Schemes should complete the appropriate box in Section 5 of the Application Form, having read and understood the terms and conditions of the Schemes, which are set out on pages 85 to 88.

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

### 3.11 Practices and operations

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

The Manager is responsible for the sourcing and screening of investment opportunities, carrying out due diligence investigations and making submissions to the Boards regarding potential investments. Post investment, the Manager works with the businesses and management teams in which the Companies are invested, monitoring progress, effecting change and, where applicable, redefining strategies with a view to maximising values through structured exit processes. The majority of new investments are now self-assured on a case-by-case basis and always with confirmation from professional advisors that they are Qualifying Investments. Advance assurance is sought where there is an element of uncertainty over the application of the rules.

Each Board reserves the right to take all investment and divestment decisions except in the making of certain investments up to £250,000 in companies whose shares are to be traded on AIM and where the decision is required urgently, in which case the Chair, or, in the case of BSC, the Chair of the BSC investment committee if appropriate, may act in consultation with the Manager, albeit the Companies do not currently hold any investments in companies whose shares are traded on AIM and have no intention of making such investments at the current time.

The BSC Investment Committee is authorised to make investment decisions (including new investment, further investment, variation and realisation decisions) on behalf of the BSC Board. The Manager is authorised to approve follow-on investment decisions of up to £1,000,000 (on a combined BSC / BSC2 basis) for well-performing investments.

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

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

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

### 3.12 Committees

#### *Audit & Risk Committees*

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

#### *Nominations and Remuneration Committee*

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

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

Jonathan Cartwright is the Chair of BSC's combined nominations and remuneration committee and Barbara Anderson is the Chair of BSC2's combined nominations and remuneration committee. In considering appointments to the Boards, the committees dealing with nominations take into account the ongoing requirements of the Companies and the need to have a balance of skills and experience on the Boards.

#### *Allotment Committees*

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

#### *Investment Committee*

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

### **3.13 Custody arrangements**

Pursuant to a depositary agreement dated 19 September 2023 (the "Depositary Agreement") between the Companies, Thompson Taraz Depositary Limited (the "Depositary") and the Manager, the Depositary provides oversight duties including overseeing the safekeeping of the Company's investments (including all financial instruments and any other assets that the Company may invest in). Pursuant to the Depositary Agreement, each Company's investments will be held in the name of the Company, or in the name of the Manager, on behalf of the Company.

# Part 4

## The Offers

### 4.1 Introduction to the Offers

The Offers are seeking to raise £50 million, in aggregate, through the issue of new Shares in each of the Companies. If the Offers are oversubscribed, they may be increased at the discretion of the Companies by a further £25 million, in aggregate. The maximum number of New Shares that may be issued under the Offers by BSC and BSC2 is 90 million and 120 million New Shares respectively and the maximum gross proceeds that either BSC or BSC2 can raise under the Offers is £75 million. Investors will have the option to invest in either of the Companies or in any proportion in a combination of the two. The Prospectus assumes Application Amounts will be split 60 per cent into BSC and 40 per cent into BSC2 in accordance with the basis for allocation when the Companies co-invest. The minimum Application Amount accepted under the Offers is £6,000 (including any Facilitated Fee).

### 4.2 Investment Strategy

The Companies seek to build a broad portfolio of investments in early-stage companies focused on growth, with the aim of spreading the maturity profiles and maximising return, as well as ensuring compliance with the VCT Regulations.

The Companies predominantly invest in unquoted smaller companies and expect that this will continue to make up the significant majority of the portfolio. They will also retain holdings in cash or near-cash investments to provide a reserve of liquidity which will maximise the Companies' flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

Unquoted investments are structured using various investment instruments, including ordinary preference shares, convertible securities and very occasionally loan stock, to achieve an appropriate balance of income and capital growth, having regard to the VCT Regulations. The portfolio is diversified by investing in a broad range of industry sectors. The normal investment period into the portfolio companies is expected to be typically between the range of five to seven years.

### 4.3 Investment Policy

The investment policy of both Companies is as follows:

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

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

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

#### *Borrowing*

The Company does not borrow and has no borrowing facilities, choosing to fund investments from its own resources.

#### *Co-investment*

The Companies typically co-invest in investments, allocating such investments 60 per cent to BSC and 40 per cent to BSC2. Each Company has discretion as to whether or not to take up or, where the other Company does not take up its allocation, increase its allocation in such co-investment opportunities. The Companies may invest alongside co-investment funds managed by YFM. The Companies have first priority on all equity investment opportunities meeting the VCT qualifying criteria. Non-VCT qualifying investments are allocated to YFM's co-investment funds.

#### *Asset mix*

Cash which is pending investment in VCT-qualifying securities is held in money market funds and interest bearing instant access and short-notice bank accounts.

#### 4.4 VCT Regulations

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

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

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

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

#### 4.5 Co-investment policy

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

#### 4.6 The Investment Team

##### *David Hall – Executive Chair*

- > Chair of YFM's Investment Committee
- > Over 35 years of private equity, venture capital and fund management experience
- > Has led YFM since 2003
- > Economics graduate and Chartered Accountant, qualifying with PwC

##### *Eamon Nolan – Director – Managing Director*

- > Leads the Executive team
- > Previously Head of Investor Relations
- > Over 25 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 eight years in their Small and Medium Investments team

##### *David Bell – Director – Head of Portfolio*

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



*Marcus Karia – Director - CFO*

- > Responsible for YFM's financial and operational affairs
- > Over 15 years of private equity and venture capital experience
- > Previously roles at Aris Bioscience plc, a London Stock Exchange firm, Bridges Fund Management, a leading impact investor, and LDC, the private equity arm of Lloyds Bank
- > First class degree in Economics from the University of Nottingham. Qualified as a chartered accountant at PwC

*Ian Waterfield – Director – Chief Operating Officer*

- > Responsible for scaling internal processes and driving key operational changes within YFM
- > Over 20 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

*Jamie Roberts – Director – Chief Investment Officer*

- > Leads the Investments team across the UK
- > Over ten years of private equity, venture capital and fund management experience
- > Joined YFM in 2012, prior to which spent eight years working in Corporate Banking for two UK clearing banks
- > BA in Banking and Finance from the University of Wales

*Jen Townshend – Chief Compliance & HR Officer*

- > Leads the compliance, Risk & HR strategy across the business
- > Over 15 years of experience within investment fund risk and compliance
- > Joined YFM in 2022
- > LLB in Law from the University of Reading

*Steve Harrison – Head of Portfolio (North)*

- > Leads the Portfolio team in the North
- > Over 15 years of private equity, venture capital and fund management experience
- > Joined YFM in 2017, prior to joining YFM spent eight years in investing roles in private equity and eight years in Corporate Finance with Arthur Andersen and Ernst & Young
- > Chartered Accountant with a BA Hons degree in Economics

*Charlie Winward – Head of Portfolio (South)*

- > Leads the Portfolio team in the South
- > Over 15 years of private equity, venture capital and fund management experience
- > Joined YFM in 2022, previously with JP Morgan, IP Group plc and NVM Private Equity
- > Chartered Financial Analyst (CFA): Engineering degree from Bristol University, MBA from University of California



## 4.7 The investment process

The Manager assesses investment opportunities by reference to a wide range of factors to ensure that investments are appropriate for each Company's investment strategy. Whilst the due diligence and assessment process can differ depending on the stage and sector of each business, it would typically include:

- > Initial screening: each prospective investment will initially be assessed by the Investment Team. If it does not meet the investment criteria, it will not be considered further.
- > Investee company assessment: the Investment Team work to understand the investee company's senior management team and culture at the company. This will always include numerous meetings with the management team.
- > Peer review: the wider investment team, including the Manager's investment approvals committee ("Investment Approvals Committee") members, review the opportunity and consider and challenge the investment case.
- > Due diligence: early-stage opportunities are first subject to in house due-diligence; as the process develops and, following agreement of heads of terms with the investee company, third party experts are often commissioned. Due diligence may include financial, commercial, technology, legal and others as necessary.
- > Investment Approvals Committee: all investments must be approved by the Investment Approvals Committee. The committee will consider various factors including, but not limited to, the strength of management team, potential return, output from due diligence, the suitability of the investment in line with each Company's investment policy and ESG factors.
- > Board approval: Once approved by the Investment Approvals Committee, the opportunity must be approved by the BSC investment committee (comprising of Directors of BSC) and/or the BSC2 Board; these parties will consider the same factors as the Investment Approvals Committee.
- > An investment proposal can be rejected at any stage up to and including the BSC/BSC2 Board approval stage.

## 4.8 Directors

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

### BSC

- > **Rupert Cook** *Chair* (appointed to the Board 1 August 2017, took over the role of Chair on 16 September 2022) specialises in strategy and corporate development, with 30 years' experience of technology companies, including 20 years in corporate finance and investment. He has led multiple fundraisings, acquisitions and sales of technology businesses as well as having co-founded and built up his own consultancy and training business through to sale to a UK plc. Earlier in his career, he was a senior manager at Cap Gemini plc, Director of Advisory Services at Interregnum plc and Head of Technology M&A at goetzpartners corporate finance. As well as being an active angel investor, both in the UK and the US, Rupert is currently a non-executive director of Immersive Labs Ltd and Censornet Ltd.
- > **Adam Bastin** *Chair of the Investment Committee* (appointed 11 September 2019) is currently EVP, Strategy & Corporate Development of Francisco Partners backed Keyloop, an automotive technology company, where he is responsible for strategic direction as well as the acquisition and integration of complementary businesses. Prior to that, Adam held the equivalent role at TA Associates-backed Unit4, an ERP software vendor and before that spent eight years leading acquisition and investments at Arm Limited, the world's largest semiconductor IP company. Previously Adam worked at BT Group and spent ten years in investment banking. Adam therefore brings a well-developed network in the technology sector in the UK and internationally, and brings a wealth of experience of investing in, acquiring and selling smaller companies. Adam is an experienced M&A, corporate finance and investment professional, a qualified management accountant (CIMA), and has served on the boards of various early-stage technology companies.
- > **Jonathan Cartwright** *Chair of the Audit & Risk Committee* (appointed 1 October 2019) is a chartered accountant with significant experience of the VCT and investment trust sectors. He is a former Chair of Mobeus Income & Growth 4 VCT plc and of CT UK Capital and Income Investment Trust PLC.

- > **Purvi Sapre** (appointed 6 June 2022) is currently Chief Investment Officer of Sustainable Development Capital LLP, the Investment Manager of SDCL Energy Efficiency Income Trust plc “SEEIT”. She is also the fund manager for SEEIT and is a member of the Investment Committees across SDCL’s funds. Purvi has over 20 years’ investment experience in the UK and international capital markets, investing on behalf of debt, equity and impact investment funds, including in energy efficiency and renewable energy projects, across a range of financing structures.

## BSC2

- > **Barbara Anderson** *Chair* (appointed 1 October 2020), took over the role of Chair on 13 June 2024 is an experienced Non-Executive Director and Chair who has worked extensively with SMEs, third sector and PLCs in regulated sectors, international private companies and venture capital specialists. Amongst other roles, Barbara is currently Chair of the Energy Saving Trust, Independent Board Member and Chair of Audit & Risk at Smart DCC Ltd and Non-Executive and Chair of the People and Remuneration Committee at British Business Bank plc. Her expertise includes innovation for growth and sustainability including ESG, strategic planning, start-up acceleration and business transformation.
- > **Arif Ahmed** (appointed 13 June 2024) is a serial entrepreneur and private equity investor in technology, e-commerce, B2B media and healthcare companies. Early in his career he co-founded, grew and exited a software company that scaled a NHS proof-of-concept pilot into a multi-year government contract covering over 1m NHS staff. He now advises family offices and private equity firms on their healthcare and technology investments. Past roles include turnaround CEO of an inventory management software company, operating partner at a PE firm, lead at a NHS venture capital firm and Chair of a healthcare software buy-and-build. He is currently a non-executive advisor at GV Healthcare, deputy Chair at PHL Group and partner at Greystoke Advisory Services.
- > **Roger McDowell** *Chair of the Audit & Risk Committee* (appointed 6 March 2019) has considerable experience as a Chair and Non-Executive Director of a wide range of technology, business services and manufacturing businesses. Following the flotation of his family’s business and subsequent trade sale, he began his plural career in 2000, when he took board roles in three private equity backed technology businesses. He is Chair of Hargreaves Services Plc, Avingtrans Plc, Flowtech Fluidpower Plc and Brand Architects Group Plc and Non-Executive Director of Tribal Group Plc and Proteome Sciences Plc. Roger is Chair of the Audit & Risks Committee at Proteome Sciences.

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

	Name	Present aggregate Shareholding
<b>BSC</b>	Rupert Cook	196,540
	Adam Bastin	13,247
	Jonathan Cartwright	26,494
	Purvi Sapre	7,028
<b>BSC2</b>	Barbara Anderson	619,754
	Roger McDowell	837,259
	Arif Ahmed*	-

\* Arif Ahmed was appointed as a Director of BSC2 on 13 June 2024 after the close of BSC2’s last offer for subscription

#### 4.9 Terms of the Offers

The Offers are to raise up to £50 million, in aggregate, and if they are oversubscribed, they may be increased by a further £25 million, in aggregate, at the discretion of the Companies. The maximum number of New Shares that may be issued under the Offers by BSC and BSC2 is 90 million and 120 million New Shares respectively and the maximum gross proceeds that either BSC or BSC2 can raise under the Offers is £75 million. In the event that Applications are received in excess of the maximum subscription under the Offers, the Directors reserve the right to use their absolute discretion in the allocation of successful Applications. There is a minimum subscription of £6,000 (including any Facilitated Fee) in aggregate under the Offers. The New Shares will rank *pari passu* with existing Shares. There is no maximum amount that can be subscribed under the Offers. However, prior to subscribing to the Offers, Investors may wish to consider that, as detailed in Part 5 of this document, tax reliefs are restricted to a maximum VCT allowance, in all VCTs in any single tax year, of £200,000 (including shares issued under a DRIS) per Qualifying Investor.

The results of the Offers will be announced through a Regulatory Information Service within three Business Days of the closing of the Offers. Subject to the Offers remaining open for both Companies, Investors will have the option to invest 60 per cent in BSC and 40 per cent in BSC2 or in any proportion in a combination of the two. In the event that one of the Offers for which an Applicant has applied has closed or is fully subscribed by the time the Application is processed, the Applicant may elect to reallocate the Application to the remaining Offer or to have the Application in respect of the closed/fully subscribed Offer returned to them.

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

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

The Offers open on 17 October 2024 and will close no later than 4 April 2025, or earlier should the Offers become fully subscribed. The deadline for receipt of Application Forms and cleared funds is the close of business on 28 March 2025, subject to the Offers not being fully subscribed prior to this date. The first allotment of up to £25m of New Shares will be made after 1 January 2025 and on or before 31 January 2025 and the second and final allotment under the Offers will be made after 28 March 2025 and on or before 4 April 2025. The Directors may, at their discretion, make allotments of New Shares at any time prior to the close of the Offers. Details of such allotments will be announced through a Regulatory Information Service provider by no later than the Business Day following the allotment.

## 4.10 Pricing of the Offers

### *Pricing Formula*

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

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

<b>NAV per Share</b>	where:
A	is the subscription accepted under the relevant Offer, including a pro-rata share between the Companies of any Facilitated Fee ("Offer Amount");
B	is the pro-rata share between the Companies of any Facilitated Fee (up to 4.5 per cent of the Offer Amount);
C	is the Initial Application Fee of 3.0 per cent of the Offer Amount (3.5 per cent of the Offer Amount for Applications received from Applicants who have not invested their money through an Intermediary/Financial Adviser and have invested directly into the Companies);
D	where applicable, is initial commission of 2.0 per cent of the Offer Amount payable to an execution-only broker or platform or an Intermediary of a professional investor;
E	where applicable, is the amount of initial commission waived by an execution-only broker or platform (up to a maximum of 2.0 per cent of the Offer Amount); and
NAV per Share	NAV per Share is the most recently published NAV per Share of the relevant Company, adjusted for any subsequent dividends paid or declared (and in respect of which no adjustment has been made to that latest published NAV per Share).

