

BRITISH SMALLER COMPANIES VCT PLC (“the Company”)

INTERIM MANAGEMENT STATEMENT For the quarter ended 31 December 2010

British Smaller Companies VCT plc presents its interim management statement for the quarter ended 31 December 2010. This constitutes the Company's second interim management statement for the financial year ending 31 March 2011, as required by the UK Listing Authority's Disclosure and Transparency Rule 4.3. A copy of this interim management statement can be found at www.yfmprivateequity.co.uk.

The Total Return at 31 December 2010, calculated by reference to the Net Asset Value per Ordinary share and the cumulative dividends paid, was 156.2p per share compared to 153.0p at 30 September 2010.

The unaudited Net Asset Value per Ordinary share as at 31 December 2010 was 100.0p (30 September 2010: 98.8p). The Net Asset Value is stated after taking account of the interim dividend of 2.0p per Ordinary share in respect of the period ended 30 September 2010, which was paid on 7 January 2011.

The number of Ordinary shares in issue at 31 December 2010 was 32,468,556. In addition, the Company held 1,861,285 shares in Treasury.

During the quarter 218,448 shares were re-purchased by the Company at a price of 82.25p per share. These shares were placed in Treasury. There were no shares issued by the Company during the quarter. Subsequent to the quarter end, the Company has issued 106,086 Ordinary shares at a price of 91.96p per share pursuant to its dividend reinvestment scheme.

Net assets at 31 December 2010 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	18,314	56.4%
Quoted investment at bid price	4,406	13.6%
Total venture capital investments	22,720	70.0%
Fixed income securities	9,342	28.8%
Total investments	32,062	98.8%
Cash and cash equivalents	711	2.2%
Other net current assets (liabilities)	-318	-1.0%
Net assets	32,455	100.0%

The ten largest investments by valuation at 31 December 2010 were as follows:

	£000	% of net assets
GO Outdoors Limited	7,156	22.1%
Waterfall Services Limited	1,895	5.8%
Adex Bridge Investments Limited	1,000	3.1%
4G Capital Limited	1,000	3.1%
North Western Investments Limited	1,000	3.1%
President Engineering Limited	1,000	3.1%
Fishawack Limited	851	2.6%
Deep-Secure Limited	786	2.4%
Mattioli Woods plc	760	2.3%
Hargreaves Services plc	759	2.3%
Top ten investments	16,207	49.9%
Other investments	6,513	20.1%
Total venture capital investments	22,720	70.0%

Investment Portfolio

During the three months ended 31 December 2010 the Company made two investments totalling £1.25 million. £1 million was invested in President Engineering Limited a niche supplier of high pressure valves to the mining and industrial gas sectors and £0.25 million was invested into Plus quoted Woodspeen Training plc, a vocational training provider with operations in Yorkshire and on the South Coast.

There was one realisation during the quarter. The residual small investment in Freshroast Coffee Co. Limited was realised for proceeds in line with the carrying value of £0.03m. The total return on this investment represented 1.6x capital.

Quoted investments are carried at bid price with a liquidity discount applied where appropriate. Unquoted investments are carried at fair value as determined by the directors.

Performance

During the quarter the increase in Net Asset Value per share was 1.2p with the principal movement due to the underlying increase in the investment portfolio of 3.2p per share, offset by the recognition of the interim dividend of 2.0p per share, The Total Return, calculated by reference to the Net Asset Value plus cumulative dividends paid, has increased by 3.2 p per share to 156.2p per share; cumulative dividends paid are 56.2p per share.

Dividend Re-investment scheme

The Company continues to operate a dividend re-investment scheme. Shareholders currently opting to reinvest their dividends hold 15% of issued Ordinary Share capital of the Company.

Fundraising

The Company is currently looking to increase its investment capacity through a linked offer with British Smaller Companies VCT2 plc ("BSC2") pursuant to which up to 8,780,488 Ordinary Shares in the Company and up to 12,811,388 Ordinary Shares in BSC2 are being offered for subscription (subject to a maximum of £15 million, in aggregate, of funds raised). Those Shareholders investing before 1 March 2011 will receive additional shares equivalent to 1% of the amount subscribed. The additional investment capacity will enable the Company to take advantage of the more attractive investment conditions that are expected over the coming years,

Investor Workshops

The Company remains committed to enhancing Shareholder communications and has presented annual investor workshops for a number of years which have proved very popular with Shareholders. The next shareholder workshop is being held at the British Museum at 11.00 am on 9 February 2011.

Outlook

This quarter has seen an improvement in pricing across UK quoted markets with investors cautiously optimistic about the year ahead. The board expects this to lead to an increase in investment opportunities for the Company over the coming months and the portfolio remains well placed to take advantage of improving market conditions.

31 January 2011

For further information please contact:

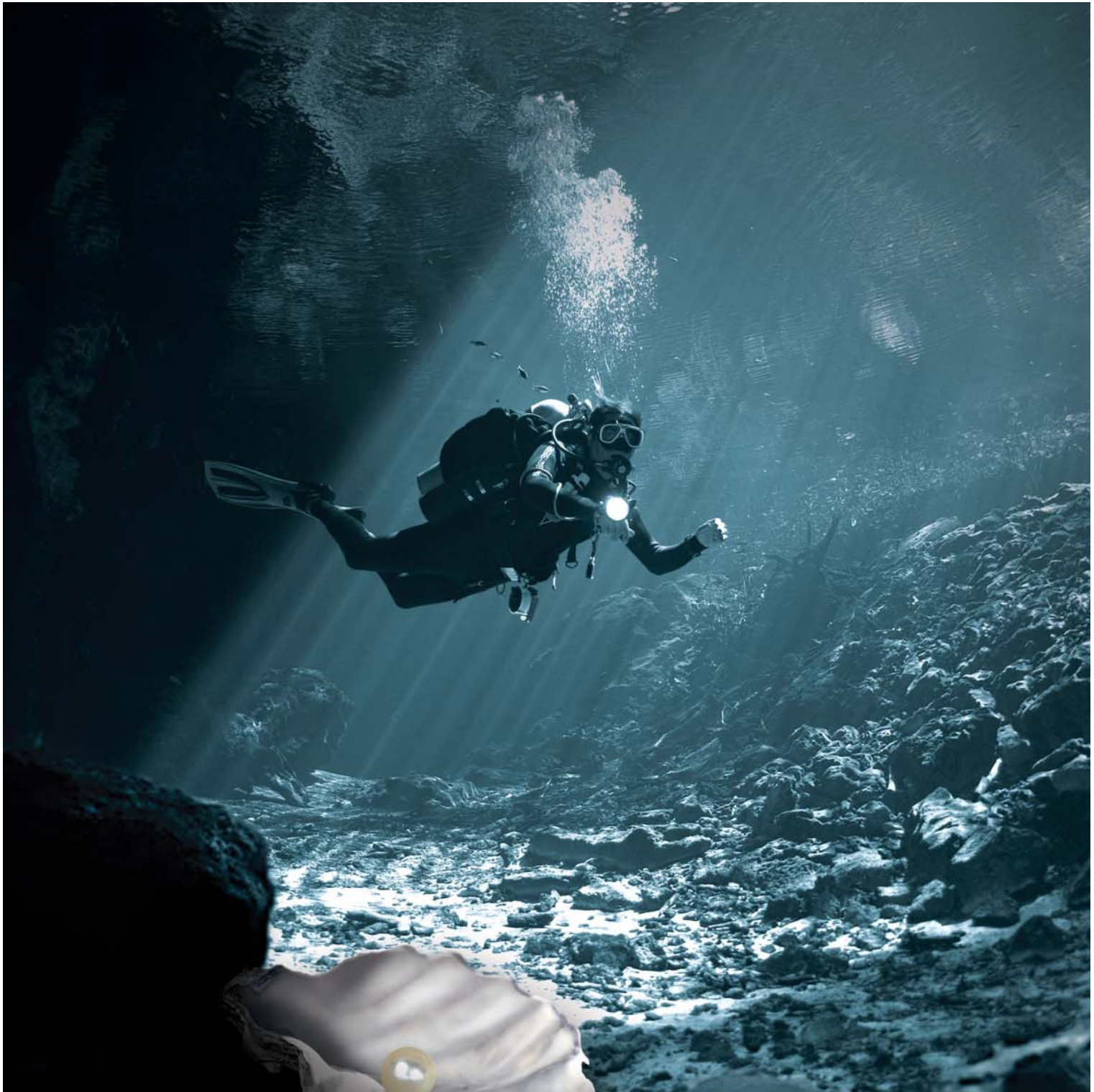
David Hall YFM Private Equity
Jeff Keating Singer Capital Markets

Tel: 0161 832 7603
Tel: 0203 205 7500



VCT Linked Offer Prospectus

British Smaller Companies VCT plc
and British Smaller Companies VCT2 plc



Offers for Subscription of up to 8,780,488 Ordinary Shares in British Smaller Companies VCT plc and up to 12,811,388 Ordinary Shares in British Smaller Companies VCT2 plc (Subject to a maximum of £15 million, in aggregate, of funds raised)

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should seek your own financial advice from a person authorised under the Financial Services and Markets Act 2000.

This document, which constitutes a prospectus relating to British Smaller Companies VCT plc and British Smaller Companies VCT2 plc, has been prepared in accordance with the Prospectus Rules made by the Financial Services Authority pursuant to Part VI of the Financial Services and Markets Act 2000 ("FSMA"), and has been approved by and filed with the Financial Services Authority.

Application has been made to the UK Listing Authority and the London Stock Exchange for the Ordinary Shares to be issued pursuant to the Offers to be admitted to the premium tier of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. It is expected that such admission will become effective and that dealings in the Ordinary Shares will commence within 5 business days of their allotment.

Each of the Directors of British Smaller Companies VCT plc and each of the Directors of British Smaller Companies VCT2 plc (the "Companies"), whose names are set out on page 56 of this document, and the Companies accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Companies (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

Howard Kennedy (the "Sponsor"), which is authorised and regulated by the Financial Services Authority, is acting for the Companies in connection with the Offers and is not advising any other person or treating any other person as a customer in relation to the Offers and will not be responsible to any such person for providing the protections afforded to customers of the Sponsor (subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder) or for providing advice in connection with the Offers. The Sponsor does not give any representation, warranty or guarantee that the Companies will qualify as Venture Capital Trusts or that investors will obtain any tax relief in respect of their investment.

The whole of this document should be read. **Your attention is drawn to the "Risk Factors" set out on pages 7 and 8 of this document.**

British Smaller Companies VCT plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 3134749)

British Smaller Companies VCT2 plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 4084003)

JOINT OFFERS FOR SUBSCRIPTION

Of up to 8,780,488 Ordinary Shares of 10 pence each in British Smaller Companies VCT plc and up to 12,811,388 Ordinary Shares of 10 pence each in British Smaller Companies VCT2 plc to raise up to a maximum of £15 million in aggregate in British Smaller Companies VCT plc and British Smaller Companies VCT2 plc

The 2010/2011 Offers in relation to the 2010/2011 tax year will close at 11:00 am on Tuesday 5 April 2011 and the 2011/2012 Offers in relation to the 2011/2012 tax year will close at 11:00 am on Friday 29 April 2011 (or such later date to which the Directors extend the 2011/2012 Offers) or earlier should the Offers become fully subscribed. The Offers are not being underwritten and are not subject to reaching a minimum level of subscription.

The terms and conditions are set out on pages 59 to 61 of this document, together with the application procedure and an application form for use in connection with the Offers.

- The minimum subscription per Investor is £5,000. The completed Application Form in respect of the Offers should be sent by post (in the enclosed reply paid envelope) or delivered by hand to:- The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh EH2 1DF.
- The Offers constitute an issue of up to £15,000,000 by value of Ordinary Shares at the Offer Price, which is to be calculated according to the Pricing Mechanism. The estimated Offer Price for British Smaller Companies VCT plc is 102.50 pence per Share and for British Smaller Companies VCT2 plc is 70.25 pence per Share, calculated by reference to the most recent published Net Asset Values, adjusted for issue costs of 5.5% and, in the case of British Smaller Companies VCT plc, for the interim dividend of 2.0p per Share declared on 23 November 2010. Under the Pricing Mechanism any Net Asset Value published while the Offers remain open may affect the prices payable by Applicants.
- An Applicant's subscription will be equally split between the Companies up to an investment of £25,000 with the excess being allocated between the Companies in line with the Applicant's wishes.

Summary

Introduction

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc are seeking to raise additional funds of up to £15 million in aggregate to allow further expansion of their diverse investment portfolios.

An investment in both Companies will provide individuals with the opportunity to invest in established VCTs with mature and diversified portfolios of mainly unlisted smaller British companies with the aim of generating attractive returns over the medium to long term. Since inception the Companies have invested £49 million in 109 businesses.

Performance

VCT	First Listed	Net Asset Value pence per Share	Total dividends pence per Share	Average dividend paid last 5 years to 30 September 2010	Total Return pence per Share
As at 30 September 2010					
BSC	4 April 1996	98.8	54.2*	5.1*	153.0*
BSC2	12 April 2001	66.2	26.0	4.2	92.2

* excluding the dividend of 2.0 pence per Share in respect of the 6 months to 30 September 2010 declared on 23 November 2010.

The British Smaller Companies VCTs have a track record of realising investments that provides a platform supporting the payment of tax free cash dividends.

British Smaller Companies VCT plc (BSC)

- Has made a total return to original Shareholders of 153.0 pence per Share (unaudited as at 30 September 2010).
- Has paid an annual tax free cash dividend of 5.1 pence per Share per annum on average over the five years to 30 September 2010 (excluding the dividend of 2.0 pence per Share in respect of the 6 months to 30 September 2010 declared on 23 November 2010)
- Investors who are on the register at 30 April 2011 will be eligible to receive any final dividend in relation to the year ended 31 March 2011; and
- Performance consistently ranked by Trustnet in the top 5 best performing VCTs (both NAV and share price growth) over five years.

British Smaller Companies VCT2 plc (BSC2)

- Has paid an annual tax free cash dividend of 4.2 pence per Share per annum on average over the five years to 30 September 2010; and
- Investors who are on the register at 30 April 2011 will be eligible to receive any final dividend in relation to the year ended 31 December 2010.

In December 2003 BSC2 amended its investment strategy to include a substantially increased emphasis on later stage investments. Following this change in investment strategy, the Company has seen improved investment performance and as at 16 November 2010 was ranked by Trustnet 19th out of 89 VCTs over three years and 18th out of 64 VCTs over five years for net asset growth.

Background of VCTs

VCTs were introduced in 1995, incorporating tax incentives for individuals to invest in smaller UK companies. VCTs are specialist investment companies similar to investment trusts listed on the London Stock Exchange.

Tax benefits

- Individuals receive a 30% up front income tax rebate on the cost of investment provided the shares are held for 5 years. This means that an investment of £10,000 will effectively cost an investor £7,000. The maximum investment which can be made in order to qualify for the personal tax reliefs available from a Venture Capital Trust is currently £200,000 per person per tax year, or £400,000 per person across two tax years.
- Dividends paid by VCTs are exempt from income tax.
- Capital gains on disposal of VCT shares are exempt from capital gains tax.

Award Winning Fund Manager

YFM Private Equity Limited is a leading fund manager that specialises in making equity investments of up to £5 million in unquoted companies and has been making investments in fast growing businesses for over 20 years. In addition to BSC and BSC2, YFM Group has, as at the date of this document, built a combined portfolio in excess of 250 unquoted investments for investors, who have committed in excess of £360 million.

YFM Private Equity was awarded:

- The Association of Investment Companies Best Shareholder Communication Award 2009 for the British Smaller Companies VCT Reports; and
- Acquisition Finance's UK small/medium private equity company of the year in 2009.
- Growth Company Investor VCT Fund Manager of the Year 2007 for British Smaller Companies VCT plc;

In 2010 BSC was shortlisted for VCT of the Year at the Investor Allstars Awards and YFM Group was shortlisted for the Unquote British Private Equity Awards 2010 – VCT Manager of the year.

Background of the Companies

Originally launched in 1996 and managed by YFM Private Equity, BSC was one of the first VCTs and is a mature VCT which invests in a broad range of companies and sectors. By following this investment strategy the Company has established a diverse portfolio of investments reducing exposure to specific markets and individual companies.

Managed by YFM Private Equity, BSC2 was formed in 2001 and invests in a combination of mature businesses operating in traditional industries, as well as a smaller proportion of businesses offering opportunities in the application and development of innovation. A diverse existing portfolio of investments again reduces the exposure to particular markets and individual companies.

Reasons for the Offers

The UK has endured the longest recession in peacetime, an unparalleled level of public sector debt and the worst banking crisis in living memory which together have combined to destabilise the economic and business environment. Valuations of unquoted companies have fallen over the past two years. At the same time, funding for those companies seeking to expand either organically or through acquisition has been significantly reduced. This means that well managed companies are facing an unusual combination of falling values and a shortage of capital. The Directors of both Companies believe that these changes have created the opportunity for those prepared to take a medium term view to invest funds into attractive businesses at a low point in the economic cycle.

The additional funds raised under the Offers will enable the Companies to increase the pace of their investment activity and both the number and size of their investments in the future. By raising more capital the running costs per Share in the Companies will be reduced as the fixed costs are spread over a larger asset base.

The Companies will continue to invest predominantly in established unquoted companies. The investment policy of both Companies is to create a portfolio that blends a mix of businesses operating in traditional industries with those that offer opportunities in the application and development of innovation. Whilst the investment strategies of both VCTs are broadly similar, BSC2 additionally intends to invest selectively in relatively earlier stage businesses that utilise innovative technology or techniques to establish a competitive edge in their chosen markets.

The Companies are currently invested in a diverse portfolio of unquoted and quoted Shares, fixed income securities and cash. The Offers enable new and existing Shareholders to invest in a mature and diverse existing portfolio to be supplemented with new investments made in line with the Companies' proven investment strategy.

The Offers

The Offers aim to raise up to £15 million in aggregate through the issue of up to 8,780,488 Shares in BSC and up to 12,811,388 Shares in BSC2. An Applicant's subscription will be equally split between the Companies up to an investment of £25,000 with the excess being allocated between the Companies in line with the Applicant's wishes.

The Offer Price is 102.50 pence per Share for BSC and 70.25 pence per Share for BSC2, calculated by reference to the most recent published Net Asset Values, adjusted for issue costs of 5.5% and, in the case of BSC, for the interim dividend of 2.0 pence per Share declared on 23 November 2010. The Offer Price is subject to adjustment if the Net Asset Value of the Companies increases or decreases by 5% or more prior to the allotment of Shares under the Offers. Although an Applicant's subscription will be equally split between the Companies (up to £25,000), because of the different Net Asset Values of the Companies, Applicants will receive a different number of shares in each Company.

Pricing Mechanism

As the Companies are currently trading and in order to be fair to both existing and new Shareholders, Ordinary Shares under the Offers will be allotted by reference to the Net Asset Value of the existing Ordinary Shares. Therefore, the Companies will allot such Ordinary Shares in accordance with the paragraph above.

If, however, the Net Asset Value of BSC on the last day of the month immediately preceding any allotment of Ordinary Shares under the Offers is more than 5% above or 5% below 96.8 pence per Share (being the current published Net Asset Value less the interim dividend of 2.0 pence per share) then such Ordinary Shares will be allotted at the relevant Net Asset Value plus 5.5%, rounded to the nearest 0.25 pence. If the price at which the Ordinary Shares allotted under the Offers is amended under the terms of this pricing mechanism then the Company will announce the fact through a Regulated Information Service.

If the Net Asset Value of BSC2 on the last day of the month immediately preceding any allotment of Ordinary Shares under the Offers is more than 5% above or 5% below 66.2 pence per Share (being the Net Asset Value at 30 September 2010) then such Ordinary Shares will be allotted at the relevant Net Asset Value plus 5.5%, rounded to the nearest 0.25 pence. If the price at which the Ordinary Shares allotted under the Offers is amended under the terms of this pricing mechanism then the Company will announce the fact through a Regulated Information Service.

Investors should therefore indicate the total amount they wish to invest and the number of shares will be calculated in accordance with the principles set out above.

Share Buy Back Policy

The Companies are conscious that their Share price is affected by the illiquidity of their Shares in the market. In line with many other VCTs, the Companies, when appropriate, will operate a buy back policy. The policies and the rate of discount at which the Shares are bought back are regularly reviewed and the policies are subject to annual resolutions put before the Shareholders. In the period from 1 April 2010 to 30 September 2010, BSC bought back 260,000 Ordinary Shares at a price of 78 pence per Share with Shares typically having been bought back at a discount of approximately 15% of the latest published net asset value. BSC2 Shareholders recently voted in favour of re-introducing a buy back policy and the rate of discount to net asset value at which BSC2's Shares are bought back has been set at no more than 15%. On 3 November 2010 BSC2 bought back 300,000 Ordinary Shares at a price of 57.75 pence per Share.

Dividend Reinvestment Scheme

BSC currently operates a dividend reinvestment scheme providing Shareholders with the opportunity to reinvest the cash dividends paid by BSC through the issue of new Shares. Whilst the scheme can be withdrawn at any time, the Directors have no plans to do so.

BSC2 intends to introduce a similar scheme and resolutions are being put to the BSC2 Shareholders at the BSC2 General Meeting in this regard, as set out on page 42. Subject to the passing of these resolutions, the first dividend to which the BSC2 dividend reinvestment scheme will apply will be the final dividend for the year ending 31 December 2010.

Management and operating costs

YFM Private Equity receives a management fee based on the net asset value of each Company as follows:

BSC: 2.0% per annum

BSC2: 2.5% per annum

Expressed as proportion of net asset value, the annual operating expenses (including the management fee set out above but excluding any payment of the performance incentive fee details of which are set out in paragraphs 6.3 and 6.7 of Part 5 and excluding VAT and trail commissions) of the Companies are capped at:

BSC: 3.5%

BSC2:

- From 1st April 2011 if monies raised by BSC2 under the Offers are £5 million or less, the total cap (excluding VAT and trail commissions) will be 4.0%.
- If monies raised by BSC2 under the Offers are between £5.001 million and £7.499 million this cap (excluding VAT and trail commissions) will reduce to 3.75%.
- If monies raised by BSC2 under the Offers are £7.5 million or more, the cap (excluding VAT and trail commissions) will reduce to 3.5%.

Key Risk Factors

Prospective Investors should be aware that the value of Shares can fluctuate and that they may not get back the amount they invest. Investment in the Companies should be viewed as a longer-term investment. The past performance of the Fund Manager or of the Companies is no indication of their future performance.

Investments made in unquoted companies carry a higher degree of risk than quoted companies. There can be no guarantees that the Companies will meet their objectives or that suitable investment opportunities will be identified. Although the Companies may agree conventional venture capital rights in connection with some of their investments, as minority investors they may not be in a position fully to protect their interests.

Whilst it is the intention that each of the Companies will be managed so as to continue to qualify as a VCT, there can be no guarantee that such status will be maintained. It is possible for Investors to lose their tax reliefs by taking or not taking certain steps. Levels and bases of, and relief from, taxation are subject to change.

Although it is anticipated that the Offer Shares will be admitted to the premium tier of the Official List and to trading on the London Stock Exchange's main market for listed securities, there is likely to be an illiquid market. In addition, the market value of the Shares may not fully reflect the underlying net asset value of the Shares.

Risk Factors

The attention of Investors is drawn to the following Risk Factors that may affect the performance of the Companies and the availability of tax reliefs.

The past performance of the Companies and/or investments managed by the Fund Manager should not be regarded as an indication of the future performance of the Companies. The value of a VCT depends on the performance of the underlying assets. The value of the Shares and the income from them can fluctuate. In addition, there is no guarantee that the market price of Offer Shares will fully reflect their underlying Net Asset Value or the ability to buy and sell at that price. Shareholders may get back less than they invested even after taking advantage of the tax incentives.

Investment in the Companies should be regarded as long-term in nature and Investors must hold their Shares for five years to retain their initial income tax relief. **The Directors strongly recommend that all potential Investors consult an appropriate adviser before deciding whether to invest.**

Furthermore, in the opinion of the Directors, all known material risks are set out below.

Taxation related risks

- Although it is intended that the Companies will be managed so as to retain their VCT status, there is no guarantee that such status will be maintained. Further details of the taxation implications of an investment in the Companies are set out on pages 38 to 40 of this Document. However, if the Companies fail to meet their qualifying requirements for a VCT and as a result loses their status as a venture capital trust this could result in:
 - (i) the loss of income tax relief received if investors have not held their Shares for the required qualifying period
 - (ii) the loss of income tax relief on dividends paid (or subsequently payable) to Investors
 - (iii) the loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Companies
 - (iv) a liability to tax on capital gains on any disposal of new Shares.
- The levels and bases of reliefs from taxation may change. The tax reliefs referred to in this Document are those currently available and their value depends on the individual circumstances of Investors.
- An investment in a VCT is free from tax on capital gains for a qualifying investor. Consequently, any realised losses on disposal of the Offer Shares cannot be used to create an allowable loss for capital gains tax purposes.
- Investors should be aware that the sale of Shares within five years of their subscription will require repayment of the income tax relief available upon investment. Accordingly, investment in the Companies is not suitable as a short or medium term investment.
- Changes in legislation, concerning VCTs in general, qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Companies to meet their objectives and/or reduce the level of returns which would otherwise have been achievable.

Listing and market risks

- Although the Shares will be listed on the Official List and traded on the London Stock Exchange, it is unlikely that a liquid market in the Shares will develop and there may never be two competitive market makers. It may, therefore, prove difficult for Shareholders to sell their Shares.
- There is a limited secondary market for VCT shares and most trade below their net asset values.

Investment and performance risks

- The Companies' investments are likely to be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.
- In order to comply with VCT legislation, the Qualifying Companies, in which the Companies invest, must have gross assets of not more than £7 million immediately prior to investment, must have fewer than 50 full time employees and must not in any 12 month period receive more than £2 million from state aid sources, including VCT money raised on or after 6 April 2007 and the Enterprise Investment Scheme. This may limit the number of attractive investment opportunities available to the Companies.
- The restrictions regarding Qualifying Companies set out in the preceding paragraph mean that the Companies are only able to invest in relatively small companies. An investment in unquoted, AIM-traded or PLUS-traded companies, by its nature involves a higher degree of risk than investment in the main market. In particular, small companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Proper information for determining their value or the risks to which they are exposed may also not be available.
- Valuations of unquoted companies are determined in accordance with current financial reporting standards. The valuation of unquoted portfolio companies often takes into account discounted stock market multiples. The valuation and opportunities for realisation, of portfolio companies may depend on stock market conditions.
- There is no guarantee that the Companies' objectives will be met or that suitable investment opportunities will be available.
- The Companies' ability to obtain maximum value from their investments (for example, through sale) may be limited by the requirements imposed in order to maintain the VCT tax status of the Companies (such as the obligation to have at least 70% by value of its investments in Qualifying Investments).

Legislation risk

- New legislation or regulations or different or more stringent interpretation or enforcement of existing laws may require the Companies to change their investment strategy which may have an adverse impact on the Companies' financial performance.

Expected Timetable and Offer Statistics

- 2010/2011 tax year; open from 8 December 2010 until 5 April 2011
- 2011/2012 tax year; open from 6 April 2010 until 29 April 2011

Offers open:

Offers Open	8 December 2010
First Allotment	5 April 2011
Dealings commence	within 5 business days of allotment
Share certificates issued	within 10 business days of allotment

Offers close:

2010/2011 Offers*	11.00 a.m. on 5 April 2011*
2011/2012 Offers*	11.00 a.m. on 29 April 2011*

*The Directors reserve the right to extend the closing date of the 2011/2012 Offers or increase the size of the Offers at their discretion. In the event that the maximum subscription is reached before either closing date, the Offers will be individually or jointly closed early.

Key Details of the Offers

Minimum subscription per investor: £5,000

Linked offer with applications of up to £25,000 being equally applied between both Companies

Applicants subscribing for amounts in excess of £25,000 are able to select which of the VCTs the excess amount is allocated to

Maximum aggregate investment in all VCTs in any one tax year on which tax relief is available is £200,000

Offer Price to be calculated in accordance with the Pricing Mechanism on page 6

Estimated Offer Price for BSC 102.50 pence

(based on the unaudited Net Asset Value of 98.8 pence per Share at 30 September 2010, adjusted for the costs of the Offers and the interim dividend of 2.0 pence per Share declared on 23 November 2010)

Estimated Offer Price for BSC2 70.25 pence

(based on the unaudited Net Asset Value of 66.2 pence per Share at 30 September 2010, adjusted for the costs of the Offers)

Costs of the Offers

Costs of the Offers as a percentage of the subscription proceeds	5.5%
Commission to intermediaries: Initial of 3% or 2.25% plus annual trail commission of 0.5% for four years	
Maximum net proceeds for the Companies after issue costs (based on the above Offer Price)	£14,175,000

Early Subscription Shares

Early Investors will receive additional Shares equivalent to 1% of the amount they subscribe in respect of valid applications received and accepted prior to 1 March 2011 (which will be paid by the Fund Manager).

Letter from the Chairmen of the Companies

British Smaller Companies VCT Plc and British Smaller Companies VCT2 Plc
Saint Martin's House
210-212 Chapeltown Road
LEEDS
LS7 4HZ

8 December 2010

Dear Investor

We are delighted to be writing to you in connection with the Offers to raise up to £15 million by the issue of Ordinary Shares in British Smaller Companies VCT Plc and British Smaller Companies VCT2 Plc in both the 2010/2011 and 2011/2012 tax years.

We believe that the current economic climate is creating increasing opportunities for those investors able to take a medium term view to invest in well run and managed UK businesses that need capital to expand but are facing a shortage of finance.

Venture Capital Trusts not only offer access to this market but we believe continue to be one of the most attractive investment opportunities currently available, with three distinct advantages over other investment products.

Investing in a VCT

- allows you to benefit from **upfront tax relief** of 30% on your investment. For example, if you invest £20,000 in British Smaller Companies VCT, your income tax bill for the current tax year will be reduced by £6,000;
- provides you with the opportunity to enjoy the **potentially higher returns** associated with investing in the UK's privately owned businesses; and
- can provide tax free dividends.

Strong Performance of British Smaller Companies VCTs

The prevailing economic conditions of the last few years have been some of the most difficult faced by the UK economy in living memory. Against this background over the last five years British Smaller Companies VCT plc and British Smaller Companies VCT2 plc have been consistent in their dividend performance delivering average annual tax free dividends of 5.1 and 4.2 pence per Share respectively. This performance is derived from an existing diversified portfolio of over forty investments (between the two Companies) built up over a number of years. Although not "twinned" companies, many portfolio investments are common between the Companies.

Benefits of the Offers

Immediate Access to the Dividend Stream – the Offers give you immediate access to the Companies' mature portfolios and Investors will be eligible to receive any final tax free dividend declared in respect of the respective financial years ending 31 December 2010 (British Smaller Companies VCT2 plc) and 31 March 2011 (British Smaller Companies VCT plc).