Applicants whose Applications are accepted and contribute cleared funds to the first £25 million of subscriptions accepted under the Offers will receive additional New Shares equivalent to 0.125 per cent of their respective Offer Amounts. These additional New Shares will be paid for by YFM Private Equity Limited, the Companies' Manager.

To the extent possible, Applicants will receive additional New Shares equivalent to receiving a return on funds awaiting allotment. The rate of return is aligned to the interest rate provided by the bank on funds awaiting allotment and is subject to change. The initial rate is anticipated to be equivalent to receiving a c.3.35 per cent per annum rate of return on funds awaiting allotment, calculated by reference to the number of days between the acceptance of an Application Form (including full receipt of cleared funds) and the date of allotment. The initial rate is provided by the Receiving Agent's banking provider and is subject to change.

The number of New Shares to be issued by each Company under the Offers will be rounded down to the nearest whole number (fractions of New Shares will not be allotted). If there is a surplus of funds from an Application Amount, the balance will be returned (without interest) by BACS transfer; save where the amount is less than £2.00, in which case it will be retained by the relevant Company.

Where Applicants have provided an e-mail address in their Application, the Receiving Agent will send the Applicant a link to the Application tracking service where the Applicant, if accepted, can obtain their allotment letter and income tax relief certificate within three Business Days of the allotment. Share certificates will follow by post within ten Business Days. Where Applicants have not provided an e-mail address, the Receiving Agent will despatch to Applicants whose Applications are accepted, within ten Business Days of the allotment date, an allotment letter, a share certificate and an income tax relief certificate.

As at the date of this Document the most recently published (unaudited) NAVs were 83.5p and 57.50p for BSC and BSC2 respectively, being the unaudited NAVs as at 30 June 2024 for BSC and BSC2 respectively. Since 30 June 2024, BSC paid an interim dividend of 2.0p per BSC Share on 26 July 2024 and BSC2 has declared a further interim dividend of 1.5p per BSC2 Share, which will be paid on 1 November 2024. New Shares issued under the Offers will not be eligible for any of the above dividends.

The maximum aggregate amount to be raised by the Companies under the Offers, including the over-allotment facility, is £75 million. For illustrative purposes, assuming New Shares are issued at an illustrative Offer Price of 84.021p and 57.732p for BSC and BSC2 respectively (as set out on page 37), the maximum number of New Shares that will be issued under the Offers by BSC and BSC2, assuming a 60 per cent/40 per cent split between BSC and BSC2 respectively, is 53,558,282 New Shares and 51,964,285 New Shares by BSC and BSC2 respectively (although the actual number of New Shares that will be issued by each of the Companies will depend on the Offer Prices which could be higher or lower than the illustrative Offer Prices of 84.021p and 57.732p).

## PART 4

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

### Illustrative Offer Prices

An illustration of the application of the Pricing Formula based on the most recently published (unaudited) NAVs as at 30 June 2024 of 83.5p and 57.50p for BSC and BSC2 respectively (and in the case of BSC adjusting for the interim dividend of 2.0p per BSC Share that was paid on 26 July 2024 and in the case of BSC2 adjusting for the interim dividend of 1.5p per BSC2 Share that will be paid on 1 November 2024), assuming a full subscription, including the over-allotment facility, and a 60 per cent/40 per cent split between BSC and BSC2 respectively, is set out below.

### BSC

	Direct	Through a Financial Advisor, no Facilitated Fee	Through a Financial Advisor, Facilitated Fee of 2%	Execution only platform or broker, 2% initial commission waived	Execution only platform or broker, no initial commission waived
Maximum amount raised	£45,000,000	£45,000,000	£45,000,000	£45,000,000	£45,000,000
Facilitated Fee	-	-	(£900,000)	-	-
Initial Application Fee (3.0 per cent – Direct 3.5 per cent)	(£1,575,000)	(£1,350,000)	(£1,350,000)	(£1,350,000)	(£1,350,000)
Initial commission (2 per cent)	-	-	-	(£900,000)	(£900,000)
Initial commission waived	-	-	-	£900,000	-
Net amount invested	£43,425,000	£43,650,000	£42,750,000	£43,650,000	£42,750,000
NAV per BSC Share	81.5p	81.5p	81.5p	81.5p	81.5p
Number of Shares issued	53,282,208	53,558,282	52,453,987	53,558,282	52,453,987
Illustrative Offer Price *	84.456p	84.021p	85.789p	84.021p	85.789p

### BSC2

	Direct	Through a Financial Advisor, no Facilitated Fee	Through a Financial Advisor, Facilitated Fee of 2%	Execution only platform or broker, 2% initial commission waived	Execution only platform or broker, no initial commission waived
Maximum amount raised	£30,000,000	£30,000,000	£30,000,000	£30,000,000	£30,000,000
Facilitated Fee	-	-	(£600,000)	-	-
Initial Application Fee (3.0 per cent – Direct 3.5 per cent)	(£1,050,000)	(£900,000)	(£900,000)	(£900,000)	(£900,000)
Initial commission (2 per cent)	-	-	-	(£600,000)	(£600,000)
Initial commission waived	-	-	-	£600,000	-
Net amount invested	£28,950,000	£29,100,000	£28,500,000	£29,100,000	£28,500,000
NAV per BSC2 Share	56.00p	56.00p	56.00p	56.00p	56.00p
Number of Shares issued	51,696,428	51,964,285	50,892,857	51,964,285	50,892,857
Illustrative Offer Price *	58.031p	57.732p	58.947p	57.732p	58.947p

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

## PART 4

### Illustrative share allotments

Set out below is an illustration of the number of New Shares that would be allotted for an Application of £10,000, based on the illustrative Offer Prices on page 37. Where applicable these examples assume no Initial Application Fee discount, a Facilitated Fee of 0.5 per cent or 2 per cent, 2 per cent of the initial commission is waived by the financial Intermediary and no initial commission is waived by the financial Intermediary.

#### BSC

	Direct	Through a Financial Advisor, no Facilitated Fee	Through a Financial Advisor, Facilitated Fee of 0.5%	Through a Financial Advisor, Facilitated Fee of 2%	Execution only platform or broker, 2% initial commission waived	Execution only platform or broker, no initial commission waived
Application Amount	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000
Facilitated Fee	-	-	(£50)	(£200)	-	-
Initial Application Fee	(£350)	(£300)	(£300)	(£300)	(£300)	(£300)
Initial commission	-	-	-	-	(£200)	(£200)
Initial commission waived	-	-	-	-	£200	-
Amount invested	£9,650	£9,700	£9,650	£9,500	£9,700	£9,500
NAV per BSC Share	81.5p	81.5p	81.5p	81.5p	81.5p	81.5p
Illustrative number of New Shares to be allotted	11,840	11,901	11,840	11,656	11,901	11,656
Illustrative Offer Price as set out on page 37	84.456p	84.021p	84.456p	85.789p	84.021p	85.789p

#### BSC2

	Direct	Through a Financial Advisor, no Facilitated Fee	Through a Financial Advisor, Facilitated Fee of 0.5%	Through a Financial Advisor, Facilitated Fee of 2%	Execution only platform or broker, 2% initial commission waived	Execution only platform or broker, no initial commission waived
Application Amount	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000
Facilitated Fee	-	-	(£50)	(£200)	-	-
Initial Application Fee	(£350)	(£300)	(£300)	(£300)	(£300)	(£300)
Initial commission	-	-	-	-	(£200)	(£200)
Initial commission waived	-	-	-	-	£200	-
Amount invested	£9,650	£9,700	£9,650	£9,500	£9,700	£9,500
NAV per BSC2 Share	56.00p	56.00p	56.00p	56.00p	56.00p	56.00p
Illustrative number of New Shares to be allotted	17,232	17,321	17,232	16,964	17,321	16,964
Illustrative Offer Price as set out on page 37	58.031p	57.732p	58.031p	58.947p	57.732p	58.947p



#### 4.11 Costs of the Offers

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

Applicants whose Applications are accepted and contribute cleared funds to the first £25 million of subscriptions accepted under the Offers will receive additional New Shares equivalent to 0.125 per cent of their respective Offer Amounts. These additional New Shares will be paid for by YFM Private Equity Limited, the Companies' Manager.

To the extent possible, Applicants will receive additional New Shares equivalent to receiving a return on funds awaiting allotment. The rate of return is aligned to the interest rate provided by the bank on funds awaiting allotment and is subject to change. The initial rate is anticipated to be equivalent to receiving a c.3.35 per cent per annum rate of return on funds awaiting allotment, calculated by reference to the number of days between the acceptance of an Application (including full receipt of cleared funds) and the date of allotment. The initial rate is provided by the Receiving Agent's banking provider and is subject to change.

##### *Initial Application Fee*

The Initial Application Fee is 3.0 per cent of the Application Amount (3.5 per cent for Applications received from Applicants who have not invested their money through an Intermediary/Financial Adviser and have invested directly into the Companies) and is paid by the relevant Company to the Manager. Assuming gross proceeds of £75 million are raised under the Offers from Applicants investing through Intermediaries/Financial Advisers, that those proceeds are allocated 60 per cent to BSC and 40 per cent to BSC2 and that none of the Applications benefit from an Initial Application Fee discount, the Initial Application Fee payable by BSC will be £1,350,000, which represents 0.6 per cent of BSC's net assets as shown in its audited financial statements for the year ended 31 March 2024 and the Initial Application Fee payable by BSC2 will be £900,000, which represents 0.6 per cent of BSC2's net assets as shown in its unaudited financial statements for the 6 months ended 30 June 2024. In consideration, the Manager has agreed to meet the costs associated with the Offers, including any additional New Shares issued on the first £25 million of subscriptions, save for commissions payable to Intermediaries, on behalf of the Companies and the Manager will, therefore, be responsible for all of these costs.

##### *Commissions*

Commission is permitted to be paid to Intermediaries in certain limited circumstances, such as in respect of execution only clients (where no advice or personal recommendation has been added) or where the Intermediary has demonstrated that the Investor is a professional client of the Intermediary. Those Intermediaries that are permitted to receive commission will receive an initial commission of 2.0 per cent of the amount invested by their clients under the Offers. Intermediaries may waive, in full or in part, the initial commission in favour of New Shares for the Applicant. Provided that the Companies agree to pay trail commission, that the Intermediary continues to act for the Investor and that the Investor continues to be the beneficial owner of the New Shares, subject to applicable laws and regulations the Intermediary can be paid total trail commission of up to 2.5 per cent in aggregate of their client Investors' Application Amount, paid as 0.5 per cent per annum over a period of up to five years. Trail commission in respect of the Offers will be paid annually (commencing in 2026) by the relevant Company.

Where initial commission is payable the Intermediary may agree to waive all or part of the initial commission in respect of an Application. If this is the case, the commission waived will be added to the amount subscribed and New Shares will be allotted to the Investor at the relevant Offer Price. Intermediaries must indicate on the Application Form the basis on which they wish to receive their commission.

Assuming the costs of the Offers are 5.0 per cent of the gross proceeds of the Offers and that all Applications are made through execution only brokers and no execution only commission is waived, the net proceeds of the Offers for each of the Companies, assuming a full subscription, including the over-allotment facility, and a 60 per cent/40 per cent split between BSC and BSC2 respectively, would be £42,750,000 and £28,500,000 for BSC and BSC2 respectively.

##### *Adviser Charges*

The Companies have agreed to facilitate the payment of one-off Adviser Charges (up to 4.5 per cent of the Offer Amount), by accepting instructions from an Investor to deduct the amount of the fee agreed by them with their

Financial Adviser, from the amount they send to the Companies. Ongoing fees to Intermediaries will not be facilitated by the Companies. The amount of any Facilitated Fee to be facilitated in this manner should be specified in Section 8 of the Application Form, and the Facilitated Fee will be paid to the relevant Financial Adviser on behalf of the Applicant from an equivalent amount due to the Applicant from the Companies. The Investor will be issued fewer New Shares (to the equivalent value of the Facilitated Fee) as set out on page 38. Where the Facilitated Fee stated on the Application Form is exclusive of VAT, the Investor may remain liable for the VAT element thereof.

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

#### *Advising ordinary retail Investors*

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

#### *Application procedure*

You may complete and submit your Application Form online at [bscfunds@city.uk.com](mailto:bscfunds@city.uk.com). A blank Application Form can be found on the Companies' website together with explanatory notes.

Applications under the Offers will be accepted on a "first-come, first-served" basis, subject always to the discretion of the relevant Board. For these purposes, **"first-come, first served" shall be assessed based on the date and time of receipt of a fully completed Application, subject to receipt of Application monies (in full, including those making multiple payments) in cleared funds by the earlier of an Offer deadline or within five Business Days from receipt of Application to retain the Applicant's position of priority.** If Application monies are not received within such time, the relevant date and time shall be when the Applicant's Application monies are received in cleared funds. An Application may not be considered as "complete" until identity verification is completed and/or, where relevant, information or supporting evidence required for the Application is no longer outstanding. Investors are encouraged to submit their Application Forms early in order to be confident that their Application will be successful.

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

The Terms and Conditions of Application for the New Shares under the Offers are set out on pages 85 to 88 of this Prospectus. By signing the Application Form, Investors will be declaring that they have read the Terms and Conditions of Application and agree to be bound by them. Prior to completing an Application Form, Investors are advised to read the notes on how to complete the Application Form.

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

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

Alternatively, you may complete and return your Application by email to [bscfunds@city.uk.com](mailto:bscfunds@city.uk.com).

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

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



## 4.12 Annual charges

### *Management and administration*

#### **BSC**

The annual fee for the twelve months to 31 March 2024 was £3,179,000, equal to 1.68 per cent of the average NAV.

The annual fee payable to the Manager is calculated as 1.0 per cent on all surplus cash, defined as all cash above £7.5 million. The annual fee on all other assets is 2.0 per cent per annum. This is calculated half yearly at 31 March and 30 September.

The Manager also provides and procures the provision of secretarial and administration services to BSC. The Manager receives an annual accounting and secretarial fee, index linked, which is currently £89,000, equal to 0.05 per cent of the average NAV.

#### **BSC2**

The annual fee for the twelve months ending 31 December 2023 was £2,147,000, equal to 1.76 per cent of the average NAV.

The annual fee payable to the Manager is calculated as 1.0 per cent on all surplus cash, defined as all cash above £5 million. The annual fee on all other assets is 2.0 per cent per annum. This is calculated half yearly at 30 June and 31 December.

The Manager also provides and procures the provision of secretarial and administration services to BSC2. The Manager receives an annual accounting and secretarial fee, index linked, which is currently £90,000, equal to 0.07 per cent of the average NAV.

### *Performance fee*

#### **BSC**

A performance incentive fee is payable subject to BSC achieving a target level of Total Return (the “BSC Total Return Hurdle”) and dividend (“BSC Dividend Hurdle”). Subject to meeting the BSC Total Return Hurdle, the Manager will receive an amount equivalent to 20 per cent of the amount by which dividends paid per BSC Share exceeds the BSC Dividend Hurdle, multiplied by the number of BSC Shares in issue at the year end. The incentive fee in any financial year will be subject to a cap if the excess of dividends paid over the BSC Dividend Hurdle is greater than the sum of the excess of the BSC Total Return over the BSC Total Return Hurdle divided by 1.2. With effect from 31 March 2019 the BSC Total Return Hurdle was 228.6 pence per BSC Share and the annual increase is equivalent to 4.0 pence per BSC Share, as increased or decreased by the percentage increase or decrease (if any) in RPI from 1 April 2009. For the year ended 31 March 2024 the annual increase in the BSC Total Return Hurdle was 7.0 pence per BSC Share.

The BSC Dividend Hurdle was originally 4.0 pence per BSC Share (increasing in line with RPI) from 1 April 2009. For the year ended 31 March 2024 the BSC Dividend Hurdle was 7.0 pence per BSC Share.

## PART 4

The incentive fee payable for the year ended 31 March 2024 was calculated as follows:

Total Return Hurdle (p)	265.50
Actual Total Return per BSC Share before incentive fee (p)	262.50
Shortfall over Total Return Hurdle (p)	(3.00)
Dividend Hurdle (p)	7.00
Actual Dividends per BSC Share (p)	4.00
Shortfall over Dividend Hurdle (p)	(3.00)
Lower excess of the two hurdles (p)	-
Fee impact reduction (divide by 1.2) (p)	-
Performance fee per BSC Share at 20% of adjusted excess (p)	-
Number of BSC Shares in issue ('000)	262,659
<b>Incentive fee payable (£'000)</b>	<b>-</b>

The BSC Total Return Hurdle for the year ending 31 March 2025 is 272.75 pence per BSC Share. The BSC Dividend Hurdle is 7.25 pence per BSC Share.

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

The amount of the incentive payment paid to the Manager for any one year shall, when taken with all other relevant costs, ensure that BSC's total costs in a single year do not exceed 5 per cent of net assets. Any excess over the 5 per cent is carried forward to be included in the calculation of the amount that can be paid in future years. Except with shareholder approval the maximum fee payable in any 12 month period will not exceed £7.5 million.

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

## BSC2

Prior to 22 April 2024 the subscription rights agreement set out in paragraph 6.8 of Part 7 of this prospectus (the "Subscription Rights Agreement") provided that a performance incentive fee is payable when the aggregate of cumulative dividends paid or payable as at the last Business Day in December each year and the average of the middle market price per BSC2 Share on the five Business Days prior to that day, exceeds 120 pence per BSC2 Share (the "BSC2 Hurdle"). The fee is 20 per cent of the excess over this amount multiplied by the number of BSC2 Shares in issue and the BSC2 Shares under option (if any). Once the BSC2 Hurdle has been exceeded it is reset at that value going forward, which becomes the new BSC2 Hurdle. The fee is payable in cash or BSC2 Shares granted through rights to subscribe. These rights are exercisable in the ratio 95:5 between the Manager and Chord Capital Limited respectively.

The Hurdle for the year ended 31 December 2023 was set at 137.25 pence per BSC2 Share. As at 31 December 2023 the total of cumulative cash dividends paid and mid-market price was 140.75 pence per BSC2 Share. Consequently the BSC2 Hurdle was exceeded and a performance related incentive of £1,601,000 was paid for the year ended 31 December 2023.

## PART 4

With effect from 22 April 2024 the Subscription Rights Agreement was amended and restated to provide that a performance incentive fee is payable when the Cumulative Returns as at the last Business Day in December each year (a "Performance Fee Reference Date") exceeds the Trigger Value at that Performance Fee Reference Date, where:

Cumulative Returns equals the sum of:

- (1) cumulative cash dividends (whether of a capital or income nature) paid, or payable if a declared dividend has reached its ex-dividend date but not yet been paid, as at the Performance Fee Reference Date on each BSC2 Share subscribed under the BSC2's original offers for subscription; and
- (2) the middle market price per BSC2 Share on the five business days prior to the Performance Fee Reference Date (the "BSC2 Share Price");

and

Trigger Value equals the sum of:

- (1) the Annual Share Price Hurdle at that Performance Fee Reference Date; and
- (2) the higher of:
  - a. the Cumulative Return at the previous Performance Fee Reference Date; and
  - b. the Trigger Value at the previous Performance Fee Reference Date.

At 31 December 2023 the Trigger Value was deemed to equal 140.75p.

and

The Annual Share Price Hurdle is as set out in the following table:

Performance Fee Reference Date	Annual Share Price Hurdle
2024 Performance Fee Reference Date	1% of the BSC2 Share Price on the previous Performance Fee Reference Date
2025 Performance Fee Reference Date	2% of the BSC2 Share Price on the previous Performance Fee Reference Date
2026 Performance Fee Reference Date	3% of the BSC2 Share Price on the previous Performance Fee Reference Date
2027 Performance Fee Reference Date	4% of the BSC2 Share Price on the previous Performance Fee Reference Date
2028 Performance Fee Reference Date and subsequent Performance Fee Reference Dates	5% of the BSC2 Share Price on the previous Performance Fee Reference Date

The performance fee is 20 per cent of the amount that Cumulative Returns as at a Performance Fee Reference Date exceeds the Trigger Value per BSC2 Share multiplied by the number of BSC2 Shares in issue and the BSC2 Shares under option (if any). The performance fee is payable in cash or BSC2 Shares granted through rights to subscribe. These rights are exercisable in the ratio 95:5 between the Manager and Chord Capital Limited respectively until the year ended 31 December 2026, and by the Manager thereafter.

No incentive fee for the year ending 31 December 2024 is accrued in the accounts of BSC2 as at 30 June 2024.

### *Other fees received by the Manager*

In addition to the fees described above, which are paid by the Companies, the Manager receives advisory fees in connection with new investments which are paid by the relevant investee company. In respect of each of the Companies there is an aggregate annual cap applied to these fees for new investments of 3 per cent and for further investments of 2 per cent, with any fees above this cap being payable to the Companies. Where expenses have been incurred and the investment does not proceed, the Manager pays any abort fees. The Manager also receives monitoring or non-executive director fees from unquoted portfolio companies. In respect of each of the Companies these fees are capped at a maximum of £40,000 per annum for an unquoted company. The aggregate of these fees received by the Manager in the twelve months to 31 March 2024 was £1,535,000.

### 4.13 Conflicts of Interest

The Companies have built strong relationships with many of the companies in which they invest, and sometimes this can present “conflicts of interest” as explained below.

With these relationships, there is a chance that the interests of one group of investors will be at odds, or present a conflict, with the interests of another group or with the interests of the Manager. The Companies and the Manager aim to ensure that the interests of the Shareholders are always looked after. Conflicts of interest are sometimes unavoidable. In the first instance, the Companies and the Manager look to prevent these, but if they cannot they will take action to manage or mitigate any effect. For more information on some of the main conflicts please see below.

#### *Investing alongside other funds managed by YFM Private Equity*

The Investment Team have previously invested funds from the Companies alongside other YFM Private Equity Limited managed products or services, and expects to do so again going forward. This means an investee company can benefit from more diverse sources of funding while still partnering with the Manager, which in turn could make the Manager a more attractive investor for entrepreneurs.

The Companies will retain pre-emption rights, including a right of first refusal, on all existing holdings. Investments into new businesses made by YFM Private Equity Limited managed funds will be allocated between the Companies and any co-investing YFM Private Equity Limited managed funds and services in accordance with an allocation policy (the “Allocation Policy”), which has been agreed by the Boards. Any changes to this policy which may impact the Companies will require Board approval.

#### *The role of the Manager’s employees*

The Manager often places one of its employees on the board of the companies it invests in, either as an observer or a director. This means the Manager is able to closely monitor the investment it has made on behalf of the Companies. However, this also means that, as company directors, those employees have obligations to all shareholders of the portfolio company, and not just Shareholders.

#### *When could conflicts of interest be harmful to investors?*

Some investments held by the Companies could have investors across more than one YFM Private Equity Limited managed fund and as a result the interests of all parties may not be fully aligned. The Manager has agreed policies and processes in place to ensure that any transactions that affect more than one group of investors are managed fairly; however, sometimes certain groups of investors may still be restricted in the timing of an exit.

#### *Managing conflicts*

The Companies and the Manager have a number of controls in place to manage any conflicts of interest where they cannot prevent them. These include:

- > The Manager’s Investment Approvals Committee ensures investment decisions are in the best interests of investors, including how potential conflicts of interest are managed when they cannot be avoided, as well as being responsible for ensuring compliance with the Allocation Policy. The Allocation Policy sets out how the amount invested from each fund into each opportunity is determined.
- > Each Company’s audit & risk committee and the board of the Manager are responsible for ensuring conflicts are handled appropriately.
- > As the Companies are publicly listed companies, they have their own Board of Directors, who are required to act independently and represent Shareholders’ best interests at all times. The Boards are ultimately responsible for ensuring the investment strategy and policy of each Company is carried out. Each Board also approves the Allocation Policy.

# Part 5

## Taxation Considerations

### 1. Tax position of Investors

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

### 2. Tax reliefs

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

#### 2.1 Income tax

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

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

#### 2.1.2 Dividend relief

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

#### 2.1.3 Purchases in the market

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

#### 2.1.4 Withdraw of relief

Relief from income tax on an application for VCT shares (including an Application for New Shares) will be withdrawn if the VCT shares are disposed of (other than between spouses or on death) within five years of issue or if the VCT loses its approval within this period as detailed in paragraph 2.3 on page 46.

Dividend relief ceases to be available once the Qualifying Investor ceases to be beneficially entitled to the dividend or if the VCT loses its approval within this period as detailed on page 46.

#### 2.1.5 Linked sales

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

## 2.2 Capital gains tax

### 2.2.1 Relief from capital gains tax on disposal of VCT shares

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

### 2.2.2 Purchases in the market

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

### 2.3 Loss of VCT approval

For a company to be fully approved as a VCT it must meet the various requirements for full approval as set out on pages 46 and 47.

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

## 3. Illustration of effect of tax relief for Qualifying Investors

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

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

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

## 4. Obtaining tax reliefs

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

### *Tax position of the Companies*

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

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

#### 1. *Qualification as a VCT*

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

- (a) the Venture Capital Trust's income must have been derived wholly or mainly from shares and securities;



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

## 2. *Qualifying Investments*

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



3. *Qualifying Companies*

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

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

4. *Legislative changes*

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

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

# Part 6

## Financial Information on the Companies

### Introduction

Audited statutory accounts of BSC for the year ended 31 March 2024, in respect of which BSC's auditors, BDO LLP, of 55 Baker Street, London W1U 7EU, a registered member firm of the Institute of Chartered Accountants in England and Wales, made an unqualified report under section 495 of the Act as appropriate, have been delivered to the Registrar of Companies and these audited statutory accounts did not contain any statements under section 498(2) or (3) of the Act. A copy of these audited statutory accounts is available at [www.bscfunds.com](http://www.bscfunds.com).

Audited statutory accounts of BSC2 for the year ended 31 December 2023, in respect of which BSC2's auditors, BDO LLP, registered auditor of 55 Baker Street, London W1U 7EU, a registered member firm of the Institute of Chartered Accountants in England and Wales, made an unqualified report under section 495 of the Act, have been delivered to the Registrar of Companies and these audited statutory accounts did not contain any statements under section 498(2) or (3) of the Act. A copy of these audited statutory accounts is available at [www.bscfunds.com](http://www.bscfunds.com).

Unaudited interim accounts of BSC2 for the six months ended 30 June 2024 and 30 June 2023 are available at [www.bscfunds.com](http://www.bscfunds.com).

These financial statements are prepared in accordance with UK adopted international accounting standards and also contain a description of the relevant Company's financial condition, changes in financial condition and results of operations for each of the above financial years.

### Historical Financial Information

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

### BSC

Audited Statutory  
Accounts for the  
Year Ended  
31 March 2024  
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## BSC2

Nature of information	Audited Statutory Accounts for the Year Ended 31 December 2023 Page No.	Unaudited Interim Report for the 6 Months Ended 30 June 2024 Page No.	Unaudited Interim Report for the 6 Months Ended 30 June 2023 Page No.
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Five Year Summary	4	N/A	N/A
Financial Summary	N/A	2	2
The Portfolio	5	N/A	N/A
Chair's Statement	6	3	3
Objectives and Key Policies	10	N/A	N/A
Objectives and Strategy	N/A	6	6
Processes and Operations	11	N/A	N/A
Key Performance Indicators	12	N/A	N/A
Investment Review	18	7	7
Risk Factors	32	N/A	N/A
Principal Risks and Uncertainties	N/A	14	14
Other Matters	35	N/A	N/A
Section 172 Statement	35	N/A	N/A
Directors	37	N/A	N/A
Directors' Report	38	N/A	N/A
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Directors' Remuneration Report	49	N/A	N/A
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Independent Auditors' Report	53	N/A	N/A
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Related Party Transactions	89	N/A	N/A

### Operating and financial review

	Audited Statutory Accounts for the Year Ended 31 March 2024
<b>BSC</b>	
Total Net Assets (£000)	219,600
Change in Net Asset Value (£000)	62,568
Net Asset Value per BSC Share (p)	83.6
Dividends paid per BSC Share (p)	4.0
Cumulative Dividends paid per BSC Share (p)	178.9

	Audited Statutory Accounts for the Year Ended 31 December 2023	Unaudited Interim Report for the 6 Months Ended 30 June 2024	Unaudited Interim Report for the 6 Months Ended 30 June 2023
<b>BSC2</b>			
Total Net Assets (£000)	135,616	162,894	133,027
Change in Net Asset Value (£000)	23,747	27,278	21,158
Net Asset Value per BSC2 Share (p)	59.30	57.50	57.95
Dividends paid per BSC2 Share (p)	5.25	1.5	3.75
Cumulative Dividends paid per BSC2 Share (p)	86.25	87.75	84.75

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

- > for the financial year ended 31 March 2024 in respect of BSC and 31 December 2023 in respect of BSC2, is set out in the sections headed “Chair’s Statement” and “Investment Review” in the published audited statutory accounts of the relevant Company for these periods; and
- > for the six months ended 30 June 2024 and 30 June 2023 in respect of BSC2 is set out in the sections headed “Chair’s Statement” and “Investment Review” in the unaudited interim reports for these periods.

The investment portfolio table on page 52 of this document has been extracted without material adjustment from the first quarter results for the three months ended 30 June 2024 in the case of BSC and from the interim accounts for the six months ended 30 June 2024 in the case of BSC2.

As at 30 June 2024 BSC’s unaudited Net Asset Value was 83.5 pence per BSC Share and as at 30 June 2024 BSC2’s unaudited Net Asset Value was 57.50 pence per BSC2 Share. Since 30 June 2024, BSC paid an interim dividend of 2.0p per BSC Share on 26 July 2024 and BSC2 has declared a further interim dividend of 1.5p per BSC2 Share, which will be paid on 1 November 2024.

There have been no significant changes in the financial position of BSC since 30 June 2024, the date of the last unaudited published financial information of BSC.

There have been no significant changes in the financial position of BSC2 since 30 June 2024, the date of the last unaudited published financial information of BSC2.

## PART 6

### Investment portfolio

A list of the current investments held by BSC and BSC2 as at the date of this document, the values being as at 30 June 2024 (being the latest published NAVs of the Companies), is set out below. Save as set out below, there has been no material change to the Companies investment portfolios since 30 June 2024. All the investments are in portfolio companies incorporated in the UK and none of these portfolio companies are admitted to trading on a regulated market.