Unique Deal Flow – British Smaller Companies VCTs will benefit from the large number (over 850 in the 12 months to 31 September 2010) of investment opportunities generated by YFM Group's regional offices and thirty investment staff. This level of deal flow enables the Companies to be highly selective.

In addition, with in excess of £360 million under management, YFM Group has one of the largest range of investment funds dedicated to investing in privately owned businesses. Through these funds it has built portfolios with in excess of 250 investments. As a result there may also be opportunities for the Companies to participate in follow-on and co-investments in some of those companies already held within these substantial portfolios.

Further Reduction in Costs – the further increase in the size of the Companies will allow the fixed costs to be spread over a broader asset base.

Additional incentive – Any investment made prior to 1 March 2011 will be entitled to a further 10 free Shares for every 1,000 Shares applied for under the Offers.

Liquidity – to increase liquidity, both British Smaller Companies VCT plc and British Smaller Companies VCT2 plc now maintain buy back policies. In the period from 1 April 2010 to 30 September 2010, BSC bought back 260,000 Ordinary Shares. BSC2 introduced its policy following a general meeting on 18 October 2010.

The Offer Price is 102.50 pence per Share for British Smaller Companies VCT plc and 70.25 pence per Share for British Smaller Companies VCT2 plc, calculated by reference to the most recent published Net Asset Values, adjusted for issue costs of 5.5% and, in the case of BSC, the interim dividend of 2.0 pence per Share declared on 23 November 2010. The Offer Price is subject to adjustment if the Net Asset Value of the Companies increases or decreases by 5% or more prior to the allotment of Shares under the Offers. Although an Applicant's subscription will be equally split between the Companies (up to £25,000), because of the different Net Asset Values for the Companies Applicants will receive a different number of shares in each Company.

The Directors are intending to invest £46,000 under the Offers, increasing the aggregate investments of the Directors, Fund Manager and its employees in the Companies to in excess of £900,000.

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



Richard Last
Chairman
British Smaller Companies VCT2 plc



Helen Sinclair
Chairman
British Smaller Companies VCT plc

Part 1

- The Fund Manager
- Investment Strategy
- Investment Objectives
- Performance
- Investment Portfolio
- The Investment Team
- The Boards
- Practices and Operation
- Audit and Nomination Committees
- BSC Remuneration and Investment Committees
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- Reporting to Shareholders
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The Fund Manager

YFM Private Equity Limited

YFM Group manages in excess of £360 million of investment funds and a combined portfolio of more than 250 investments.

YFM Private Equity Limited specialises in investing in unquoted companies and has been making investments in fast growing businesses for over 20 years. In addition to British Smaller Companies VCT plc and British Smaller Companies VCT2 plc, YFM Private Equity directly manages other funds of approximately £200 million under management, including the Chandos Fund LLP which is an institutional fund with investors which include UK Pension Funds and other financial institutions. In addition, the Fund Manager has established a subsidiary company, YFM Private Finance Limited, and has applied for this company to be authorised by the FSA with the intention of launching an EIS fund.

The Investment Management Team directly responsible for the management of BSC and BSC2 comprises principally of 6 key executives with extensive experience who together have over 100 years experience of investing in and managing venture capital opportunities. This key team is strengthened by and draws on additional, experienced investment managers and a strong group of support staff from across YFM Group. This experience has enabled the Fund Manager to establish wide networks of deal introducers, effective investment selection processes and strong portfolio management procedures.

YFM Private Equity has a unique national presence through its four main offices in London, Leeds, Manchester and Bristol. The regional office network provides unrivalled access to investment opportunities.

The Fund Manager is actively involved in the portfolio companies, taking non executive positions where appropriate. The depth of experience in the Investment Management Team allows the Fund Manager to offer real practical support to portfolio companies particularly in relation to setting corporate strategy, board development, acquisitions, re-financing, and realisation with the objectives of maximising value.

YFM Private Equity was awarded

- The Association of Investment Companies Best Shareholder Communication Award 2009 for the British Smaller Companies VCT plc Reports.
- Acquisition Finance's UK small/medium private equity company of the year in 2009.
- Growth Company Investor VCT Fund Manager of the Year 2007 for British Smaller Companies VCT Plc.
- In 2010 BSC was shortlisted for VCT of the Year at the Investor Allstars Awards and YFM Group was shortlisted for the Unquote British Private Equity Awards 2010 – VCT Manager of the year.

The majority of the Investment Management Team that invests the VCTs' funds has been working together for over 10 years. Prior to these Offers, the Investment Management Team and employees of the Fund Manager and YFM Group have together subscribed for over £897,800 of Shares.

Investment Strategy

The Companies will continue to invest predominantly in established unquoted companies. The investment policy of both Companies is to create a portfolio that blends a mix of businesses operating in traditional industries with those that offer opportunities in the application and development of innovation. BSC2 has historically invested a greater proportion in emerging companies than BSC. Prior to December 2003 the investment strategy of BSC2 was focussed on investing in

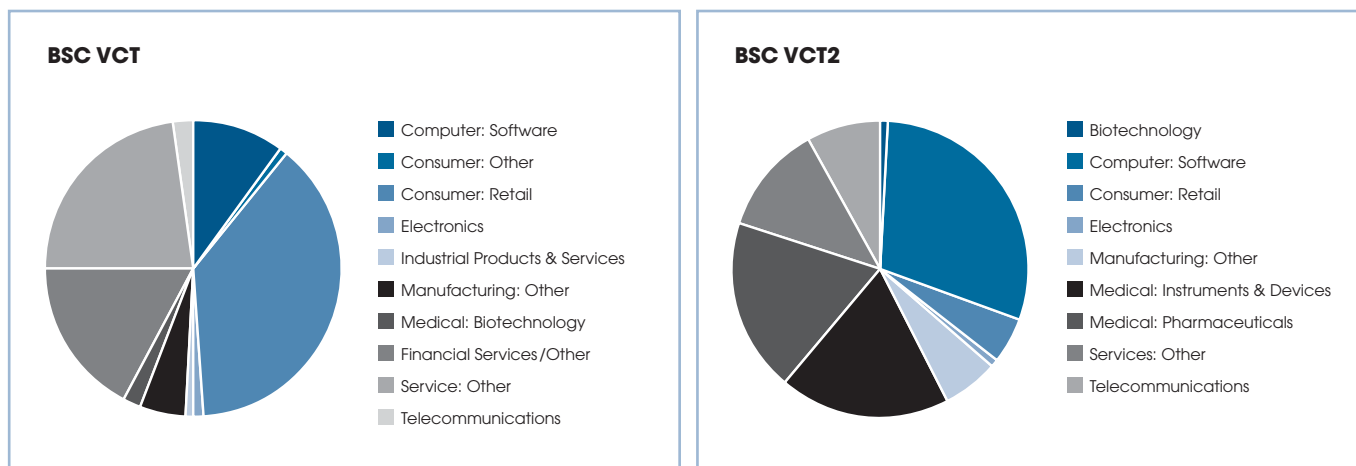
companies developing or using innovative technology. Since December 2003 the investment strategy of BSC2 has converged with that of BSC. The inclusion of investment in more established companies within its investment remit has allowed BSC2 to achieve a balance between exciting growth opportunities and mature companies and sectors, reducing the portfolio's exposure to particular markets and individual companies.

BSC's investments have typically involved funding for management buy-outs and buy-ins, acquisition funding and business development. The Fund Manager looks for businesses with a strong, balanced and well motivated management team and seeks to support them in the creation of shareholder value. The continued growth of certain businesses within the portfolio is expected to generate some interesting "buy and build" opportunities via acquisition of smaller competitors. The majority of unquoted investments include an element of loan stock to enhance the security of the portfolio and to provide investment income for the Company.

The Fund Manager sources its deals from many areas. The regional office network provides excellent access to interesting investment opportunities. Having been investing for over 20 years and managing a combined portfolio in excess of 250 unquoted investments, YFM has built an extensive and proprietary network of chairmen, CEOs and management teams who regularly introduce opportunities to the Fund Manager.

The Fund Manager adds value to its investee companies by being actively involved in the companies from initial investment through to realisation. The Fund Manager uses its commercial experience to help shape and develop the investee management teams and often works with the investee companies to set, evolve and deliver strategy. By focusing on value growth the Fund Manager helps maximise exit potential for Shareholders.

Distribution of the portfolios as at 30 September 2010 by value:



Investment Objectives

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc

Both companies objectives are:

- To continue to expand their diversified portfolios of investments with a focus on capital growth while maintaining a constant level of dividend.
- To invest at least 70% and up to 85% of their total assets in qualifying assets to maintain the Companies' VCT statuses.
- To invest in smaller private companies which are not always accessible to the private investor; and
- To continue to broaden their portfolios of investments by investing across a range of companies and sectors, thereby reducing an Investor's exposure to particular markets and individual companies.

Performance

The British Smaller Companies VCTs have a track record of realising investments that provides a platform supporting the payment of tax free cash dividends.

Originally launched in 1996 and managed by YFM Private Equity, BSC, one of the first VCTs to be established, is a mature generalist VCT which invests in a range of companies and sectors. The Company's diverse existing portfolio of investments

reduces the exposure to particular markets and individual companies. The Company currently has 28 investments with the cost of investments being £13.9 million and with a current unaudited valuation of £20.4 million (source: unaudited interim results as at 30 September 2010).

Investors who subscribed for Shares in BSC in the initial public offering in 1996 will have seen their initial investment of 100.0 pence per Share (80.0 pence per Share after income tax rebates) produce a total return to Shareholders of 153.0 pence per Share (unaudited Net Asset Value at 30 September 2010 of 98.8 pence per Share plus tax free dividends of 54.2 pence per Share).

Managed by YFM Private Equity, BSC2 was formed in 2001 and invests in a combination of mature businesses operating in traditional industries and emerging businesses offering opportunities in the application and development of innovation. A diverse existing portfolio of investments reduces the exposure to particular markets and individual companies. It currently has 21 investments with the cost of investments being £10.0 million and with a current unaudited valuation of £6.2 million (Source: Interim Management Statement 30 September 2010).

Investors who subscribed for Shares in BSC2 in the initial public offering in 2001 will have seen their initial investment of 100 pence per share (before taxation rebates and deferrals) produce a total return to Shareholders of 92.2 pence per Share (unaudited Net Asset Value at 30 September 2010 of 66.2 pence per Share plus tax free dividends of 26.0 pence per Share).

Although not "twinned" companies, many portfolio investments are common between the Companies, further details of which are set out on page 17.

Shareholder Returns

British Smaller Companies VCT plc (all figures in pence per Share)

	March 2006 Audited	March 2007 Audited	March 2008 Audited	March 2009 Audited	March 2010 Audited	September 2010 Unaudited (Half Yearly Report)
Net Asset Value (NAV)	97.5	101.3	102.1	85.7	94.4	98.8
Cumulative Dividends	30.5	35.0	40.0	45.0	50.0	54.2*
Total Return	128.0	136.3	142.1	130.7	144.4	153.0*
Dividends in the period	3.7	4.5	5.0	5.0	5.0	4.2*

* 6 month period.

NAV and cash dividends are unadjusted for 2.0 pence per Share dividend declared on 23 November 2010.

Dividend Table

Year ended 31 March	Dividend
1997	1.06p
1998	3.50p
1999	6.26p
2000	1.79p
2001	2.80p
2002	2.20p
2003	1.15p
2004	0.60p
2005	7.40p
2006	3.70p
2007	4.50p
2008	5.00p
2009	5.00p
2010	5.00p
2011 (paid to 30 September 2010)	4.25p
Cumulative dividends to date	54.21p

Shareholders in BSC have benefited from annual dividends of 5.0 pence per Share in the last three financial years to 31 March 2010. The average dividend actually paid in respect of the five years to 30 September 2010 was 5.1 pence per share

Illustration of equivalent returns

Based on an illustrative annual cash dividend of 5.00 pence per Share; if the Offer Price is 102.50 pence per Share, calculated with reference to the Net Asset Value as at 30 September 2010, (which could be subject to adjustment prior to the close of the Offers), the equivalent return would be:-

Illustration of equivalent returns	Gross Yield	Cash Yield
Offer Price (gross)	8.13% p.a.	4.87% p.a.
Offer Price (net of 30% tax relief)	11.61% p.a.	6.97% p.a.

An annual dividend of 5.0 pence per Share is the equivalent to a tax free yield of 4.87% per annum on the Offer Price of 102.50 pence per Share. A net cash dividend of 5.0 pence per Share based on the subscription price, net of 30% income tax relief equates to a net tax free yield of 6.97% per annum. To obtain an equivalent net return a higher rate tax payer (40%) would require a gross yield of 11.61% per annum.

The Finance Act 2009 set out the introduction of a 50% higher rate income tax and the restriction of tax relief on pension contributions. From 6 April 2010 to obtain an equivalent net return a higher rate tax payer (50%) would require a gross yield of 13.94% per annum.

Dividend policy

BSC is aiming to continue to pay net tax free dividends of 5.0 pence per annum, in line with the average cash dividend of 5.1 pence per annum paid over the last five years to 30 September 2010. This is a targeted dividend, and not guaranteed. No forecast or projection is to be implied or inferred. The Board aspires to an increasing dividend.

The figures above show that, for a 40% tax payer, an equivalent annual gross yield of 11.61% (including tax reliefs) would result if annual cash dividends were to remain at 5.0 pence per Share.

British Smaller Companies VCT2 plc (all figures in pence per Share)

	December 2005 Audited	December 2006 Audited	December 2007 Audited	December 2008 Audited	December 2009 Audited	June 2010 Unaudited (Half Yearly Report)	September 2010 Unaudited (Interim Management Statement)
Net Asset Value (NAV)	74.2	83.7	79.0	76.9	72.7	70.1	66.2
Cumulative Dividends	7.0	7.0	10.5	16.0	22.0	24.0	26.0*
Total Return	81.2	90.7	89.5	92.9	94.7	94.1	92.2*
Dividends in the period	7.0	-	3.5	5.5	6.0	2.0	4.0*

* 9 month period.

Dividend Table

Year ended 31 December	Gross Dividend
2005	7.0p
2006	-
2007	3.5p
2008	5.5p
2009	6.0p
2010 (half year)	4.0p
Cumulative dividends to date	26.0p

Shareholders in BSC2 have benefited from annual dividends of 4.2 pence per Share for the last five years to 30 September 2010 and cumulative dividends of 26.0 pence per Share.

Illustration of equivalent returns

Based on an illustrative annual cash dividend of 5.0 pence per Share; if the Offer Price is 70.25 pence per Share, calculated with reference to the Net Asset Value as at 30 September 2010, which could be subject to adjustment prior to the close of the Offers, the equivalent return would be:-

Illustration of equivalent returns	Gross Yield	Cash Yield
Offer Price (gross)	11.86% p.a.	7.12% p.a.
Offer Price (net of 30% tax relief)	16.94% p.a.	10.17% p.a.

An annual dividend of 5.0 pence per Share is the equivalent to a tax free yield of 7.12% per annum on the Offer Price of 70.25 pence per Share. A net cash dividend of 5.0 pence per Share based on the Offer Price, net of 30% income tax relief, equates to a net tax free yield of 10.17% per annum. To obtain an equivalent return a higher rate tax payer (40%) would require a gross yield of 16.94% per annum.

The Finance Act 2009 set out the introduction of a 50% higher rate income tax and the restriction of tax relief on pension contributions. From 6 April 2010 to obtain an equivalent return a higher rate tax payer (50%) would require a gross yield of 20.34% per annum.

Dividend policy

BSC2 is aiming to continue to pay net tax free dividends of 4.0 pence per annum, in line with the average dividend of 4.2 pence per annum paid over the last five years to 30 September 2010. This is a targeted dividend, and not guaranteed. No forecast or projection is to be implied or inferred. The Board aspires to an increasing dividend.

The figures above show that, for a 40% tax payer, an equivalent annual gross yield of 16.94% (including tax reliefs) would result if annual cash dividends were to remain at 5.0 pence per Share.

Investment Portfolio

Lists of Investments

A full list of the investments held by BSC and BSC2 as at the date of this document (the values being as at 30 September 2010, being the end of the last financial period for which unaudited financial information has been published) is set out on the next page. There has been no material change to the values of the Companies' investment portfolios since 30 September 2010.

As at 30 September 2010 (being the end of the last financial period for which unaudited financial information has been published) BSC's unaudited net asset value was 98.8 pence per Share, as determined by its Board and BSC2's unaudited net asset value was 66.2 pence per Share, as determined by its Board.

At the time of investment almost all of these investments would have been classified as Qualifying Investments under the then current Finance Act.

Investee To 30 September 2010	Sector	British Smaller Companies VCT		British Smaller Companies VCT2		Total	
		Carrying Cost* £'000	Valuation £'000	Carrying Cost* £'000	Valuation £'000	Carrying Cost* £'000	Valuation £'000
GO Outdoors Limited	Retail	156	7,135	-	-	156	7,135
Waterfall Services Limited	Other Services	1,000	1,977	250	494	1,250	2,471
Primal Pictures Limited	Software	468	371	897	1,184	1,365	1,555
Digital Healthcare Limited	Medical: Instruments	-	-	3,072	1,156	3,072	1,156
Immunobiology Limited	Pharmaceuticals	-	-	1,032	1,002	1,032	1,002
Adex Bridge Investments Limited	Other	1,000	1,000	-	-	1,000	1,000
4G Capital Limited	Other	1,000	1,000	-	-	1,000	1,000
North Western Investments Limited	Other	1,000	1,000	-	-	1,000	1,000
Bluebell Telecom Group	Telecommunications	500	500	500	500	1,000	1,000
Fishawack Limited	Other Services	775	947	-	-	775	947
Pressure Technologies plc	Manufacturing	425	471	300	350	725	821
Harvey Jones Holdings Limited	Retail	777	544	389	273	1,166	817
Deep-Secure Ltd	Software	1,000	500	500	250	1,500	750
Hargreaves Services plc	Other Services	469	636	-	-	469	636
Lightmain Company Limited	Manufacturing	600	600	-	-	600	600
Mattlioli Woods plc	Financial Services	326	547	-	-	326	547
Patsystems plc	Software	222	218	317	311	539	529
RMS Group Holdings Limited	Industrial Services	540	360	210	140	750	500
K3 Business Technology Group plc	Software	402	411	-	-	402	411
EKF Diagnostics Holdings plc	Biotechnology	250	404	-	-	250	404
Tikit Group plc	Software	226	378	-	-	226	378
Harris Hill Holdings Limited	Other Services	600	337	-	-	600	337
Elffin Home Care Limited	Other Services	823	216	317	82	1,140	298
Darwin Rhodes Group Limited	Other Services	444	268	-	-	444	268
Brulines plc	Consumer	163	159	81	79	244	238
Straight plc	Industrial Products	226	234	-	-	226	234
Cambridge Cognition Limited	Software	325	63	240	47	565	110
Tissuemed Limited	Pharmaceuticals	-	-	48	120	48	120
Optos plc	Medical: Instruments	-	-	115	118	115	118
Allergy Therapeutics plc	Biotechnology	-	-	350	47	350	47
Belgravium Technologies plc	Software	200	34	-	-	200	34
Freshroast Coffee Co. Limited	Other Consumer	5	30	-	-	5	30
Denison Mayes Group Limited	Industrial Products	15	15	-	-	15	15
Solcom Limited	Software	-	-	0	12	0	12
Silistix Limited	Semi-conductors	-	-	1,365	0	1,365	0
Oxis Energy Limited	Electronics	-	-	5	0	5	0
Intelligent Recordings Limited	Electronics	-	-	0	0	0	0
		13,937	20,355	9,988	6,165	23,925	26,520

*The carrying cost is the original cost of the investment less repayments and the cost of part realisations

Investments/Realisations Since 30 September 2010		Valuation as at 8 December 2010					
President Engineering Group Limited	Engineering	1,000	1,000	-	-	1,000	1,000
Sirigen Group Limited	Medical Technology	-	-	267	267	267	267
Woodspeen Training Plc	Education	250	250	-	-	250	250
Freshroast Coffee Co Ltd	Other Consumer	(5)	(30)	-	-	(5)	(30)

Summaries of Investments

Brief details are given below of the Companies' venture capital investments which together represent 60% of the combined net asset value of the Companies at 30 September 2010. These investments represent 63.0% of BSC's net asset value and 52.2% of BSC2's net asset value at 30 September 2010. The turnover, profit/loss before tax, retained profit/loss and net assets of the investee companies are extracted without adjustment from the latest audited accounts of each of those companies. (Source: BSC interim accounts to 30 September 2010, BSC2 quarter interim management statement to 30 September 2010).

GO Outdoors Limited

Sheffield
www.gooutdoors.co.uk

Cost	£155,697	
Valuation	£7,135,000	
Dates of Investment	May 1998, March 2002 and April 2007	
Equity held	20.2%	
Valuation basis	Earnings multiple	
52 weeks ended	30 Jan 2010	24 Jan 2009
	£million	£million
Sales	76.43	41.19
Profit before tax	4.25	1.21
Retained profits	4.89	2.08
Net assets	10.32	7.22

GO Outdoors is a retailer of outdoor clothing and equipment. The original investment of £500,000 in May 1998 supported the buyout with a second investment in March 2002 to support the company's first acquisition. The company has continued its expansion opening a further nine stores since January 2010, taking the total number of outlets to twenty-seven with further expansion planned.

Waterfall Services Limited

Warrington
www.caterplus.co.uk

Cost	£1,250,129	
Valuation	£2,471,000	
Dates of Investment	February 2007	
Equity held	23.1%	
Valuation basis	Earnings multiple	
Year ended	2010	2009
31 March	£million	£million
Sales	36.33	28.41
Profit before tax	0.85	0.44
Retained profits	0.83	0.33
Net assets	1.59	1.10

Waterfall is a contract caterer specialising in the care home sector. Since the original investment the company has expanded its original catering services business from supplying residential and care homes to supplying the educational market. There has been both organic and acquisitive growth which has broadened and diversified the customer base with significant progress being made in expanding the services provided to both the education and home care sectors.

Primal Pictures Limited

London
www.primalpictures.com

Cost	£1,365,000	
Valuation	£1,555,000	
Dates of Investment	March 2001	
Equity held	21.3%	
Valuation basis	Earnings multiple	
Year ended	2009	2008
31 December	£million	£million
Sales	3.22	2.54
Profit before tax	0.43	0.30
Retained losses	(4.44)	(4.76)
Net liabilities	(1.05)	(1.38)

Primal Pictures has developed a complete range of high quality anatomical CD-ROMs aimed at healthcare professionals, ranging from medical students to orthopaedic surgeons. Images derived from X-ray, magnetic resonance and other scan data have enabled the production of a completely authentic anatomical model of the human body. The company has significantly expanded its business development activities to a range of healthcare and education markets, also developing recurring licence revenues from reseller partners.

Digital Healthcare Limited

Cambridge
www.digital-healthcare.co.uk

Cost:	£3,071,603
Valuation:	£1,156,000
Dates of Investment:	June & December 2005, July 2007, October & November 2008
Equity held:	25.0%
Valuation basis:	Price of recent investment, reviewed for impairment

Year ended	2009	2008
30 September	£million	£million
Sales	3.20	2.15
Loss before tax	(0.50)	(1.52)
Retained losses	(6.09)	(3.88)
Net assets	1.60	1.59

Digital Healthcare has developed software for the management of digital images in the diabetic screening, ophthalmology and optometric markets. It has developed its UK business becoming the leading supplier of diabetic retinopathy screening software to the NHS.

Immunobiology Limited

Cambridge
www.immbio.com

Cost:	£1,032,000
Valuation:	£1,002,000
Dates of Investment:	June & December 2003, November & December 2005, August 2007
Equity held:	12.5%
Valuation basis:	Price of recent investment, reviewed for impairment

Year ended	2009	2008
31 May	£million	£million
Sales	0.08	-
Loss before tax	(1.22)	(1.55)
Retained losses	(4.89)	(3.92)
Net assets	(0.68)	0.29

Immunobiology is developing new methods of producing high efficacy vaccines for infectious diseases including influenza, tuberculosis, meningitis and hepatitis. Progress is being made in partnership with various healthcare institutions and universities to prove the advantages of this new technology and gain regulatory clearances to begin human trials.

Bluebell Telecom Group

Newcastle
www.bluebelltelecom.com

Cost:	£1,000,000
Valuation:	£1,000,000
Dates of Investment:	September 2010
Equity held:	13.5%
Valuation basis:	Price of recent investment, reviewed for impairment

Year ended	2009	2008
30 September	£million	£million
Sales	-	2.87
Loss before tax	(0.02)	(1.71)
Retained losses	(0.02)	(5.36)
Net assets*	1.98	0.13

Bluebell is a telecommunications service provider that aggregates a range of services including fixed line, mobile, and data to UK businesses. The company's investments were made to assist with the next phase of Bluebell's growth. The business anticipates further acquisition activity.

*Prior to the acquisition of Bluebell Services and Callstream Limited in September 2010, Bluebell Telecom Group Limited (formerly Vulcan Services 2 Limited) was a non-trading holding company without any subsidiaries

Adex Bridge Investments Limited

Midlands

Cost	£1,000,000
Valuation	£1,000,000
Date of Investment	March 2010
Equity held	50.0%
Valuation basis	Price of recent investment, reviewed for impairment

The first set of audited financial statements for Adex Bridge Investments Limited is not yet due.

Adex Bridge was formed to provide investment to SME businesses whose performance needs to be improved. With a successful turnaround record and an extensive network of trusted business contacts, this company is particularly focused on the Midlands region. With links to banks and other lenders the business is well placed to expand its activities in the turnaround sector.

4G Capital Limited

North West

Cost	£1,000,000
Valuation	£1,000,000
Date of Investment	March 2010
Equity held	50.0%
Valuation basis	Price of recent investment, reviewed for impairment

The first set of audited financial statements for 4G Capital Limited is not yet due.

4G Capital is an investment company led by an experienced serial entrepreneur in the software sector. With significant experience of running software businesses and developing teams and business strategies the business has identified the opportunity to fund more traditional software companies to transition to providing web-based services.

North Western Investments Limited

North West

Cost	£1,000,000
Valuation	£1,000,000
Date of Investment	February 2010
Equity held	50.0%
Valuation basis	Price of recent investment, reviewed for impairment

The first set of audited financial statements for North Western Investments Limited is not yet due.

North Western Investments has significant contacts across the North West of England which makes it well-placed to expand its activities which are principally focused on acquiring and improving under-performing businesses. It supports an experienced turnaround management team based in Merseyside.

Fishawack Limited

Knutsford
www.fishawack.com

Cost	£775,000	
Valuation	£947,000	
Date of Investment	January 2008 and December 2009	
Equity held	8.4%	
Valuation basis	Earnings multiple	
Year ended	2010	2009
31 March	£million	£million
Sales	4.8	3.8
Loss before tax	(0.44)	(0.19)
Retained losses	(0.82)	(0.19)
Net (liabilities) assets	(0.19)	0.37

Fishawack is an established, specialist healthcare communications agency focusing on the medical sector, with a strong reputation for providing specialist support for many of the world's top global pharmaceutical companies. Two acquisitions have been made, its US partner and another UK medical communications business, to increase its international reach and service capacity and broaden the customer base. Fishawack continues to seek further sales growth, both organically and through acquisition.

Pressure Technologies plc

Sheffield
www.pressuretechnologies.co.uk

Cost	£725,000	
Valuation	£821,000	
Date of Investment	June and July 2007	
Equity held	4.3%	
Valuation basis	Quoted bid price	
Year ended	2009	2008
3 October	£million	£million
Sales	26.19	23.66
Profit before tax	5.05	5.01
Retained profits	8.21	5.26
Net assets	14.11	11.17

Pressure Technologies was admitted to AIM in June 2007. It specialises in the manufacture of ultra-large high pressure cylinders for the offshore oil and gas industry but is increasingly diversifying into other sectors, such as biogas and defence, through acquisitions. The balance sheet remains ungeared with substantial cash available.

Harvey Jones Holdings Limited

London
www.harveyjones.com

Cost	£1,166,000	
Valuation	£817,000	
Date of Investment	May 2007	
Equity held	10.3%	
Valuation basis	Earnings multiple	
Year ended	2009	2008
31 December	£million	£million
Sales	8.63	9.59
(Loss) profit before tax	(0.37)	0.20
Retained profits	-	0.33
Net assets	0.53	0.89

Harvey Jones is a manufacturer/retailer of kitchen furniture. The business has a manufacturing facility in the UK and stores in London and affluent provincial towns and cities principally in the South of England. Its strong brand positioning has helped Harvey Jones to retain volumes through the economic downturn. The business has continued to selectively open new stores increasing its footprint to 17 from 10 at the time of investment. This increased market share coupled with a low level of gearing positions Harvey Jones well to benefit as market conditions improve.

Deep-Secure Ltd Malvern

Malvern
www.deep-secure.com

Cost	£1,500,000
Valuation	£750,000
Date of Investment	December 2009
Equity held	19.3%
Valuation basis	Price of recent investment, reviewed for impairment

The first set of audited financial statements for Deep-Secure Ltd is not yet due.

Deep-Secure's market leading products protect against threats to IT security via high security network border gateway technology, which enables customers to maintain network separation and apply content inspection so as to defend sensitive and protected information from intruders. As working practices change and more information is shared electronically, increasing levels of exposure to leakage and attack demands more businesses rely on higher levels of security to protect their data. The main customers are in the government and defence sectors where tight security is essential.

Hargreaves Services plc

Esh Winning, Durham
www.hargreavesservices.co.uk

Cost	£468,550
Valuation	£636,000
Dates of Investment	December 2007, January, February and March 2008
Equity held	0.4%
Valuation basis	Quoted bid price

Year ended	2010	2009
31 May	£million	£million
Sales	459.8	503.1
Profit before tax	30.7	26.2
Retained profits	51.8	35.8
Net assets	89.8	71.7

In the years following its formation in 1994 Hargreaves established itself as the largest independent bulk haulage company in Britain. It has now evolved into an integrated supplier to the energy industry, concentrating on generation. 2010 is the fifth consecutive year that Earnings per Share have increased at a rate exceeding 20% per annum.

Lightmain Company Limited

Rotherham
www.lightmain.co.uk

Cost	£600,000
Valuation	£600,000
Dates of Investment	March 2010
Equity held	30.0%
Valuation basis	Price of recent investment, reviewed for impairment

Year ended	2009	2008
30 September	£million	£million
Retained profits	0.96	0.90
Net assets	0.96	0.90

Lightmain Company Limited has a small company exemption from filing full financial statements at Companies House.

Lightmain is a manufacturer and installer of playground equipment and multi-user games areas across the UK. The business has a reputation for quality and an established customer base which provides visibility of forward orders.