Investee company (All in £000)	Sector	BSC		BSC2		Combined	
		Carrying cost*	Valuation	Carrying cost*	Valuation	Carrying cost*	Valuation
<b>Unquoted Investments</b>							
Matillion Limited	Data	1,778	24,076	1,456	20,337	3,234	44,413
Unbiased EC1 Limited	Tech-enabled Services	5,596	13,889	3,731	9,260	9,327	23,149
Outpost VFX Limited	New Media	5,750	8,506	3,833	5,671	9,583	14,177
Elucidat Ltd	Application Software	4,260	6,106	2,840	4,070	7,100	10,176
Vypr Validation Technologies Limited	Tech-enabled Services	3,300	5,947	2,200	3,963	5,500	9,910
Force24 Ltd	Application Software	3,900	5,781	2,600	3,854	6,500	9,635
SharpCloud Software Limited	Data	3,577	5,565	2,385	3,711	5,962	9,276
ACC Aviation Group Limited	Business Services	220	5,299	145	3,547	365	8,846
Plandek Limited	Cloud & DevOps	3,540	4,043	2,360	2,696	5,900	6,739
Quality Clouds Limited	Cloud & DevOps	3,916	3,930	2,610	2,619	6,526	6,549
Summize Limited	Application Software	2,550	3,741	1,700	2,493	4,250	6,234
DrDoctor (trading as ICNH Ltd)	Application Software	3,565	3,565	2,377	2,377	5,942	5,942
Workbuzz Analytics Ltd	Application Software	2,577	3,558	1,718	2,372	4,295	5,930
Traveltek Group Holdings Limited	Application Software	1,716	3,324	1,163	2,598	2,879	5,922
AutomatePro Limited	Cloud & DevOps	2,225	3,518	1,483	2,344	3,708	5,862
Tonkotsu Limited	Retail & Brands	2,388	3,341	1,592	2,227	3,980	5,568
Fuuse Ltd	Application Software	3,000	3,000	2,000	2,000	5,000	5,000
GEEIQ (via Checkpoint GG Limited)	Data	2,358	2,999	1,572	2,000	3,930	4,999
Wooshii Limited	New Media	4,644	2,695	3,096	1,797	7,740	4,492
Vuealta Holdings Limited	Tech-enabled Services	626	2,554	417	1,702	1,043	4,256
<i>Largest 20 unquoted venture capital investments</i>		61,486	115,437	41,278	81,638	102,764	197,075
Other unquoted venture capital investments		24,969	19,297	21,289	14,540	46,258	33,837
<b>Total unquoted venture capital investments</b>		<b>86,455</b>	<b>134,734</b>	<b>62,567</b>	<b>96,178</b>	<b>149,022</b>	<b>230,912</b>

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

There has been one new investment and six follow-on investments made by each of the Companies since 30 June 2024 of £11,533,000 in aggregate, in the case of BSC, and £7,689,000 in aggregate, in the case of BSC2.

## PART 6

### Realisations since 30 June 2024

There have been no realisations since 30 June 2024.

### Summaries of investments

Brief details are given below of the investments which together represent 74.8 per cent of the combined investment portfolio of the Companies as at 30 June 2024. These investments represent 74.8 per cent of BSC's investment portfolio and 74.8 per cent of BSC2's investment portfolio at that date, and have been extracted from the first quarter results for BSC for the three month period ended 30 June 2024 and the unaudited interim report for the six month period ended 30 June 2024 for BSC2. All of the investments listed are invested in by both Companies.

### Top 15 unquoted investments by combined value

#### Matillion Limited

		Audited financial information: year ended 31 January		
		2023	2022*	
		\$m	\$m	
Cost	£3,234,000	Revenue	84.04	57.26
Valuation	£44,413,000	LBITA	(66.08)	(32.33)
Basis of valuation	Revenue Multiple	Loss before tax	(64.44)	(32.58)
Equity held	6.4%	Retained losses	(133.69)	(69.28)
Sector	Data	Net assets	171.93	226.96

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

\* 13 months to 31 January 2022

#### Unbiased EC1 Limited

		Audited financial information: year ended 30 September		
		2023	2022	
		£m	£m	
Cost	£9,327,000	Revenue	10.25	8.00
Valuation	£23,149,000	(LBITA) EBITA	(1.84)	0.29
Basis of valuation	Revenue Multiple	Loss before tax	(2.74)	(0.42)
Equity held	30.8%	Retained losses	(4.75)	(2.07)
Sector	Tech-enabled Services	Net assets	4.20	2.52

Unbiased is a technology-enabled marketplace that connects consumers to Independent Financial Advisers, Mortgage Brokers and Accountants. The company has a strong, well-established position and brand awareness in the IFA market with a high level of recurring subscription income from the thousands of professionals in their network. The proven UK model is now being launched into the much larger US financial advisor market.

## PART 6

### Outpost VFX Limited

			Audited financial information: year ended 31 March	
			2023	2022
			£m	£m
Cost	£9,583,000	Revenue	40.25	19.08
Valuation	£14,177,000	LBITA	(4.04)	(0.02)
Basis of valuation	Revenue Multiple	Loss before tax	(4.46)	(0.41)
Equity held	28.9%	Retained losses	(8.96)	(4.03)
Sector	New Media	Net (liabilities) assets	(0.69)	0.89

Outpost is a visual effects firm best known for their striking environments, seamless digital makeup and photoreal creatures. The company is headquartered in Bournemouth, with studios in London, Los Angeles, Montreal and Mumbai. An impressive client list includes global streaming platforms such as Netflix, Amazon and Apple, and major Hollywood studios.

### Elucidat Ltd

			Audited financial information: year ended 31 December	
			2023	2022
			£m	£m
Cost	£7,100,000	Revenue	5.68	5.63
Valuation	£10,176,000	LBITA	(0.34)	(0.69)
Basis of valuation	Revenue Multiple	Loss before tax	(0.86)	(1.27)
Equity held	25.1%	Retained losses	(3.55)	(2.79)
Sector	Application Software	Net assets	3.57	3.83

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

### Vypr Validation Technologies Limited

			Audited financial information: year ended 31 March	
			2024	2023
			£m	£m
Cost	£5,500,000	Revenue	4.04	2.77
Valuation	£9,910,000	LBITA	(0.78)	(1.68)
Basis of valuation	Revenue Multiple	Loss before tax	(1.10)	(1.97)
Equity held	32.1%	Retained losses	(4.40)	(3.42)
Sector	Tech-enabled Services	Net assets	1.51	2.49

Vypr is a cloud-based data validation platform providing industry-leading consumer intelligence for use in all aspects of product development including packaging, pricing and naming.



## PART 6

### Force24 Ltd

			Audited financial information: year ended 31 December	
			2023	2022
			£m	£m
Cost	£6,500,000	Revenue	5.15	4.80
Valuation	£9,635,000	LBITA	(0.20)	(1.11)
Basis of valuation	Revenue Multiple	Loss before tax	(1.22)	(1.51)
Equity held	32.8%	Retained losses	(3.02)	(2.07)
Sector	Application Software	Net assets	3.80	3.20

Force24 provides cloud-based personalised marketing automation technology trusted by over 350 businesses including household brands such as Michelin, Tarmac and Children In Need.

### SharpCloud Software Limited

			Audited financial information: year ended 31 December	
			2023	2022
			£m	£m
Cost	£5,962,000	Revenue	3.09	2.87
Valuation	£9,276,000	EBITA	0.84	0.44
Basis of valuation	Revenue Multiple	Profit before tax	0.19	0.06
Equity held	32.5%	Retained losses	(3.12)	(3.27)
Sector	Data	Net assets	3.38	3.22

SharpCloud provides a leading decision making platform for managers. It provides the ability to aggregate fragmented data into easily interpretable top-down output that shortens decision making cycles and eliminates decision waste.

### ACC Aviation Group Limited

			Audited financial information: year ended 31 December*	
			2023	2022
			£m	£m
Cost	£365,000	Revenue	46.63	72.76
Valuation	£8,846,000	EBITA	2.53	2.70
Basis of valuation	Earnings Multiple	Loss before tax	(0.28)	(0.72)
Equity held	46.1%	Retained profits	6.87	8.08
Sector	Business Services	Net assets	6.88	8.10

ACC Aviation is the market leader in airline-to-airline “wet lease” brokerage and associated services. The company also provides a range of consultancy and specialist charter services to clients via its global office network.

\* information for NEWACC (2018) Limited shown

## PART 6

### Plandek Limited

			Audited financial information: year ended 31 December	
			2023	2022
			£m	£m
Cost	£5,900,000	Revenue	1.93	1.31
Valuation	£6,739,000	LBITA	(2.00)	(1.46)
Basis of valuation	Revenue Multiple	Loss before tax	(1.96)	(1.46)
Equity held	22.7%	Retained losses	(8.34)	(6.55)
Sector	Cloud & DevOps	Net assets	1.76	3.40

Plandek is a software platform, in the fast-growing category of Software Engineering Intelligence, and provides end-to-end analytics to improve the efficiency of software delivery. By automatically ingesting data from the tools commonly used by software developers, such as Jira and GitHub, this platform surfaces valuable insight to enable individuals to improve their own efficiency, while also providing enterprise level governance that have been proven to drive productivity.

### Quality Clouds Limited

			Audited financial information: year ended 31 December	
			2023	2022
			£m	£m
Cost	£6,526,000	Revenue	2.16	1.59
Valuation	£6,549,000	LBITA	(4.59)	(2.25)
Basis of valuation	Revenue Multiple	Loss before tax	(4.54)	(2.31)
Equity held	13.5%	Retained losses	(10.37)	(6.21)
Sector	Cloud & DevOps	Net assets (liabilities)	1.44	(0.05)

Quality Clouds provides a leading SaaS tool for the control and governance of critical SaaS platforms, with a focus on ServiceNow and Salesforce. The company operates from London, Barcelona and the US, with a client list that includes BP, Linde and JP Morgan Chase.

### Summize Limited

			Unaudited financial information: year ended 30 June	
			2023	2022
			£m	£m
Cost	£4,250,000	Revenue	1.08	0.45
Valuation	£6,234,000	LBITA	(2.35)	(1.73)
Basis of valuation	Revenue Multiple	Loss before tax	(2.38)	(1.88)
Equity held	20.0%	Retained losses	(5.32)	(3.15)
Sector	Application Software	Net assets	3.19	0.25

Summize is a provider of contract lifecycle management (CLM) software for enterprise and mid-market customers including Revolut, Fujifilm, Miami Heat and Matillion. The cloud-based product integrates through Microsoft Word, Teams, Slack and DocuSign to automate the creation, negotiation and project management of high volume, low value commercial contracts, which improves efficiency and contract portfolio risk management for corporate in-house legal teams.

**PART 6**

**DrDoctor (trading as ICNH Ltd)**

			Audited financial information: year ended 31 December	
			2023	2022
			£m	£m
Cost	£5,942,000	Revenue	10.05	9.79
Valuation	£5,942,000	LBITA	(8.68)	(3.16)
Basis of valuation	Revenue Multiple	Loss before tax	(8.43)	(3.17)
Equity held	8.4%	Retained losses	(11.40)	(3.76)
Sector	Application Software	Net assets (liabilities)	1.64	(0.89)

DrDoctor is a digital patient engagement solution that links patients and clinicians in NHS secondary care trusts (hospitals). DrDoctor's platform gives patients better access to care through patient-led bookings, waitlist management to fill cancelled slots, and digital access to clinicians outside of appointments.

**Workbuzz Analytics Limited**

			Audited financial information: year ended 31 March	
			2024	2023
			£m	£m
Cost	£4,295,000	Revenue	3.24	2.13
Valuation	£5,930,000	LBITA	(3.35)	(1.89)
Basis of valuation	Revenue Multiple	Loss before tax	(3.36)	(1.89)
Equity held	15.0%	Retained losses	(6.33)	(3.11)
Sector	Application Software	Net assets (liabilities)	2.57	(0.43)

Workbuzz is a SaaS-based employee engagement and insights platform that is targeted at deskless and frontline workers. It enables businesses to gather real time employee feedback, track employee wellbeing and make more informed data driven people decisions. The business is UK focused and expanding internationally.

**Traveltek Group Holdings Limited**

			Audited financial information: year ended 31 December	
			2023	2022
			£m	£m
Cost	£2,879,000	Revenue	6.97	5.40
Valuation	£5,922,000	LBITA	(0.38)	(0.91)
Basis of valuation	Revenue Multiple	Loss before tax	(1.58)	(2.10)
Equity held	27.8%	Retained losses	(12.86)	(11.48)
Sector	Application Software	Net liabilities	(11.77)	(10.40)

Traveltek is a travel software business providing a booking platform for travel agents, operators and intermediaries to search inventory, package and sell holidays. The business has a specialism in Cruise holidays and is headquartered in the UK, but with sales staff and customers in the US, Australia and South America.

**AutomatePro Limited**

			Audited financial information: year ended 30 June	
			2023	2022
			£m	£m
Cost	£3,708,000	Revenue	1.52	0.97
Valuation	£5,862,000	LBITA	(1.88)	(1.02)
Basis of valuation	Revenue Multiple	Loss before tax	(2.06)	(1.13)
Equity held	18.8%	Retained losses	(4.26)	(2.39)
Sector	Cloud & DevOps	Net assets (liabilities)	2.38	(0.06)

AutomatePro is a provider of automated testing and documentation tools for enterprise users of ServiceNow workflow automation, enabling new applications and upgrades to be installed efficiently and safely. The company has sales teams in the UK and US, but also sells via a growing number of partners.

# Part 7

## Additional Information on the Companies

### 1. Incorporation

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

### 2. Registered Office and Principal Legislation

The registered office of the Companies is at 4th Floor, 2 Bond Court, Leeds LS1 2JZ and they can be contacted at [www.bscfunds.com](http://www.bscfunds.com) or by telephone on 0113 244 1000. The information on the website does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus.

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

### 3. Share and Loan Capital

- 3.1 As at 30 June 2024 (being the end of the last financial period of BSC for which unaudited financial information has been published) there were 302,275,364 issued Shares in BSC, each ranking *pari passu*. All of the Shares are listed on the Official List. BSC held an additional 28,610,455 BSC Shares in the treasury account at this date. Following the payment of the interim dividend of 2.0p per BSC Share, BSC issued 1,369,910 BSC Shares on 26 July 2024 taking the total number of issued BSC Shares to 303,645,274 as at the date of this document. BSC purchased 1,753,525 BSC Shares on 26 September 2024 taking the total number of Shares in the treasury account to 30,363,980 at the date of this document.
- 3.2 As at 30 June 2024 (being the end of the last financial period of BSC2 for which unaudited interim financial information has been published) there were 283,400,383 issued Shares in BSC2, each ranking *pari passu*. All of the Shares are listed on the Official List. BSC2 held an additional 25,150,419 BSC2 Shares in the treasury account at this date. BSC2 purchased 1,422,727 BSC2 Shares on 26 September 2024 taking the total number of Shares in the treasury account to 26,573,146 at the date of this document.
- 3.3 By ordinary and special resolutions passed by BSC on 10 September 2024, the BSC Directors were authorised in accordance with Section 551 of the Act to allot BSC Shares up to an aggregate nominal amount of £9,000,000 (representing approximately 29.5 per cent of the BSC Shares in issue as at 14 June 2024) and disapplied the pre-emption provisions of Section 561 of the Act in respect of any such allotment, in each case for a period expiring 15 months thereafter (unless previously revoked, varied or extended by BSC in general meeting).
- 3.4 By ordinary and special resolutions passed by BSC2 on 13 June 2024, the BSC2 Directors were authorised in accordance with Section 551 of the Act to allot BSC2 Shares up to an aggregate nominal amount of £12,000,000 (representing approximately 48 per cent of the BSC2 Shares in issue as at 15 March 2024) and disapplied the pre-emption provisions of Section 561 of the Act in respect of any such allotment, in each case for a period expiring 15 months thereafter (unless previously revoked, varied or extended by BSC2 in general meeting).
- 3.5 Subject to the passing of the BSC2 Resolution at the BSC2 General Meeting, the nominal value of each issued fully paid up BSC2 Share will be reduced from 10 pence per BSC2 Share to 0.01 pence per BSC2 Share.
- 3.6 Immediately following the close of the Offers, assuming £75 million is raised in aggregate by the Companies under the Offers, including the over-allotment facility, at an Offer Price of 84.021 pence and 57.732 pence per Offer Share for BSC and BSC2 respectively and that New Shares are allocated 60 per cent to BSC and 40 per cent to BSC2, the issued share capital of BSC, fully paid or credited as fully paid,

will be £38,581,401 divided into 385,814,011 BSC Shares (of which 30,363,980 BSC Shares are held in treasury) and the issued share capital of BSC2, fully paid or credited as fully paid, will be £36,051,509 divided into 360,515,087 BSC2 Shares (of which 26,573,146 BSC2 Shares are held in treasury). The maximum number of New Shares which may be issued by BSC and BSC2 under the Offers is 90 million and 120 million New Shares respectively and the maximum gross proceeds that either BSC or BSC2 can raise under the Offers is £75 million.

- 3.7 The maximum number of New Shares, assuming a subscription of £75 million, including the over-allotment facility, an Offer Price of 84.021 pence per Offer Share and 57.732 pence per Offer Share for BSC and BSC2 respectively and an allocation of 60 per cent to BSC and 40 per cent to BSC2, will be 53,558,282 for BSC and 51,964,285 for BSC2. This represents a dilution to existing Shareholders of 15.1 per cent in BSC and 15.6 per cent in BSC2.
- 3.8 Except for commissions paid to authorised introducers in respect of previous offers for subscription of Shares, no commissions, discounts, brokerages or other special terms have been granted by the Companies during or since the financial periods set out in Part 6.
- 3.9 No share or loan capital of the Companies is under option or has been agreed, conditionally or unconditionally, to be put under option. Other than pursuant to the Offers and under the Dividend Re-investment Schemes, no material issue of Shares (other than to Shareholders pro rata to existing holdings) will be made within one year of the closing of the Offers without the prior approval of Shareholders in general meeting.
- 3.10 The Shares issued under the Offers will be created under the Act, issued in registered form and temporary documents of title will not be issued. The ISIN of the BSC Shares is GB0001403152. The ISIN of the BSC2 Shares is GB0005001796.

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

#### 4. Memorandum and Articles

##### 4.1 Memorandum of Association

The memorandum of association of the Companies provide that each Company's principal object is to carry on the business of a Venture Capital Trust. The objects of the Companies are set out in full in clause 4 of their memorandum of association which are available for inspection at the address specified in paragraph 11.1 below.

##### 4.2 Articles of Association

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

###### 4.2.1 Voting rights

Subject to any disenfranchisement as provided in paragraph 4.2.4 below and subject to any special terms as to voting on which any shares may be issued, on a show of hands or by proxy every Member present in person (or, being a corporation, present by a duly authorised representative) shall have one vote and on a poll every Member present in person or by proxy shall have one vote for every share of which he is the holder.

###### 4.2.2 Transfer of Shares

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

- (a) it is duly stamped (if so required), is lodged with the Company's Registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates (save in the case of a transfer by a person to whom no certificate was

issued) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

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

#### 4.2.3 Dividends

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

All dividends unclaimed for a period of 12 years after being declared or becoming due for payment shall be forfeited and shall revert to the Company.

#### 4.2.4 Disclosure of interests in Shares

If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such a member or other person to supply the Company in writing all or any such information as is referred to in Section 793 of the Act, the Directors may, for such period as the default shall continue, impose restrictions upon the relevant shares.

The restrictions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and, additionally, in the case of a shareholder representing at least 0.25 per cent by nominal value of any class of shares of the Company then in issue, the withholding of payment of any dividends on, and the restriction of transfer of, the relevant shares.

#### 4.2.5 Distribution of assets on liquidation

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

#### 4.2.6 Changes in share capital

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

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

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

#### 4.2.7 Variation of rights

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



#### 4.2.8 Directors' interests

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

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

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

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

#### 4.2.9 Remuneration of Directors

The ordinary remuneration of the Directors (other than an executive Director appointed under the Articles) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate of the ordinary remuneration of the Directors of BSC2 shall not exceed £120,000 per year and the ordinary remuneration of the Directors of BSC shall not exceed £150,000 per year) to be divided among them in such proportions and manner as the Directors may determine. The Directors of the Companies shall also be paid by the Company all travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

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

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

#### 4.2.10 Retirement of Directors

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

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

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

#### 4.2.11 Borrowing powers

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

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

#### 4.2.12 Distribution of realised capital profits

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

#### 4.2.13 Duration of the Companies

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

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

#### 4.2.14 General meetings

Annual general meetings shall be held at such time and place as may be determined by the Directors and not more than 15 months shall elapse between the date of one annual general meeting and that of the next. The Directors may, whenever they think fit, convene a general meeting of the Company, and general meetings shall also be convened on the requisition by members pursuant to the provisions of the Statutes. Any meeting convened under the Articles by requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the Directors. General meetings of the Company other than annual general meetings shall be called general meetings. The Articles allow meetings of the Companies to take place, if necessary, by electronic means and at more than one location.

Annual general meetings shall be called on not less than 21 days notice in writing and general meetings shall be called on not less than 14 days notice in writing. The notice shall be exclusive of the day on which it is given and of the day of the meeting and shall specify the place, the day and hour of meeting, and in case of special business the general nature of such business. The notice shall be given to the members, other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive notice from the Company, to the Directors and to the auditors. A notice calling an annual general meeting shall specify the meeting as such and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such.

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

If within 15 minutes from the time appointed for the meeting a quorum is not present, (or such longer time not exceeding one hour as the Chair of the meeting may decide to wait) the meeting, if convened by or upon the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same place and time one week later or to such day and such time (being not more than 28 days hence) and at such place as the Directors shall determine. At any such adjourned meeting if a quorum is not present within 15 minutes from the time appointed for the meeting the member or members present in person or by proxy and entitled to vote shall be a quorum and have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place. If the meeting is adjourned for 14 days or more the Company shall give not less than five days' notice thereof by advertisement in one national newspaper, but no other notice shall be required.

The Chair may, with the consent of the meeting (and shall, if so directed by the meeting) adjourn any meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished and which might properly have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for 30 days or more (otherwise than due to the absence of a quorum) or without a time and place for the adjourned meeting being fixed at least seven clear days' notice of the adjourned meeting shall be given in the same manner as in the case of the original meeting.

## 5. Directors' and other interests in the Companies

- 5.1 DTR 5 of the DTRs requires a Shareholder to notify the relevant Company of the percentage of its shares they hold if such percentage reaches, exceeds or falls below 3 per cent or subsequent 1 per cent thresholds. The relevant Company will make such information public through a Regulatory Information Service. Neither Company is aware of any person who, as at the date of this document and immediately following the issue of the New Shares, (assuming full subscription under the Offers, including the over-allotment facility) is or will, directly or indirectly, be interested in 3 per cent or more of the issued share capital of either Company. Further, as at the date of this document and immediately following the issue of such New Shares, (assuming gross proceeds of £75 million, including the over-allotment facility, are raised

## PART 7

under the Offers at an Offer Price of 84.021 pence for BSC and 57.732 pence for BSC2 and that New Shares are allocated 60 per cent to BSC and 40 per cent to BSC2), neither Company is aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over it.

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

	Name	Number of Shares	% of issued voting share capital
<b>BSC</b>	Rupert Cook	196,540	0.07%
	Adam Bastin	13,247	0.00%
	Jonathan Cartwright	26,494	0.01%
	Purvi Sapre	7,028	0.00%
<b>BSC2</b>	Barbara Anderson	619,754	0.22%
	Arif Ahmed	-	-
	Roger McDowell	837,259	0.30%

- 5.3 The interests of the Directors and their immediate families in the voting share capital of the Company of which they are a director, all of which are beneficial, and of connected persons, following the Offers (assuming gross proceeds of £75 million, including the over-allotment facility, are raised under the Offers at an Indicative Offer Price for BSC of 84.021 pence and 57.732 pence for BSC2 and that Offer Shares are allocated 60 per cent to BSC and 40 per cent to BSC2) will be as follows:

	Name	Number of Shares	% of issued voting share capital
<b>BSC</b>	Rupert Cook	208,841	0.06%
	Adam Bastin	20,388	0.01%
	Jonathan Cartwright	26,494	0.01%
	Purvi Sapre	7,028	0.00%
<b>BSC2</b>	Barbara Anderson	619,754	0.19%
	Arif Ahmed	10,392	0.00%
	Roger McDowell	923,866	0.28%

- 5.4 Save as disclosed in paragraphs 5.2 and 5.3, no Director, nor any person connected with any Director, has any interest in the share capital or loan capital of the Company of which they are a director, whether beneficial or non-beneficial.
- 5.5 As at the date of this document, neither YFM Equity Partners nor YFM hold any Shares in either Company.
- 5.6 So far as is known to the Companies, no interests in the Company's share capital or voting rights are notifiable under UK law or regulation.
- 5.7 No Shareholders have different voting rights to the other Shareholders.
- 5.8 No Shares are being reserved for allocation to Shareholders, Directors or employees of either Company.
- 5.9 All the Directors are non-executive and none of the Directors, therefore, has a service contract with the Company of which they are a Director, and no such contract is proposed. The services of each of the Directors are provided to the relevant Company pursuant to letters of appointment, under which they are required to devote such time to the affairs of the relevant Company as the Board reasonably requires consistent with their role as a non-executive Director. Each Director is currently entitled to receive the following annual fee, which is subject to annual review: Rupert Cook - £46,300, Adam Bastin - £33,950, Jonathan Cartwright - £33,950, Purvi Sapre - £28,950, Barbara Anderson - £48,375, Arif Ahmed - £28,000 and Roger McDowell - £29,400. No benefits are payable on termination.
- 5.10 No loan or guarantee has been granted or provided by either Company to any Director.

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- 5.11 Except as listed in paragraph 9.15 below, none of the Directors has had any interest in any party which is related to either Company or has had any interest in any transactions since its incorporation which are or were unusual in their nature or conditions or significant to the business of that Company.

Save as disclosed in paragraph 9.15 below, there are no potential conflicts of interest between the duties of any BSC Director or the Manager to BSC and their private interests and or other duties.

Save as disclosed in paragraph 9.15 below, there are no potential conflicts of interest between the duties of any BSC2 Director or the Manager to BSC2 and their private interests and or other duties.

Save as disclosed in paragraphs 6 and 9.15 below, no Director, nor any member of the administrative, management, supervisory body or senior management of the Companies, nor the Manager has an interest in any transaction effected by either Company which is or was unusual in its nature or conditions or significant to the business of that Company.

- 5.12 It is anticipated that the aggregate of fees paid or to be paid to the Directors by BSC for the twelve month period ending 31 March 2025 will not exceed £145,000 and by BSC2 for the twelve month period ending 31 December 2024 will not exceed £110,000. Fees paid to the Directors of BSC for the year ended 31 March 2024 and to the Directors of BSC2 for the year ended 31 December 2023 were as follows:

	Name	Fees paid (£)
<b>BSC</b>	Rupert Cook	43,575
	Adam Bastin	27,236
	Jonathan Cartwright	27,236
	Purvi Sapre	27,236
<b>BSC2</b>	Peter Waller *	44,375
	Barbara Anderson	27,625
	Arif Ahmed **	Nil
	Roger McDowell	27,625

\* Peter Waller resigned as a Director of BSC2 on 13 June 2024

\*\* Arif Ahmed was appointed a Director of BSC2 on 13 June 2024

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

<b>BSC</b>	Current directorships / partnerships	Former directorship / partnerships
<b>Rupert Cook</b>	British Smaller Companies VCT plc	Red Penguin Ventures Limited (dissolved)*
	Immersive Labs Ltd	Netacea Limited
	Immersive Labs Holdings Limited	Netacea Group Limited
	MKRC Ventures LP (Partner)	Tobit9 Ltd (dissolved)
	Rupert Cook Ventures Limited	
	Red Penguin Ventures Ltd	
	Censornet Limited	
	UK Newco Ltd	
	Overe Corp	

<b>BSC</b>	Current directorships / partnerships	Former directorship / partnerships
<b>Adam Bastin</b>	British Smaller Companies VCT plc	DTL Data Science GP Limited
	Knightly Ventures Limited	DTL (Nominee) Limited
	Museum of Cambridge	Trustonic Limited
		Geomerics Limited
		Pragmatic Semiconductor Limited
		Accelerator Advisory Limited
		SeeChange Technologies Limited
<b>Jonathan Cartwright</b>	British Smaller Companies VCT plc	Blackrock Income and Growth Investment Trust plc
	Caledonia Investments plc Pension Scheme (Trustee)	Aberforth Split Level Income Trust plc
		The Income & Growth VCT plc
		Tennants Consolidated Limited
		Mobeus Income & Growth 4 VCT plc (in voluntary liquidation)
		CT UK Capital and Income Investment Trust plc
<b>Purvi Sapre</b>	British Smaller Companies VCT plc	Greenland Investment Partners Limited
	Combined Heat and Power Investments Limited	
	EECo Biomass No.1 Limited	
	EECo Data Centres No.1 Limited	
	EECo Kingscourt Limited	
	EECo Smithfield Limited	
	EECo Wilton No.1 Limited	
	Energy Efficient Global UK Project Limited	
	SDCL Solar Edge Limited	
	SEEIT Asia Limited	
	SEEIT Holdco Limited	
	SEEIT Magma Limited	
	SEEIT Bloc Limited	
	SEEIT UK 1 Limited	
	SEEIT CPP Limited	
	SEEIT Europe 2 Limited	
	Zood Infrastructure Limited	
	80 Copenhagen Street Limited	
	Seabright Enterprise Limited	
	S2S Health Limited	
SEEIT US Two Limited		



<b>BSC</b>	Current directorships / partnerships	Former directorship / partnerships
<b>Purvi Sapre (cont.)</b>	SEEIT US Limited	
	SEEIT Europe Limited	
	EVN Group Limited	
	SDCL Edge Sponsor Participation LLP	
<b>BSC2</b>	Current directorships / partnerships	Former directorship / partnerships
<b>Barbara Anderson</b>	British Smaller Companies VCT2 plc	ReLondon
	Smart DCC Limited	The London Green Fund
	Sovereign Housing Association	Altido Limited
	Saffron Building Society	London Youth Conservatoire Ltd
	28 Bolton Gardens Management Company Limited	Crocus Home Loans Limited
	British Business Bank	
	Energy Saving Trust	
	EST (Holdings) Limited	
<b>Arif Ahmed</b>	British Smaller Companies VCT2 plc	Tengri Group (Holdings) Limited (dissolved)
	PHL Group Holdco Limited	Tengri (Bidco) Limited (dissolved)
	Greystoke Advisory Services Limited	Athera Healthcare Limited
		Athera Healthcare Group Limited
		Net Solving Limited
	New Media Education Limited	
<b>Roger McDowell</b>	British Smaller Companies VCT2 plc	D4T4 Solutions plc
	Hargreaves Services plc	Disperse Limited
	Proteome Sciences plc	Dovehoco 201 Limited
	Brand Architekts Group plc	Augean Limited
	Avingtrans plc	Swallowfield plc
	Tribal Group plc	ThinkSmart plc
	Flowtech Fluidpower plc	Koheilan Limited (dissolved, registered in Malta)

\* prior to being dissolved these companies were in voluntary liquidation

5.15 None of the Directors has:

- 5.15.1 any convictions in relation to fraudulent offences in the previous five years; or
- 5.15.2 been a member of the administrative, management or supervisory bodies or senior manager of a company or partnership associated with any bankruptcy, receivership or, save as set out in paragraph 5.14, liquidation within the previous five years; or
- 5.15.3 been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including recognised or designated professional bodies) or been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company for the previous five years.