Mattioli Woods plcLeicester
www.mattioli-woods.com

Cost	£325,922
Valuation	£547,000
Date of Investment	November 2005, February, March, October 2006 and July 2007
Equity held	1.4%
Valuation basis	Quoted bid price

Year ended	2010	2009
31 May	£million	£million
Sales	13.7	13.3
Profit before tax	4.3	3.9
Retained profits	10.3	8.1
Net assets	19.0	16.5

Mattioli Woods provides pensions consultancy and administration services primarily to owner-managers, senior executives and professional persons. The Group's key activities include complex pensions consultancy, the provision of Self-Invested Personal Pensions ("SIPP") and Small Self-Administered Pension Schemes ("SSAS"). This market has continued to develop as the changing landscape of pension provision and increased legislation drives consolidation amongst providers.

Patsystems plcLondon
www.patsystems.com

Cost	£539,000
Valuation	£529,000
Date of Investment	October 2007, March 2008
Equity held	1.1%
Valuation basis	Quoted bid price

Year ended	2009	2008
31 December	£million	£million
Sales	22.10	19.63
Profit before tax	4.49	2.07
Retained losses	(3.70)	(6.47)
Net assets	23.51	20.05

The holding in Patsystems has arisen as a result of deferred consideration payable in shares on the acquisition of Tamesis in August 2005. Patsystems is listed on AiM and develops trading and risk management systems for derivatives traders. It sells its products to all major financial services and has delivered strong growth particularly with recent further contract wins in Asia.

RMS Group Holdings LimitedGoole
www.rms-europe.co.uk

Cost	£750,000
Valuation	£500,000
Date of Investment	July 2007, August 2008
Equity held	11.8%
Valuation basis	Earnings multiple

Year ended	2009	2008
31 December	£million	£million
Sales	24.0	31.40
Profit before tax	0.70	-
Retained profits (losses)	0.40	(0.40)
Net assets	5.43	5.16

RMS operates from six sites on the Humber estuary handling around 2 million tonnes of cargo a year. RMS has continued to broaden its range of customer service and expand its operations along the Humber estuary. Whilst dependent on the overall level of commodity movements the financing structure of the company has been defensively constructed giving it a competitive advantage over others in its sector. The team have used the tough economic conditions to consolidate their market position and have been able to repay half of the original loan instrument.

K3 Business Technology Group Plc

Colne
www.k3btg.com

Cost	£402,094	
Valuation	£411,000	
Date of Investment	April 2008	
Equity held	1.2%	
Valuation basis	Quoted bid price	
Year ended	2010	2009
30 June	£million	£million
	Unaudited	
Sales	43.84	36.44
Profit before tax	4.60	3.20
Retained profits	11.33	8.02
Net assets	31.40	26.98

K3 provides software-based supply chain management solutions to the manufacturing and retail sectors, and its Microsoft-based product range has continued to take market share from more established providers. Growth in internet retailing has helped offset recent weakness in sales to traditional retailers and recurring revenue is an increasingly large proportion of turnover. Recent trading has showed a strong recovery in order levels.

EKF Diagnostics Holdings plc

London
www.ekf-diagnostic.de

Cost	£250,000	
Valuation	£404,000	
Date of Investment	July 2010	
Equity held	1.1%	
Valuation basis	Quoted bid price	
Year ended	2009	2008
31 December	£million	£million
Sales	0.26	0.47
Profit before tax	(0.28)	(0.92)
Retained profits	(0.39)	(0.08)
Net assets	5.62	5.07

EKF Diagnostics reversed into IBL plc in June 2010. It is building a substantial business in in-vitro diagnostics via acquisition, and completed the purchase of Quotient Diagnostics in October 2010. It has yet to report trading figures for the new business.

Tikit Group plc

London
www.tikit.com

Cost	£226,009	
Valuation	£378,000	
Dates of Investment	June 2001, March and November 2006, January and April 2007	
Equity held	1.3%	
Valuation basis	Quoted bid price	
Year ended	2009	2008
31 December	£million	£million
Sales	25.20	28.47
Profit before tax	2.47	3.49
Retained profits	8.13	7.05
Net assets	15.18	14.25

Tikit Group is a provider of consultancy services and software solutions principally to the IT departments of top law firms. The company provides a range of document and knowledge management tools to the majority of the top 50 UK legal practices. The business has continued to perform strongly in 2010 with increases in recurring revenues a feature. The business is un-gearred with net cash in excess of £2 million at its half year.

Harris Hill Holdings LimitedKingston-Upon-Thames
www.harrishill.co.uk

Cost	£600,000	
Valuation	£337,000	
Date of Investment	June 2007	
Equity held	10.7%	
Valuation basis	Earnings multiple	
Year ended	2010	2009
31 March	£million	£million
Sales	3.34	3.89
Loss before tax	(0.78)	(0.76)
Retained losses	(2.12)	(1.34)
Net liabilities	(1.64)	(0.86)

Harris Hill is a niche recruitment business with a strong reputation for providing excellent permanent and temporary recruitment solutions to the charity and not for profit sectors. Whilst market conditions have been difficult over recent months at the level of earnings before interest, tax and amortisation the business has remained profitable and well placed for a recovery.

Elfin Home Care LimitedOldham
www.ablecare.co.uk

Cost	£1,140,000	
Valuation	£298,000	
Dates of Investment	December 2007 and October 2008.	
Equity held	22.2%	
Valuation basis	Earnings multiple	
Dividends received	£2,233 (2009: £nil)	
12 months ended	2009	2008
31 October (2008: 11 months)	£million	£million
Sales	4.36	3.06
(Loss) profit before tax	(0.02)	0.16
Retained losses	(0.09)	(0.01)
Net assets	0.48	0.56

Elfin Home Care is a domiciliary care business providing care in the home services to both public and private clients. The Company was established as a vehicle to acquire a number of home care businesses forming a north west group over a five year period. To date two acquisitions have been completed.

Darwin Rhodes Group LimitedLondon
www.darwinrhodes.com

Cost	£443,925	
Valuation	£268,000	
Date of Investment	April 2008	
Equity held	6.06%	
Valuation basis	Earnings multiple	
Period ended	2010	2009
31 March	£million	£million
Sales	4.95	8.36
(Loss) profit before tax	(0.58)	(1.37)
Retained (losses) profits	(1.89)	(1.32)
Net assets	3.19	3.85

Darwin Rhodes is an international recruitment firm specialising in the actuarial, insurance and compliance markets. Whilst there have been significant pressures on the financial services sector, the absence of financial gearing and breadth of Darwin Rhodes' activities both in terms of sectors and geographic diversity have assisted in managing these pressures. The business has no debt and market conditions in 2010 have improved significantly.

Brulines plcStockton-on-Tees
www.brulines.com

Cost	£244,000	
Valuation	£238,000	
Dates of Investment	October 2006 and July 07	
Equity held	0.7%	
Valuation basis	Quoted bid price	
Year ended	2010	2009
31 March	£million	£million
Sales	19.83	19.07
Profit before tax	4.04	4.62
Retained profits	7.64	6.50
Net assets	21.04	20.06

Brulines is the leading provider of volume and revenue protection systems for draught alcoholic drinks for the UK Licensed on-trade. Brulines has consolidated its market leading position and continues to seek to expand its service and product offering. Dividend yield remains strong but the pub chains continue to struggle. Diversifying into related markets, such as petrol forecourts, has been an increasing focus.

Straight plcLeeds
www.straight.co.uk

Cost	£226,000	
Valuation	£234,000	
Dates of Investment	February 2004, January, March & November 2005, May 2006	
Equity held	1.8%	
Valuation basis	Quoted bid price	
Year ended	2009	2008
31 December	£million	£million
Sales	28.32	25.44
Profit (loss) before tax	1.56	(0.97)
Retained profits	2.87	2.09
Net assets	9.70	8.92

Straight is a provider of environmental products and services and is the UK's leading supplier of recycling containers. The group has recently expanded through acquisitions in its supply chain which it believes strengthens its position in the UK market and support its increasing overseas expansion. Results continue to demonstrate recovery.

Cambridge Cognition LimitedCambridge
www.camcog.com

Cost	£565,000	
Valuation	£110,000	
Date of Investment	May 2002	
Equity held	6.7%	
Valuation basis	Price of recent investment, reviewed for impairment	
Year ended	2009	2008
31 December	£million	£million
Sales	3.12	2.14
Loss before tax	(0.52)	(1.09)
Retained losses	(6.91)	(6.39)
Net assets	(0.80)	(0.28)

Cambridge Cognition is a cognitive test development company specialising in computerised psychological testing of a wide variety of mental conditions. It raised £1.5 million in January 2008, from a range of investors, to assist with commercialising its intellectual property. The company has restructured and trading is much improved in recent months.

Tissuemed LimitedLeeds
www.tissuemed.com

Cost: £47,539
 Valuation: £120,000
 Dates of Investment: December 2005 & March 2007
 Equity held: 1.6%
 Valuation basis: Price of recent investment, reviewed for impairment

Year ended	2010	2009
31 March	£million	£million
Retained losses	(16.0)	(15.40)
Net assets	0.65	1.24

Tissuemed Limited has a small company exemption from filing full audited financial statements at Companies House.

Tissuemed is a medical device company specialising in advanced surgical biomaterials designed to save surgeons' time and to improve the treatment and recovery of patients. In April 2010 (post accounting period) the company secured investment and a pan-European distribution agreement from a US listed medical devices company.

Optos plcDunfermline
www.optos.com

Cost: £114,809
 Valuation: £118,000
 Dates of Investment: December 2005 & February 2007
 Equity held: 0.2%
 Valuation basis: Quoted bid price

Year ended	2009	2008
30 September	\$million	\$million
Sales	97.16	100.81
(Loss) profit before tax	(3.82)	5.89
Retained losses	(59.96)	(54.43)
Net assets	58.66	63.93

Optos has developed a series of Scanning Laser Ophthalmoscopes used by optometrists for the early detection of eye problems such as age-related macular degeneration. Approximately 4,000 devices have been installed world-wide, mostly in North America, either on a capital sale or rental basis. Recent trading is in line with market expectations.

The Investment Team

David Hall Managing Director

David became the managing director of YFM Private Equity Limited in 2003, having had responsibility for the Manchester Office since 2000. Prior to this he had been an investment manager with Innvotec Limited and Head of Investment for AIM Listed Enterprise Plc. David trained as a Chartered Accountant with PwC qualifying in 1986. He holds a BA (Hons) in Economics from the University of Manchester.

Nigel Barraclough Investment Director

Nigel joined YFM Private Equity Limited in 1991, where he has been responsible for the appraisal, negotiation and conclusion of many deals in a varied range of sectors. He has been making venture capital investments since 1995 and led many of BSC's largest investments. He represents the Companies on the Boards of Waterfall Services Limited and Deep-Secure Limited and is an independent non-executive director of AIM quoted Hargreaves Services plc. Nigel qualified as a Chartered Accountant with BDO Stoy Hayward before joining Ernst & Young.

David Gee Director of Investments

David has 22 years experience in the venture capital field with YFM Private Equity Limited. Since 1996 he has been investment director on the Board of YFM Private Equity Limited and is now Director of Investments. He is a non-executive director of several companies and has been responsible for a significant number of realisations and listings of investments made by both Companies. He qualified as a Chartered Accountant with Grant Thornton, latterly specialising in corporate finance and holds a degree in Mathematics from Imperial College.

David Bell Portfolio Director

David joined YFM in 2009 to lead portfolio management activities and is a Director of YFM Private Equity Limited. Prior to joining YFM he spent 10 years at 3i where he was also portfolio director and had extensive experience of managing and realising in excess of 40 private equity investments in SMEs. He is on the Board of RMS Europe Limited and represents the Companies interests on several other investments. He has a first class degree in Mathematics from Imperial College and also spent 5 years working as a management consultant focussing on supply chain solutions.

Paul Cannings Director

Paul joined YFM in 2006 to raise new funds and to make and manage investments. He is a Director of YFM Private Equity Limited. Prior to joining YFM he spent 14 years at 3i where he was also Director and had extensive experience of making and managing private equity investments. Latterly he held the position of Director of the small buyouts and growth capital team. He has led several new investments and currently sits on the boards of Harvey Jones, Harris Hill and GO Outdoors. He has a first class degree in Economics from Bristol University and qualified as a chartered accountant with PwC.

Mike White Investment Director

Mike joined YFM in 1999. Prior to that, he spent 10 years working in the software industry, co-founding and subsequently listing on NASDAQ a software company in the USA that specialised in selling business intelligence and performance management solutions. During his software career Mike focussed on business development, strategy formulation and the establishment of new business partnerships. As Investment Director, Mike is focussed on making and managing investments. He represents the Companies on the Board of Fishawack Limited.

The Boards

Both Companies benefit from highly experienced Boards consisting of three Non Executive Directors, who are listed below. The Boards have overall responsibility for each Company's investment policy and administration and have appointed YFM Private Equity Limited as the Fund Manager.

Helen Sinclair Chairman British Smaller Companies VCT plc

Helen has an MA in Economics from the University of Cambridge and an MBA from INSEAD Business School. After working in investment banking Helen spent nearly 8 years at 3i plc focusing on MBO and growth capital investments. She later co-founded Matrix Private Equity raising a successful technology fund, the Matrix Venture Fund VCT plc. She subsequently became Managing Director of Matrix Private Equity before moving to take on a portfolio of non-executive Director roles in 2005. She is currently a non-executive Director of The Income & Growth VCT plc, Matrix Income & Growth 4 VCT plc, Spark Ventures plc and Framlington Aim VCT.

Philip Simon Cammerman British Smaller Companies VCT plc

Philip has over 20 years of industrial experience in engineering and technology orientated industries and has worked in both the USA and the UK. He has spent the last 25 years in the venture capital industry and was Chairman of YFM Private Equity Limited and a Director of YFM Group (Holdings) Limited until he retired in April 2008. He has been responsible for a wide range of venture capital deals in a variety of industries including software, computer maintenance, engineering, printing, safety

equipment, design and textiles. He is a Non Executive Director of Pressure Technologies plc and Hargreaves Hale AiM VCT 2 plc. He has been a Director of the Company since its establishment as a venture capital trust.

Edward Buchan British Smaller Companies VCT plc

Edward is a Fellow of the Institute of Chartered Accountants in England and Wales, starting his career with Deloitte before moving to Hill Samuel Bank Limited where he became Head of Corporate Finance and a member of the Bank Executive Committee. He subsequently joined Close Brothers Corporate Finance Limited and then West LB Panmure, specialising in the transport and logistics industry sectors. He is currently Managing Director, Corporate Finance at LCF Edmond De Rothschild Securities and is a non-executive Director of Wallem Group Limited and Downing Absolute Income VCT 1 plc.

Richard Last Chairman British Smaller Companies VCT2 plc

Richard Last is a Fellow of the Institute of Chartered Accountants in England and Wales with substantial experience in the IT software and services sectors, and is Chairman and non-executive Director of Patsystems plc and Arcotech Group plc (both financial software businesses listed on AIM). He is also a Non Executive Director of Lighthouse Group plc and of Corero Group plc, both AIM listed. In addition he is also a Director and shareholder of a number of private companies including the IT company APD Communications Limited. He is Non Executive Chairman of CSE Global UK Limited, a subsidiary of a Singapore Stock Exchange listed company and is the Non Executive Chairman of Parseq Group Plc, an AIM listed IT and services company.

Robert Martin Pettigrew British Smaller Companies VCT2 plc

Robert has more than 20 years experience in the development of emerging businesses and, in particular, the commercial exploitation of new technologies. He co-founded The Generics Group of companies (renamed Sagentia) in 1986, which is one of the country's leading technology consulting and investment groups and was a key member of the team that took the company public in December 2000. He retired from The Generics Group at the end of 2002 to pursue independent investment activities. He is an investor-director on the Boards of a number of technology companies, including Sphere Medical Limited, Timberpost Limited, Xeros Ltd and Acal Energy Limited (of which he is Chairman).

Peter Waller British Smaller Companies VCT2 plc

Peter is an experienced chairman and director with extensive UK and international executive experience in the IT technology, software and services sector. He initially worked with IBM and Hitachi then with Spring plc, at that time one of the UK's largest recruitment and training businesses. He is currently Chairman of Corero plc, and Chairman of Rocela Ltd, KeyPoint Technologies Limited and Premier Veterinary Group Ltd. For the past decade Peter has worked as a board member with a succession of early stage and early growth private and public companies. His particular skills are in sales and marketing and working with companies to develop successful sales growth strategies.

Practices and Operation

The Board of each Company is responsible for the overall control and management of that Company with responsibility for its affairs, including determining its investment policy. Investment proposals are originated by the Investment Manager and formally approved by the relevant Board.

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 other arrangements made when Board decisions are required in advance of regular meetings.

The provisions of the UK Corporate Governance Code have been complied with for the last financial year and up to the date of this document save that (i) shareholders are not given the opportunity to meet any new non-executive directors at a specific meeting other than the annual general meeting (since the Companies do not have major shareholders) and (ii) not all of the non-executive directors have service contracts, but consultancy agreements instead (whereas the UK Corporate Governance Code recommends fixed term renewable service contracts). For BSC2, remuneration issues are dealt with by the full Board.

Audit and Nomination Committees

Audit Committees

Each Company has an audit committee which meets at least twice a year. The audit committees review the actions and judgements of the Fund Manager in relation to the interim and annual financial statements and each Company's compliance with the UK Corporate Governance Code. They review the terms of the management agreement and examine the effectiveness of each Company's internal control systems, receive information from the Fund 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 committees have written terms of reference which define their responsibilities. The audit committee for BSC2 consists of Richard Last (chairman), Robert Pettigrew and Peter Waller and the audit committee of BSC consists of Helen Sinclair, Phillip Cammerman and Edward Buchan (chairman).

Nomination Committees

Each Company has a nomination committee which consists of the directors who are considered by the respective Boards to be independent of the Fund Manager. The chairmen of the Boards act as chairmen of the committees. In considering appointments to the Boards, the nomination committees take into account the ongoing requirements of the Companies and the need to have a balance of skills and experience within the Boards.

Remuneration and Investment Committees

Remuneration Committee

BSC has a remuneration committee which meets at least once a year to review the remuneration paid to the Directors. The committee comprises each of the non-executive Directors and is chaired by Helen Sinclair. The BSC2 Board has determined that due to the remuneration procedures currently in place, in its opinion there is no role for an independent remuneration committee.

Investment Committee

The directors of BSC meet as an investment committee of the Board to consider and approve all investment decisions. The committee comprises all of the directors and is chaired by Philip Cammerman. The BSC2 Board has determined that due to the investment procedures currently in place, in its opinion there is no role for an independent investment committee.

Custody Arrangements

Each Company's investments will be held by the Fund Manager under the terms of an administration and investment advisory agreement (the "IAA"), details of which are set out on pages 51 and 52. The Fund Manager may be the holder by way of safekeeping of safe custody investments or custody assets belonging to the Companies and may hold documents of title itself by way of safekeeping. All investments made for the account of and, subject as aforesaid, monies received for the Companies will be deposited in the name of the Companies or will be held by a custodian or the Companies' solicitors. All certificates and other documents evidencing title (whether or not in registered form) will be received by the Companies or, subject as aforesaid, the Fund Manager and subject as aforesaid will be held by the Fund Manager by way of safekeeping in the relevant Company's name or forwarded directly to the custodian or the Companies' solicitors. No third party custodian has been appointed. Neither the Fund Manager nor any custodian appointed by the Companies will take legal ownership of the Companies' assets.

Co-investment Policy

BSC

The Fund Manager currently advises BSC2 and a number of other funds on behalf of institutional investors. The Directors believe that this provides BSC Shareholders with a number of advantages, particularly in relation to deal flow and the opportunity for BSC to co-invest in larger deals (including possible co-investments with these other funds) and, therefore, later stage companies. Furthermore, BSC acknowledges that investment opportunities may be suitable for other funds managed by the Fund Manager ("Relevant Funds"). The Fund Manager will consult the BSC Board in relation to such investment opportunities, it being agreed that, in general for investment opportunities below £1m falling within the Company's investment criteria, the Company will be offered first refusal. Investment opportunities greater than £1m will be offered first to other Relevant Funds. In all such cases the proposed basis for the allocation will be presented in advance to the Directors. In the event of a conflict of interest on the part of the Fund Manager (which shall include where an investment is proposed in a company in which a Relevant Fund already has an interest) or where co-investments are proposed to be made other than on the above basis, such an investment will require the approval of those members of the BSC Board who are independent of the Fund Manager.

BSC2

The Fund Manager currently advises BSC and a number of other funds on behalf of institutional investors. The Directors believe that this provides BSC2 Shareholders with a number of advantages, particularly in relation to deal flow and the opportunity for BSC2 to co-invest in larger deals (including possible co-investments with these other funds) and, therefore, later stage companies. Furthermore, BSC2 acknowledges that investment opportunities may be suitable for other funds managed by the Fund Manager ("Relevant Funds"). The Fund Manager will consult the BSC2 Board in relation to such investment opportunities, it being agreed that, in general for early stage innovation investment opportunities below £1m falling within the Company's investment criteria, the Company will be offered first refusal, and for non technology investments below £1m having second refusal after BSC. Investment opportunities greater than £1m will be offered first to other Relevant Funds. In all such cases the proposed basis for the allocation will be presented in advance to the BSC2 Directors. In the event of a conflict of interest on the part of the Fund Manager (which shall include where an investment is proposed in a company in which a Relevant Fund already has an interest) or where co-investments are proposed to be made other than on the above basis, such an investment will require the approval of those members of the BSC2 Board who are independent of the Fund Manager.

Reporting to Shareholders

The Directors strongly believe in the importance of good communication with Shareholders. Investors are kept informed through a series of workshops, newsletters, quarterly net asset value announcements and a full listing and disclosure of all investments in the interim and full year reports.

Regular updates are announced on the website and emails are issued to keep relevant parties informed.

BSC was presented with the award for the 'Best Shareholder Communication for the VCT Reports and Accounts' by the Association of Investment Companies (AIC) in 2009.

The format for the 2010 British Smaller Companies Annual Report was reviewed and updated in response to Shareholder feedback and now provides a summary of financial results.

Further Information Relating to the Offers

It is proposed to allot up to 8,780,488 Shares in BSC and up to 12,811,388 Shares in BSC2, subject to raising in aggregate a maximum of £15m at the Offer Price, to the public under the Offers, which are structured so as to allow Investors to invest in both the 2010/2011 and 2011/2012 tax years. The Offer Price will be calculated according to the Pricing Mechanism. Applications will be made to the UK Listing Authority for the Offer Shares to be admitted to the premium tier of the Official List and to trading on the London Stock Exchange's main market for listed securities.

Applications for the Shares will be payable in full by cheque or bankers draft on application. Investors may post-date their cheques to 6 April 2011 for applications in respect of the 2011/2012 Offers. Applications under the Offers will be processed upon receipt. Applications accompanied by post dated cheques will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date. Multiple subscriptions by Investors are permitted. The Offers are not underwritten.

The subscription list for the Offers will open on 8 December 2010 and close at 11.00 am on 5 April 2011 for the 2010/2011 Offers and at 11.00 am on 29 April 2011 for the 2011/2012 Offers (or at any earlier date on which the Offers are fully subscribed), save that the Directors reserve the right to extend the closing date of the 2011/2012 Offers. The result of the Offers will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Services Authority. There is no minimum subscription for the Offers to proceed.

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.

Shares will be allotted and issued in respect of valid applications in respect of the 2010/2011 Offers on 5 April 2011 and, in respect of the 2011/2012 Offers after 5 April 2011 and on or prior to the closing of the 2011/2012 Offers. Details of such allotments will be announced through a Regulatory Information Service provider by no later than the business day following the allotment. Share certificates (where applicable) are expected to be posted to Shareholders within 10 business days of each allotment.

The Shares will be issued on a fully paid up basis in registered form and evidence of title will be through possession of a share certificate in the Shareholder's name. Alternatively, the Shares may be held in an account through the CREST system. The Companies will apply for the Offer Shares to be admitted to CREST and it is expected that the Offer Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred. Accordingly, settlement of transactions in these Shares may take place within the CREST system if Shareholders wish.

The Offers may not be withdrawn after dealings in the Offer 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. In the event that notification of withdrawal is given by post, such notification will be effected at the time the Applicant posts such notification rather than at the time of receipt by the Company.

Applicants wishing to subscribe for Shares may do so by completing the Application Form attached at the end of this document. Details of how to complete the Application Form are set out under the heading "Notes on the Application Form" on pages 62 to 63 of this document.

Allocation of Funds Raised

Investors' subscription monies of up to £25,000 will be allocated equally between the Companies. Although an Applicant's subscription will be equally split between the Companies (up to £25,000), because of the different Net Asset Values for the Companies, Applicants will receive a different number of shares in each Company. Applicants subscribing for Offer Shares in excess of £25,000 will be able to determine how the excess is to be split between the Companies.

Investor Profile

A typical Investor for whom the Offers are designed is a UK income tax payer over 18 years of age, who is professionally advised, with an investment range of between £5,000 and £200,000, who may already have a portfolio of non-VCT investments such as unit trusts/OEICs, investment trusts and direct shareholdings in listed companies, who is willing to invest over the medium to long term and who, having regard to the risk factors set out at the front of this document, considers the investment policy of the 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, institutional and sophisticated investors and high net-worth individuals.

Minimum and Maximum Investment

The minimum application per Investor under the Offers is £5,000. Applications in excess of £5,000 may be made for any higher amount in multiples of £1,000 subject to availability. There is no maximum investment although tax reliefs are only available on a maximum investment of £200,000 per individual in all VCTs in any one tax year. A husband and wife can each invest up to £200,000 in any one tax year with each enjoying the tax reliefs.

Early Subscriptions

Applicants are encouraged to submit their Application Form early in order to be confident that their applications will be successful. Investors will receive additional Shares equivalent to 1% of the amount they subscribe (which will be paid by the Fund Manager) in respect of valid application forms received and accepted prior to 1 March 2011

How to Claim the Tax Relief

Certificates to enable a claim for income tax relief to be made are expected to be posted to Investors within 10 business days of each allotment. Investors then have two options on how to claim the tax relief:

- (a) by writing to their HM Revenue & Customs office to ask for their PAYE tax code to be changed, or
- (b) by waiting until the end of the tax year and completing the appropriate section on the self-assessment form.

Part 2

Investment Policies of BSC and BSC2

The investment policy of each of the Companies is as set out below.

The investment policies of the Companies are to create a portfolio that blends a mix of companies operating in traditional industries with those that offer opportunities in the development and application of innovation.

The Companies will invest in UK businesses across a broad range of sectors including Industrial, Healthcare, Software and Consumer Products, Electronics and Telecommunications, in VCT qualifying and AiM traded securities which, under the legislation governing VCTs, requires that at least 70% by value of its holdings must be in 'qualifying holdings'. The maximum by value that the Companies may hold in a single investment is 15%. Although the majority of investments will be in equities, in appropriate circumstances, preference shares and loan stock may be subscribed for thereby spreading risk and enhancing yields.

The Companies fund the investment programmes out of their own resources and have no borrowing facilities for this purpose. The maximum that the Companies may invest in any holding in any tax year is limited to £1 million and the average size of the Company's qualifying investment is £0.45 million (2009: £0.39 million) in BSC VCT Plc and £0.58 million (2009: £0.5 million) in BSC VCT 2 Plc, based on cost of investments. Typically the Company invests alongside other venture capital funds such as syndication spreading investment risks.

The Fund Manager, YFM Private Equity Limited, is responsible for the sourcing and screening of initial enquiries, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments. Once approved, further due diligence is carried out as necessary and HM Revenue & Customs clearance is obtained for approval as a qualifying VCT investment.

The Boards reserve the right of the taking of all investment and divestment decisions save in the making of certain investments up to £250,000 in companies whose shares are to be traded on AiM and where the decision is required urgently, in which case the Chairman, or Chairman of the Investment Committee if appropriate, may act in consultation with the Fund Manager.

The Boards regularly monitor the performance of the portfolio and the investment targets set by the relevant VCT legislation. Reports are received from YFM Private Equity Limited as to the trading and financial position of each investee company and members of the investment team regularly attend Board meetings. Monitoring reports are also received at each Board meeting on compliance with VCT investment targets so that the Board can monitor that the status of the Company is maintained and take corrective action where appropriate.

In the opinion of the Directors the continuing appointment of YFM Private Equity Limited as Fund Manager is in the interests of the Shareholders as a whole in view of its experience in managing venture capital trusts and in making and exiting investments of the kind falling within the Company's investment policy.

Prior to the investment of funds in suitable qualifying companies, the liquid assets of the Companies are invested in a portfolio of Government stocks or other similar fixed interest securities. Reporting to YFM Private Equity Limited, the portfolio is managed by Brewin Dolphin Securities Limited on a discretionary basis. The Board receives regular reports on the make-up and market valuation of this portfolio.

The Companies will on occasion, in accordance with VCT legislation, invest surplus liquid resources in an AAA rated liquidity fund, which invests in a pool of highly rated money market securities. Reporting to YFM Private Equity Limited, the fund is managed by Prime Rate Capital LLP. The Boards receive regular reports on the diversity and return of the fund's portfolios. At 30 September 2010 £nil was held by BSC VCT plc in this fund and £nil was held by BSC VCT2 plc in this fund which is included within Cash and Cash Equivalents on the balance sheet.

Part 3

Financial Information on the Companies

Introduction

Audited statutory accounts of BSC for the years ended 31 March 2008 and 31 March 2009 in respect of which the Company's former auditors, PKF (UK) LLP, registered auditor of Farringdon Place, 20 Farringdon Road, London, EC1M 3AP, and 31 March 2010, in respect of which the Company's auditors, Grant Thornton UK LLP, registered auditor of 2 Broadfield Court, Sheffield, S8 0XF, both members of the Institute of Chartered Accountants in England and Wales, made unqualified reports under section 235 of the 1985 Act or section 495 of the 2006 Act as appropriate, have been delivered to the Registrar of Companies and such reports did not contain any statements under section 237(2) or (3) of the 1985 Act, or section 498 (2) or (3) of the 2006 Act. Copies of these audited statutory accounts are available at www.yfm.co.uk.

Audited statutory accounts of BSC2 for the years ended 31 December 2007 and 31 December 2008 in respect of which the Company's former auditors, PKF (UK) LLP, registered auditor of Farringdon Place, 20 Farringdon Road, London, EC1M 3AP, and 31 December 2009, in respect of which the Company's auditors, Grant Thornton UK LLP, registered auditor of 2 Broadfield Court, Sheffield, S8 0XF, both members of the Institute of Chartered Accountants in England and Wales, made unqualified reports under section 235 of the 1985 Act or section 495 of the 2006 Act as appropriate, have been delivered to the Registrar of Companies and such reports did not contain any statements under section 237(2) or (3) of the 1985 Act, or section 498 (2) or (3) of the 2006 Act. Copies of these audited statutory accounts are available at www.yfm.co.uk.

Unaudited interim accounts of BSC for the six months ended 30 September 2009 and the six months ended 30 September 2010 are available at www.yfm.co.uk. These interim accounts have not been audited or reviewed by the Company's auditors.

Unaudited interim accounts of BSC2 for the six months ended 30 June 2009 and the six months ended 30 June 2010 are available at www.yfm.co.uk. These interim accounts have not been audited or reviewed by the Company's auditors.

These financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRSs) 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.

Historic 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 the relevant Company for the periods shown above, and which is incorporated by reference into this document, as follows:

British Smaller Companies VCT plc

Nature of Information	Audited Statutory Accounts for Year Ended 31 March 2008 Page No.	Audited Statutory Accounts for Year Ended 31 March 2009 Page No.	Unaudited Interim Reports for 6 Months Ended 30 September 2009 Page No.	Audited Statutory Accounts for Year Ended 31 March 2010 Page No.	Unaudited Interim Reports for 6 Months Ended 30 September 2010 Page No.
Financial Highlights	3	3	-	4	1
Chairman's Statement	4-6	4-5	2-3	6-8	1-4
Fund Manager's Review	7-18	6-17	-	9-20	-
Valuation of Investments	19	18	-	21	-
Investment Portfolio	-	-	4-8	-	5-10
Directors	20	19	-	22	-
Directors Report	21-29	20-28	-	23-30	-
Directors' Remuneration Report	30-31	28-29	-	31-32	-
Independent Auditors' Report	32-33	30-31	-	33	-
Income Statement/Statement of Comprehensive Income	34	32	9	34	11
Balance Sheet	35	33	10	35	12
Statement of Changes in Equity	36	34	11-12	36	13-14
Cash Flow Statement/Statement of Cash Flows	37	35	13	37	15
Notes to the Financial Statements	38-50	36-50	14-17	38-53	17-21
Financial Summary	55	55	-	4	-

British Smaller Companies VCT2 plc

Nature of Information	Audited Statutory Accounts for Year Ended 31 December 2007 Page No.	Audited Statutory Accounts for Year Ended 31 December 2008 Page No.	Unaudited Interim Report for 6 Months Ended 30 June 2009 Page No.	Audited Statutory Accounts for Year Ended 31 December 2009 Page No.	Unaudited Interim Report for 6 Months Ended 30 June 2010 Page No.
Financial Summary / Highlights	2	3	-	3	-
Chairman's Statement	3-4	4-5	3-4	4-5	3-4
Fund Manager's Review	5-13	6-12	-	6-14	-
Valuation of Investments	14	13	-	15	-
Investment Portfolio	-	-	5-9	-	5-9
Directors	15	14	-	16	-
Directors Report	16-22	15-24	-	17-25	-
Directors' Remuneration Report	23-24	25-26	-	26-27	-
Independent Auditors' Report	25	27	-	28	-
Income Statement/Statement of Comprehensive Income	26	28	10	29	10
Balance Sheet	27	29	11	30	11
Statement of Changes in Equity	28	30	12-13	31	12-13
Cash Flow Statement/Statement of Cash Flows	29	31	14	32	14
Notes to the Financial Statements	30-43	32-46	15-19	33-48	15-19
Financial History	43	51	-	53	-

Operating and Financial Review British Smaller Companies VCT plc

	31 March 2008 (Audited)	31 March 2009 (Audited)	30 September 2009 (Unaudited)	31 March 2010 (Audited)	30 September 2010 (Unaudited)
Total Net Assets £'000	26,198	26,400	27,915	29,008	32,292
Change in Net Assets £'000	9,410	202	1,515	1,093	3,284
Net Asset Value per Share	102.1p	85.7p	90.6p	94.4p	98.8p
Dividends paid/proposed for the year/period	5.0p	5.0p	2.0p	6.25p	2.0p

British Smaller Companies VCT2 plc

	31 December 2007 (Audited)	31 December 2008 (Audited)	30 June 2009 (Unaudited)	31 December 2009 (Audited)	30 June 2010 (Unaudited)
Total Net Assets £'000	13,151	12,794	12,600	12,106	12,498
Change in Net Assets £'000	(785)	(357)	(194)	(494)	392
Net Asset Value per Share	79.0p	76.9p	75.7p	72.7p	70.1p
Dividends paid/proposed for the year/period	3.0p	6.0p	2.0p	6.0p	2.0p

A description of the changes in the performance of each Company, both capital and revenue, and changes to each Company's portfolio of investments:

- (i) for the financial years ended 31 December 2007, 31 March 2008, 31 December 2008, 31 March 2009, 31 December 2009, and 31 March 2010 is set out in the sections headed "Chairman's Statement" and "Fund Manager's Review" in the audited statutory accounts of the relevant Company for these years; and
- (ii) for the six months ended 30 June 2009, 30 September 2009, 30 June 2010 and 30 September 2010 is set out in the sections headed "Chairman's Statement" and "Investment Portfolio" in the unaudited interim accounts of the relevant Company for these periods.

Historical financial information relating to each Company on the matters referred to above is included in the published annual report and audited statutory accounts for the relevant Company for the years stated above, and in the unaudited interim accounts of the relevant Company for the periods shown above, and which is incorporated by reference into this document, as shown on the previous page.

No Significant Change

Since 30 September 2010 (being the end of the last financial period of BSC for which unaudited interim financial statements have been published), the Company has invested £1 million into the management buy-out of President Engineering Group Limited a Sheffield based specialist manufacturer of valves. The Company has realised the whole of its investment in Freshroast Coffee Company Limited for £30,000 (which is the same value as reported in the results to 30 September 2010). The Company's board has recommended payment of an interim dividend of 2 pence per share which is payable on 7 January 2011. On 7 December 2010 the Company completed an investment of £250,000 into Woodspeen Training plc, a listed vocational training provider. Other than these matters there has been no significant change in the financial or trading position of BSC since 30 September 2010.

Since 30 June 2010 (being the end of the last financial period of BSC2 for which unaudited interim financial statements have been published), BSC2 invested £500,000 in Bluebell Telecom Group Limited alongside BSC. In addition in October 2010 the Company approved an investment of up to £400,000 in to Sirigen Limited. In November 2010 £266,667 of the approved amount was invested with the balance available for further investment subject to performance milestones. Sirigen produces reagents that improves the efficiency of analysis of the effectiveness of certain drugs. The Company has approved an investment of £238,832 into AiM-listed Brady plc a provider of risk management solutions to the metals and commodities markets which is anticipated to complete on 23 December 2010. The Company paid an interim dividend of 2 pence per Share on 30 September 2010. On 17 November the Company announced its interim management results for the nine month period which showed after payment of the interim dividend net assets of 66.2 pence per Share. Other than these matters there has been no significant change in the financial or trading position of BSC2.

Historical Financial Information Incorporated by Reference

The audited statutory accounts for the years ended 31 December 2007, 31 March 2008, 31 December 2008, 31 March 2009, 31 December 2009 and 31 March 2010 and the unaudited interim accounts for the six months to 30 June 2009, 30 September 2009, 30 June 2010 and 30 September 2010 are being incorporated by reference, as set out above.

Part 4

Taxation

The following information is based on the law and practice currently in force in the United Kingdom. It assumes that an Investor is resident or ordinarily resident in the UK and not in any other jurisdiction. If potential Investors are in any doubt as to their tax position, they should consult their professional advisers.

VCTs: Summary of the Applicable Legislation

1. Approval

To obtain VCT status a company must be approved by HM Revenue & Customs as a VCT.

To maintain approval, the conditions summarised below must continue to be satisfied throughout the life of the VCT:

- (i) the VCT's income must have been derived wholly or mainly from shares and securities (in the case of securities issued by a company, meaning loans with a five-year or greater maturity period);
- (ii) no holding in a company (other than a VCT or a company which would, if its shares were listed, qualify as a VCT) by the VCT may represent more than 15%, by value, of the VCT's total investments at the time of investment; and
- (iii) the VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period.

The VCT must not be a close company. Its ordinary share capital must be quoted on the London Stock Exchange by no later than the beginning of the accounting period following that in which the application for approval is made.

The following conditions must also continue to be satisfied throughout the life of the VCT:

- (i) at least 70%, by value, of its investments is represented by shares or securities comprising Qualifying Investments;
- (ii) at least 30%, by value, of its qualifying investments is represented by holdings of ordinary shares which carry no present or future preferential rights to dividends, return of capital or any redemption rights; and
- (iii) for funds raised on or after a commencement date, expected to be in April 2011, have at least 70% by value of the Company's Qualifying Investments in "eligible shares". Legislation re-defining "eligible shares" for this purpose is due to be introduced in the Finance (No. 3) Act 2010, and is expected to include shares with certain preferential rights to dividends.

"Qualifying investments" comprise shares or securities (including loans with a five year or greater maturity period but excluding guaranteed loans and securities) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades. The trade must be carried on by, or be intended to be carried on by, the investee company or a qualifying subsidiary at the time of the issue of the shares or securities to the VCT (and by such company or by any other subsidiary in which the investee company has not less than a 90% interest 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 VCT and continue it thereafter. The definition of a qualifying trade excludes dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving royalties or licence fees in certain circumstances, leasing, the provision of legal and accounting services, farming and market gardening, forestry and timber production, property development, shipbuilding, coal and steel production and operating or managing hotels, guest houses, nursing and residential care homes. The funds raised by the investment must be used for the purposes of the qualifying trade within certain time limits.

Qualifying investments are limited to investments of up to £1 million per investee company in any one tax year or in any six month period straddling two tax years. A qualifying investment can also be made in a company which is a parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades, one of which is carried on wholly or mainly in the United Kingdom (once enacted, expected to be in April 2011, the Finance (No. 3) Act 2010 will replace this requirement and stipulate that investee companies must merely have a permanent establishment in the UK). The investee company's gross assets must not exceed £7 million immediately prior to the investment and £8 million immediately thereafter. Neither the VCT nor any other company may control the investee company. At least 10% of the VCT's total investment in the investee company must be in ordinary non-preferential shares.

Companies whose shares are traded on AIM are treated as unquoted companies for the purposes of calculating qualifying investments. Shares in an unquoted company which subsequently become listed may still be regarded as a qualifying investment for a further five years following listing, provided all other conditions are met.

2. Taxation of a VCT

VCTs are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT, subject to the requirements of company law. Each of the Companies will be subject to corporation tax on its income (excluding dividends received from UK companies) after deduction of attributable expenses.

3. Tax Reliefs for Individual Investors Resident in the UK

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

Relief from income tax

An investor subscribing up to £200,000 in any tax year for eligible shares in a VCT will be entitled to claim income tax relief on the investment, in the year in which the investment is made, at the rate of 30% for investments in the tax years 2010/11 and 2011/12, although this relief will be withdrawn if either the shares are sold within five years or an investor takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of such shares. Relief is restricted to the amount which reduces the Investor's income tax liability to nil. However, tax credits on dividends are notional and cannot be repaid and, therefore, Investors should take this into account when calculating the value of the income tax relief. HM Revenue & Customs has confirmed that the Ordinary Shares are eligible VCT shares for the purposes of this section.

Dividend relief

An investor who subscribes for or acquires ordinary shares in a VCT will not be liable for UK income tax on dividends paid by the VCT in respect of investments of up to a maximum of £200,000 in any one tax year. Dividends carry a tax credit at the rate of one-ninth of the net dividend which is not repayable and which cannot be utilised in any other way. The income received by the VCT will usually constitute either interest (on which the VCT may be subject to tax) or a dividend from a UK company (on which the VCT would not be subject to tax). The VCT's income, reduced by the payment of tax (if applicable), can then be distributed tax-free to investors who benefit from this dividend relief.

Capital gains tax relief

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

Loss of tax reliefs

- (i) If a company which has been granted approval or provisional approval as a VCT subsequently fails to comply with the conditions for approval, VCT status may be withdrawn or treated as never having been given. The exemptions from corporation tax and capital gains will not apply to any gains realised by the VCT after this time.
- (ii) For investors, the withdrawal of VCT status may (depending upon the timing of such withdrawal) result in:
 - repayment of the 30% income tax relief on subscription for new VCT shares;
 - income tax becoming payable on payments of dividends by each of the Companies; and
 - a liability to tax on capital gains being suffered in the normal way on the disposal of shares in each of the Companies, except that any part of the gain attributable to the period for which the VCT was approved would be exempt.
- (iii) The consequences for investors in a company which never obtains full unconditional approval as a VCT are as follows:
 - repayment of the 30% income tax relief on subscriptions for new VCT shares and interest on overdue tax may arise;
 - income tax becoming payable on payments of dividends by each of the Companies; and
 - any gain arising on a disposal of the shares would be liable to capital gains tax and losses on the shares would be allowable losses for capital gains tax purposes.

4. Consequences of an Investor Dying or a Transfer of Shares Between Spouses

(i) Initial income tax

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

(ii) Tax implications for the beneficiary

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

(iii) Transfer of shares between spouses

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

5. General

(i) Investors who are not resident in the UK

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

(ii) Stamp duty and stamp duty reserve tax

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

(iii) Purchases in the market after listing

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

(iv) The VCT Regulations 2004

The VCT Regulations came into force on 17 September 2004. Under the VCT Regulations, monies raised by any further issue of shares by an existing VCT must be applied by that VCT for the purposes of investment which meets the 70% and 30% tests described above. These tests will be deemed not to have been met if any of the money raised (except for amounts which HM Revenue & Customs agrees are insignificant in the context of the whole issued ordinary share capital of the VCT) is used by the VCT to purchase its own shares.

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

Part 5

Additional Information

1. Incorporation etc.

BSC

- 1.1 The Company was incorporated and registered in England and Wales under the Companies Act 1985 as a public company limited by shares on 6 December 1995, with registered number 3134749 under the name British Smaller Companies VCT plc, which is the current legal and commercial name of the Company. The principal legislation under which the Company operates is the Act and regulations made thereunder. The registered office and principal place of business of the Company is Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ. The telephone number of the Company is 0113 294 5000.
- 1.2 Since incorporation the Company has carried on business as a Venture Capital Trust. On 11 July 2003 by ordinary resolution it was resolved that the Company continue as a venture capital trust. At an Extraordinary General Meeting held on 2 February 2008 a Special Resolution was passed to adopt new Articles of Association which extended the duration of the Company for a further five years to the Annual General Meeting to be held in 2013. The Company is not regulated in the operation of its activities.
- 1.3 The Company has no subsidiaries or associated companies. The Company does not have any employees, does not own or occupy any premises and has not incurred any borrowings.
- 1.4 On 29 March 2004 the Company revoked its investment company status.

BSC2

- 1.5 The Company was incorporated and registered in England and Wales under the Companies Act 1985 as a public company limited by shares on 4 October 2000, with registered number 4084003 under the name British Smaller Technology Companies VCT 2 plc. On 18 October 2010 the Company resolved that its name be changed from British Smaller Technology Companies VCT2 plc and by a Certificate of Incorporation on Change of Name the name was changed to British Smaller Companies VCT2 plc. The principal legislation under which the Company operates is the Act and regulations made thereunder. The registered office and principal place of business of the Company is Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ. The telephone number of the Company is 0113 294 500.
- 1.6 Since incorporation the Company has carried on business as a venture capital trust. At an Extraordinary General Meeting held on 31 October 2000 a Special Resolution was passed to adopt new Articles of Association of the Company which provided that the duration of the Company would be extended until the Annual General Meeting to be held in 2010 when a resolution would be placed before Shareholders for the Company to so continue for a further five years. On 12 May 2010 by Ordinary Resolution it was resolved that the Company continue as a venture capital trust until the Annual General Meeting to be held in 2015 when a similar resolution will be placed before shareholders for the Company to continue for a further five years. The Company is not regulated in the operation of its activities.
- 1.7 The Company has no subsidiaries or associated companies. The Company does not have any employees, does not own or occupy any premises and has not incurred any borrowings.
- 1.8 On 12 November 2004 the Company revoked its investment company status.

2. Share Capital

BSC

- 2.1 The following allotments and repurchases of Ordinary Shares have taken place since 1 October 2007.
- on 30 November 2007 the Company repurchased 40,000 Ordinary Shares at a price of 91.0 pence per Share
 - on 14 February 2008 the Company repurchased 135,000 Ordinary Shares at a price of 91.0 pence per Share
 - on 20 February 2008 the Company repurchased 50,000 Ordinary Shares at a price of 91.0 pence per Share
 - on 31 March 2008 the Company repurchased 79,357 Ordinary Shares at a price of 91.0 pence per Share
 - on 4 April 2008 the Company issued 5,041,746 Ordinary Shares at a price of 106.025 pence per Share
 - on 30 April 2008 the Company issued 337,493 Ordinary Shares at a price of 106.025 pence per Share
 - on 10 July 2008 the Company repurchased 110,081 Ordinary Shares at a price of 89.50 pence per Share
 - on 30 September 2008 the Company repurchased 188,072 Ordinary Shares at a price of 88.5 pence per Share
 - on 11 February 2009 the Company issued 67,445 Ordinary Shares at a price of 89.11 pence per Share
 - on 2 July 2009 the Company repurchased 141,882 Ordinary Shares at a price of 73.0 pence per Share

- on 13 August 2009 the Company issued 138,413 Ordinary Shares at a price of 78.57 pence per Share
- on 23 December 2009 the Company repurchased 190,000 Ordinary Shares at a price of 74.0 pence per Share
- on 7 January 2010 the Company issued 105,771 Ordinary Shares at a price of 84.17 pence per Share
- on 1 April 2010 the Company issued 1,784,967 Ordinary Shares at a price of 97.25 pence per Share
- on 6 April 2010 the Company issued 263,254 Ordinary Shares at a price of 97.25 pence per Share
- on 22 June 2010 the Company issued 77 Ordinary Shares at a price of 97.25 pence per Share
- on 3 September 2010 the Company repurchased 260,000 Ordinary shares at a price of 78.0 pence per Share
- on 28 September the Company issued 166,512 Ordinary shares at a price of 85.64 pence per Share

2.2 As at 30 September 2010 (being the end of the last financial period of the Company for which unaudited interim financial information has been published) there were 165,000,000 authorised and 32,687,004 issued Ordinary Shares, each ranking pari passu. All of the Ordinary Shares are listed on the premium tier of the Official List of the UK Listing Authority. The Company holds an additional 1,642,837 shares in the treasury account.

2.3 Immediately following the close of the Offers, assuming full subscription and the maximum number of Early Subscription Shares being allotted, the issued share capital of BSC, fully paid or credited as fully paid, will be £4,311,033 divided into 43,110,329 Ordinary Shares (of which 1,642,837 Ordinary Shares are held in treasury), and there will remain authorised but un-issued a minimum of £12,188,967 of share capital divided into 121,889,671 Ordinary Shares.

BSC2

2.4 The following allotments and repurchases of Ordinary Shares have taken place since 1 October 2007.

- on 5 April 2010 the Company issued 953,798 Ordinary Shares at a price of 77.25 pence per Share
- on 30 April 2010 the Company issued 242,464 Ordinary Shares at a price of 77.25 pence per Share
- on 3 November 2010 the Company purchased 300,000 Ordinary Shares at a price of 57.75 pence per share
- on 18 November 2010 the Company issued 7,277 Ordinary Shares at a price of 70.25 pence per Share.

2.5 As at 30 June 2010 (being the end of the last financial period of the Company for which unaudited interim financial information has been published) there were 50,000,000 authorised and 17,837,519 issued Ordinary Shares, each ranking pari passu. All of the Ordinary Shares are listed on the premium tier of the Official List of the UK Listing Authority.

2.6 Immediately following the close of the Offers, assuming full subscription and the maximum number of Early Subscription Shares being allotted, the issued share capital of BSC2 fully paid or credited as fully paid will be £3,065,618 divided into 30,656,184 Ordinary Shares (of which 300,000 Ordinary Shares are held in treasury), and there will remain authorised but un-issued a minimum of £1,934,382 of share capital divided into 19,343,816 Ordinary Shares.

3. The Companies

3.1 Save as disclosed in this paragraph 3 and in paragraphs 2.1 and 2.4 above, in the period since 1 October 2007 no share or loan capital of the Companies has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Companies or any subsidiary in connection with the issue or sale of any such capital.

3.2 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 scheme for BSC and the proposed dividend re-investment scheme for BSC2, no material issue of Ordinary Shares (other than to shareholders pro rata to existing holdings) will be made within one year without the prior approval of shareholders in general meeting.

3.3 The Ordinary 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 Ordinary Shares is GB0001403152. The ISIN of the BSC2 Ordinary Shares is GB0005001796.

3.4 Each Company will be subject to the continuing obligations of the UK Listing Authority and the London Stock Exchange with regard to the issue of securities for cash and 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) will apply to the balance of the authorised but un-issued share capital of the relevant Company which is not subject to any dis application of pre-emption rights conferred by authority of the shareholders.

3.5 The obligations of each Company to issue and allot Ordinary Shares under the Offers are in all respects conditional on the passing of resolutions 1 and 4 below, which, together with the other resolutions set out below, will be proposed at the General Meetings to be convened on 11 January 2011:

Ordinary Resolution

- (1) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company in connection with:
 - (i) the Offers, up to an aggregate nominal amount of \$900,000;

- (ii) an offer of securities by way of a rights issue;
 - (iii) the allotment for cash (otherwise than pursuant to sub-paragraphs (i) to (ii) above) of equity securities up to an aggregate nominal amount of 10% of the issued Ordinary Share capital of the Company immediately following the final closing of the Offers, during the period commencing on the passing of this resolution and expiring on the later of 15 months from the date hereof or the next annual general meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and that all previous authorities given to the Directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect;
- (2) THAT pursuant to article 166 of BSC's articles of association and article 168 of BSC2's articles of association, the Directors be and are hereby authorised to offer holders of shares in the Company the right to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part to be determined by the Boards) of all or any dividend declared in the period commencing on the date of this resolution and ending on the fifth anniversary of this resolution pursuant to the Company's dividend reinvestment scheme.
- (3) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the company to allot shares in the Company in connection with a dividend reinvestment scheme during the period commencing on the passing of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted after such expiry and that all previous authorities given to the Directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect;

Special Resolutions

- (4) THAT the directors be and are hereby empowered in accordance with section 570(1) of the Act during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later, (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in resolution (1) above as if section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with:
- (i) the Offers;
 - (ii) an offer of securities by way of rights;
 - (iii) the allotment for cash (otherwise than pursuant to sub-paragraph (i) to (ii) above) of equity securities up to an aggregate nominal amount of 10 per cent. of the issued share capital of the Company immediately following the final closing of the Offers, but so that this authority shall allow the Company to make offers or agreements before the expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 560 (2) of the Act as if in the first paragraph of this resolution the words "pursuant to the general authority conferred upon the directors in resolution (1) above" were omitted;
- (5) THAT the directors be and are hereby empowered in accordance with section 570(1) of the Act during the period commencing on the passing of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in resolution (3) above as if section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with a dividend reinvestment scheme but so that this authority shall allow the company to make offers or agreements before the expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.
- (6) THAT article 191 of BSC's articles of association and article 195 of BSC2's articles of association be amended to delete the reference to "2013" and "2010" in line 1 respectively and substitute "2016" therefor;
- (7) THAT, subject to the sanction of the High Court, the amount standing to the credit of the share premium account of the Company immediately after the final closing date of the Offers be cancelled.

4. Memorandum and Articles of Association

4.1 Memorandum of Association

The Memorandum of Association of the Companies provides 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 8 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 Ordinary Shares are in registered form and are freely transferable. All transfers of shares in certified form must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer of a share shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. All transfers of shares which are in uncertificated form may be effected by means of a relevant system. The Directors may refuse to register any transfer of a partly-paid share, provided that such refusal does not prevent dealings taking place on an open and proper basis, and may also refuse to register any instrument of transfer unless:

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

4.2.3 Dividends

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

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

4.2.4 Disclosure of interests in shares

If any Member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such a member or other person to supply the Company in writing all or any such information as is referred to in section 793 of the 2006 Act, the Directors may, for such period as the default shall continue, impose restrictions upon the relevant shares.

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

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

- (a) 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.
- (b) 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.

- (c) 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) 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.
- (b) Provided that he has declared his interest in accordance with paragraph 4.2.8(a) 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.
- (c) 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.
- (d) 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

- (a) 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 £75,000 per year and the ordinary remuneration of the Directors of BSC shall not exceed £115,000 per year) to be divided among them in such proportions and manner as the Directors may determine. The Directors 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.
- (b) 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.
- (c) 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

- (a) 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.
- (b) 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 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% 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 Company

An Ordinary Resolution is being put to a General Meeting of BSC on 11 January 2011 to extend the life of the Company from 2013 to 2016 and at every fifth annual general meeting thereafter, proposing that the Company should continue as a venture capital trust for a further five year period.

An Ordinary Resolution is being put to a General Meeting of BSC2 on 11 January 2011 to extend the life of the Company from 2015 to 2016 and at every fifth annual general meeting thereafter, proposing that the Company should continue as a venture capital trust for a further five year period. If any such further resolution is not passed, the Directors shall draw up proposals for the voluntary liquidation, reconstruction or other reorganisation of the Company for submission to the members of the Company at a General Meeting to be convened by the Directors on a date, in the case of BSC not more than six months after such Annual General Meeting, and in the case of BSC2 not more than four months after such Annual General Meeting. Implementation of the proposals will require the approval of Members by Special Resolution.

4.2.14 General Meetings

Annual General Meetings shall be held at such time and place as may be determined by the Directors and not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. The Directors may, whenever they think fit, convene a General Meeting of the Company, and General Meetings shall also be convened on such requisition or in default may be convened by such requisitionists as are approved by the Statutes. Any meeting convened under this Article 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.

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

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

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

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

5. Directors' and Other Interests in the Companies

- 5.1 DTR 5 of the Disclosure and Transparency Rules requires a Shareholder to notify the relevant Company of the percentage of its shares he holds if such percentage reaches, exceeds or falls below 3% or subsequent 1% thresholds. The relevant Company will make such information public through a Regulatory News Service. Neither Company is aware of any person who, as at the date of this document and immediately following the issue of the Ordinary Shares under the Offers, (assuming full subscription under the Offers) is or will, directly or indirectly, be interested in 3% 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 shares, (assuming full subscription under the Offers), neither Company is aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over it. No major shareholder has different voting rights.
- 5.2 The interests of the Directors and their immediate families in the share capital of each Company, 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 Ordinary Shares	% of issued Ordinary Shares prior to the Offers
BSC		
Helen Sinclair	7,270	0.02 %
Edward Buchan	-	-
Philip Cammerman	35,880	0.1 %
BSC2		
Richard Last	36,870	0.2 %
Robert Pettigrew	37,524	0.2 %
Peter Waller	-	-

- 5.3 The interests of the Directors and their immediate families in the share capital of the Companies, all of which are beneficial, (so far as is known or could with reasonable diligence be ascertained by the relevant Director) the interests of a person connected with a Director following the Offers, assuming the Offers are fully subscribed, that the Offer Price is as set out on page 11 and that no Early Subscription Shares are issued, will be as follows:

Name	Number of Ordinary Shares	% of issued Ordinary Shares after the Offers
BSC		
Helen Sinclair	14,587	0.03 %
Edward Buchan	2,439	0.006 %
Philip Cammerman	35,880	0.08 %
BSC2		
Richard Last	43,987	0.14 %
Peter Waller	7,117	0.02 %
Robert Pettigrew	41,794	0.14 %

- 5.4 Save as disclosed in paragraph 5.2, no Director, nor any person connected with any Director has any interest in the share capital or loan capital of either Company, whether beneficial or non-beneficial.
- 5.5 YFM Group Limited is the registered holder of 525,500 Ordinary Shares in BSC and YFM Private Equity is the registered holder of 10 Ordinary shares in BSC and 345,086 Ordinary Shares in BSC2. These holdings represent 1.6%, 0.00003% and 1.9% respectively of the issued share capital of the relevant Company as at the date of this document.

So far as is known to the Companies, no other interests in the Companies' share capital or voting rights is notifiable under UK law or regulation.

No major shareholders (including YFM Group Limited and YFM Private Equity Limited) in the Companies have different voting rights to the other shareholders.

- 5.6 The Directors of BSC and BSC2 have committed to invest £25,000 and £21,000 respectively under the Offers. Save as noted in this paragraph 5.6, no Ordinary Shares are being reserved for allocation to Shareholders, Directors or employees of either Company.
- 5.7 All the Directors are non-executive and none of the Directors, therefore, have a service contract with the Company, and no such contract is proposed. The services of each of the Directors are provided to the relevant Company pursuant to letters of appointment, under which they are required to devote such time to the affairs of the relevant Company as the Board reasonably requires consistent with their role as a non-executive Director. Each Director is currently entitled to receive the following annual fee which is, subject to annual review: Helen Sinclair - £35,000, Philip Cammerman - £20,000, Edward Buchan - £20,000, Richard Last - £35,000, Robert Pettigrew - £18,000, and Peter Waller - £18,000. No benefits are payable on termination.
- 5.8 No loan or guarantee has been granted or provided by either Company to any Director.
- 5.9 Except as listed in paragraph 7.20 below, none of the Directors has had any interest in any party which is related to any 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.
- 5.10 Save as disclosed in paragraph 7.18 and as may arise by virtue of the directorships shown in paragraph 5.13 below, there are no potential conflicts of interest between the duties of any Director to the Companies and their private interests and or other duties.

Save as disclosed in this paragraph above, no Director, nor any member of the administrative, management, supervisory body or senior management of the Companies, (i) 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 or (ii) has any potential conflicts of interest between any duties they have to the Companies and their private interests and/or other duties.

- 5.11 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 2011 will not exceed £85,000 plus VAT or National Insurance (as applicable) and by BSC 2 for the twelve month period ending 31 December 2010 £67,500 plus VAT or National Insurance (as applicable). Fees paid to the Directors of BSC for the year ended 31 March 2010 and to the Directors of BSC2 for the year ended 31 December 2009 are as follows:

Name	Fees Paid (£) (plus VAT or National Insurance (as applicable))
BSC	
Helen Sinclair	38,748.88
Philip Cammerman	21,828.88
Edward Buchan	Nil
BSC2	
Richard Last	34,809.69
Robert Pettigrew	19,581.69
Peter Waller	Nil

- 5.12 Each Company has taken out Directors' and Officers' liability insurance for the benefit of the Directors.
- 5.13 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:

Name	Current directorships/partnerships	Former directorship/partnerships (in last five years)
Helen Rachelle Sinclair	British Smaller Companies VCT plc The Income & Growth VCT plc Matrix Income & Growth 4 VCT plc Spark Ventures plc Framlington Aim VCT plc	Hotbed Fund Managers Limited
Philip Simon Cammerman	British Smaller Companies VCT plc Clarendon Fund Managers Limited Clarendon Fund Nominees Limited Howmac plc Nitech Venture Partners Limited NI Venture Partners Limited Pressure Technologies plc Connect Yorkshire Hargreaves Hale AiM VCT 2 plc	British Smaller Companies VCT2 plc Catapult Venture Managers Limited Growth Capital Partners Limited JKN 138 GP Limited Yorkshire Enterprise Finance Limited Yorkshire Enterprise Small Firms Fund Limited GCC GP (Development) Limited GCC GP (Investment) Limited GCC London Limited YFM Group (Holdings) Limited YFM Group Limited YFM Venture Finance Limited YFM Private Equity Limited GCC South West Limited GCC Yorkshire Limited White Rose Ventures Limited PIF GP No 5 Limited PIF GP No 6 Limited Yorkshire Enterprise Limited White Rose Nominee Investments Limited White Rose Investments Limited Chandos Fund GP Limited Yorkshire Fund Managers (Investment) Limited Yorkshire Fund Managers (General Partner) Ltd YVF GP (Investment) Limited YVF GP (Development) Limited London Fund Managers Limited South West Ventures Limited London GP Limited South West GP Limited Yorkshire and Humber GP Limited PIF GP No 1 Limited PIF GP No 2 Limited PIF GP No 3 Limited PIF GP No 4 Limited YFM Workspace Limited NWBIS General Partner Limited Yorkshire Enterprise Finance (Holdings) Limited YFM Business Development Limited British Smaller Technology Companies VCT plc
Richard Last	British Smaller Companies VCT2 plc Lynx Limited APD Communications Limited Lynx Holdings Limited Lynx IT Communications Limited	British Smaller Companies VCT plc Xpertise Group plc Power Education Limited Lynx Computer Services Limited Sphinx Professional Services Limited

<p>Richard Last (continued)</p>	<p>Gapaid Waste Management Systems Limited Patsystems plc APD Mobile Data Limited Lighthouse Group plc Arcontech Group plc Corero plc CSE – Global (UK) Limited Hobbs Hole Limited Parseq plc</p>	<p>Orsted Limited Xenon Training (NE) Limited Xenon Training Limited British Smaller Technology Companies VCT plc Lynx Overseas Investments Limited Transient 110 Limited Sphinx Group Limited Sphinx CST (Ireland) Limited FS (UK) Limited Overseas 110 Limited Sphinx CST Limited Switch Networks Limited Sphinx 110 Limited Quantix Holdings Limited Xpertise Training Limited Transient 110 (No 2) Limited Lynx Technology Holdings Limited BT Engage IT Limited APD Aspire Limited Sphinx CST Networks Limited Broomco (4184) Limited MMI Automotive Limited Distal Holdings Limited Signal Limited Watermans People & Organisational Development Limited LynxServ Limited</p>
<p>Robert Martin Pettigrew</p>	<p>British Smaller Companies VCT2 plc Sphere Medical Holdings plc Timberpost Limited Xeros Limited Odos Imaging Limited Acal Energy Limited</p>	<p>British Smaller Companies VCT plc Digital Healthcare Limited Sphere Medical Limited Genesis Consulting Limited British Smaller Technology Companies VCT plc Cambridge Advanced Materials Limited Biowisdom Limited Oxonica plc Zinwave Holdings Limited</p>
<p>Charles Walter Edward Ralph Buchan</p>	<p>British Smaller Companies VCT plc Wallem Group Limited Buchan Investments Limited The Bristol Diocesan Board of Finance Limited Downing Absolute Income VCT 1 plc 34 Rosary Gardens Limited</p>	<p>Tibbett & Britten Group Plc Isotron Plc</p>
<p>Peter Waller</p>	<p>British Smaller Companies VCT2 plc Keypoint Technologies (UK) Limited Corero plc Rocela Group Limited Rocela Limited Premier Veterinary Group Limited Thanet One Limited Zetland Limited</p>	<p>Biotrace International plc MI International Limited Quillian Limited Miami International Sales Limited</p>

Peter Waller (continued)	Corero Dormant One Limited Dorero Dormant Three Limited Corero Group Limited Corero Software Limited Eclipse Learner Systems Limited Mondas Information Technology Limited Mondas Systems Limited
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- 5.14 None of the Directors has:
- (i) any convictions in relation to fraudulent offences in the previous five years; or
 - (ii) been a member of the administrative, management or supervisory bodies or senior manager of a company or partnership associated with any bankruptcy, receivership or liquidation within the previous 5 years; or
 - (iii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including recognised or designated professional bodies) or been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company for the previous five years.
- 5.15 Except as noted in paragraph 5.13 above, none of the Companies' service providers have any conflict, or potential conflict, as between their duty to either Company and duties owed by them to third parties and other interests.
- 5.16 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 Fund 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 contain any provisions under which the Companies have any obligation or entitlement which is material to it as at the date of this document:

The Companies

- 6.1 An offer agreement dated 8 December 2010 ("the Offer Agreement") between the Companies (1), the Directors (2), Howard Kennedy ("HK") (3) and YFM Private Equity (4) under which HK agreed to act as Sponsor to the Offers. As is usual in contracts of this type YFM Private Equity has agreed to indemnify the Companies against the costs of the Offers exceeding 5.5% of the aggregate value of accepted applications for Ordinary Shares received under the Offers and receives a commission of 5.5% of the aggregate value of the gross proceeds received by the Companies under the Offers, less the upfront commission paid by the Companies to recognised intermediaries in respect of accepted applications in the amount set out on page 9. YFM Private Equity agrees to indemnify BSC to the extent that BSC's annual operating expenses (including the advisory fee set out above but excluding any performance fee referred to in the paragraph below and excluding VAT and Trail commissions) exceeds 3.5% of the Net Asset Value of BSC.

Under the Offer Agreement, which may be terminated by HK in certain circumstances of breach, YFM Private Equity, the Companies and the Directors have given certain warranties which are subject to certain limitations. Warranty claims against the BSC2 Directors must be made no later than 60 days after the date of publication of the audited accounts of BSC2 for the year ending 31 December 2012 and warranty claims against the BSC Directors must be made no later than 60 days after the date of publication of the audited accounts of BSC for the year ending 31 March 2012. The Companies have agreed to indemnify HK in respect of its role as Sponsor and under this Offer Agreement. The Offer Agreement may also be terminated, inter alia, if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

BSC

- 6.2 By an administration and investment advisory agreement dated 28 February 1996 between BSC and YFM Private Equity (formerly Yorkshire Fund Managers Limited) (the "IAA"), YFM Private Equity agreed to provide administrative, company secretarial and investment advisory services to BSC in relation to the BSC's qualifying portfolio. The IAA took effect on 4 April 1996 for an initial period of 3 years and thereafter is terminable by either party on not less than 12 months' notice or, inter alia, on the others' breach or insolvency.

Under the IAA, YFM Private Equity is entitled to receive an annual investment advisory fee of 2% of the Gross Assets of BSC (as determined on 31 March and 30 September each year), plus VAT, if applicable, payable quarterly in advance on 1 January, 1 April, 1 July and 1 October in each year together with an annual secretarial fee of £35,000 (subject to annual adjustment and currently £49,024), plus VAT. The Fund Manager is also entitled to all arrangement, syndication and monitoring fees payable in respect of unquoted investments. BSC indemnifies the Fund Manager against all things lawfully and properly done under the IAA. YFM Private Equity agrees to indemnify

BSC to the extent that BSC's annual operating expenses (including the advisory fee set out above but excluding any performance fee referred to in the paragraph below and excluding VAT and trail commissions, exceeds 3.5% of the Net Asset Value of BSC). The total remuneration payable to YFM Private Equity in the period (including irrecoverable VAT to 31 March 2010) was £592,000 (2009: £711,000).

- 6.3 An incentive agreement (the "Incentive Agreement") dated 7 July 2009 between BSC, the YFM Private Equity Carried Interest Trust (an employee benefit trust established for the benefit of employees of the Fund Manager) and the Fund Manager under which, with effect from 1 April 2009 ("Effective Date") the Fund Manager is entitled to receive a fee, calculated by reference to each accounting period of BSC, equal to 20% of the amount by which dividends paid to Shareholders exceed 4 pence per share per accounting period (as increased or decreased, as applicable, in each accounting period by the percentage increase or decrease (if any) in the retail prices index in the previous accounting period) ("Target Rate"), once cumulative dividends per share of 10 pence or more have been paid to shareholders. The Target Rate is further adjusted by reference to any cumulative shortfall in dividends paid per share from any previous accounting period after the Effective Date. The payment is also conditional upon the net asset value per Share in the relevant accounting period being not less than 94 pence per Share. A compensatory payment is due if the Incentive Agreement is terminated without cause or if BSC is taken over. The compensatory payment is calculated as a percentage of the fee that would otherwise be payable under the Incentive Agreement by reference to the accounting period following the Incentive Agreement being so terminated. 80% is payable in the first accounting period after such event, 55% in the second, 35% in the third, and nil thereafter. The maximum fee payable in any 12 month period cannot exceed an amount which would represent 25% or more of the net asset value or market capitalisation of BSC at such time.

Mr Cammerman, as a former employee of YFM Private Equity Limited, is one of the beneficiaries of that Trust.

- 6.4 Under the terms of a letter from Brewin to BSC dated 25 October 2004, Brewin agreed to act as investment manager to the Company in relation to its portfolio of short-term government securities and to produce monthly portfolio valuations. In return for such services, Brewin are entitled to receive a management fee based on an ad valorem charge of 0.2% per annum (plus VAT) of funds under management, payable quarterly, subject to a maximum annual fee of £25,000 plus VAT. This cost is borne by the Fund Manager.
- 6.5 By a deed of novation dated 1 April 2009 (to the agreement dated 3 September 2004) between the Company and Singer Capital Markets Limited ("Singer"), Singer agreed to act as brokers to the Company, and, inter alia, to act as a market maker in the Shares of the Company and to carry out share purchases on the Company's behalf. Singer are entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in arrears on 30 September, 31 December, 31 March and 30 June. Under the terms of the novated agreement the Company indemnifies Singer against losses arising out of Singer's appointment except where such losses arise from Singer's breach of agreement.

BSC2

- 6.6 YFM Private Equity Limited has acted as Fund Manager and performed administrative and secretarial duties for the Company under an agreement dated 28 November 2000, superseded by an agreement dated 31 October 2005 and as varied by an agreement dated 8 December 2010. The agreement may be terminated by not less than twelve months' notice given by either party at any time. The key features of the agreement are: YFM Private Equity Limited receives a fund management fee, payable quarterly in advance, at the rate of 2.5% of Net Asset Value, calculated at half-yearly intervals as at 30 June and 31 December. Under this same agreement YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee of £46,000 per annum plus annual adjustments to reflect movements in the Retail Prices Index. The total remuneration payable to YFM Private Equity Limited in the period (including irrecoverable VAT to September 2008) was £367,000 (2008: £437,000). For the period until 30 April 2011, YFM Private Equity agrees to indemnify BSC2 to the extent that BSC2's annual operating expenses (including the management fee set out above but excluding any performance fee referred to in the paragraph below and excluding VAT and trail commissions) exceed 4.5% of BSC2's Net Asset Value. From 30 April 2011, the indemnity applies if the annual operating expenses exceed 4.0% if £5 million or less is raised by BSC2 under the Offers; 3.75% if between £5,001 and £7,499 million is raised and 3.5% if £7.5 million or more is raised
- 6.7 Under the Subscription Rights Agreement dated 28 November 2000, YFM Private Equity Limited and Generics Asset Management Limited have a performance-related incentive, structured so as to entitle them to an amount (satisfied by the issue of Ordinary Shares) equivalent to 20% of the amount by which the cumulative cash dividends paid as at the last business day in December in any year plus the average of the middle market quotation per Ordinary Share exceeds 120p per Ordinary Share on that same day multiplied by the number of Ordinary Shares in issue and the Shares under option (if any). The subscription rights are exercisable in the ratio 59:41 between YFM Private Equity Limited and Generics Asset Management Limited as amended by an agreement between those parties dated 31 October 2005. No shares have been issued under this agreement.

By a Deed of Assignment dated 19 December 2003 (together with a supplemental agreement dated 5 October 2005), the benefit of the YFM Private Equity Limited subscription right was assigned to YFM Private Equity Limited Trust, an employee benefit trust formed for the benefit of certain employees of YFM Private Equity Limited and associated companies. Mr Cammerman, as a former employee of YFM Private Equity Limited, is one of the beneficiaries of that Trust.

Following the issue of this document, arrangements will be put in place in order that the benefit of the subscription rights are extended to include all of BSC2's issued Shares.

- 6.8 Under an agreement dated 28 November 2000 between BSC2 and Brewin Dolphin, Brewin Dolphin agreed to act as investment manager to BSC2 in relation to its portfolio of short-term government securities and to produce monthly portfolio valuations. In return for such services Brewin Dolphin is entitled to receive a management fee based on an ad valorem charge of 0.2% per annum (plus VAT) of funds under management, payable quarterly, plus VAT. This cost is borne by the Fund Manager.
- 6.9 By a deed of novation dated 1 April 2009 (to the agreement dated 3 September 2004) between the Company (1) and Singer Capital Markets Limited (2), Singer Capital Markets Limited agreed to act as brokers to the Company, and, inter alia, to act as a market maker in the Shares of the Company and to carry out share purchases on the Company's behalf. Singer Capital Markets Limited are entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in arrears on 30 September, 31 December, 31 March and 30 June. Under the terms of the novated agreement the Company indemnifies Singer Capital Markets Limited against losses arising out of Singer Capital Markets Limited's appointment except where such losses arise from Singer Capital Markets Limited's breach of agreement.

7. General

- 7.1 YFM Private Equity Limited is or may be a promoter of the Companies and will receive investment advisory fees and other payments from the Companies under the agreements described in paragraph 6.2 and 6.6 above, save for which, no amount or benefit has been paid or given to the promoters and none is intended to be paid or given.
- 7.2 **Material Interests**
YFM Private Equity is paid an annual investment advisory fee equal to 2% per annum of the Gross Assets of BSC and 2.5% per annum of the Gross Assets of BSC2. In line with normal VCT practice, the Fund Manager will also be entitled to receive a performance related incentive fee. Further details of these arrangements are set out under the heading "Fund Manager". In Part 1 of this document and at paragraphs 6.3 and 6.7 of this Part 5.
- Paragraph 7.18 below sets out the Company's related party transactions.
- 7.3 There is no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either Company is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on either Company's financial position or profitability.
- 7.4 The costs and expenses of the Offers, including any irrecoverable VAT and all fees and commissions payable are expected to amount to £825,000 assuming subscription in full. The proceeds will be applied in accordance with the Company's investment policy. On the basis that the Offers are fully subscribed the net proceeds are expected to be £7,087,500 for BSC and £7,087,500 for BSC2. The net proceeds will be applied in accordance with the relevant Company's investment strategy. The costs and expenses of the Offers will be 5.5% of gross funds raised by each Company under the Offers.
- 7.5 Grant Thornton UK LLP of 2 Broadfield Court, Sheffield, S8 0XF were appointed as auditors to the Companies on 13 January 2010. Prior to that date PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP and, before their appointment, PricewaterhouseCoopers LLP of Benson House, 33 Wellington House, Leeds LS1 4JP had been the only auditors of the Company since its incorporation. Grant Thornton UK LLP, PKF (UK) LLP and PricewaterhouseCoopers LLP are members of the Institute of Chartered Accountants in England and Wales.
- 7.6 YFM Private Equity was incorporated under the name Mosspire Limited in England on 7 October 1987 as a private company under the 1985 Act. The name of Mosspire 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 2174994 and its registered office is at Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ (telephone number 0113 294 5000). YFM Private Equity Limited is authorised and regulated by the Financial Services Authority to conduct Venture Capital business.
- 7.7 Neither Company assumes responsibility for the withholding of tax at source.
- 7.8 A VCT must satisfy the UK Listing Authority that its directors and any investment manager have sufficient and appropriate experience in the management of assets on a scale and type in which the VCT proposes to invest. The VCT's board of directors must be able to demonstrate that it will act independently of any advisers of the VCT. A majority of the board (including the chairman) must not be directors, employees, partners, officers or professional advisers of or to the investment manager or any other company in the same group as the investment manager or any investment entity managed by them. None of the VCT's investments will represent more than 15% by value of all its investments at the time of investment, nor will more than 20% of its gross assets be invested in the securities of property companies. The VCT must continue to meet the above conditions. The Company must, at all times, invest and manage its assets in accordance with the investment policy set out on page 33 and so as to comply with

section 842 ITA. Any material change to the investment policy of the Company will only be made with Shareholder approval.

- 7.9 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.
- 7.10 YFM Private Equity, the Companies' investment manager, 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.
- 7.11 The unaudited Net Asset Value per BSC Ordinary Share as at 30 September 2010 was 98.8 pence and the unaudited Net Asset Value per BSC 2 Ordinary Share as at 30 September 2010 was 66.2 pence.
- 7.12 BSC had available as at 30 September 2010 cash at bank of £1,348,000 and £10,336,000 in government stocks and similar fixed interest securities (source: Interim Report for the period from 1 April 2010 to 30 September 2010) and BSC2 had available as at 30 September 2010 cash at bank of £1,329,000 and £4,042,000 in government stocks and similar fixed interest securities (source: Interim Management Statement for the quarter ended 30 September 2010), each of which should be supplemented by the net proceeds of the Offers. As at the date of this document the Companies had no loan capital outstanding, no other borrowings or indebtedness in the nature of borrowings and no contingent liabilities or guarantees.
- 7.13 The existing issued BSC Ordinary Shares will represent 79.63% of the enlarged ordinary share capital immediately following the Offers, assuming the Offers are fully subscribed and no Early Subscription Shares are allotted, and on that basis, existing BSC Shareholders will therefore be diluted by 20.37% at full subscription under the Offers. In respect of BSC2 existing issued BSC2 Ordinary Shares will represent 58.21% of the enlarged ordinary share capital on this basis, and existing shareholders will be diluted by 41.79% at full subscription under the Offers.
- 7.14 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.
- 7.15 Each Board is responsible for the determination and calculation of its Company's net asset value and intends to announce it 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.
- 7.16 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.
- 7.17 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.
- 7.18 The Companies have entered into the following related party transactions during the period covered by the historical financial information set out in Part 3 and up to the date of this document:

BSC

- Mr S Noar a former director was a non-executive director of Cozart plc a former investment of BSC until 4 October 2007 and during the year to 31 March 2008 he received remuneration of £17,000 in respect of his services.
- Until 3 April 2008 Mr P S Cammerman was executive Chairman of YFM Private Equity Limited, wholly owned subsidiary of YFM Group Limited (which held 0.01635% of the issued share capital of the Company as at 31 March 2010). Until 3 April 2008 Mr Cammerman was also a director of YFM (Group) Holdings Limited the ultimate parent company of YFM Private Equity Limited, and he held a beneficial shareholding.
- Mr P S Cammerman has been a non-executive director of Pressure Technologies plc since 14 April 2008. During the year to 31 March 2010 Mr Cammerman received £15,300 from Pressure Technologies plc in respect of his services. As at 31 March 2010 Mr Cammerman held a 0.1% equity stake in Pressure Technologies plc, a 0.04% stake in Brulines plc and a 0.004% stake in Straight plc. Mr Cammerman is also a director of Howmac plc and as at 31 March 2010 a 2.1% shareholder. As at 31 March 2010 Howmac plc held a 0.02% stake in Hargreaves Services plc.
- Mr R Last has been a non-executive director of Patsystems plc since January 2002. During the year to 31 March 2010 Mr Last received £45,000 from Patsystems plc in respect of his services. As at 31 March 2010 Mr Last held a 0.4% equity stake in Patsystems plc.
- YFM Group Limited holds an investment in Primal Pictures Limited, an investee company of the Company. As at 31 March 2010 YFM Group Limited's investment in Primal Pictures Limited was valued at £25,428.

BSC2

- Mr S Noar a former director was a non-executive director of Cozart plc a former investment of BSC2 until 4 October 2007 and during the year to 31 December 2007 he received £17,107 from Cozart plc in respect of his services. At 31 December 2007 Mr Noar no longer held an equity stake in Cozart plc.
- Until 3 April 2008, Mr P S Cammerman was the Chairman of YFM Private Equity Limited.
- YFM Group Limited the parent company of YFM Private Equity Limited holds investments in Primal Pictures Limited which as at 31 December 2009 was valued at £25,428) and Digital Healthcare Limited (which as at 31 December 2009 was valued at £21,791) .
- Mr R Pettigrew was a non-executive director of Digital Healthcare Limited until 31 December 2007 and Oxonica plc until 27 September 2007. During the year to 31 December 2007 Mr Pettigrew received £12,500 from Digital Healthcare Limited and £10,833 from Oxonica plc in respect of his services. As at 31 December 2009, Mr Pettigrew held a 0.1% equity stake in Digital Healthcare Limited.
- Mr R Last has been a non-executive director of Patsystems plc since January 2002. During the year to 31 December 2009 Mr Last received £45,000 from Patsystems plc in respect of his services. As at 31 December 2009 Mr R Last held a 0.4% equity stake in Patsystems plc.
- Mr P S Cammerman has been a non-executive director of Pressure Technologies plc since 14 April 2008. During the year to 31 December 2009 Mr P S Cammerman received £15,300 from Pressure Technologies plc in respect of his services. As at 31 December 2009 Mr P S Cammerman held a 0.02% equity stake in Pressure Technologies plc and a 0.04% stake in Brulines plc.

- 7.19 Valuation of listed investments and investments traded on AIM or other public stock markets will be stated at closing bid prices. Where quoted investments are subject to restrictions, an appropriate discount to the latest market price may be applied with regard to International Private Equity and Venture Capital ("IPEVC") valuation guidelines. Investments not listed on a public stock market will be stated at Directors' valuation. The Directors will value these investments in accordance with the IPEVC valuation guidelines.
- 7.20 Investments will be valued quarterly by each Board and these net asset values will be communicated to Shareholders through the Regulatory News 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.
- 7.21 The Directors believe that the Offers have the potential to constitute a significant gross change in each Company, including an increase in the net assets of the Companies by the amount of the net funds raised under the Offers (which, on the basis of maximum subscription under the Offers and the Offer Price, would be £7,087,500 for BSC and £7,087,500 for BSC2). Subject to the level of subscription of the Offers, an increase in net assets could have certain consequences, potentially including a reduction in the annual expense ratio of each Company, increasing the size and range of investments which each Company could undertake and increasing the number of investments each Company would be required to make in order to meet the VCT eligibility rules. The effect of the Offers on the earnings of the holders of Ordinary Shares is expected to be positive since the fixed costs of operating the Companies will be spread over a larger asset base, thereby reducing the running cost per Share. The effect of the Offers on the earnings of each Company is expected to be positive.

8. Documents for Inspection

Copies of the following documents are available for inspection at the Company's registered office at Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ and at Howard Kennedy at 19 Cavendish Square, London W1A 2AW, during normal business hours on any weekday (Saturdays and public holidays excepted) while the Offers remain open:

- (i) the Articles of Association of the each Company;
- (ii) the consent letters referred to in paragraph 7.9 and 7.10 of this Part 5 above;
- (iii) the Directors' letters of appointment referred to in paragraph 5.7 of this Part 5 above;
- (iv) the audited accounts of BSC for the periods ended 31 March 2008, 2009 and 2010 and the interim financial statements for the 6 month period to 30 September 2010 and the audited accounts of BSC2 for the periods ended 31 December 2007, 2008 and 2009 and interim financial statements for the 6 month period to 30 June 2010.
- (v) this document.

8 December 2010

Part 6

Directors and Advisers

Directors British Smaller Companies VCT plc (all non-executive)

Helen Sinclair (Chairman)
Phillip Cammerman
Edward Buchan

Directors British Smaller Companies VCT2 plc (all non-executive)

Richard Last (Chairman)
Robert Pettigrew
Peter Waller

All of:

Saint Martins House
210-212 Chapeltown Road,
Leeds, West Yorkshire, LS7 4HZ

Company Secretary

James Gervasio LLB

Registered Offices

Saint Martins House
210-212 Chapeltown Road
Leeds, West Yorkshire, LS7 4HZ

Fund Manager

YFM Private Equity Limited
Saint Martins House
210-212 Chapeltown Road
Leeds, West Yorkshire, LS7 4HZ

Sponsor and Solicitors to the Offers

Howard Kennedy
19 Cavendish Square
London W1A 2AW

Stockbrokers

Singer Capital Markets
One Hanover Street
London
W1S 1AX

Fixed Interest Securities Adviser

Brewin Dolphin Securities Limited
34 Lisbon Street
Leeds LS1 4LX

Registered Auditors

Grant Thornton UK LLP
2 Broadfield Court
Sheffield
S8 0XF

Bankers

The Royal Bank of Scotland plc
27 Park Row
Leeds LS1 5QB

Receiving Agents

The City Partnership (UK) Limited
Thistle House
21-23 Thistle Street
Edinburgh
EH2 1DF

Registrars

Capita Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

VCT Tax Advisers

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Part 7

Definitions

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

“Act”	the Companies Act 2006 (as amended) and in force from time to time;
“AIM”	the Alternative Investment Market of the London Stock Exchange;
“annual running costs”	the annual costs incurred by the relevant company in the ordinary course of its business (including irrecoverable VAT);
“Applicant”	an investor who applies to subscribe for Shares under the Offers;
“Articles”	the articles of association of either Company (as amended from time to time);
“Board” or “Directors”	the Directors of the relevant Company at the date of this document;
“BSC”	British Smaller Companies VCT plc;
“BSC2”	British Smaller Companies VCT2 plc;
“Capita Registrars”	a trading name of Capita IRG Plc;
“Company”, “Companies” or “British Smaller Companies VCTs”	BSC or BSC2 or BSC and BSC2;
“Early Subscription Shares”	the additional Shares to be issued to early Applicants as detailed on page 9
“FSA”	the Financial Services Authority;
“General Meeting” or “GM”	the general meeting of the relevant Company convened for 10.15am (in the case of BSC) and 11.00am (in the case of BSC2) on 11 January 2011 at Berkeley Square House, Berkeley Square, London W1J 6BD (and any adjournment thereof);
“Gross Assets”	the aggregate of the gross assets of the relevant Company including assets represented by any principal monies borrowed by the relevant Company less all current liabilities of the relevant Company (other than any principal moneys borrowed);
“HMRC”	HM Revenue & Customs;
“Investment Management Team” or “Management Team”	those persons whose details are set on page 28 under the heading “The Investment Team”
“Investors”	an individual who subscribes for Shares under the Offers;
“ITA”	Income Tax Act 2007, as amended;
“IFRS”	International Financial Reporting Standards;
“London Stock Exchange”	London Stock Exchange plc;
“2010/2011 Offers”	the offers for subscription of Ordinary Shares to a value not exceeding £15 million in respect of the tax year 2010/2011, details of which are set out in this document;
“2011/2012 Offers”	the offers for subscription of Ordinary Shares to a value not exceeding £15 million in respect of the tax year 2011/2012, details of which are set out in this document;
“Net Asset Value” or “NAV”	net asset value per Ordinary Share
“Offers”	the 2010/2011 Offers and the 2011/2012 Offers;
“Offer Price”	102.50p per BSC Share, being the unaudited net asset value per BSC Share as at 30 September 2010 of 98.8p, less the interim dividend of 2p declared on 23 November 2010 plus 5.5% (being the costs of the Offers), rounded up to the nearest quarter pence and 66.2p per BSC2 Share, being the unaudited net asset value per BSC2 Share as at 30 September 2010 plus 5.5% (being the costs of the Offers), rounded up to the nearest quarter pence;
“Offer Shares”	Shares to be issued under the Offers;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares” or “Shares”	ordinary shares of 10p each in the capital of the relevant Company;
“Pricing Mechanism”	the basis on which the price at which Ordinary Shares will be allotted pursuant to the Offers, calculated in accordance with the procedure set out on page 6 of this document;

“Qualifying Company”	an unquoted (including AIM-traded) company carrying on a qualifying trade wholly or mainly in the UK satisfying the conditions in Chapter 4 of Part 6 ITA, which is summarised in Part 2 of this document;
“Qualifying Holdings” or “Qualifying Investments”	shares in, or securities of, a Qualifying Company held by a VCT which meets the requirements described in Chapter 4 of Part 6 ITA;
“Receiving Agent”	City Partnership (UK) Limited;
“Resolutions”	the resolutions of the relevant Company to be proposed at the GM;
“Shareholder(s)”	holder(s) of Ordinary Shares;
“UK Listing Authority”	the FSA acting in its capacity as the competent authority under the Financial Services and Markets Act 2000;
“VAT”	value added tax;
“Venture Capital Trust” or “VCT”	a venture capital trust as defined in Section 259 Income Taxes Act 2007;
“YFM Private Equity” or “the Fund Manager”	YFM Private Equity Limited registered number 2174994, authorised and regulated by the FSA;
“YFM Group”	YFM Private Equity and YFM Venture Finance Limited (registered number 4195617 authorised and regulated by the FSA) and each, together with other companies, being subsidiary companies of YFM Group (Holdings) Limited.

Part 8

Terms and Conditions of Application

1. The contract created by the acceptance of an Application will (unless the Boards resolve otherwise) be conditional on the Admission of the New Ordinary Shares becoming effective.
2. The Offer Shares will be issued at an Offer price calculated on the basis of the following formula ("the Pricing Formula")

Offer Price per Share equals Net Asset Value (most recently announced prior to the date of allotment) divided by 0.945 to allow for Issue costs of 5.5% calculated, in pence, rounded up to the nearest 0.25 pence.

The Offer price will be determined by the Pricing Formula so as to avoid dilution in the Net Asset Value attributable to existing Shares. The unaudited Net Asset Value of British Smaller Companies VCT plc as at 30 September 2010 (the latest date for which the Net Asset Value has been announced prior to the date of this Document) was 98.8 pence per Ordinary Share. Based on this, and after adjusting for the costs of the Offers and the interim dividend of 2.0 pence per Share declared on 23 November 2010, the new Shares would be issued at a price of 102.50 pence per Share.