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

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

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

## 6. Material contracts

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

### The Companies

- 6.1 An offer agreement dated 17 October 2024 (“the Offer Agreement”) between the Companies (1), the Directors (2), the Manager (3) and Howard Kennedy (4) under which the Manager has undertaken, as agent of the Companies, to use its reasonable endeavours to procure Applicants under the Offers and Howard Kennedy has agreed to act as sponsor to the Offers. Pursuant to the Offer Agreement the Initial Application Fee is 3 per cent of the Application Amount, or 3.5 per cent for Applications received from Applicants who have not invested their money through an Intermediary/Financial Adviser and have invested directly into the Companies, and is paid by the relevant Company to the Manager, in consideration for which the Manager has agreed to meet the costs associated with the Offers, save for commissions payable to execution only brokers, on behalf of the Companies. As is usual in contracts of this type, the Manager agreed to indemnify the Companies against the costs of the Offers (excluding trail commission) exceeding 3 per cent of the Application Amount. Under the Offer Agreement, which may be terminated by the Companies, the Directors and the Manager in certain circumstances, warranties have been given by the Companies, the Directors and the Manager to the other parties, subject to certain limitations. The warranties are in the usual form for a contract of this type.
- 6.2 An offer agreement dated 20 September 2023 (the “2023 Offer Agreement”) between the Companies (1), the Directors (2), the Manager (3) and Howard Kennedy (4) under which the Manager has undertaken, as agent of the Companies, to use its reasonable endeavours to procure applicants under the offers for subscription that were launched by the Companies on 20 September 2023 (the “2023 Offers”) and Howard Kennedy has agreed to act as sponsor to the 2023 Offers. Pursuant to the 2023 Offer Agreement an initial application fee of 3 per cent of the application amount, or 3.5 per cent for applications received from applicants who did not invest their money through an Intermediary/Financial Adviser and who invested directly into the Companies, was paid by the relevant Company to the Manager, in consideration for which the Manager agreed to meet the costs associated with the 2023 Offers, save for commissions payable to execution only brokers, on behalf of the Companies. As is usual in contracts of this type, the Manager agreed to indemnify the Companies against the costs of the 2023 Offers (excluding trail commission) exceeding 3 per cent of the application amount. Under the 2023 Offer Agreement, which could be terminated by the Companies, the Directors and the Manager in certain circumstances, warranties were given by the Companies, the Directors and the Manager to the other parties, subject to certain limitations. The warranties were in the usual form for a contract of this type.
- 6.3 An offer agreement dated 30 November 2022 (the “2022 Offer Agreement”) between the Companies (1), the Directors (2), the Manager (3) and Howard Kennedy (4) under which the Manager has undertaken, as agent of the Companies, to use its reasonable endeavours to procure applicants under the offers for subscription that were launched by the Companies on 30 November 2022 (the “2022 Offers”) and Howard Kennedy has agreed to act as sponsor to the 2022 Offers. Pursuant to the 2022 Offer Agreement an initial application fee of 3 per cent of the application amount, or 3.5 per cent for applications received from applicants who did not invest their money through an Intermediary/Financial Adviser and who invested directly into the Companies, was paid by the relevant Company to the Manager, in consideration for which the Manager agreed to meet the costs associated with the 2022 Offers, save for commissions payable to execution only brokers, on behalf of the Companies. As is usual in contracts of this type, the Manager agreed to indemnify the Companies against the costs of the 2022 Offers (excluding trail commission) exceeding 3 per cent of the application amount. Under the 2022 Offer Agreement, which could be terminated by the Companies, the Directors and the Manager in certain circumstances, warranties were

given by the Companies, the Directors and the Manager to the other parties, subject to certain limitations. The warranties were in the usual form for a contract of this type.

- 6.4 An offer agreement dated 22 September 2021 (the "2021 Offer Agreement") between the Companies (1), the Directors (2), the Manager (3) and Howard Kennedy (4) under which the Manager undertook, as agent of the Companies, to use its reasonable endeavours to procure Applicants under the offers for subscription that were launched by the Companies on 21 September 2021 (the "2021 Offers") and Howard Kennedy agreed to act as sponsor to the 2021 Offers. Pursuant to the 2021 Offer Agreement an initial application fee was 3 per cent of the application amount, or 3.5 per cent for applications received from applicants who did not invest their money through an Intermediary/Financial Adviser and who invested directly into the Companies, was paid by the relevant Company to the Manager, in consideration for which the Manager agreed to meet the costs associated with the 2021 Offers, save for commissions payable to execution only brokers, on behalf of the Companies. As is usual in contracts of this type, the Manager agreed to indemnify the Companies against the costs of the 2021 Offers (excluding trail commission) exceeding 3 per cent of the application amount. Under the 2021 Offer Agreement, which could be terminated by the Companies, the Directors and the Manager in certain circumstances, warranties were given by the Companies, the Directors and the Manager to the other parties, subject to certain limitations. The warranties were in the usual form for a contract of this type.
- 6.5 Pursuant to a depositary agreement dated 19 September 2023 (the "Depositary Agreement") between the Companies, Thompson Taraz Depositary Limited (the "Depositary") and the Manager, the Depositary provides cash monitoring, oversight duties including overseeing the safekeeping of the Company's investments (including all financial instruments and any other assets that the Company may invest in) as well as such other services as agreed by the parties to the Depositary Agreement (the "Services"). Pursuant to the Depositary Agreement, each Company's investments will be held in the name of the Company, or in the name of the Manager, on behalf of the Company.

The Depositary is a limited company registered in England and Wales with registration number 06043483, whose registered office is at 4th Floor, Stanhope House, 47 Park Lane, London W1K 1PR. The Depositary is authorised and regulated by the FCA in the conduct of its regulated activity. The Depositary is permitted to act as depositary of an alternative investment fund in accordance with FUND 3.11.10.

Under the Depositary Agreement, the Companies and the Manager gave certain warranties and an indemnity to the Depositary, and the Depositary gave certain warranties to the Company and the Manager, which were in usual form for a contract of this type. The Depositary Agreement can be voluntarily terminated by the Depositary on three months' prior written notice, or six months' prior written notice in the event that the Companies require and have not appointed an alternative depositary, and by the Company or the Manager on one month's prior written notice, subject, in the case of a termination by the Depositary, to a new depositary being appointed, or earlier in certain circumstances. The fees payable to the Depositary for the Services will depend on the level of the Services to be provided and will be set out in a schedule to the Depositary Agreement.

## BSC

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

Pursuant to the IAA, the Manager receives an annual fee of 1.0 per cent on all surplus cash, defined as all cash above £7.5 million. The annual fee on all other assets is 2.0 per cent per annum. This is calculated half yearly at 31 March and 30 September. The annual fee for the twelve months to 31 March 2024 was £3,179,000, equal to 1.68 per cent of the average NAV.

The Manager receives an annual accounting and secretarial fee, index linked to RPI, which is currently £89,000. The annual fee for the twelve months to 31 March 2024 was £85,000, equal to 0.05 per cent of the average NAV.

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

The FCA classifies BSC as an alternative investment fund (“AIF”); BSC must have a single alternative investment fund manager (an “AIFM”) responsible for providing, at a minimum, portfolio management and risk management services, to one or more AIFs, with this being its regular business (irrespective of where the AIFs are located or what legal form the AIF takes). The Manager is BSC’s AIFM.

- 6.7 Pursuant to an incentive agreement (the “Incentive Agreement”) dated 7 July 2009, as varied by deeds of variation dated 15 August 2014, 13 October 2014 and 27 November 2018, a performance incentive fee is payable by BSC, details of which are set out on pages 41 and 42.
- 6.8 Under the terms of a letter of engagement dated 26 November 2016 between BSC and Panmure Gordon (UK) Limited (now Panmure Liberum Limited) (“Panmure”), Panmure agreed to act as brokers to BSC, and, inter alia, to act as a market maker in the Shares of BSC and to carry out Share purchases on BSC’s behalf. Panmure are entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in advance on 1 January, 1 April, 1 July and 1 October. BSC indemnifies Panmure against losses arising out of Panmure’s appointment except where such losses arise from Panmure’s breach of agreement, negligence or wilful default.

## BSC2

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

The annual fee payable to the Manager is 1.0 per cent on all surplus cash, defined as all cash above £5 million. The annual fee on all other assets is 2.0 per cent per annum. This is calculated half yearly at 30 June and 31 December. The annual fee for the twelve months ending 31 December 2023 was £2,147,000, equal to 1.76 per cent of the average NAV.

The Manager also provides and procures the provision of secretarial and administration services to BSC2. The Manager receives an annual accounting and secretarial fee, index linked to RPI, which is currently £90,000. The annual fee for the twelve months to 31 December 2023 was £85,000, equal to 0.07 per cent of the average NAV.

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

The FCA classifies BSC2 as an alternative investment fund (“AIF”); BSC2 must have a single alternative investment fund manager (an “AIFM”) responsible for providing, at a minimum, portfolio management and risk management services, to one or more AIFs, with this being its regular business (irrespective of where the AIFs are located or what legal form the AIF takes). The Manager is BSC2’s AIFM.

- 6.10 Pursuant to a Subscription Rights Agreement dated 23 November 2001 between BSC2, YFM Private Equity Limited and Chord Capital Limited (“Chord”, formerly Generics Asset Management Limited), as amended, and restated a performance incentive fee is payable by BSC2, details of which are set out on pages 42 and 43.
- 6.11 By the terms of a letter of engagement dated 26 November 2016 between BSC2 and Panmure, Panmure agreed to act as brokers to BSC2, and, inter alia, to act as a market maker in the Shares of BSC2 and to carry out Share purchases on BSC2’s behalf. Panmure is entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in advance on 1 January, 1 April, 1 July and 1 October. BSC2 indemnifies Panmure against losses arising out of Panmure’s appointment except where such losses arise from Panmure’s breach of agreement, negligence or wilful default.

## 7. Consumer Duty

The Directors are cognisant of the Manager's obligations to comply with the FCA's consumer duty ("Consumer Duty") rules and principles which came into force in July 2023. Firms subject to Consumer Duty must ensure that they are acting to deliver good outcomes and that this is reflected in their strategy, leadership and governance policies. The Companies are not directly captured by Consumer Duty; however, the Directors receive updates from the Manager on how it is meeting its obligations.

## 8. Takeovers and Mergers

### 8.1 Mandatory takeover bids

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

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

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

### 8.2 Squeeze out

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

### 8.3 Sell out

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



## 9. General

- 9.1 There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BSC is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on BSC's financial position or profitability.
- There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BSC2 is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on BSC2's financial position or profitability.
- 9.2 The maximum costs and expenses of the Offers, including any irrecoverable VAT and all fees and commissions payable will amount to £2,250,000 for BSC and £1,500,000 for BSC2 assuming £75 million is raised under the Offer, including the over-allotment facility, that this is split as to 60 per cent as to BSC and 40 per cent as to BSC2 and that the costs of the Offers are 5 per cent of gross funds raised. The proceeds will be applied in accordance with each Company's investment policy. On the basis that £75 million is raised under the Offers, including the over-allotment facility, and that this is split as to 60 per cent as to BSC and 40 per cent as to BSC2 and that the costs of the Offers are 5 per cent of gross funds raised, the net proceeds will amount to £42,750,000 for BSC and £28,500,000 for BSC2. The maximum costs and expenses of the Offers will be 5 per cent of gross funds raised by each Company under the Offers.
- 9.3 BDO LLP of 55 Baker Street, London W1U 7EU was appointed as auditor to BSC and to BSC2 on 17 January 2014 and 22 August 2016 respectively. BDO LLP is a registered member firm of the Institute of Chartered Accountants in England and Wales.
- 9.4 YFM Private Equity was incorporated under the name Mossfire Limited in England on 7 October 1987 as a private company under the CA 1985. The name of Mossfire Limited was changed to Yorkshire Fund Managers Limited on 14 December 1987. The name of Yorkshire Fund Managers Limited was changed to YFM Private Equity Limited on 7 October 2004. The registered number of YFM Private Equity is 02174994 and its registered office is at 4th Floor, 2 Bond Court, Leeds, LS1 2JZ (telephone number 0113 244 1000). YFM Private Equity is authorised and regulated by the FCA to conduct venture capital business.
- 9.5 A VCT must satisfy the FCA that its directors and any manager have sufficient and appropriate experience in the management of assets on a scale and type in which the VCT proposes to invest. The VCT's board of directors must be able to demonstrate that it will act independently of any advisers of the VCT. A majority of the board (including the Chair) must not be directors, employees, partners, officers or professional advisers of or to the manager, adviser or any other company in the same group as the manager or any investment entity managed by them. The VCT's investments must not represent more than 15 per cent by value of all its investments at the time of investment and no more than 10 per cent, in aggregate, of the value of the total assets of the VCT at the time an investment is made may be invested in other listed closed-ended investment funds, except where those funds themselves have published investment policies which permit them to invest no more than 15 per cent of their total assets in other listed closed-ended investment funds. The VCT must continue to meet the above conditions and must, at all times, invest and manage their assets in accordance with its investment policy set out in Part 4 and so as to comply with section 274 ITA. Any material change to the investment policy of either Company will only be made with Shareholder approval.
- 9.6 Howard Kennedy, sponsor to the Offers, has given and has not withdrawn its consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 9.7 The statements attributed to the Manager in this document have been included in the form and context in which they appear with the consent and authorisation of the Manager. In accordance with Prospectus Regulation Rule 5.3.2R(2)(f), the Manager accepts responsibility for those statements and to the best of its knowledge the information contained in those parts of the Prospectus is in accordance with the facts and those parts of the Prospectus make no omission likely to affect their import.
- 9.8 The unaudited Net Asset Value per BSC Share as at 30 June 2024 was 83.5 pence and the unaudited Net Asset Value per BSC2 Share as at 30 June 2024 was 57.50 pence. Since 30 June 2024, BSC paid an interim dividend of 2.0p per BSC Share on 26 July 2024 and BSC2 has declared a further interim dividend of 1.5p per BSC2 Share, which will be paid on 1 November 2024.

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- 9.9 BSC had available as at 30 June 2024 cash at bank of £46.1 million and money market funds of £68.0 million and BSC2 had available as at 30 June 2024 cash at bank of £26.4 million and money market funds of £38.0 million, each of which should be supplemented by the net proceeds of the Offers. (source: unaudited interim accounts prepared by the relevant Company).

- 9.10 The capitalisation of BSC as at 30 June 2024 was as follows:

Shareholders' Equity	£000's
Called up Equity Share Capital	33,089
Legal Reserve (share premium account)	89,695
Other Reserves*	76,126
<b>Total</b>	<b>198,910</b>

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

There has been no material change to BSC's capitalisation since 30 June 2024.

The capitalisation of BSC2 as at 30 June 2024 was as follows:

Shareholders' Equity	£000's
Called up Equity Share Capital	30,855
Legal Reserves (share premium account)	53,681
Other Reserves*	42,342
<b>Total</b>	<b>126,878</b>

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

There has been no material change to BSC2's capitalisation since 30 June 2024.

- 9.11 There have been no significant factors, including unusual or infrequent events or new developments, which have materially affected either Company's income from operations. There have been no governmental, economic, fiscal, monetary or political policies or factors that have materially affected either Company's operations. However, levels and bases of, and relief from, taxation are subject to change and such changes could be retrospective and could materially affect either Company's operations.
- 9.12 The Manager is responsible for the determination and calculation of each Company's Net Asset Value, which is approved by the relevant Company's Board, and which the Boards intend to announce at least quarterly, through a Regulatory Information Service. The Boards believe that by announcing their Company's financial results on a regular basis, it should help to provide a fairer market price for its Shares.
- 9.13 In the opinion of BSC, its working capital is sufficient for its present requirements, that is for at least 12 months from the date of this document.
- 9.14 In the opinion of BSC2, its working capital is sufficient for its present requirements, that is for at least 12 months from the date of this document.
- 9.15 Save for the fees paid to the Directors as detailed in paragraph 5.9 above, the fees paid under the management, administration and incentive arrangements detailed in paragraphs 6.6 and 6.7 above and the offer agreement at paragraph 6.1 above and the irrevocable undertakings to subscribe for BSC Shares under the Offers that have been given by Rupert Cook and Adam Bastin, Directors of BSC, there were no other related party transactions or fees paid by BSC to a related party during the period from 31 March 2024, the date of its last published audited financial information, to the date of this document.
- Save for the fees paid to the Directors as detailed in paragraph 5.9 above, the fees paid under the management, administration and incentive arrangements detailed in paragraphs 6.9 and 6.10 above, the offer agreement at paragraph 6.1 above and the irrevocable undertakings to subscribe for BSC2 Shares under the Offers that have been given by Roger McDowell and Arif Ahmed, Directors of BSC2, there were no other related party transactions or fees paid by BSC2 to a related party during the period from 30 June 2024, the date of its last published unaudited financial information, to the date of this document.
- 9.16 The investment portfolios of the Companies are valued in accordance with the Manager's valuation policy (the Manager's Valuation Policy"), which adheres to IFRS 13 "Fair Value Measurement" and International Private Equity and Venture Capital ("IPEVC") valuation guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital

investments. These investments are valued on the basis of forward-looking estimates and judgments about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgments the valuation, which, in accordance with the IAAs summarised in paragraphs 6.6 and 6.9 of this Part 7, is undertaken by the Manager, takes into account all known material facts up to the date of approval of the financial statements by the Boards. The Manager's Valuation Policy ensures a robust and systematic approach to applying IFRS 13 and the IPEVC guidelines to mitigate any potential conflicts of interest in their preparation, insofar as the Manager receives management, administration and performance incentive fees, the quantum of which are impacted by the net asset value of the Companies. To further mitigate any potential conflicts, valuations are ultimately reviewed, challenged and subsequently approved by the Boards, all of the Directors being considered by the Boards to be independent of the Manager. The valuation of listed investments and investments traded on AIM or other public stock markets will be stated at closing bid prices. Investments not listed on a public stock market will be valued in accordance with the IPEVC valuation guidelines.