The unaudited Net Asset Value of British Smaller Companies VCT2 plc as at 30 September 2010 (the latest date for which the Net Asset Value has been announced prior to the date of this Document) was 66.2 pence per Ordinary Share. Based on this, and after adjusting for the costs of the Offers, the new Shares would be issued at a price of 70.25 pence per Share

3.
 - (a) The right is reserved to present all cheques and banker's drafts for payment on receipt and to retain share certificates and subscription monies, pending clearance of successful Applicant cheques and banker's drafts. The 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 prior to the closing of the Offers. If any Application is not accepted in full, or any contract created by acceptance does not become unconditional, or if any Application is accepted for fewer New Shares than the number applied for, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the Applicant.
 - (b) Applications will be accepted generally on a first come, first served basis (but always subject to the absolute discretion of the Directors). Subscriptions which are not accompanied by cheques available for immediate presentation or by other valid payment means will be dealt with at the Directors' discretion. If any dispute arises as to the date or time at or on which an Application is received, the Directors' determination shall be final and binding.
 - (c) The Companies reserve the right to allot and arrange for the listing of New Shares under the Offers prior to the stated closing date and generally vary the allotment and Admission timetable
4. By completing and delivering an Application Form, you as the Applicant (and, if you sign an Application Form on behalf of somebody else, that person):
 - (a) irrevocably offer to subscribe the amount of money specified in your Application Form subject to the provisions of this Document, these Terms and Conditions and the Memorandum and Articles of Association of British Smaller Companies VCT Plc and British Smaller Companies VCT2 Plc;
 - (b) authorise the Registrar to send share certificates in respect of the New Shares for which your Application is accepted, and/or a crossed cheque for any monies returnable by post without interest at your risk to your address as set out on your Application Form and to procure that your name is placed on the registers of members of the Companies in respect of such New Shares;
 - (c) agree that, in consideration of the Companies agreeing to process your Application, your Application will not be revoked until after the Closing Date of these Offers and that this paragraph constitutes a collateral contract between you and the Companies which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by, the Receiving Agent of your Application Form subject to your statutory rights of withdrawal in the event of the publication of a supplementary prospectus by the Companies;
 - (d) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive share certificates for the New Shares applied for or to enjoy or receive any rights or distributions in respect of such New Shares unless and until you make payment in cleared funds for such New Shares and such payment is accepted by the Companies (which acceptance shall be in their absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Companies of such late payment in respect of such New

Shares, the Companies may (without prejudice to their other rights) treat the agreement to allot such New Shares as void and may allot such New Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such New Shares (other than return of such late payment);

- (e) agree that in respect of those New Shares for which your Application Form has been received and is not rejected, your Application may be accepted at the election of the Companies either by notification to the UK Listing Authority of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
 - (f) agree that any monies in respect of your Application together with any other monies received in respect of all Applications may be held on trust for the payment of the Offer Price in respect of New Shares for which you have subscribed or failing such payment be returned to you without interest and that any interest earned in respect of such monies will be paid to the Companies;
 - (g) agree that the monies returnable to you may be retained pending clearance of your remittance and any verification of identity which is, or which the Companies or the Receiving Agent may consider to be, required by the Money Laundering Regulations 2007 ("the Regulations") and that such monies will not bear interest;
 - (h) agree that, having had the opportunity to read the Document, you are deemed to have had notice of all information and statements concerning the Companies and the New Shares contained therein;
 - (i) confirm that (save for advice received from your financial adviser) in making such Application you are not relying on any information and representation in relation to the Companies other than the information contained in the Document or any part thereof and accordingly you agree that no person responsible solely or jointly for the Document or any part thereof or involved in preparation thereof will have any liability for any such other information or representation;
 - (j) agree that all Applications, acceptances of Applications and contracts resulting therefrom under the Offers shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the rights of the Companies to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance and contracts in any other manner permitted by law or in any court of competent jurisdiction;
 - (k) irrevocably authorise the Receiving Agent or any other person authorised by them, as your agent, to do all things necessary to effect registration of any New Shares subscribed by you into your name and authorise any representatives of the Receiving Agent to execute any document required therefore;
 - (l) agree to disclose promptly in writing to the Companies any information which they may reasonably request in connection with your Application, including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 2007 and authorise them to disclose any information relating to your Application as they consider appropriate;
 - (m) confirm that you have reviewed the restrictions contained in paragraphs 5 and 6 below and warrant that you are not a "US person" as defined in the United States Securities Act of 1933, as amended, nor a resident of Canada and that you are not applying for any New Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada, Australia, South Africa or Japan;
 - (n) declare that you are aged 18 years or over;
 - (o) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have due authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
 - (p) declare that a loan has not been made to you or any associate, which would not have been made, or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Shares and that the New Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
 - (q) declare that the Application Form has been completed to the best of your knowledge;
 - (r) undertake that you will notify the Companies if you are not, or cease to be, either a Qualifying Applicant or beneficially entitled to the New Shares;
 - (s) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent will be sent at your risk;
5. No person receiving a copy of the Document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application thereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

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

Notes on the Application Form

It is essential that you complete all relevant parts of the Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or banker's draft, by post, or deliver it by hand (during normal business hours), to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF. If you have any questions on how to complete the Application Form please contact YFM Private Equity Limited on 0800 854 057, email tracey.parker@yfmgroup.co.uk or speak to your financial adviser.

Page 1 – Subscription Details

- 1 Amount for which you wish to subscribe: Insert (in figures) in Box 1 the amount for which you wish to apply in relation to each individual tax year. The Application must be for a minimum of £5,000 and above that minimum in multiples of £1,000.

Attach a cheque or banker's draft to the Application Form for the exact amount shown in Box 1. Your cheque or banker's draft must be made payable to "BSC plc and BSC2 plc" and crossed "A/C Payee only". Your payment must relate solely to this application. Cheques may be presented for payment on receipt. Subscription forms accompanied by a postdated cheque will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date.

Your cheque or banker's draft must be drawn in sterling on an account with a United Kingdom or European Union regulated credit institution, and which is in the sole or joint name of the Applicant and must bear the appropriate sort code in the top right-hand corner.

The right is reserved to reject any Application in respect of which the Applicant's cheque or banker's draft has not been cleared on first presentation. Any monies returned will be sent through the post at the risk of the persons entitled thereto by cheque crossed "A/C Payee only" in favour of the Applicant without interest.

Money Laundering Notice - Important procedures for applications of the Sterling equivalent of € 15,000 (approximately £12,700) or more. The verification of identity requirements in the Money Laundering Regulations 2007 will apply and verification of the identity of the Applicant may be required. Failure to provide the necessary evidence of identity may result in your Application being treated as invalid or result in a delay.

If the amount of your application is for the Sterling equivalent of € 15,000 or more (or is one of a series of linked applications, the value of which exceeds that amount) and

- A Payment is made through an IFA then verification of the Applicant's identity may be provided by means of a "Letter of Introduction" from an IFA or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC financial institution (such as a bank). The City Partnership (UK) Limited will supply specimen wording on request; or
- B is made direct (not through an IFA) you must ensure that the following documents are enclosed with the Application Form:
1. A certified copy of either your passport or driving licence; and
 2. A recent (no more than 3 months old) original bank or building society statement, or utility bill, or recent tax bill, in your name.

Copies should be certified by a solicitor or a bank. Original documents will be returned by post at your risk. If a cheque is drawn by a third party, the above will also be required from that third party.

- 2 Name and address, etc: Insert (using block capitals) in Section 2 your full name, full address including the post code, daytime telephone number, National Insurance number and date of birth.
- 3 Signature and date: Sign and date the Application Form in Section 3. By signing and dating this form you agree to invest in British Smaller Companies VCT plc and British Smaller Companies VCT2 plc in accordance with the Terms and Conditions as set out on pages 59 to 61 of the Prospectus dated 8 December 2010.

Administration of Shareholder Account

The dividends paid by the Companies can be taken as cash. Sections 4 and 5 of the Application Form allow you to indicate whether you would like to have them paid directly into your bank account. Dividends paid by cheque will be sent to the Shareholder's registered address using the standard mail delivery at the Shareholder's own risk if neither Section 4 or 5 is completed. The Companies' Registrar will charge administration fees for re-issuing cheques.

- 4 Payment to your bank account: In order to facilitate the payment of dividends on any shares held in the Companies directly to your bank or building society account, please complete Section 5 of the Application Form. Dividends paid directly into your account will be paid in cleared funds on the dividend payment date. Your bank or building society statement will identify details of the dividends as well as the dates and amounts paid.
- 5 Signature, date and post code: Please sign and date the Administration of Shareholder Account section of the Application Form. Please also include your post code as this will allow the Registrar to match your details with those that the Receiving Agent will have recorded with respect to your Application. By signing and dating this section of the form you authorise the Company's Registrar to administer your shareholding in accordance with the instructions noted in the Shareholding Administration section of the Application Form.

Page 2 - Details of your Financial Adviser

- 6 Financial Advisers' Details: appropriately authorised financial advisers who are entitled to receive commission should complete Sections 6 and 7, giving their contact name and address and their FSA number. Please note the financial advisers' obligations to advise their clients of the risk factors set out on pages 7 to 8 of this Document.
- 7 Commission: Introductory commission will be paid to authorised financial advisers at a rate of either 3% or 2.25% (with additional annual trail commission) on the amount invested. Authorised financial intermediaries can waive some or all of the commission and have it invested in New Shares for their clients.
 - 7A1 Introductory commission of 3% – no annual trail commission is to be paid.
 - 7A2 The amount of introductory commission to be waived and invested.
 - 7B1 Introductory commission of 2.25% – annual trail commission of 0.5% for four years will be paid.
 - 7B2 The amount of introductory commission to be waived and invested.
- 8 Bank details: Financial advisers who are entitled to receive commission can choose to have their commission paid directly to their bank account. In order to facilitate this, please complete section 8 of the Application Form.

Application Form

British Smaller Companies VCT plc & British Smaller Companies VCT2 plc

If you are in any doubt about the action to take you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. **IMPORTANT - before completing this form please read the accompanying notes, PLEASE USE BLOCK CAPITALS**

Make your cheque or bankers draft out to ("BSC plc and BSC2 plc") and cross it with the words "A/C Payee only". Return this form by post or by hand (during normal business hours) to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF so as to arrive by no later than 11:00 am on 5 April 2011 in respect of the 2010/2011 Offers or 11:00 am on 29 April 2011 in respect of the 2011/2012 Offers. If you post your Application Form you are recommended to use first class post and allow at least four days for delivery.

1. SUBSCRIPTION DETAILS

For subscriptions up to £25,000

A 2010/2011 Offers (income tax year 2010/2011) £ B 2011/2012 Offers (income tax year 2011/2012) £

Total (A+B) Total (A+B) to be not less than £5,000 (multiples of £1,000 thereafter) £

For subscriptions over £25,000

I would like the first £25,000 of my subscription applied:

A 2010/2011 Offers (income tax year 2010/2011) £ B 2011/2012 Offers (income tax year 2011/2012) £

Total (A+B) £

I would like the element of my subscription that is over £25,000 applied as follows

	British Smaller Companies VCT plc	British Smaller Companies VCT2 plc	Total
C 2010/2011 Offers (income tax year 2010/2011)	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>
D 2011/2012 Offers (income tax year 2011/2012)	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>
Total (C+D)	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>

The total of (A+B) plus the total of (C+D) should equal the amount on the cheque (or banker's draft attached to the application (multiples of £1,000)

£

2. PERSONAL DETAILS

Title Full Name:

Address:

Postcode:

Daytime Telephone Number:

Date of Birth: National Insurance Number:

3. SIGNATURE

Signature: Date:

By signing this form I HEREBY DECLARE THAT I have read the Terms and Conditions of Application and agree to be bound by them. I understand this is a LONG TERM investment and have read the RISK FACTORS.

Administration of Shareholder Account

Please complete any relevant section.

4. PAYMENT OF DIVIDENDS TO YOUR BANK ACCOUNT

If you would like your dividends to be paid directly into your bank or building society please tick this box.

Please provide your Bank or Building society details below. The Companies cannot accept responsibility if any details provided by you are incorrect.

Account name:	<input type="text"/>	Account number (please quote all digits and zeros):	<input type="text"/>
Sort Code:	<input type="text"/>	Name of Bank or Building Society:	<input type="text"/>
Branch:	<input type="text"/>		
Branch Address:	<input type="text"/>	Post Code:	<input type="text"/>

5. DIVIDEND PAYMENT AUTHORISATION

Please forward, until further notice, all dividends that may from time to time become due on any Shares now standing or which may hereafter stand, in my name in the registers of members of the Companies to the account noted above.

Full Name:	<input type="text"/>	Signature:	<input type="text"/>
Date:	<input type="text"/>	Post Code:	<input type="text"/>

6. DETAILS OF FINANCIAL ADVISERS

To be completed by intermediaries only. FSA number must be quoted.

All financial advisers MUST advise their clients of the Risk Factors set out on pages 7 to 8 of this document.

Firm Name:	<input type="text"/>	Contact:	<input type="checkbox"/>	Adviser	<input type="checkbox"/>	Administrator	(please tick):
E-mail address:	<input type="text"/>	FSA Number:	<input type="text"/>				
Telephone No:	<input type="text"/>	Fax No:	<input type="text"/>				
Address:	<input type="text"/>	Post Code:	<input type="text"/>				

7. COMMISSION OPTIONS Please complete section 7A or 7B (NOT BOTH)

7A

Introductory commission of 3%.

1 To receive commission of 3% place an 'X' in this box

2 Insert the amount of the 3% commission that you wish to be waived and reinvested in additional new Shares for your client e.g. 0%, 1%, 1.5%, 2%, 2.5% or ALL

7B

Introductory commission of 2.25% plus trail commission.

1 To receive 2.25% plus annual trail commission of 0.5% for 4 years place an 'X' in this box

2 Insert the amount of the 2.25% introductory commission that you wish to be waived and reinvested in additional new Shares for your client e.g. 0%, 1%, 1.5% or ALL

8. DIRECT PAYMENTS OF COMMISSION/S TO A BANK ACCOUNT

If you would like your commission/s to be paid directly into your bank or building society please tick this box

Please provide your Bank or Building Society details below. The Companies and The City Partnership (UK) Limited cannot accept responsibility if any details provided by you are incorrect.

Account name:	<input type="text"/>	Account number (please quote all digits and zeros):	<input type="text"/>		
Sort Code:	<input type="text"/>	Name of Bank or Building Society:	<input type="text"/>	Branch:	<input type="text"/>
Branch Address:	<input type="text"/>	Post Code:	<input type="text"/>		

Please forward, until further notice, all commission/s that may from time to time become due as a result of my client's investment in the Companies.

Signature:	<input type="text"/>	Date:	<input type="text"/>
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**British Smaller Companies VCT plc
and British Smaller Companies VCT2 plc**

Saint Martins House
210 - 212 Chapeltown Road
Leeds LS7 4HZ



**British Smaller Companies VCT plc and British Smaller Companies VCT2 plc
(together “the Companies”)**

Publication of Prospectus and Circular re: Offers for Subscription

A prospectus and circular relating to Offers for Subscription of up to 8,780,488 Ordinary Shares in British Smaller Companies VCT plc and of up to 12,811,388 Ordinary Shares in British Smaller Companies VCT2 plc were issued on 9 December 2010.

Copies of the above documents have been submitted to the National Storage Mechanism and will shortly be available to the public for viewing online at the following web-site address: <http://www.hemscott.com/nsm.do>. They can also be viewed on the Companies' website <http://www.yfm.co.uk>.

For further information please contact:

David Hall	YFM Private Equity Limited	Tel: 0161 832 7603
Jeff Keating	Singer Capital Markets Limited	Tel: 0203 205 7500

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.

If you have sold or otherwise transferred all of your shares in British Smaller Companies VCT plc, please send this document and accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for delivery to the purchaser or transferee.

British Smaller Companies VCT plc

(Registered in England and Wales with registered number 3134749)

Recommended proposals relating to the authorities to allot Ordinary Shares, the amendment of the articles of association, the continuation for a further period of a dividend reinvestment scheme and the cancellation of the share premium account.

Your attention is drawn to the letter from the chairman of the Company set out on pages 3 to 4 which contains a recommendation to vote in favour of the Resolutions to be proposed at the General Meeting.

You will find set out at the end of this document a notice of the General Meeting to be held on 11 January 2011 at 10.15am to approve the Resolutions. The General Meeting will be held at Berkeley Square House, Berkeley Square, London W1J 6BD.

To be valid, the form of proxy attached to this document for the meeting should be returned not less than 48 hours before the General Meeting, either by post or by hand to Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham BR3 4TU.

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Part 1

Letter from the Chairman

BRITISH SMALLER COMPANIES VCT PLC

Saint Martins House
210-212 Chapeltown Road
Leeds
West Yorkshire LS7 4HZ

7 December 2010

Dear Shareholder,

Recommended proposals relating to the authorities to Issue Ordinary Shares, the amendment to the articles of association, the continuation for a further period of a dividend reinvestment scheme and the cancellation of the share premium account.

The Offers

The Company and British Smaller Companies VCT2 plc are seeking to raise additional funds by way of linked offers of up to £15 million in aggregate to allow further expansion of their diverse investment portfolios.

The UK has endured the longest recession in peacetime, an unparalleled level of public sector debt and the worst banking crisis in living memory which together have combined to destabilise the economic and business environment. Valuations of unquoted companies have fallen over the past two years. At the same time, funding for those companies seeking to expand either organically or through acquisition has been significantly reduced. This means that well managed companies are facing an unusual combination of falling values and a shortage of capital. The directors of both Companies believe that these changes have created the opportunity for those prepared to take a medium term view to invest funds into attractive businesses at a low point in the economic cycle.

The additional funds raised under the Offers will enable the Companies to increase the pace of their investment activity and both the number and size of their investments in the future. By raising more capital the running costs per Share in the Companies will be reduced as the fixed costs are spread over a larger asset base.

The Companies will continue to invest predominantly in established unquoted companies in the UK. The investment policy of both Companies is to create a portfolio that blends a mix of businesses operating in traditional industries with those that offer opportunities in the application and development of innovation.

The Company, like BSC2, is currently invested in a diverse portfolio of unquoted and quoted shares, fixed income securities and cash. The Offers enable new and existing Shareholders to invest in a mature and diverse existing portfolio to be supplemented with new investments made in line with the Company's proven investment strategy.

Shareholder approval is required in respect of resolutions 1 and 4 below for the Offers to proceed.

Dividend Reinvestment Scheme

It is proposed to continue the Dividend Reinvestment Scheme until the fifth anniversary of the date of the General Meeting, to coincide with the same expiry date as that for the dividend reinvestment scheme that BSC2 is proposing to adopt. It is also proposed to amend the rules of the Scheme to provide clarity as to the ability of the Directors to decide whether or not the Scheme is to apply to a particular dividend. In accordance with paragraph 18 of the Scheme rules, this Circular shall constitute notice of the Company's intention to (i) amend paragraph 1 of the Scheme rules so that the words "6 August 2013" are replaced by "11 January 2016", which amendment shall, subject to the passing of Resolution 2 below, take effect on the expiry of the notice period set out in paragraph 18 and (ii) to amend paragraph 16 by adding the words "in whole or in part" after the words "suspend operation of the Scheme", which amendment shall take effect on the expiry of the notice period set out in paragraph 18.

Resolutions

Resolution 1 will, if passed, give the Board authority to allot Shares in connection with the Offers up to an aggregate nominal amount of £900,000, a rights issue and the allotment for cash of up to an additional 10% of the issued Share capital of the Company immediately following the final closing of the Offers.

This authority will expire on the later of (i) the Company's next annual general meeting and (ii) 15 months from the passing of the Resolution.

Resolution 2 will, if passed, authorise the Directors, pursuant to article 166 of the Company's articles of association, to continue the Company's Dividend Reinvestment Scheme until the fifth anniversary of the passing of the Resolution, to coincide with the same expiry date as that for the dividend reinvestment scheme that BSC2 is proposing to adopt.

Resolution 3 will, if passed, give the Board authority to allot Shares in connection with the Scheme during the period commencing on the passing of this Resolution and expiring on the fifth anniversary of this Resolution.

Resolution 4 will, if passed, give the Board authority to allot the Shares referred to in Resolution 1 whilst disapplying the statutory pre-emption rights. This authority will expire on the later of (i) the Company's next annual general meeting and (ii) 15 months from the passing of this Resolution.

Resolution 5 will, if passed, give the Board authority to allot the Shares referred to in Resolution 3 whilst disapplying the statutory pre-emption rights, which authority will expire on the fifth anniversary of the passing of this Resolution.

Resolution 6 will, if passed, amend the article 191 of the Company's articles of association which refers to the duration of the Company. This article provides that at the annual general meeting of the Company held in 2013 and, if the Company has not then been wound-up or reconstructed or re-organised, at each fifth annual general meeting thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that the Company shall continue in being a venture capital trust.

In view of the five year VCT qualifying period for tax relief that will relate to the further Shares that will be issued under the Offers, Resolution 6 proposes that article 191 is amended so that the year 2016 replaces 2013.

Resolution 7 will, if passed, approve, subject to the sanction of the High Court, the cancellation of the amount standing to the credit of the share premium account of the Company immediately after the final closing date of the Offers. The Directors consider it appropriate to obtain the approval of Shareholders at the General Meeting to cancel the share premium account (subject to the sanction of the High Court) to create further distributable reserves to fund distributions to Shareholders and Share buy-backs, to set off or write off losses and for other corporate purposes of the Company. Application to court will be made if and when the Board feels this is appropriate. This authority is being taken now to provide flexibility to the Board in the future without a further general meeting having to be convened.

Action to be Taken

Shareholders will find a form of proxy attached at the end of this document for the General Meeting. Whether or not you propose to attend the General Meeting, you are requested to complete and return the form of proxy attached so as to be received not less than 48 hours before the time appointed for holding the General Meeting. Completion and return of the form of proxy will not prevent a Shareholder from attending and voting in person at the General Meeting should a Shareholder wish to do so.

Recommendation

The Board considers that the Resolutions are in the best interests of the Shareholders as a whole and unanimously recommends you to vote in favour of the Resolutions. The Directors intend voting in favour of the Resolutions in respect of their own beneficial shareholdings in the Company which, at the date of this Circular, total 43,150 Shares (representing approximately 0.1257% of the issued Shares).

Yours sincerely



Helen Sinclair
Chairman

Part 2

Additional Information

1. Responsibility and Registered Office

The Company, and the Directors whose names appear below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Helen Sinclair (Chairman)
Phillip Cammerman
Edward Buchan

The registered office of the Company is Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ.

2. Authorised and Issued Share Capital

2.1 As at 30 September 2010 (being the end of the last financial period of the Company for which unaudited interim financial information has been published) there were 165,000,000 authorised and 32,687,004 issued Ordinary Shares, each ranking pari passu. All of the Ordinary Shares are listed on the Official List of the UK Listing Authority. The Company holds an additional 1,642,837 Shares in the treasury account.

2.2 Immediately following the close of the Offers, assuming full subscription and the maximum number of early subscription Shares being allotted under the Offers, the issued share capital of the Company, fully paid or credited as fully paid, will be £4,311,033 divided into 43,110,329 Ordinary Shares (of which 1,642,837 Ordinary Shares will be held in treasury), and there will remain authorised but un-issued a minimum of £12,188,967 of share capital divided into 121,889,671 Ordinary Shares.

3. Directors' and Other Interests

3.1 The interests of the Directors, or persons connected with such Directors, (all of which are beneficial unless otherwise stated) in the issued share capital of the Company as at 6 December 2010 (being the latest practicable date before publication of this Circular) were:

Director	Ordinary Shares
Helen Sinclair	7,270
Phillip Cammerman	35,880
Edward Buchan	-

3.2 The interests of the Directors, or persons connected with such Directors, (all of which are beneficial unless otherwise stated) in the issued share capital of the Company as at the close of the Offers (assuming the Offers are fully subscribed, that the Offer Price (as defined in the Prospectus) is as set out on page 11 of the Prospectus and that no early subscription Shares are issued under the Offers) will be:

Director	Ordinary Shares
Helen Sinclair	14,587
Phillip Cammerman	35,880
Edward Buchan	2,439

3.3 Save as disclosed above, no Director nor (so far as is known to the relevant Director) any person connected with a Director has any interest in the share capital of the Company.

4. Significant Shareholdings

As at 6 December 2010 (being the latest practicable date prior to the publication of this Circular) the Directors were not aware of any holdings of 3 per cent or more of the Company's issued share capital or of any person who, directly or indirectly, jointly or severally, exercises control over the Company.

5. Material Contracts

5.1 The Company has entered into the following material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Circular or under which the Company has any obligation or entitlement which is material to it as at the date of this document:

5.1.1 An offer agreement dated 7 December 2010 ("the Offer Agreement") between the Companies (1), the Directors (2), Howard Kennedy ("HK") (3) and YFM Private Equity (4) under which HK agreed to act as sponsor to the Offers. As is usual in contracts of this type YFM Private Equity has agreed to indemnify the Companies against the costs of the Offers exceeding 5.5% of the aggregate value of accepted applications for Ordinary Shares received under the Offers, and the Companies have agreed to pay (YFM Private Equity) a commission of 5.5% of gross funds raised less the upfront commission paid by the Company to recognised intermediaries in respect of accepted applications in the amounts referred to in the Prospectus.

Under the Offer Agreement, which may be terminated by HK in certain circumstances of breach, YFM Private Equity, the Companies and the Directors have given certain warranties which are subject to certain limitations. Warranty claims against the Directors must be made no later than 60 days after the date of publication of the audited accounts of the Company for the year ending 31 March 2012. The Companies have agreed to indemnify HK in respect of its role as sponsor and under the Offer Agreement. The Offer Agreement may also be terminated, inter alia, if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

YFM Private Equity agrees to indemnify the Company to the extent that its total annual running costs, including the investment advisory fee, exceeds 3.5% (excluding trail commission) of the gross assets of the Company.

5.1.2 An administration and investment advisory agreement dated 28 February 1996 between the Company and YFM Private Equity (the "IAA"), under which YFM Private Equity agreed to provide administrative, company secretarial and investment advisory services to the Company in relation to the Company's qualifying portfolio. The IAA took effect on 4 April 1996 for an initial period of 3 years and thereafter is terminable by either party on not less than 12 months' notice or, inter alia, on the others' breach or insolvency.

Under the IAA, YFM Private Equity is entitled to receive an annual investment advisory fee of 2% of the gross assets of the Company (as determined on 31 March and 30 September each year), plus VAT, if applicable, payable quarterly in advance on 1 January, 1 April, 1 July and 1 October in each year together with an annual secretarial fee of £35,000 (subject to annual adjustment and currently £49,024), plus VAT. YFM Private Equity is also entitled to all arrangement, syndication and monitoring fees payable in respect of unquoted investments. The Company indemnifies YFM Private Equity against all things lawfully and properly done under the IAA.

5.1.3 An incentive agreement (the "Incentive Agreement") dated 7 July 2009 between the Company, the YFM Private Equity Carried Interest Trust (an employee benefit trust established for the benefit of employees of YFM Private Equity) and YFM Private Equity under which, with effect from 1 April 2009 ("Effective Date") YFM Private Equity is entitled to receive a fee, calculated by reference to each accounting period of the Company, equal to 20% of the amount by which dividends paid to Shareholders exceed 4 pence per Share per accounting period (as increased or decreased, as applicable, in each accounting period by the percentage increase or decrease (if any) in the retail prices index in the previous accounting period) ("Target Rate"), once cumulative dividends per share of 10 pence or more have been paid to shareholders. The Target Rate is further adjusted by reference to any cumulative shortfall in dividends paid per share from any previous accounting period after the Effective Date. The payment is also conditional upon the net asset value per Share in the relevant accounting period being not less than 94 pence per Share. A compensatory payment is due if the Incentive Agreement is terminated without cause or if the Company is taken over. The compensatory payment is calculated as a percentage of the fee that would otherwise be payable under the Incentive Agreement by reference to the accounting period following the

Incentive Agreement being so terminated. 80% is payable in the first accounting period after such event, 55% in the second, 35% in the third, and nil thereafter. The maximum fee payable in any 12 month period cannot exceed an amount which would represent 25% or more of the net asset value or market capitalisation of the Company at such time.

5.1.4 Under the terms of a letter from Brewin Dolphin Securities Limited ("Brewin") to the Company dated 25 October 2004, Brewin agreed to act as investment manager to the Company in relation to its portfolio of short-term government securities and to produce monthly portfolio valuations. In return for such services, Brewin are entitled to receive a management fee based on an ad valorem charge of 0.2% per annum (plus VAT) of funds under management, payable quarterly, subject to a maximum annual fee of £25,000 plus VAT. This cost is borne by YFM Private Equity.

5.1.5 By a deed of novation dated 1 April 2009 (to the agreement dated 3 September 2004) between the Company and Singer Capital Markets Limited ("Singer"), Singer agreed to act as brokers to the Company, and, inter alia, to act as a market maker in the Shares and to carry out share purchases on the Company's behalf. Singer are entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in arrears on 30 September, 31 December, 31 March and 30 June. Under the terms of the novated agreement the Company indemnifies Singer against losses arising out of Singer's appointment except where such losses arise from Singer's breach of agreement.

6. Directors' Service Contracts and Remuneration

None of the Directors has a service contract with the Company and the services of the Directors are provided to the Company pursuant to letters of appointment, under which they are required to devote such time to the affairs of the Company as the Board reasonably requires consistent with their role as a non-executive director.

The Directors are each currently entitled to receive the following annual fees:

Director	£
Helen Sinclair	35,000
Philip Cammerman	20,000
Edward Buchan	20,000
	75,000

7. Significant Changes

Since 30 September 2010 (being the end of the last financial period of the Company for which unaudited interim financial information has been published), there has been no significant change in the financial or trading position of the Company.

8. Documents Available for Inspection

Copies of the following documents will be available for inspection from the date of this Circular until the conclusion of the General Meeting during normal business hours and on any weekday (Saturdays and public holidays excepted) at the registered office of the Company at Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ:

- 8.1 the audited accounts of the Company for the years ended 31 March 2008, 2009 and 2010;
- 8.2 the unaudited interim financial statements for the 6 month period to 30 September 2010;
- 8.3 the Company's articles of association;
- 8.4 the Directors' letters of appointments referred to in paragraph 6 above; and
- 8.5 this Circular.

7 December 2010

Part 3

Definitions

“Board” or “Directors”	Helen Sinclair, Philip Cammerman and Edward Buchan;
“BSC2”	British Smaller Companies VCT2 plc, registered with the Registrar of Companies of England and Wales with registered number 4084003 and whose registered office is Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ;
“the Circular”	this document;
“the Company”	British Smaller Companies VCT plc, registered with the Registrar of Companies of England and Wales with registered number 3134749 and whose registered office is Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ;
“the Companies”	the Company and BSC2;
“the Prospectus”	the prospectus dated the date of this Circular relating to the Offers;
“General Meeting”	the general meeting of the Company to be held on 11 January 2011 (or any adjournment thereof);
“Offers”	the linked offers for subscription in the Company of up to 8,780,488 Shares and up to 12,811,388 ordinary shares in BSC2;
“Resolutions”	the resolutions to be proposed at the General Meeting;
“Scheme” or “Dividend Reinvestment Scheme”	the dividend reinvestment scheme that was approved by the Shareholders on 6 August 2008;
“Shareholders”	holders of Shares;
“Shares” or “Ordinary Shares”	ordinary shares of 10p each in the capital of the Company;
“VCT”	a venture capital trust as defined in section 272 Income Taxes Act 2007;

Part 4

Notice of the General Meeting of British Smaller Companies VCT plc

No: 3134749

BRITISH SMALLER COMPANIES VCT PLC

NOTICE IS HEREBY GIVEN that a General Meeting of British Smaller Companies VCT plc will be held at Berkeley Square House, Berkeley Square, London W1J 6BD at 10.15am on 11 January 2011 to consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions as to resolutions 1 to 3 and as special resolutions as to resolutions 4 to 7:

Ordinary Resolutions

- (1) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company in connection with:
- (i) the Offers, up to an aggregate nominal amount of £900,000;
 - (ii) an offer of securities by way of a rights issue;
 - (iii) the allotment for cash (otherwise than pursuant to sub-paragraphs (i) to (ii) above) of equity securities up to an aggregate nominal amount of 10% of the issued Ordinary Share capital of the Company immediately following the final closing of the Offers,
- during the period commencing on the passing of this resolution and expiring on the later of 15 months from the date here of or the next annual general meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and that all previous authorities given to the Directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect;
- (2) THAT pursuant to article 166 of the Company's articles of association, the Directors be and are hereby authorised to offer holders of shares in the Company the right to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part to be determined by the Board) of all or any dividend declared in the period commencing on the date of this resolution and ending on the fifth anniversary of this resolution pursuant to the Company's dividend reinvestment scheme.
- (3) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot shares in the Company in connection with the Dividend Reinvestment Scheme during the period commencing on the passing of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted after such expiry and that all previous authorities given to the Directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect;

Special Resolutions

- (4) THAT the Directors be and are hereby empowered in accordance with section 570(1) of the Act during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later, (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the Directors in resolution (1) above as if section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with:
- (i) the Offers;
 - (ii) an offer of securities by way of a rights issue;
 - (iii) the allotment for cash (otherwise than pursuant to sub-paragraph (i) to (ii) above) of equity securities up to an aggregate nominal amount of 10 per cent. of the issued share capital of the Company immediately following the final closing of the Offers,

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

- (5) THAT the Directors be and are hereby empowered in accordance with section 570(1) of the Act during the period commencing on the passing of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the Directors in resolution (3) above as if section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the Dividend Reinvestment Scheme but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired;
- (6) THAT article 191 of the Company's articles of association be amended to delete the reference to "2013" in line 1 and substitute "2016" therefor;
- (7) THAT, subject to the sanction of the High Court, the amount standing to the credit of the share premium account of the Company immediately after the final closing date of the Offers be cancelled.

By order of the Board

James Gervasio

Secretary

Registered Office:
Saint Martins House
210-212 Chapeltown Road
Leeds,
West Yorkshire LS7 4HZ

Information regarding the General Meeting, including the information required by section 311A of the Act, is available from www.yfm.co.uk

8 December 2010

Notes

- (a) Any member of the Company entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the General Meeting in order to represent his appointor. A member entitled to attend and vote at the General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Companies Act 2006, the Company must answer any question a member asks relating to the business being dealt with at the General Meeting unless:
- answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham BR3 4TU not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Capita Registrars Limited before the General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.

- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment, the Register of Directors' interests in the Ordinary Shares of the Company kept, a copy of the amended Articles of Association (marked up to show the proposed changes) and a copy of the current Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the General Meeting for at least 15 minutes prior to and during the meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 6pm on 7 January 2011 or, in the event that the General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 6pm on 7 January 2011 or, in the event that the General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the General Meeting.
- (g) As at 30 September 2010, the Company's issued share capital comprised 34,329,841 Ordinary Shares. The total number of voting rights in the Company as at 30 September 2010 is 32,687,004. The website referred to above will include information on the number of Ordinary Shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
- (k) Members may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.
- (l) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) not less than 48 hours (excluding weekends and public holidays) before the time of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

British Smaller Companies VCT plc



1 December 2010

Dear Shareholder

BRITISH SMALLER COMPANIES VCT PLC

I am pleased to enclose the interim report to 30 September 2010, together with some details regarding our next investor workshop. Also enclosed is a factsheet with details of the new linked Offers for British Smaller Companies VCT and British Smaller Companies VCT2 and a summary of their performance.

Interim Report

Some highlights from the report are:

- Interim dividend maintained at 2.0 pence per share
- Total return has increased by 6% to 153.0 pence per share since 31 March 2010 compared to a fall of 1.5% in the FTSE All-Share® index
- Linked prospectus Offer with British Smaller Companies VCT2 is expected to be launched in December 2010 to maximise investment opportunities in 2011-2013

Investor Workshop 9 February 2011

We continue to strive to find venues that we hope will be of interest to you as well as offering speakers with relevant venture capital trust insights. I am particularly pleased to announce that we are holding our next workshop on **Wednesday 9 February** at the British Museum in London.

There will be presentations from the Fund Manager, investee companies and external speakers with question and answer sessions following each speaker. The speakers will address recent trends and changes in the VCT industry as well as potential changes in the next few years. Registration is at 11.00am and we expect the workshop to finish at around 2.00pm with lunch included. Attendees will be given the opportunity to visit the much talked about exhibition following the ancient Egyptians' journey from death to the afterlife in this once-in-a-lifetime exhibition focusing on the **Book of the Dead**.

Please either email your acceptance to tracey.parker@yfmgroup.co.uk or complete the form on the reverse of this letter to book your place at the workshop.

Yours sincerely

Helen Sinclair
Chairman

Encs.

REPLY FORM FOR INVESTOR WORKSHOP



I would like to attend the workshop at the British Museum
9 February 2011 – **Registration at 11.00am**

Name:

Address:

Email:

Phone:

Please email your details to:

tracey.parker@yfmgroup.co.uk

or post or fax the reply form to:

**FREEPOST NEA 10280
LEEDS
LS7 3YY**

Fax No: **0113 294 5002**

Or telephone: **0800 854 057**

Follow the ancient Egyptians' journey from death to the afterlife in this once-in-a-lifetime exhibition focusing on the 'Book of the Dead'

The British Museum's major Autumn exhibition, supported by BP, will present and explore ancient Egyptian beliefs about life after death. **Journey through the afterlife: ancient Egyptian Book of the Dead** will showcase the rich textual and visual material from the British Museum's unparalleled collection of 'Book of the Dead' papyri. The 'Book', used for over 1500 years between c.1600 BC and 100 AD, is not a single text, but a compilation of spells thought to equip the dead with knowledge and power which would guide them safely through the dangers of the hereafter and ultimately ensure eternal life.



British Smaller Companies VCT plc

General Meeting to be held at:
Berkeley Square House, Berkeley Square, London, W1J 6BD
on 11 January 2011 at 10.15am.

Please complete, detach and return the pre-paid Form of Proxy below.

Form of Proxy - British Smaller Companies VCT plc

For use at the General Meeting of the above-named Company to be held on 11 January 2011,
at Berkeley Square House, Berkeley Square, London W1J 6BD at 10.15am

I/We (in BLOCK CAPITALS please).....

of (address).....

being a member of the above-named Company, hereby appoint the Chairman of the General Meeting (see note 2)

orof

as my/our* proxy to attend for me/us* on my/our* behalf at the General Meeting of the Company to be held at 10.15am on
11 January 2011 or at any adjournment thereof.

Number of Ordinary Shares proxy is appointed over.....

Please also tick here if you are appointing more than one proxy

I/ We* desire to vote on the resolutions as indicated in the appropriate column below.

Please indicate with an "X" how you wish your vote to be cast.

Details of the resolutions are set out in the Notice of the General Meeting.

ORDINARY RESOLUTIONS	FOR	AGAINST	WITHHELD
1. To authorise the directors to allot Ordinary Shares pursuant to Section 551 of the Companies Act 2006 in connection with the Offers, rights issue and generally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To continue the Dividend Reinvestment Scheme for a further period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To authorise the directors to allot Ordinary Shares pursuant to Section 551 of the Companies Act 2006 in connection with the Dividend Reinvestment Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL RESOLUTIONS			
4. To disapply Section 561(1) of the Companies Act 2006 in respect of the allotment of Ordinary Shares pursuant to the Offers, rights issue and generally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To disapply Section 561(1) of the Companies Act 2006 in respect of the allotment of Ordinary Shares pursuant to the Dividend Reinvestment Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To amend article 191 of the Company's articles of association with respect to the Company's status as a VCT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To cancel, subject to the sanction of the High Court, the share premium account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed..... Dated2010

* Delete as appropriate

NOTES

1. The Notice of the General Meeting is set out on pages 9 to 11 of the Circular.
2. Any member of the Company entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the General Meeting in order to represent his appointor. A member entitled to attend and vote at the General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
3. If you wish to appoint a proxy of your own choice delete the words "the Chairman of the General Meeting" and insert the name and address of the person whom you wish to appoint in the space provided.
4. Any alterations to the Form of Proxy should be initialled.
5. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham BR3 4TU not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
6. In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Capita Registrars Limited before the General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note 9 below, the proxy appointment will remain valid.
7. In the case of a corporation, this form must be executed under its common seal or signed on its behalf by its attorney or a duly authorised officer of the corporation.
8. In the case of joint shareholders, any one of them may sign. The vote of the person whose name stands first in the register of members will be accepted to the exclusion of the votes of the other joint holders.
9. Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the General Meeting in person, the proxy appointment will automatically be terminated.
10. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

Business Reply
Licence Number
RSBH-UXKS-LRBC



PXS
34 Beckenham Road
Beckenham
BR3 4TU

BRITISH SMALLER COMPANIES VCT PLC

UNAUDITED INTERIM RESULTS AND INTERIM MANAGEMENT STATEMENT

For the 6 months ended 30 September 2010

- Interim dividend maintained at 2.0 pence per share
- Total return has increased by 6% to 153.0 pence per share since 31 March 2010 compared to a fall of 1.5% in the FTSE All-Share® index
- Linked prospectus offer with British Smaller Companies VCT2 plc is expected to be launched in December 2010 to maximise investment opportunities in 2011-2013

British Smaller Companies VCT plc ("the Company") today announces its unaudited interim results for the six months to 30 September 2010.

CHAIRMAN'S STATEMENT

The first six months of this financial year have seen a continued period of uncertainty with some recent signs of economic recovery, following the change in government and an emergency budget to address the high level of public borrowings. Several of our portfolio companies have seen an improvement in prospects but significant uncertainty remains after the recent announcements of substantial budget cuts for public bodies. This is likely to have an impact on the speed and sustainability of the UK's economic recovery.

Several of the Company's unquoted portfolio companies have recorded improved results over the first half of the financial year leading to an increase in unrealised investment holding values of £3.19 million. Although the economic climate remains uncertain the portfolio companies as a whole are well funded with low levels of bank debt. The quoted portfolio has remained stable but experienced an overall decline in holding values of £0.56 million following the administration of Connaught (which resulted in a loss in the period of £0.79 million). The resulting net increase in the valuation of the portfolio by £2.63 million taken together with the £0.04 million decrease in the value of gilts over the first six months of the year amounts to an overall gain on investments held at fair value of £2.59 million.

The market for new investments has been subdued since 2007. However in recent months the Fund Manager has begun to see an increase in the number of investment opportunities with management teams looking to fund expansion plans and vendors prepared to consider corporate sales. Whilst the banks continue to take a very cautious approach and there remains uncertainty over the speed of economic recovery, some businesses do feel sufficiently confident to commit to long term growth plans.

Your Board remains confident of the medium and long term prospects of the Company and consequently we are proposing to maintain the interim dividend at 2.0 pence per share. The dividend will be paid on 7 January 2011 to Shareholders on the register at 10 December 2010.

Interim Management Report

Several of our portfolio companies have made significant progress in the period. GO Outdoors has continued to trade strongly, with several other businesses now experiencing improved market conditions including RMS, Harvey Jones, Darwin Rhodes and Harris Hill. Fishawack and Waterfall Services are beginning to reap the benefits of recent acquisitions. With the improving debt markets the Fund Manager was able to conclude a refinancing of RMS resulting in a £0.49 million capital realisation, a £0.05 million uplift over the total March value, with a residual carrying value at September 2010 of £0.36 million.

The level of new investment opportunities under consideration has increased which has translated into new investments for the Company and some acquisitions for the portfolio. In May 2010 the company invested a further £157,000 into Fishawack to help fund the acquisition of another UK-based medical communications company, Alpha Plus, in order to expand the existing customer base and improve efficiency. In July 2010 the Company invested £0.25 million into a new AIM business, EKF Diagnostics, a healthcare diagnostics group with a buy & build strategy. In September 2010 the Company invested £0.50 million as part of an £4.00 million subscription of growth capital into Bluebell Telecom to lead a consolidation of the fragmented telecommunication service market.

The pipeline of new opportunities remains strong, with a £1.00 million investment into mining safety and valve group, President Engineering Group Ltd, completing just after the reported period. Your Board hopes to see a continued number of attractive investment opportunities over the months ahead.

Financial Results

The revenue profit before tax for the period was £0.45 million which compares to £0.35 million for the same period in 2009. The capital profit before tax for the six months to September 2010 is £2.46 million which compares to a £2.08 million profit for the same period in 2009. The capital movements principally derive from movements in the value of investments as yet unrealised.

The movement in Net Asset Value is as follows:

	Pence/share
31 March 2010	94.4
Dividends paid in period	(4.3)
Net increase in value	8.7
<u>30 September 2010</u>	<u>98.8</u>

The investment valuation growth highlighted above has resulted in the Net Asset Value per share increasing to 98.8 pence per share at 30 September 2010 (94.4 pence per share at 31 March 2010) after payment of the 4.25 pence per share dividends. The Total Return (Net Asset Value plus cumulative dividends paid) at 30 September 2010 now stands at 153.0 pence per share compared to 144.4 pence per share at 31 March 2010, an increase of 8.6 pence (6%). By way of comparison, the FTSE All-Share® index has fallen by 1.5% since 31 March 2010.

In April 2010 2,048,298 new shares were issued raising a gross total of £1,944,000 of new cash for the company. Cash and investment in gilts totalled £11.68 million at 30 September 2010 (£15.47 million at September 2009), representing 36% (September 2009: 55%) of Net Asset Value before taking account of any interim dividend. The Board considers that this is sufficient to support the current portfolio and to continue its investment strategy in selective new opportunities in the short term. The Board is seeking to increase the Company's medium term investment capacity through a fundraising later this year, as set out below.

Shareholder Relations

Dividend Re-investment Scheme

Your Company continues to offer a dividend re-investment scheme. In September 17.6% of Shareholders, representing £0.14 million of dividends payable, took the opportunity to re-invest the final dividend. The dividend reinvestment scheme will be continued.

Share Buy Backs

These are effected in the market through the Company's broker Singer Capital Markets. During the six month period to 30 September 2010, your Company acquired 260,000 shares at a cost of £0.20 million (2009: 141,882 shares at a cost of £0.10 million).

New Fundraising

Given the more attractive investment conditions expected over the coming years, the Company is seeking to increase its investment capacity through a linked offer. Together with British Smaller Companies VCT2 plc a prospectus will shortly be issued to raise up to £15 million for both VCTs, with those shareholders investing before 1 March 2011 receiving additional shares equivalent to 1% of the amount subscribed.

Investor Workshop

The Company has presented annual investor workshops for a number of years which have proved very popular with Shareholders. The next workshop will be held on 9 February 2011 at The British Museum. An invitation will be sent to Shareholders in due course.

Board Changes

Robert Pettigrew and Richard Last have resigned as non-executive directors of the Company effective from 21 September 2010. As previously announced Edward Buchan has taken up his appointment as a non-executive Director effective from 22 September 2010. Edward is also a Director of Downing Absolute Income VCT 1 plc. The changes to the Board's composition were in response to the new Listing Rules with regard to the independence of directors. I would like to reiterate my thanks to Robert and Richard for their very significant contribution over many years and extend my welcome to Edward to his new appointment.

Other Matters

Your Board continues to monitor regulatory developments, in particular the proposal for a Directive on Alternative Investment Fund Managers. The draft Directive is in the final stages of its passage into European law. Your Company will consider the requirements of the new legislation during the period prior to its implementation, now expected to be in early 2013, and will continue to support the activities of the Association of Investment Companies (AIC) in its consideration and review of these proposals.

Outlook

I am delighted to note the significant progress made across several sectors of the portfolio over the last six months with some particularly notable strong performances. There are now some signs of renewed demand for equity finance for growth and for management buy outs and your Company is well positioned to capitalise on these opportunities as they present themselves.

I would like to thank Shareholders for their continued support.

Helen Sinclair
23 November 2010

STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 September 2010

	Notes	Unaudited 6 months ending 30 September 2010			Unaudited 6 months ending 30 September 2009		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments		-	80	80	-	8	8
Gains on investments held at fair value		-	2,593	2,593	-	2,270	2,270
Income	2	693	-	693	603	-	603
Administrative expenses:							
Fund Management fee		(73)	(217)	(290)	(66)	(198)	(264)
Other expenses		(173)	-	(173)	(187)	-	(187)
		(246)	(217)	(463)	(253)	(198)	(451)
Profit before taxation		447	2,456	2,903	350	2,080	2,430
Taxation	3	(46)	46	-	(52)	52	-
Profit for the period attributable to equity Shareholders		401	2,502	2,903	298	2,132	2,430
Total comprehensive income for the period attributable to equity Shareholders		401	2,502	2,903	298	2,132	2,430
Basic and diluted earnings per Ordinary share	5	1.23p	7.65p	8.88p	0.97p	6.93p	7.89p

BALANCE SHEET

As at 30 September 2010

	Unaudited 6 months ended 30 September 2010	Unaudited 6 months ended 30 September 2009	Audited Year ended 31 March 2010
	£000	£000	£000
Notes			
Assets			
Non-current assets			
Investments	20,355	12,143	17,256
Fixed income government securities	10,336	11,758	9,740
Financial assets at fair value through profit or loss	30,691	23,901	26,996
Current assets			
Trade and other receivables	345	400	2,055
Cash and cash equivalents	1,348	3,708	1,820
	1,693	4,108	3,875
Liabilities			
Current liabilities			
Trade and other payables	(92)	(94)	(1,863)
Net current assets	1,601	4,014	2,012
Net assets	32,292	27,915	29,008
Shareholders' equity			
Share capital	3,433	3,201	3,212
Share premium account	17,154	15,331	15,398
Capital redemption reserve	221	221	221
Treasury share reserve	(1,378)	(1,035)	(1,175)
Capital reserve	197	(127)	93
Investment holdings gains (losses)	3,956	870	1,558
Special reserve	2,408	2,408	2,408
Retained earnings	6,301	7,046	7,293
Total Shareholders' equity	32,292	27,915	29,008
Basic and diluted Net Asset Value per Ordinary share	98.8p	90.6p	94.4p

STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 September 2010

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Treasury share Reserve £000	Capital reserve £000	Investment holdings gains (losses) £000	Special reserve £000	Retained earnings £000	Total equity £000
At 31 March 2009	3,187	15,236	221	(931)	-	(1,389)	2,408	7,668	26,400
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	298	298
<i>Capital expenses</i>	-	-	-	-	(146)	-	-	-	(146)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	2,270	-	-	2,270
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	11	(11)	-	-	-
<i>Gain on disposal of investments in the period</i>	-	-	-	-	8	-	-	-	8
Total comprehensive income for the period	-	-	-	-	(127)	2,259	-	298	2,430
Dividends	-	-	-	-	-	-	-	(920)	(920)
Purchase of own shares	-	-	-	(104)	-	-	-	-	(104)
Issue of share capital on DRIS*	14	95	-	-	-	-	-	-	109
At 30 September 2009	3,201	15,331	221	(1,035)	(127)	870	2,408	7,046	27,915
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	248	248
<i>Capital expenses</i>	-	-	-	-	(161)	-	-	-	(161)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	1,336	-	-	1,336
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	648	(648)	-	-	-
<i>Gain on disposal of investments in the period</i>	-	-	-	-	349	-	-	-	349
Total comprehensive income for the period	-	-	-	-	836	688	-	248	1,772
Dividends	-	-	-	-	(616)	-	-	(1)	(617)
Purchase of own shares	-	-	-	(140)	-	-	-	-	(140)
Issue of share capital on DRIS*	11	67	-	-	-	-	-	-	78
At 31 March 2010	3,212	15,398	221	(1,175)	93	1,558	2,408	7,293	29,008
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	401	401
<i>Capital expenses</i>	-	-	-	-	(171)	-	-	-	(171)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	2,593	-	-	2,593
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	195	(195)	-	-	-
<i>Gain on disposal of investments in the period</i>	-	-	-	-	80	-	-	-	80
Total comprehensive income for the period	-	-	-	-	104	2,398	-	401	2,903
Dividends	-	-	-	-	-	-	-	(1,393)	(1,393)
Purchase of own shares	-	-	-	(203)	-	-	-	-	(203)
Issue of Ordinary share capital	204	1,739	-	-	-	-	-	-	1,943
Issue of share capital on DRIS*	17	126	-	-	-	-	-	-	143
Issue of Ordinary share capital costs	-	(109)	-	-	-	-	-	-	(109)
At 30 September 2010	3,433	17,154	221	(1,378)	197	3,956	2,408	6,301	32,292

* DRIS being the dividend re-investment scheme

STATEMENT OF CASH FLOWS

For the 6 months ended 30 September 2010

	Unaudited 6 months ended 30 September 2010	Unaudited 6 months ended 30 September 2009	Audited Year ended 31 March 2010
	£000	£000	£000
Net cash inflow from operating activities	221	454	654
Cash flows (used in) from investing activities			
Purchase of fixed asset investments	(2,500)	-	(6,389)
Proceeds from sale of fixed asset investments	1,478	537	5,517
Net cash (used in) from investing activities	(1,022)	537	(872)
Cash flows from (used in) financing activities			
Issue of Ordinary shares	1,944	-	-
Cost of Ordinary share issue	(161)	(65)	(76)
Purchase of own Ordinary shares	(203)	(104)	(244)
Dividends paid (net of dividend reinvestment scheme)	(1,251)	(811)	(1,339)
Net cash from (used in) financing activities	329	(980)	(1,659)
Net (decrease)/increase in cash and cash equivalents	(472)	11	(1,877)
Cash and cash equivalents at the beginning of the period	1,820	3,697	3,697
Cash and cash equivalents at the end of the period	1,348	3,708	1,820

RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

For the 6 months ended 30 September 2010

	Unaudited 6 months ended 30 September 2010	Unaudited 6 months ended 30 September 2009	Audited Year ended 31 March 2010
	£000	£000	£000
Profit before tax	2,903	2,430	4,202
Decrease (increase) in prepayments and accrued income	1,710	272	(1,382)
(Decrease) increase in accruals and other creditors	(1,719)	30	1,797
Profit on realisation of investments in the year	(80)	(8)	(357)
Revaluation of investments in the period	(2,593)	(2,270)	(3,606)
Net cash inflow from operating activities	221	454	654

BRITISH SMALLER COMPANIES VCT PLC

UNAUDITED FINANCIAL STATEMENTS

For the 6 months ended 30 September 2010

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General information, basis of preparation and principal accounting policies

These half year statements have been approved by the directors whose names appear at note 8, each of whom has confirmed that to the best of his/her knowledge the Interim Report includes a fair review of the information required by rules 4.2.7 and 4.2.8 of the Disclosure Rules and the Transparency Rules.

The half year statements are unaudited and have not been reviewed by the auditors pursuant to the Auditing Practices Board (APB) guidance on Review of Interim Financial Information. They do not constitute full financial statements as defined in section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2010 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2010. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The half year statements comply with IAS 34 'Interim financial reporting' and the Disclosure and Transparency Rules of the Financial Services Authority. The accounting policies and methods of computation followed in the half year statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 March 2010, except as noted below.

The financial statements for the year ended 31 March 2010 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Where guidance set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009 ("SORP") is consistent with the requirements of IFRS, the financial statements have been prepared in compliance with the recommendations of the SORP.

The following new standards and amendments to standards are mandatory for the first time for the financial year commencing 1 April 2010. Where relevant to the Company the half year statements have been prepared under the revised disclosure requirements.

IAS 1 (amendment). The amendment is part of the IASB's annual improvements project and clarifies the definition of current liabilities. This has had, and is expected to have, no material impact on the Company's financial statements.

Other standards and interpretations which have been issued and are effective for this accounting period but are not currently relevant for the Company are IFRS 1 (Revised), IFRS 2 (Amendment), IFRS 3 (Revised), IFRS 5 (amendment), IAS 27 (Revised), IAS 32 (Amendment) and IFRICs 17 and 18.

There has been no change to the principal risks and uncertainties facing the Company since the publication of the financial statements for the year ended 31 March 2010. In summary, the principal risks are:

- Investment and strategic;
- Loss of approval as a Venture Capital Trust;
- Regulatory;
- Reputational;
- Operational;
- Financial;
- Market risk; and
- Liquidity risk.

Full details of the principal risks can be found in the financial statements for the year ended 31 March 2010 on page 23, a copy of which can be found at www.yfm.co.uk.

BRITISH SMALLER COMPANIES VCT PLC
UNAUDITED FINANCIAL STATEMENTS

For the 6 months ended 30 September 2010

2. Income

	Unaudited 6 months ended 30 September 2010 £000	Unaudited 6 months ended 30 September 2009 £000
Income from investments:		
Dividends from unquoted companies	202	66
Dividends from AIM quoted companies	27	32
	229	98
Interest on loans to unquoted companies	162	156
Fixed interest Government securities	253	323
Income from investments held at fair value through profit or loss	644	577
Interest on deposits	49	26
	693	603

BRITISH SMALLER COMPANIES VCT PLC
UNAUDITED FINANCIAL STATEMENTS

For the 6 months ended 30 September 2010

3. Taxation

	Unaudited 6 months ended 30 September 2010			Unaudited 6 months ended 30 September 2009		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit on ordinary activities before taxation	447	2,456	2,903	350	2,080	2,430
Profit on ordinary activities multiplied by standard small company rate of corporation tax in UK of 21% (2009: 21%)	94	516	610	73	437	510
Effect of:						
UK dividends received	(48)	-	(48)	(21)	-	(21)
Non taxable profits on investments	-	(561)	(561)	-	(478)	(478)
Excess management expenses	-	(1)	(1)	-	(11)	(11)
Tax charge credit	46	(46)	-	52	(52)	-

The Company has no provided, or unprovided, deferred tax liability in either period. Deferred tax assets in respect of losses have not been recognised as management currently believe that there will not be sufficient taxable profits against which the assets can be recovered.

Due to the Company's status as a venture capital trust, and the continued intention to meet the conditions required to comply with Chapter 3 of Part 6 of the Income Tax Act 2007, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

4. Dividends

Amounts recognised as distributions to equity holders in the period:

	Unaudited 6 months ended 30 September 2010		Unaudited 6 months ended 30 September 2009		Audited Year ended 31 March 2010	
	Revenue £000	Total £000	Revenue £000	Total £000	Capital £000	Total £000
Final paid - 3.0p per Ordinary share; paid 28 September 2010 (2009: 3.0p per Ordinary share)	983	983	920	920	-	-
Interim - 2.0p per Ordinary share; paid 7 January 2010 (2009: 2.0p per ordinary share)	-	-	-	-	616	616
Special dividend 1.25p per Ordinary Share paid on 28 September 2010 (2009: nil)	410	410	-	-	-	-
Dividends paid	1,393	1,393	920	920	616	616

An interim dividend of 2.0 pence per share in respect of the period to 30 September 2010, amounting to £653,740 is proposed. This has not been recognised in the period ended 30 September 2010 as the obligation did not exist at the balance sheet date.

A special dividend of 1.25 pence per share was paid on 28 September 2010 to Shareholders following the profit generated from the sale of Sheet Piling (UK) Limited.

BRITISH SMALLER COMPANIES VCT PLC

UNAUDITED FINANCIAL STATEMENTS

For the 6 months ended 30 September 2010

5. Basic and diluted earnings per Ordinary share

The basic and diluted earnings per Ordinary share is based on the profit for the period attributable to equity Shareholders of £2,903,000 (30 September 2009: profit of £2,430,000) and on 32,734,626 shares (30 September 2009: 30,786,419), being the weighted average number of shares in issue during the period.

The basic and diluted revenue earnings per Ordinary share is based on the revenue profit for the period attributable to equity Shareholders of £401,000 (30 September 2009: profit of £298,000) and on 32,734,626 shares (30 September 2009: 30,786,419), being the weighted average number of shares in issue during the period.

The basic and diluted capital earnings per Ordinary share is based on the capital profit for the period attributable to equity Shareholders of £2,502,000 (30 September 2009: profit of £2,132,000) and on 32,734,626 shares (30 September 2009: 30,786,419), being the weighted average number of shares in issue during the period.

During the period the Company allotted 166,512 Ordinary shares in respect of its dividend reinvestment scheme.

The Company has also repurchased 260,000 of its own shares in the period and these shares are held in treasury. The total of 1,642,837 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2010 (30 September 2009: 1,192,837 treasury shares). The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per share are the same.

6. Net Asset Value per Ordinary share

The Net Asset Value per Ordinary share is calculated on attributable assets of £32,292,000 and 32,687,004 shares in issue at the period end (30 September 2009: assets of £27,915,000 and 30,816,423 shares, 31 March 2010: assets of £29,008,000 and 30,732,194 shares).

During the period the Company allotted 166,512 Ordinary shares in respect of its dividend reinvestment scheme.

The Company has also repurchased 260,000 of its own shares in the period and these shares are held in treasury. The total of 1,642,837 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2010 (30 September 2009: 1,192,837 treasury shares). The Company has no securities that would have a dilutive effect and hence basic and diluted Net Asset Value per share are the same.

7. Total Return

Total Return per share is calculated on cumulative dividends paid of 54.2 pence per Ordinary share (30 September 2009: 48.0 pence per Ordinary share and 31 March 2010: 50.0 pence per Ordinary share) plus the Net Asset Value at those dates as calculated per note 6.

8. Directors

The directors of the Company are: Mrs H Sinclair, Mr CWER Buchan and Mr PS Cammerman.

9. Other information

Copies of the interim report can be obtained from the Company's registered office: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ or from the Fund Manager's website: www.yfm.co.uk.

For further information please contact:

**David Hall
Jeff Keating**

**YFM Private Equity
Singer Capital Markets**

**Tel: 0161 832 7603
Tel: 0203 205 7500**

BRITISH SMALLER TECHNOLOGY COMPANIES VCT 2 PLC (“the Company”)

APPOINTMENT OF DIRECTOR

The Board is pleased to announce that Mr Peter Charles Waller is to be appointed a non-executive director of the Company with effect from 1 October 2010. Mr Waller is also currently a non-executive director and Chairman of Corero plc and was previously a director of Biotrace International plc (resigning in March 2007).

Mr Waller’s appointment follows the resignation of Mr P S Cammerman as a director on 22 September 2010. The changes to the Board’s composition are in response to the new Listing Rules with regard to the independence of directors.

No further information is required to be disclosed pursuant to LR 9.6.13R

1 October 2010

For further information please contact:

David Hall YFM Private Equity Limited Tel: 0161 832 7603

Jeff Keating Singer Capital Markets Limited Tel: 0203 205 7500

BRITISH SMALLER COMPANIES VCT PLC

Annual General Meeting to be held on 21 September 2010

Note of Proxies Received

ORDINARY RESOLUTIONS

Resolution 1 – To receive the Directors' Report and Accounts

In order to comply with the Combined Code, for your information, the proxy votes received on this resolution were 5,679,772 in favour, 5,257 against, 159,060 at the Chairman's discretion and none withheld.

Resolution 2 – To approve a final dividend

In order to comply with the Combined Code, for your information, the proxy votes received on this resolution were 5,679,993 in favour, 5,036 against, 159,060 at the Chairman's discretion and none withheld.

Resolution 3 – To approve the Directors' Remuneration Report

In order to comply with the Combined Code, for your information, the proxy votes received on this resolution were 4,823,291 in favour, 304,280 against, 185,264 at the Chairman's discretion and 531,254 withheld.