- 9.17 Investments will be valued quarterly by the Boards and these Net Asset Values will be communicated to Shareholders through the Regulatory Information Service. Each Company will also announce when there has been a major change to Net Asset Value, for instance as a result of a disposal of an investment or if that Company undertakes a fundraising and needs to announce an interim valuation. The Directors do not anticipate any circumstances arising under which the calculation of the Net Asset Value may be suspended. Any suspension will be communicated to Shareholders through the Regulatory Information Service.
- 9.18 The Boards have managed, and intend to continue to manage, the affairs of the Companies in order that they comply with the legislation applicable to VCTs. In this regard, the Companies have retained Philip Hare & Associates LLP to advise on their VCT status. The Companies have continued to conduct their affairs so as to comply with section 274 of the ITA for their current financial year and intend to continue to do so for subsequent periods. However, there can be no guarantee that VCT status will be maintained and Investors' attention is drawn to Part 5 of this Document.
- 9.19 Neither Company assumes responsibility for the withholding of tax at source.
- 9.20 All third party information in the Prospectus has been identified as such by reference to its source and in each instance has been accurately reproduced and, so far as the Companies are aware and are able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 9.21 A typical investor for whom the Offers are designed is a UK income tax payer aged 18 or over, who is professionally advised, with an investment range of between £6,000 (including any Facilitated Fee) and £200,000, who may already have a portfolio of non-Venture Capital Trust investments such as unit trusts/OEICS, investment trusts and direct shareholdings in listed companies, who is willing to invest over the medium to long term and who, having regard to the risk factors set out in the Prospectus, considers the investment policy of the Companies to be attractive (that is to say an investment policy with potential returns and associated risks that may be higher than investment in the FTSE All-Share Index). This may include retail and sophisticated investors and high net-worth individuals.
- 9.22 The existing issued BSC Shares will represent 84.9 per cent of the enlarged ordinary share capital of BSC immediately following the Offers, assuming the Offers are fully subscribed in both Companies, including the over-allotment facility, with subscriptions split as to 60 per cent/40 per cent as between BSC and BSC2 respectively at an Offer Price for BSC of 84.021p, and on that basis BSC shareholders who do not subscribe under the Offers will, therefore, be diluted by 15.1 per cent.
- The existing issued BSC2 Shares will represent 84.4 per cent of the enlarged ordinary share capital of BSC2 immediately following the Offers, assuming the Offers are fully subscribed in both Companies, including the over-allotment facility, with subscriptions split as to 60 per cent/40 per cent as between BSC and BSC2 respectively at an Offer Price for BSC2 of 57.732p, and on that basis BSC2 shareholders who do not subscribe under the Offers will, therefore, be diluted by 15.6 per cent.
- 9.23 The Companies and the Directors consent to the use of the Prospectus by financial Intermediaries, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial Intermediaries, from the date of the Prospectus until the close of the Offers. The deadline for receipt of Application Forms and cleared funds is 28 March 2025, and the Offers are expected to close on or before 4 April 2025. There are no conditions attaching to this consent. Financial Intermediaries may use the Prospectus only in the UK.



## PART 7

- 9.24 **In the event of an offer being made by a financial Intermediary, the financial Intermediary will provide information to investors on the terms and conditions of the offer at the time that the offer is made. Any financial Intermediary using the Prospectus has to state on its website that it uses the Prospectus in accordance with the consent set out at paragraph 9.23 above.**

### 10. Specific Disclosures

- 10.1 The Companies are not regulated entities. VCTs must meet a number of conditions set out in tax legislation in order for VCT tax reliefs to apply, and comply with the rules and regulations of the FCA.
- 10.2 The Boards must be able to demonstrate that they act independently of the Manager. A majority of the Board (including the Chair) must not be directors, employees, partners, officers, or professional advisers of or to, the Manager or any company in the Manager's group or any other investment entity which they manage.
- 10.3 The Manager is responsible for the determination and calculation of the NAV of the Companies on a three monthly basis, which is approved by the relevant Company's Board.
- 10.4 The valuation of the Companies' investments will be determined by the Manager, and approved by the relevant Company's Board, at least every three months and will be communicated to Shareholders through a Regulatory Information Service and made available on the Companies' website. The value of investments will be determined on a fair value basis. In the case of quoted securities, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending on the convention of the exchange on which the investment is quoted. In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, multiples and net assets. This is consistent with International Private Equity and Venture Capital Guidelines.
- 10.5 The calculation of the NAV per Share would only be suspended in circumstances where the underlying data necessary to value the investments of the Companies could not readily, without undue expenditure, be obtained. Details of any suspension in making such calculations would be communicated to Shareholders through a Regulatory Information Service
- 10.6 The Manager maintains professional indemnity insurance and additional own funds which are appropriate to cover potential risks arising from professional negligence as required by the FCA rules.
- 10.7 Any periodic disclosures as required by the FCA rules will be made in the quarterly communications to investors from the Manager.
- 10.8 The legal and regulatory regime to which the Companies and Manager are subject ensures the fair treatment of investors. In particular, as directors of a company incorporated in the United Kingdom, the Directors have certain statutory duties under the Companies Act with which they must comply. These include a duty upon each Director to act in the way they consider, in good faith, would be most likely to promote the success of each Company for the benefit of its members as a whole. No investor has a right to obtain preferential treatment in relation to their investment in the Companies and the Manager does not give preferential treatment to any investors.

### 11. Documents available for inspection

- 11.1 The Companies' memorandum and Articles and the Prospectus are available for inspection at the registered office of the Companies at 4th Floor, 2 Bond Court, Leeds LS1 2JZ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until closing of the Offers and may also be inspected on the Companies' website address at [www.bsccfunds.com](http://www.bsccfunds.com).

17 October 2024

# Part 8

## Definitions

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

<b>“Act”</b>	the Companies Act 2006, as amended from time to time;
<b>“Admission”</b>	the admission of the New Shares to a listing on the Official List and to trading on the London Stock Exchange’s main market for listed securities;
<b>“Adviser Charge(s)”</b>	the fee(s) payable to an Intermediary, agreed with the Investor for the provision of a personal recommendation or related services in relation to an investment in New Shares, and detailed on the Application Form;
<b>“AIM”</b>	the Alternative Investment Market of the London Stock Exchange;
<b>“Applicant(s)”</b>	an Investor(s) who applies to subscribe for New Shares;
<b>“Application”</b>	an application for New Shares;
<b>“Application Amount”</b>	the total amount remitted to the Companies under the Offers, including any Facilitated Fee;
<b>“Application Form”</b>	form of application for New Shares, which can be found on the Companies’ website;
<b>“Articles”</b>	the articles of association of the relevant Company (as amended from time to time);
<b>“BSC”</b>	British Smaller Companies VCT plc;
<b>“BSC2”</b>	British Smaller Companies VCT2 plc;
<b>“BSC2 General Meeting”</b>	the general meeting of BSC2 convened for 12 November 2024 (or any adjournment thereof);
<b>“BSC2 Resolution”</b>	the resolution to be proposed at the BSC2 General Meeting to reduce the nominal value of each issued fully paid up BSC2 Share from 10 pence per BSC2 Share to 0.01 pence per BSC2 Share
<b>“Business Day”</b>	a day (excluding Saturday and Sunday and public holidays in England and Wales) when the banks are generally open for business in London;
<b>“CA 1985”</b>	the Companies Act 1985, as amended from time to time;
<b>“City” or “The City Partnership” or “Receiving Agent” or “Registrar”</b>	The City Partnership (UK) Limited;
<b>“Companies”</b>	BSC and BSC2 and each a “Company”;
<b>“CREST”</b>	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);
<b>“Dealings”</b>	buying, selling, subscribing for or underwriting of securities in the Companies or offering or agreeing to do so, either as principal or agent;
<b>“Directors” or “Boards”</b>	the directors of the relevant Company at the date of this document;
<b>“Dividend Re-investment Scheme(s)” or “DRIS” or “Schemes”</b>	the respective dividend re-investment scheme established for each Company, the terms and conditions of which are set out in Part 9 of this document (as amended from time to time);
<b>“DTRs”</b>	the Disclosure and Transparency Rules made by the FCA under Part VI of FSMA;

## PART 8

<b>“Election Date”</b>	the day by which the Mandate Forms must be received by the Registrar, as announced by the Companies as the applicable deadline for the dividend concerned and expected to be at least 10 Business Days before the payment date of a dividend which is to be re-invested;
<b>“EU MiFID II”</b>	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (“MiFID”) and Regulation (EU) No 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (“MiFIR”), and together with MiFID, “MiFID II”;
<b>“FCA”</b>	the Financial Conduct Authority acting in its capacity as the competent authority under the FSMA;
<b>“Facilitated Fees”</b>	Adviser Charges, the payment of which is facilitated by the Companies;
<b>“Financial Adviser”</b>	an authorised intermediary offering investment advice to his client;
<b>“FSMA”</b>	Financial Services and Markets Act 2000, as amended from time to time;
<b>“Fund”</b>	the Investment Funds sourcebook which forms part of the FCA Handbook;
<b>“HMRC”</b>	HM Revenue & Customs;
<b>“Howard Kennedy”</b>	Howard Kennedy Corporate Services LLP;
<b>“Initial Application Fee”</b>	the fee payable to the Manager, as set out on page 16;
<b>“Intermediary/(ies)”</b>	an authorised firm who signs the Application Form and whose details are set out in section 8 of that document;
<b>“Investment Team”</b>	those persons whose details are set out on pages 31 to 32 under the heading “The Investment Team”;
<b>“Investor(s)”</b>	an individual(s) who subscribes for New Shares;
<b>“ITA 2007”</b>	Income Tax Act 2007, as amended from time to time;
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“Knowledge Intensive Company”</b>	a company satisfying the conditions in Section 331(A) of Part 6 ITA 2007;
<b>“Manager” or “YFM”</b>	YFM Private Equity Limited, registered number 02174994, in its position as the FCA authorised and regulated subsidiary of YFM Equity Partners;
<b>“Money Laundering Regulations”</b>	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;
<b>“Net Asset Value(s)” or “NAV”</b>	net asset value per Share;
<b>“New Ordinary Shares”</b>	the new Ordinary shares to be issued from time to time under the Schemes;
<b>“New Shares”</b>	the new Shares to be issued from time to time under the Offers;
<b>“Offers”</b>	the offer for subscription by the Companies for New Shares in respect of the tax year 2024/25 contained in this document;
<b>“Offer Amount”</b>	the total amount remitted to a Company under an Offer, including a pro-rata share of any Facilitated Fee;
<b>“Offer Price”</b>	the subscription price of each New Share issued under the Offers as calculated in accordance with the Pricing Formula;
<b>“Official List”</b>	the Official List of the FCA;
<b>“Pricing Formula”</b>	the pricing formula relating to the Offers as set out on page 36 of this document;
<b>“Prospectus”</b>	this document;

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<b>“Prospectus Regulation”</b>	Regulation (EU) 2017/1129;
<b>“Prospectus Regulation Rules”</b>	the Prospectus Regulation rules of the FCA;
<b>“Qualifying Company”</b>	an unquoted (including AIM-traded) company carrying on a qualifying trade wholly or mainly in the UK satisfying the conditions in Chapter 4 of Part 6 ITA. A summary of these requirements is given in Part 5 of the Prospectus;
<b>“Qualifying Holdings” or “Qualifying Investments”</b>	shares in, or securities of, a Qualifying Company held by a Venture Capital Trust which meets the requirements described in Chapter 4 of Part 6 ITA 2007;
<b>“Qualifying Investor”</b>	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;
<b>“RAM Capital”</b>	RAM Capital Partners LLP;
<b>“Registrar” or “Receiving Agent”</b>	The City Partnership (UK) Limited;
<b>“Regulatory Information Service” or “RIS”</b>	a regulatory information service that is on the list of regulatory information services maintained by the FCA;
<b>“Restricted Territories”</b>	US, Canada, Australia, New Zealand, Japan and South Africa (and each a Restricted Territory);
<b>“Risk Finance State Aid”</b>	state aid received by a company as defined in Section 280B (4) of ITA;
<b>“RPI”</b>	the general index of retail prices published by the Office of National Statistics each month;
<b>“Securities Act”</b>	The United States Securities Act of 1993, as amended;
<b>“Shareholder(s)”</b>	holder(s) of Shares;
<b>“Shares” or “Ordinary Shares”</b>	ordinary shares of 10p each in the capital of the relevant Company (or, subject to the BSC2 Resolution being passed at the BSC2 General Meeting, ordinary shares of 0.01p each in the capital of BSC2);
<b>“Statutes”</b>	the “Companies Acts” as defined in Section 2 of the Act;
<b>“Total Return”</b>	NAV plus cumulative dividends paid;
<b>“UK Listing Rules”</b>	listing rules issued by the FCA, as amended from time to time;
<b>“UK MiFID Laws”</b>	(i) the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017 (SI 2017/701), The Data Reporting Services Regulations 2017 (SI 2017/699) and the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2017 (SI 2017/488), and any other implementing measure which operated to transpose EU MiFID II in to UK law before 31 January 2020 (as amended and supplemented from time to time including by: (1) Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018; (2) The Financial Regulators’ Powers (Technical Standards etc.) and Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2019 (SI 2019/576); (3) The Financial Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019; and (4) The Financial Services (Electronic Money, Payment Services and Miscellaneous Amendments) (EU Exit) Regulations 2019; and (ii) the UK version of Regulation (EU) No 600/2014 of the European Parliament, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time including by: (a) Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018; (b) The Financial Regulators’ Powers (Technical Standards etc.) and Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2019 (SI 2019/576); (c) The Financial

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Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019; and (d) The Financial Services (Electronic Money, Payment Services and Miscellaneous Amendments) (EU Exit) Regulations 2019;

**“UK PRIIPs Laws”**

the UK version of the EU Packaged Retail Investment and Insurance Products Regulations which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time including by the Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019 (February 2019) and the Cross-Border Distribution of Funds, Proxy Advisors, Prospectus and Gibraltar (Amendment) (EU Exit) Regulations 2019;

**“VAT”**

value added tax;

**“VCT” or “Venture Capital Trust”**

a company which is, for the time being, approved as a venture capital trust under Section 259 of the ITA 2007;

**“VCT Regulations”**

Part 6 ITA 2007 and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning Venture Capital Trusts as amended from time to time;

**“YFM Equity Partners”**

YFM Equity Partners LLP, registered number OC384467.

# Part 9

## Terms and Conditions of the Dividend Re-investment Schemes

- 1 Shareholders on the register of members of the Companies 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 Companies, 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 Companies 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 Companies. The Companies shall not have the discretion to vary such investments and Shareholders may not instruct the Companies 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 Companies on behalf of each Participating Shareholder shall be applied on behalf of that Shareholder in the subscription for the maximum number of New Ordinary Shares as can be acquired with those funds.
  - (b) The number of New Ordinary Shares issued to a Participating Shareholder pursuant to condition 4(a) above shall be calculated by dividing the aggregate value of the dividends paid on the Ordinary Shares to which the Participating Shareholder is entitled by the greater of (i) the net asset value per Ordinary Share being the most recently announced net asset value per Ordinary Share as at the date the dividend is paid (as adjusted for the relevant dividend in question if this has not already been recognised in the most recently announced net asset value); and (ii) the nominal value per Ordinary Share.
  - (c) No fractions of New Ordinary Shares will be issued under the Scheme and subject to conditions 4(d) and 4(e) below the election may only be made by Shareholders in respect of the whole and not part of their shareholdings. Any balance of cash remaining with the Companies after the subscription shall be held by the Companies 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 Companies 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 Companies, 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. Please note that elections may not be made through the CREST Dividend Election Input Message. Any elections must be submitted via a mandate form or signed letter of instruction to The City Partnership. This instruction 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 mandate form.
  - (e) Shareholders holding Ordinary Shares in certificated form who might wish to make a partial election should contact The City Partnership to find out how to divide their holding so that they can make a re-investment election on the required number of Ordinary Shares.



## PART 9

- 5 The Companies 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 Companies 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 UK Listing Rules of the Financial Conduct 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 Companies' registrars The City Partnership, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH by no later than 5.00pm on the Election Date of a dividend which is to be re-invested. Mandate Forms received by that time on an Election Date shall be effective in relation to the dividend to which the Election Date relates and any future dividends in respect of which the Directors offer a dividend re-investment alternative. Mandate Forms received after 5.00pm on an Election Date shall not be effective in relation to the dividend to which the Election Date relates but shall be effective in respect of any future dividends in respect of which the Directors offer a dividend re-investment alternative. Please note that no acknowledgement of receipt of Mandate Forms will be issued by the Companies or by City.

Shareholders who hold their Ordinary Shares in CREST can only elect to receive relevant dividends in the form of New Ordinary Shares by submitting their instruction via a mandate form or signed letter of instruction to The City Partnership. The instruction 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 mandate instruction 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 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 Financial Conduct Authority for admission of the New Ordinary Shares to the Official List and to the London Stock Exchange plc for admission to trading on the London Stock Exchange plc's market for listed securities (together "Admission"). On issue, the New Ordinary Shares will rank pari passu in all respects with the existing issued Ordinary Shares and will rank so for future dividends. Subject to Admission, definitive share certificates for the New Ordinary Shares will be posted as soon as practicable following Admission at the risk of the persons entitled to them. Where New Ordinary Shares are issued as uncertificated shares, as soon as practicable following Admission, the Companies 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 ten Business Days of allotment.

In the event that Admission does not become effective, Mandate Forms 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 may be obtained from The City Partnership, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH or from the Companies' website at [www.bscfunds.com](http://www.bscfunds.com).
- 11 All costs and expenses incurred in administering the Scheme will be borne by the Companies.



## PART 9

- 12 Each Shareholder applying to participate in the Scheme will be deemed to warrant to the Companies in the Mandate Form 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 is correct and, to the extent any of the information changes, he or she will notify the changes to the Companies.
- 13 Each Participating Shareholder acknowledges that neither the Companies nor City nor YFM is providing a discretionary management service. Neither City, nor YFM nor the Companies 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 Companies, their 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 regulatory information service.
- 15 A Participating Shareholder who does not hold their Ordinary Shares in CREST may at any time, by giving written notice to City by 5.00pm on the Election Date prior to the relevant Re-investment Day, terminate his or her participation in the Scheme. A Participating Shareholder who holds their Ordinary Shares in CREST may cancel a mandate instruction by no later than 5.00pm on the Election Date. If a Participating Shareholder shall at any time cease to hold any Ordinary Shares in the Companies, 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 Companies 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 Companies, acting by its Directors, might suspend or terminate the Scheme include, but are not limited to, changes in legislation governing Venture Capital Trusts (including changes in available tax reliefs) and adverse market conditions in the public markets. The Directors shall also be entitled, at any time and from time to time, to give each Participating Shareholder the opportunity to choose to dis-apply their mandate in respect of a particular special interim dividend, as may at any time and from time to time be declared by the Companies, 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 Companies shall be in writing and delivered or posted to The City Partnership, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH. 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 Companies.
- 18 The Companies 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 Companies' 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 the Participating Shareholder will (i) be deemed to have agreed to provide the Companies 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 VCT shares via a nominee and obtain income tax relief for their subscription. Participating Shareholders under the Scheme are responsible for ascertaining their own tax status and liabilities and the Companies cannot and do not accept any liability in the event they do not receive any Venture Capital Trust tax reliefs, or such reliefs are reduced or restricted in any way.

## PART 9

- 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 VCT 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 copy of the Mandate Form 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 Companies 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 Companies to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

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

# Part 10

## Terms and Conditions of Application

The following Terms and Conditions apply to the Offers:

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

The “Notes on how to complete the Application Form” which can be found on the Companies' website forms part of these Terms and Conditions of Application. Please note that only Applications submitted online at [www.bscfunds.com](http://www.bscfunds.com) or returned by post/hand/email to the Receiving Agent will be accepted.

1. The contract created by the acceptance of an Application under the Offers will be conditional on Admission, unless otherwise so resolved by the Boards.
2. The right is reserved by the Companies to present all cheques and bankers' drafts for payment on receipt and to retain the relevant Share certificates and Application monies, pending clearance of such successful Applicants' cheques and bankers' drafts. The Companies may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Companies may, at their discretion, accept an Application in respect of which payment is not received by the Companies prior to the closing date of the Offers. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the Application monies or, as the case may be, the unused balance thereof in excess of £2.00 will be returned as soon as possible (without interest) by BACS to each relevant Applicant (or their nominee), at the risk of the person(s) entitled thereto. Balances of less than £2.00 may be retained by the Companies and used for their own purposes. In the meantime, Application monies will be retained by the Receiving Agent in a separate account. Up to £50 million of New Shares are being made available under the Offers, in aggregate, with an over-allotment facility for up to a further £25 million of New Shares, in aggregate. The maximum number of New Shares that may be issued under the Offers by BSC and BSC2 is 90 million and 120 million New Shares respectively and the maximum gross proceeds that either BSC or BSC2 can raise under the Offers is £75 million. The Boards reserve the right to close the Offers earlier than the closing date if fully subscribed. Applications which are accompanied by post-dated cheques will not be accepted, subject to the Boards' discretion to accept such Applications. If any dispute arises as to the date or time on which an Application is received, the Boards' determinations shall be final and binding.
3. Subject to paragraph (4) below, no person receiving a copy of this document or any part thereof, or an Application Form, in any territory other than the UK may treat the same as constituting an invitation or offer to them, nor should they in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to them or such Application Form could lawfully be used without contravention of any regulation or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy themselves as to the full observation of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying issue, transfer or other taxes required to be paid in such territory.
4. The New Shares have not been, nor will they be, registered in the United States under the Securities Act or under the securities laws of the Restricted Territories and they may not be offered or sold directly or indirectly within the United States or any of the Restricted Territories or to, or for the account or benefit of, US persons (as defined in Regulation S made under the Securities Act) or any national, citizen or resident of the United States or any of the Restricted Territories. The Offers are not being made, directly or indirectly, in or into the United States or any of the Restricted Territories or in any other jurisdiction where to do so would be unlawful. The distribution of this Document in jurisdictions other than the UK may be restricted by law and therefore, persons into whose possession this Document comes should inform themselves about and observe any of these restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities law of any such jurisdiction. The Application Form is not being and must not be forwarded to or transmitted in or into the United States or any Restricted Territory. No Application will be accepted if it bears an address in the United States.
5. Applicants will be bound by the Application(s) indicated by them on their Application Forms. Multiple Applications under the Offers are permitted. Applications under the Offers will be accepted on a “first-come, first-served” basis, subject always to the discretion of the relevant Board. For these purposes, “first-come, first served” shall be

assessed based on the date and time of receipt of a fully completed Application, subject to receipt of Application monies (in full, including those making multiple payments) in cleared funds by the earlier of an Offer deadline or within five Business Days from receipt of Application to retain the Applicant's position of priority. If Application monies are not received within such time, the relevant date and time shall be when the Applicant's Application monies are received in cleared funds. An Application may not be considered as "complete" until identity verification is completed and/or, where relevant, information or supporting evidence required for the Application is no longer outstanding. The right is reserved to reject in whole or in part and scale down any Application or any part thereof including, without limitation, Applications in respect of which any verification of identity which the Companies or the Receiving Agent consider may be required for the purpose of the Money Laundering Regulations has not been satisfactorily supplied. The Boards in their absolute discretion may decide to close or suspend the Offers. The Offers shall be suspended if the issue of such New Shares in the Companies would result in a breach of the UK Listing Rules, the Companies not having the requisite Shareholder authorities from time to time to allot New Shares or a breach of any other statutory provision or regulation applicable to the Companies. Dealings prior to the issue of certificates for New Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.

6. By completing and delivering an Application Form, you confirm and warrant that you:
- i) offer to subscribe the monetary amount stated on the Application Form in the Companies for such number of New Shares obtained by dividing the monetary amount by the applicable Offer Prices of the New Shares resulting from the application of the Pricing Formula (as described in this document), subject to these terms and conditions of Application, and subject to the memorandum and articles of association of the relevant Company;
  - ii) agree that, in consideration of the Companies agreeing to process your Application, your Application will not be revoked until the Offers are closed and that this paragraph shall constitute a collateral contract between you and the Companies which will become binding upon dispatch by post to, or (in the case of delivery by hand or by email or by online submission) on receipt by, the Receiving Agent of your Application Form;
  - iii) agree and warrant that your cheque or bankers' draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the New Shares in the Companies until you make payment in cleared funds and such payment is accepted by the Companies in their absolute discretion (which acceptance shall be on the basis that you indemnify the Companies and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation), and you agree that, at any time prior to the unconditional acceptance by the Companies of such late payment, the Companies may (without prejudice to its other rights) void the agreement to allot such New Shares to you and may issue or allot such New Shares to some other person, in which case you will not be entitled to any payment in respect of such New Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or bankers' draft accompanying your Application Form, without interest;
  - iv) agree that if, following the issue of all or any New Shares applied for pursuant to the Offers, your remittance is not honoured on first presentation, those New Shares may, forthwith upon payment by the Manager (or such person as it may nominate) of the Offer Price of those New Shares to the Companies, be transferred to the Manager or such other person as the Manager may direct at the relevant Offer Price per New Share and any director of the relevant Company is hereby irrevocably appointed and instructed to complete and execute all or any form(s) of transfer and/or any other documents in relation to the transfer of those New Shares to the Manager or such other person as the Manager may direct and to do all such other acts and things as may be necessary or expedient, for the purpose of or in connection with, transferring title to those New Shares to the Manager, or such other person, in which case you will not be entitled to those New Shares or any payment in respect of such New Shares;
  - v) agree that, in respect of those New Shares for which your Application has been received and is not rejected, your Application may be accepted at the election of the Companies either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
  - vi) agree that any monies refundable to you may be retained by the Companies pending clearance of your remittance and any verification of identity which is, or which the Companies or the Receiving Agent may consider to be, required for the purpose of the Money Laundering Regulations and that such monies will not bear interest;

- vii) authorise the Registrar to send Share certificate(s) or arrange for your CREST account to be credited in respect of the number of New Shares for which your Application is accepted and authorise the Companies to issue a BACS transfer for any monies returnable, at your own risk, without interest, and to procure that your name is placed on the register of members of the relevant Company in respect of such New Shares;
- viii) agree that all Applications, acceptances of Applications and contracts resulting therefrom and any non-contractual obligations arising out of or in connection with your Application shall be governed by and construed in all respects in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Companies to bring any action, suit or proceeding arising out of or in connection with any such Application, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
- ix) agree and acknowledge that you are making your Application on the basis of the information and statements concerning the Companies and the New Shares contained in this Document and that no person responsible solely or jointly for this Document or any part thereof or involved in the preparation thereof shall have any liability for any other information or representation relating to the Companies or the New Shares or for any change in the law or regulations affecting VCTs;
- x) irrevocably authorise the Receiving Agent and/or the Registrar and/or the Companies or any person authorised by any of them, as your agent, to do all things necessary to effect registration of any New Shares subscribed by or issued to you in your name and authorise any representative of the Receiving Agent or of the Registrar or of the Companies, as relevant, to execute any document required thereof;
- xi) agree that, having had the opportunity to read the document, you shall be deemed to have had notice of all information and statements concerning the Companies and the New Shares contained therein;
- xii) confirm that you are not a US person within the meaning of Regulation S made under the Securities Act or a resident of any of the Restricted Territories and that you are not applying for any New Shares with a view to their offer, sale, delivery to or for the benefit of any US Person or a resident of any of the Restricted Territories, and that you have reviewed the restrictions contained in paragraphs (3) and (4) above and warrant compliance therewith;
- xiii) declare that you are an individual aged 18 or over;
- xiv) agree that all documents in connection with the Offers and returned monies will be at your risk;
- xv) agree to the Receiving Agent, where necessary, carrying out enquiries to verify your identity to ensure compliance with the Money Laundering Regulations;
- xvi) if an Application is made direct (not through a financial Intermediary), the Companies or a third party acting on behalf of the Companies, may carry out a check of the Investor's identity using an online anti-money laundering and identity verification system.  
  
To enable this process you may be contacted by the Receiving Agent and asked to provide evidence of your identity (typically an original or certified copy of a passport or driving licence, as well as a recent bank statement or utility bill);
- xvii) agree, on request by the Companies, YFM or the Receiving Agent, to disclose promptly in writing, any information which may be reasonably requested in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations and authorise the Companies, YFM or the Receiving Agent to disclose any information relating to your Application as the Companies, YFM, or the Receiving Agent consider appropriate;
- xviii) agree that neither YFM nor the Receiving Agent will treat you as a customer by virtue of your Application being accepted nor owe you any duties or responsibilities concerning the price of the New Shares in the Companies or the suitability for you of New Shares or be responsible to you for providing the protections afforded to their customers;
- xix) declare that a loan has not been made to you or any associate which would not have been made, or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Shares and that the New Shares are being acquired for bona fide commercial purpose and not as part of a scheme of arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
- xx) confirm and warrant that the information provided in the Application Form is true and accurate;

## PART 10

- xxi) have, if you sign the Application Form on behalf of somebody else, due authority to do so on behalf of that other person, and such person will also be bound accordingly and will be deemed also to have given confirmations, warranties, undertakings and authority contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Application Form;
  - xxii) consent to the information provided on the Application Form being provided to the Receiving Agent and the Registrar to process shareholding details and send notifications to you; and
  - xxiii) are not currently targeted by any form of UK, US or EU sanctions or restrictive measures including blocking; asset freezes; restrictions on dealings, issuing, or trading in debt, equity, derivatives, or other securities; or any other prohibition or restriction on exercising any rights or performing any obligations you may have in connection with any third party and that you will inform the Company and The City Partnership (UK) Limited immediately of any circumstances or changes whilst you are an Applicant or Shareholder that could impact this warranty
7. The Companies reserve the right to publish revised Application Forms from time to time. Applicants and their Intermediaries should, therefore, check when completing the Application Forms that no subsequent version has been published or made available by the Companies - which will be downloadable from the Companies' website at [www.bscfunds.com](http://www.bscfunds.com).



# Manager and Service Providers

## Manager

### **YFM Private Equity Limited**

4th Floor  
2 Bond Court  
Leeds  
LS1 2JZ

## Registrar

### **The City Partnership (UK) Limited**

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

## Receiving Agent

### **The City Partnership (UK) Limited**

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

## Sponsor

### **Howard Kennedy Corporate Services LLP**

No.1 London Bridge  
London  
SE1 9BG

## Solicitors

### **Howard Kennedy LLP**

No.1 London Bridge  
London  
SE1 9BG

## Stockbrokers

### **Panmure Liberum Limited**

One New Change  
London  
EC4M 9AF

## Independent Auditor

### **BDO LLP**

55 Baker Street  
London  
W1U 7EU

## VCT Status Adviser

### **Philip Hare & Associates LLP**

6 Snow Hill  
London  
EC1A 2AY

## Bankers

### **Santander UK plc**

44 Merrion Street  
Leeds  
LS2 8JQ

## Company Secretary

### **The City Partnership (UK) Limited**

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

## Promoter

### **RAM Capital Partners LLP**

18 Soho Square  
London  
W1D 3QL

## Depositary

### **Thompson Taraz Depositary Limited**

4th Floor, Stanhope House  
47 Park Lane  
London  
W1K 1PR





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

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2 Bond Court  
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Transforming small businesses