Resolution 4 – To re-elect as a Director P S Cammerman

In order to comply with the Combined Code, for your information, the proxy votes received on this resolution were 5,531,162 in favour, 83,535 against, 159,060 at the Chairman's discretion and 70,332 withheld.

Resolution 5 – To appoint Grant Thornton UK LLP as auditors

In order to comply with the Combined Code, for your information, the proxy votes received on this resolution were 5,609,287 in favour, 20,549 against, 167,922 at the Chairman's discretion and 46,331 withheld.

SPECIAL BUSINESS

Special Resolution

Special Resolution 1 – To authorise the Company to make purchases of its own shares

In order to comply with the Combined Code, for your information, the proxy votes received on this resolution were 4,754,431 in favour, 481,367 against, 592,342 at the Chairman's discretion and 15,949 withheld.

Note: The 'Vote Withheld' option is provided to enable shareholders to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

BRITISH SMALLER COMPANIES VCT PLC

ALLOTMENT OF SHARES

British Smaller Companies VCT plc (“the Company”) announces that on 28 September 2010 it allotted 166,512 Ordinary shares of 10 pence each (“Ordinary Shares”) to shareholders of the Company at a price of 85.64 pence per share pursuant to its dividend reinvestment scheme (“the Scheme”). The number of shares allotted was calculated by reference to the net assets of the Company as at 31 March 2010 less total dividends declared being the special dividend of 1.25 pence per share (in respect of which the Scheme was dis-applied) and the final dividend of 3.0 pence per share.

Following such allotment the Company’s issued share capital consists of 32,687,004 Ordinary shares with voting rights (“Voting Capital”) and 1,642,837 shares held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FSA’s Disclosure and Transparency Rules.

28 September 2010

For further information, please contact:

David Hall YFM Private Equity Limited Tel: 0161 832 7603

Jeff Keating Singer Capital Markets Tel: 0203 205 7500

END

BRITISH SMALLER COMPANIES VCT PLC ("the Company")

CHANGES TO THE BOARD OF DIRECTORS

ANNUAL GENERAL MEETING

Resignation of Directors

The Board announces that Mr Robert Martin Pettigrew and Mr Richard Last resigned as non-executive directors of the Company with effect from 21 September 2010.

Appointment of New Director

As previously announced Mr Charles Walter Edward Ralph Buchan takes up his appointment as a non-executive Director effective from 22 September 2010. Mr Buchan is also a Director of Downing Absolute Income VCT 1 plc.

The changes to the Board's composition are in response to the new Listing Rules with regard to the independence of directors.

Annual General Meeting

The Board further announces that at the Annual General Meeting of the Company held on 21 September 2010 all resolutions proposed at the Meeting were duly passed.

For further information please contact:

David Hall	YFM Private Equity Limited	Tel: 0161 832 7603
Jeff Keating	Singer Capital Markets Limited	Tel: 0203 205 7500

British Smaller Companies VCT plc (“the Company”)

Purchase of Own Securities and Total Voting Rights

The Company announces that on 3 September 2010 it purchased 260,000 Ordinary Shares of 10 pence each at a price of 78.0 pence per share. These shares will be held in Treasury.

If these shares had been purchased prior to the quarter ended 30 June 2010, and on the assumption that there were no other alterations, the Net asset Value per Ordinary Share of the Company at that date would have increased from 96.0 pence to 96.2 pence per Ordinary Share.

The Company's issued share capital now consists of 32,520,492 Ordinary Shares with voting rights. In addition, the Company holds 1,642,837 shares in Treasury.

The above figure may be used by Shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FSA's Disclosure and Transparency Rules.

7 September 2010

For further information, please contact:

David Hall YFM Private Equity Limited
Jeff Keating Singer Capital Markets

Tel: 0161 832 7603
Tel: 0203 205 7500

BRITISH SMALLER COMPANIES VCT PLC (“the Company”)

**APPOINTMENT OF NEW DIRECTOR AND ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2010**

Appointment of new director

The Board is pleased to announce the appointment of Mr Edward Buchan as a director of the Company. Mr Buchan, who is also a Director of Downing Absolute Income VCT 1 plc, takes up his appointment with effect from 22 September 2010.

Annual report and accounts for the year ended 31 March 2010

Further to the Annual Report Announcement on 24 June 2010 the Company has published its Annual Report and Accounts for the year ended 31 March 2010 (“Annual Report and Accounts”).

Copies of the Annual Report and Accounts have been forwarded to the FSA for publication through the document viewing facility in accordance with LR 9.6.1.

Copies of the Annual Report and Accounts can be obtained from the Company Secretary at the Company’s Registered Office address: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ.

The Annual Report and Accounts are also available at www.yfmprivateequity.co.uk.

For further information, please contact:

David Hall
Jeff Keating

YFM Private Equity Limited
Singer Capital Markets

Tel: 0161 832 7603
Tel: 0203 205 7500

BRITISH SMALLER COMPANIES VCT PLC (“the Company”)

INTERIM MANAGEMENT STATEMENT

For the quarter ended 30 June 2010

British Smaller Companies VCT plc presents its interim management statement for the quarter ended 30 June 2010. This constitutes the Company’s first interim management statement for the financial year ending 31 March 2011, as required by the UK Listing Authority’s Disclosure and Transparency Rule 4.3. A copy of this interim management statement can be found at www.yfmprivateequity.co.uk.

The unaudited Net Asset Value per Ordinary share as at 30 June 2010 was 96.0p (31 March 2010: 94.4p). The Net Asset Value is stated before taking account of the final dividend of 3.0p per Ordinary share in respect of the period ended 31 March 2010 and the special dividend of 1.25p per share in respect of the disposal of Sheet Piling (UK) Limited.

The Total Return at 30 June 2010, calculated by reference to the Net Asset Value per Ordinary share and the cumulative dividends paid, was 146.0p per share compared to 144.4p at 31 March 2010.

The number of Ordinary shares in issue at 30 June 2010 was 32,780,492. In addition, the Company held 1,382,837 shares in Treasury.

During the quarter 2,048,298 Ordinary shares were issued to Shareholders of the Company at a price of 97.25p per share pursuant to its Offers for Subscription document, raising an aggregate of £1,834,442 after expenses. During the quarter no shares were re-purchased by the Company.

Net assets at 30 June 2010 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	14,754	46.9%
Quoted investment at bid price	3,159	10.0%
Total venture capital investments	17,913	56.9%
Fixed income securities	10,673	33.9%
Total investments	28,586	90.8%
Cash and cash equivalents	2,632	8.4%
Other net current assets	267	0.8%
Net assets	31,485	100.0%

The ten largest investments by valuation at 30 June 2010 were as follows:

	£000	% of net assets
GO Outdoors Limited	5,676	18.0%
Waterfall Services Limited	1,857	5.9%
Deep-Secure Limited	1,000	3.2%
Adex Bridge Investments Limited	1,000	3.2%
4G Capital Limited	1,000	3.2%
North Western Investments Limited	1,000	3.2%
Fishawack Limited	875	2.8%
Lightmain Company Limited	600	1.9%
Hargreaves Services plc	524	1.6%
Mattioli Woods plc	506	1.6%
Top ten investments	14,038	44.6%
Other investments	3,875	12.3%
Total venture capital investments	17,913	56.9%

Investment Portfolio

During the three months ended 30 June 2010 two further investments were made into unquoted portfolio businesses. There was £0.16 million invested into Fishawack Limited to support its acquisition of Alpha-Plus Medical Communications Limited. In addition £0.05 million of working capital was invested into Ellfin Home Care Limited alongside funding from the other institutional shareholders.

Quoted investments are carried at bid price with a discount applied where appropriate. Unquoted investments are carried at fair value as determined by the directors.

Portfolio Announcement

Further to the announcement that was made on 1 March 2010 regarding a number of indicative proposals that had been received by a portfolio company to purchase part of its share capital none of these negotiations have proceeded to completion.

Performance

During the quarter the increase in Net Asset Value per share was 1.6p with the principle movement due to an underlying increase in the investment portfolio of 1.4p per share, with the balance resulting from profits and the impact of the recent fund raising. The Total Return, calculated by reference to the Net Asset Value plus cumulative dividends paid, has increased to 146.0p per share, cumulative dividends representing 50.0p per share.

The Net Asset Value currently comprises 8.4% in cash and cash equivalents and 33.9% in government and other similar fixed interest securities. In the short term the Company is well placed to take advantage of selective investment opportunities as they arise.

Since 30 June 2010 there has been an announcement by one of the quoted investments, Connaught plc, that has adversely impacted its value. In isolation the impact on British Smaller Companies VCT plc would be to reduce the Net Asset Value at 30 June 2010 by 0.8 pence per share.

Dividend Re-investment scheme

The Company operates a dividend re-investment scheme which will apply to the final dividend referred to above and which, as previously announced, is being dis-applied in respect of the Special Dividend.

Fundraising

The Company's fundraising offers were fully subscribed raising £1.83 million after expenses.

Outlook

Although economic uncertainty remains, the investment portfolio has continued to be resilient. We have noted an increase in the number of businesses seeking funds for expansion and your Company is well placed to take advantage with several new investment opportunities under review.

19 August 2010

For further information please contact:

David Hall YFM Private Equity
Jeff Keating Singer Capital Markets

Tel: 0161 832 7603
Tel: 0203 205 7500

BRITISH SMALLER COMPANIES VCT PLC ANNOUNCEMENTS

ANNUAL FINANCIAL REPORT ANNOUNCEMENT FOR THE YEAR TO 31 MARCH 2010, PORTFOLIO ANNOUNCEMENT AND ALLOTMENT OF SHARES

British Smaller Companies VCT plc ("the Company") today announces its audited results for the year to 31 March 2010.

CHAIRMAN'S STATEMENT

I am pleased to present to Shareholders the Annual Report of the Company for the year ended 31 March 2010.

Your Company recorded a good performance with an overall increase in Net Asset Value to 94.4 pence per share from 85.7 pence per share at 31 March 2009. Total return (Net Asset Value plus cumulative dividends) rose to 144.4 pence per share from 130.7 pence per share at 31 March 2009. This represents an increase of 10.5% over the twelve month period to 31 March 2010 which compares to growth in the FTSE SmallCap® Index of 64.3% and the FTSE AIM All-Share® Index of 70.4% over the same interval.

However it should be noted that the quoted markets have had a prolonged period of turmoil, with some very large swings in indices over the period. If the two-year period from 31 March 2008 is considered the Company's total return has increased by 1.6%, whereas the FTSE AIM All-Share® Index and the FTSE SmallCap® Index have dropped by 26.7% and 5.5% respectively.

Growth was achieved despite the challenges arising from the difficult economic environment prevailing in the UK and Europe. Notwithstanding the continuing uncertainty, there has been an upturn in performance for some businesses, with quoted multiples improving and your Fund Manager reporting an increase in new investment activity.

Dividends paid in the year amounted to 5.0 pence per share (including a 2.0 pence interim dividend) compared to 5.0 pence per share to March 2009. Your Board is recommending that the level of dividends be maintained, and proposes a final dividend of 3.0 pence per share in respect of the year to March 2010. If approved, this dividend will be paid on 28 September 2010 to Shareholders on the register at 3 September 2010. The final dividend has not been recognised in the accounts under IFRS as the contractual obligation did not exist at the balance sheet date.

In addition a special dividend of 1.25 pence per share is to be paid to Shareholders on the register at 3 September 2010 following the profit generated from the sale of the Company's shares in Sheet Piling (UK) Limited. As this is a Special Dividend the dividend re-investment scheme is being dis-applied to this dividend payment.

Investment Portfolio

During the year the Company disposed of investments generating proceeds of £1.49 million, the most significant being in Sheet Piling (UK) Limited which generated proceeds of £1.29 million. Since the Company's original investment in 2001, Sheet Piling had grown to become one of the UK market leaders in the driven steel piling sector. The sale of the company's shares back to management results in an uplift over March 2009 value of £0.54 million (1.8 pence per share) and a total return over the life of the investment equivalent to 3.7x the original investment cost of £0.50 million.

This year has also seen further progress made by a number of portfolio companies. A follow-on investment of £0.12 million was made into Fishawack in December 2009 as part of a £0.60 million funding round to support the acquisition of its US partner. Five new investments totalling £4.60 million have also been made since December. These include a £1.00 million investment into the £3.5 million buyout of Deep-Secure Limited which provides advanced IT security solutions for defence and governmental bodies around the world and a £0.60 million investment in the management buyout of Lightmain, a manufacturer of playground equipment managed by a team we have known for some years.

The Company invested £1.00 million in North Western Investments Limited, backing a successful turnaround manager to acquire underperforming businesses in North West England. An investment of

£1.00 million into 4G Capital Limited was made supporting a proven entrepreneur to acquire companies moving into new areas of web based software. Finally an investment of £1.00 million was made into Adex Bridge Investments Limited to back a highly experienced manager to invest in underperforming and turnaround situations particularly in the Midlands area.

A strong unrealised gain was also seen from the portfolio of £3.83 million (2009: a loss of £4.16 million), which comprises a gain of £3.24 million derived from unquoted investments and a gain of £0.59 million from quoted investments. The biggest single increase by some margin was from Go Outdoors (£3.32 million) where significant progress has been made in rolling out new stores with historic stores contributing to strong profit growth.

The portfolio also generated income during the year of £0.47 million (2009: £0.38 million) in the form of interest and dividend payments, resulting in a total portfolio return for the year before administrative fees of £4.79 million (2009: loss of £3.64 million).

Financial Results

The result for the financial year ended 31 March 2010 was a pre-tax profit of £4.2 million which comprised profits in respect of capital and revenue of £3.6 million and £0.6 million respectively, as compared to pre-tax loss of £3.27 million in 2009 (which comprised a capital loss of £3.94 million and a revenue profit of £0.68 million).

The pre-tax profit for the year has been impacted by the apparent increase in administrative expenses from £0.80 million to £0.90 million. However the 2009 figures benefited from a one-off VAT recovery of £0.27 million. Excluding this underlying costs were £1.07 million in 2009 which compares with £0.90 million to 2010.

The movement in Net Asset Value in the year has been:

	Pence/ share
31 March 2009	85.7
Dividends paid in year	(5.0)
Net increase in value	13.7
<u>31 March 2010</u>	<u>94.4</u>

Cash and gilt investments at the end of the year amounted to £11.56 million (representing 39.9% of Net Asset Value). A further £1.94 million was received after the year end in respect of the successful fundraising Offers noted below. Your Board notes the recent increase in the rate of investment but nonetheless considers that in the short term this is sufficient to take advantage of selective new investment opportunities and support the current portfolio with a view to maximising value.

Shareholder Communications and Fundraising

Shareholders will be aware that, on 4 March 2010, your Board published proposals offering existing investors the opportunity to subscribe for up to 2,050,000 million new Ordinary shares in the Company at an offer price of 97.25 pence per share. These proposals were by way of two Offers closing on 5 April 2010 and 30 April 2010 respectively. I am delighted to report that the Offers were fully subscribed and raised a total of £1.94 million before expenses and £1.83 million after expenses.

Your Board continues to run Shareholder workshops where investors are invited to meet members of the Board, representatives from YFM Private Equity Limited, the Company's Fund Manager, and the CEOs of one or more of our investee companies. We were delighted to welcome over 100 Shareholders to the most recent workshop held in February 2010 at the Natural History Museum. Your Board remains committed to these events which we believe are useful in increasing the knowledge of the Company's activities for Shareholders.

The Board also remains committed to the objective of achieving a consistent dividend stream. This policy has been continued with your Board proposing that a final dividend of 3.0 pence per share will be paid on 28 September 2010 to Shareholders on the register as at 3 September 2010. A special dividend of 1.25 pence per share in relation to the disposal of Sheet Piling will be paid to Shareholders on the same date.

The Company purchased a total of 331,882 shares during the year at an average price of 73.6 pence per share (2009: 298,153 at an average price of 89.0 pence per share). The existing buy-back authority which currently expires on the 21 September 2010 is proposed to be extended until the date of the 2011 Annual General Meeting or fifteen months, whichever is the earlier. A resolution to this effect will be proposed at the Company's AGM on 21 September 2010.

Furthermore the Company issued 244,184 shares at an average price of 81.0 pence per share pursuant to its dividend reinvestment scheme.

The Annual General Meeting of the Company will be held at 11:30 am on 21 September 2010 at 33 St James Square, London, SW1Y 4JS.

Other matters

Your Board continues to monitor regulatory developments, in particular the proposed EU regulation in respect of the management of Alternative Investment Funds. These proposals remain in draft form but are in an advanced stage of finalisation at EU level. Your Company continues to support the activities of the Association of Investment Companies (AIC) in its consideration and review of these proposals.

As reported last year the Board composition has been reviewed in relation to new requirements of the Listing Rules (effective from September 2010) which restricts the number of Directors who may sit on more than one Board managed by the same Fund Manager. In the light of these changes Richard Last and Robert Pettigrew will be resigning from the Board at the AGM on 21 September 2010. I would like to record my thanks to them for their very significant contribution over many years. Further changes to the Board will be announced in due course.

In September 2009 The International Private Equity and Venture Capital Valuation Board issued revised guidelines on the valuation of unquoted investments in order to promote consistency with established and emerging International Financial Reporting Standards. These have been adopted by the Company in the current year and the Board has reviewed the methodologies applied in reaching appropriate valuations. Determining the value of an unquoted company requires information on earning multiples for comparable quoted companies and sectors, suitably adjusted for differences between the comparator company and the company being valued. Some other investments are valued at the price of recent investment, reviewed for impairment. Quoted investments continue to be valued at bid price.

Outlook

The portfolio has endured challenging economic conditions during the year with many actions being taken to improve efficiency and enhance sales propositions. Moreover, the strong individual performance of a small number of investments has resulted in another good overall return. Some of our investee companies are focused on acquisitions and the Company will continue to support value growth opportunities.

In the light of the outcome of the General Election of 6 May there is still uncertainty regarding economic growth and the speed with which the United Kingdom will fully emerge from recession. Notwithstanding this, the Board believes that, with an investment strategy focused on medium to longer term capital growth, that the upcoming period should present a number of good investment opportunities, both for the existing portfolio businesses and for new investments. An increase in the volume and quality of new investment opportunities under consideration over recent months also supports this view.

I would like to take this opportunity to thank Shareholders for their continued support.

Helen Sinclair
Chairman
24 June 2010

PORTFOLIO ANNOUNCEMENT

Further to the announcement that was made on 1 March 2010 regarding a number of indicative proposals that had been received by a portfolio company to purchase part of its share capital the Directors confirm that whilst a number of indicative proposals were considered none proceeded to completion.

FUND MANAGER'S REVIEW

Name of Company	Date of Initial Investment	Location	Industry Sector	Original Cost	Realised proceeds to date *	Investment Valuation at 31 March 2010	Realised and Unrealised to Date
				£000	£000	£000	£000
Current Investments:							
GO Outdoors Limited	May-98	Sheffield	Consumer Products	556	460	4,835	5,295
Connaught plc	Nov-98	Sidmouth	Support Services	460	943	786	1,729
Waterfall Services Limited	Feb-07	Warrington	Support Services	1,000	-	1,617	1,617
Deep-Secure Ltd	Dec-09	Reading	Software	1,000	-	1,000	1,000
Adex Bridge Investments Limited	Mar-10	Midlands	Turnaround	1,000	-	1,000	1,000
4G Capital Limited	Mar-10	North-West	Software	1,000	-	1,000	1,000
North Western Investments Limited	Feb-10	North-West	Turnaround	1,000	-	1,000	1,000
Fishawack Limited	Jan-08	Knutsford	Communications	618	-	709	709
Hargreaves Services plc	Dec-07	Durham	Industrial	469	-	614	614
Lightmain Company Limited	Mar-10	Rotherham	Manufacturing	600	-	600	600
Pressure Technologies plc	Jun-07	Sheffield	Industrial	425	-	579	579
Mattioli Woods plc	Nov-05	Leicester	Support Services	326	-	555	555
RMS Group Holdings Limited	Jul-07	Goole	Industrial	1,050	60	383	443
Harvey Jones Holdings Limited	May-07	London	Manufacture	777	-	417	417
Primal Pictures Limited	Mar-01	London	Healthcare	500	62	345	407
K3 Business Technology Group plc	Apr-08	Colne	Software	402	-	378	378
Straight plc	Feb-04	Leeds	Industrial	341	64	286	350
Payzone plc	Jun-02	Dublin	Consumer Products	318	311	-	311
Denison Mayes Group Limited	Aug-98	Leeds	Industrial	700	275	25	300
Tikit Group plc	Jun-01	London	Software	226	-	290	290
Elfin Home Care Limited	Dec-07	Oldham	Healthcare	769	-	211	211
Freshroast Coffee Co. Limited	Jul-96	Elland	Consumer Products	160	166	30	196
Patsystems plc	Oct-07	London	Software	222	-	185	185
Brulines plc	Oct-06	Stockton-on-Tees	Software	163	-	165	165
Darwin Rhodes Group Limited	Apr-08	London	Recruitment	444	-	105	105
Harris Hill Holdings Limited	Jun-07	Kingston-upon-Thames	Recruitment	600	-	100	100
Belgravium Technologies plc	Oct-05	Bradford	Software	200	-	41	41
Hexagon Human Capital plc	Feb-07	London	Support Services	200	-	-	-
Cambridge Cognition Limited	May-02	Cambridge	Software	325	-	-	-
				15,851	2,341	17,256	19,597
Full realisations since March 2002				10,132	14,956	-	14,956
Full realisations prior to March 2002				6,394	3,246	-	3,246
Total realised and unrealised to date				32,377	20,543	17,256	37,799

* Proceeds include premium and profits on loan repayments and preference redemptions

In spite of difficult market conditions, this year has seen strong progress made by several portfolio businesses and realisations at values in excess of the carrying value.

GO Outdoors has continued its store roll out programme, now having twenty-three stores across the UK and capitalising on weak property markets to secure good lease terms on new facilities. Other progress includes growth in both the education and care home divisions of Waterfall Services and a repositioning of Primal Pictures as a provider of education materials rather than a reference source.

A further investment was made into Fishawack to support the acquisition of its US partner as part of the strategy to build a diversified international business. The new investment into Deep-Secure enabled us to back a strong team who we have worked with before in a sector which should now see significant growth. Lightmain has a stable profit stream, with growth plans underpinned by orders from a charitable trust. The Company also made three other investments (Adex Bridge Investments, 4G Capital and North Western Investments) where the management teams have also been known to the Fund Manager.

The sale of the Company's holding in Sheet Piling during the year enabled the Company to achieve a good profit over cost and carrying value.

Cash and gilt investments at 31 March 2010 were £11.56 million representing 39.9% of net assets. This compares to £16.15 million and 61.2% at 31 March 2009. A further £1.94 million was received after the year end in respect of the successful fundraising Offers providing additional liquidity and the Company remains in a strong cash position to meet anticipated future investment opportunities and pay dividends in the year ahead.

Investment Activity

During the year investments were made in six companies.

	£000
<i>Follow-on Investments</i>	
Fishawack Limited	<u>118</u>
<i>New Investments</i>	
Deep-Secure Limited	1,000
Adex Bridge Investments Limited	1,000
4G Capital Limited	1,000
North Western Investments	1,000
Lightmain Company Limited	600
Total	<u>4,718</u>

Although it has been difficult to find good opportunities to invest during 2009, there are encouraging signs that this position is improving with Deep-Secure and Fishawack completing in December and the remaining four investments since the New Year.

It is encouraging that there has not been a significant need for further funding into the portfolio during the economic downturn. We will continue to invest into the portfolio where we see good opportunities for value growth, either via the provision of working capital, funding portfolio businesses to make acquisitions or enabling a restructuring of existing stakeholders.

Realisations

In March 2010, the Company realised its entire holding in Sheet Piling (UK) Limited. This deal generated proceeds to the Company of £1.29 million, an uplift over carrying value at 31 March 2009 of £0.54 million and over original cost of £1.18 million. This equates to an IRR of 20.18% and a cash multiple of 3.7x over the nine year life of this investment.

In December 2009, the Company sold its remaining investment in Images at Work Limited for £0.05 million to a trade buyer prepared to fund essential working capital requirements, crystallising a loss of £0.08 million compared to the carrying value at 31 March 2009.

In March 2010 a £0.50 million payment was made by Primal Pictures Limited from its growing surplus cash balance to partially redeem institutional preference shares and associated redemption premiums, of which the Company received £0.06 million.

Portfolio Performance

Whilst this year has undoubtedly produced a number of challenges in terms of trading, the portfolio as a whole has generally proved resilient. There is limited financial gearing across the portfolio businesses and in the main businesses are well funded going into the year ahead. We have seen some progress through increases in earnings from a number of investments in spite of the global recession. In a number of cases there has been pressure on profitability which has currently reduced valuations. However should these investments continue to be resilient profitability levels could well recover in line with economic conditions.

There has been an overall increase in the value of the quoted and unquoted portfolio of £3.83 million and adding the realised gains of £0.49 million this is equivalent to 44.5% of the opening value of the opening portfolio value at 31 March 2009.

This valuation gain is split between the quoted and unquoted portfolio as follows:

	£000	%
<i>Unquoted</i>	3,242	59.8
<i>Quoted</i>	587	18.2

By far the biggest valuation movement in the year was due to GO Outdoors, where growth of £3.32 million was experienced. Waterfall Services Limited also saw value growth of £0.35 million. However

these gains were partially offset by a value fall of £0.61 million on Ellfin Home Care Limited where actions are being taken to reverse the underperformance versus original plans. The quoted portfolio benefited from an improvement in market confidence with growth of £0.25 million from Hargreaves Services plc, £0.20 million from K3 Business Technology Group plc and £0.16 million from Straight plc only partially offset by a drop of £0.18 million from Connaught plc.

In accordance with IFRS 7 a sensitivity analysis has been undertaken on the assumptions used to value investments in unquoted companies. This indicated that a 10% decrease in the discounts applied would have increased the net assets attributable to the Company's Shareholders and the total profit for the year by £1,110,000. An equal change in the opposite direction would have decreased net assets attributable to the Company's Shareholders and the total profit for the year by £1,110,000.

Summary and Outlook

The year under review has seen challenging market conditions for the entire portfolio. We have been actively supporting the investee companies through these challenges and are pleased to still show a strong level of value growth and profit on disposals during the year.

The Company's cash reserves remain strong and we are optimistic that the coming year will see improving market conditions for the portfolio as well as generating some good opportunities for new investment. The Company remains well placed to meet the upcoming investment needs and maximise opportunities which arise.

David Hall
YFM Private Equity Limited
24 June 2010

PRINCIPAL RISKS, RISK MANAGEMENT AND REGULATORY ENVIRONMENT

The Board believes that the principal risks faced by the Company are:

Investment and strategic – quality of enquiries, investments, investee company management teams and monitoring, the risk of not identifying investee underperformance might lead to under performance and poor returns to Shareholders.

Loss of approval as a Venture Capital Trust - The Company must comply with Chapter 3 part 6 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying Shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains. As such one of the key performance indicators monitored by the Company is the compliance with legislative tests. See below for more detail.

Regulatory – the Company is required to comply with the Companies Acts, the rules of the UK Listing Authority, International Financial Reporting Standards and the Statement of Recommended Practice. Breach of any of these regulatory rules might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Reputational – inadequate or failed controls might result in breaches of regulations or loss of Shareholder trust.

Operational – failure of the Fund Manager's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.

Financial – inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.

Market Risk – Lack of liquidity in both the venture capital and public markets. Investment in AiM-traded and unquoted companies, by their nature, involve a higher degree of risk than investment in companies trading on the main market. 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. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

Liquidity Risk – The Company's investments may be difficult to realise. The fact that a share is traded on AiM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable.

The Board seeks to mitigate the internal risks by setting policy, regular review of performance and monitoring progress and compliance. The key performance indicators measure the Company's performance and its compliance with legislative tests. In the mitigation and management of these risks, the Board rigorously applies the principles detailed in *Financial Reporting Council - Revised Internal Control: Guidance for Directors on the Combined Code*.

RESPONSIBILITY STATEMENTS OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

The Annual Report and Accounts contains the following statements regarding responsibility for the management report and financial statements included in the Annual Report and Accounts from which the information in this Announcement has been extracted (references in the following statements are to sections of the Annual Report and Accounts).

The directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the business review included within the Chairman's Statement, Fund Manager's Review and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

Approved by the Board on 24 June 2010 and signed on its behalf by:

Helen Sinclair
Chairman

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010			2009		
		Revenue	Capital	Total	Revenue	Capital	Total
		£000	£000	£000	£000	£000	£000
Gain on disposal of investments		-	357	357	-	110	110
Gains (losses) on investments held at fair value		-	3,606	3,606	-	(3,748)	(3,748)
Income	2	1,129	-	1,129	1,173	-	1,173
Administrative expenses:							
Fund management fee		(136)	(407)	(543)	(164)	(494)	(658)
VAT recovery		-	-	-	83	189	272
Other expenses		(347)	-	(347)	(415)	-	(415)
		(483)	(407)	(890)	(496)	(305)	(801)
Profit (loss) before taxation		646	3,556	4,202	677	(3,943)	(3,266)
Taxation	3	(100)	100	-	(121)	121	-
Profit (loss) for the year attributable to equity Shareholders		546	3,656	4,202	556	(3,822)	(3,266)
Total Comprehensive Income for the year attributable to equity Shareholders		546	3,656	4,202	556	(3,822)	(3,266)
Basic and diluted earnings (loss) per share	5	1.77p	11.88p	13.65p	1.81p	(12.43)p	(10.62)p

BALANCE SHEET AT 31 MARCH 2010

		2010	2009
	Notes	£000	£000
Assets			
Non-current assets			
Investments		17,256	9,706
Fixed income government securities		9,740	12,455
Financial assets at fair value through profit or loss		<u>26,996</u>	<u>22,161</u>
Current assets			
Trade and other receivables		319	672
Fundraising amounts not yet received		1,736	-
Cash and cash equivalents		<u>1,820</u>	<u>3,697</u>
		3,875	4,369
Liabilities			
Current liabilities			
Trade and other payables		(237)	(130)
Fundraising accrual (net)	9	<u>(1,626)</u>	-
Net current assets		<u>2,012</u>	<u>4,239</u>
Net assets		<u>29,008</u>	<u>26,400</u>
Shareholders' equity			
Share capital		3,212	3,187
Share premium account		15,398	15,236
Capital redemption reserve		221	221
Treasury share reserve		(1,175)	(931)
Capital reserve		93	-
Valuation gains (losses)		1,558	(1,389)
Special reserve		2,408	2,408
Retained earnings		<u>7,293</u>	<u>7,668</u>
Total Shareholders' equity		<u>29,008</u>	<u>26,400</u>
Basic and diluted net asset value per Ordinary share	6	<u>94.4p</u>	<u>85.7p</u>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Treasury share Reserve £000	Capital reserve £000	Investment holding gains and (losses) £000	Special reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2008	2,642	10,502	221	(666)	847	2,543	2,408	7,701	26,198
<i>Revenue return for the year</i>	-	-	-	-	-	-	-	556	556
<i>Capital expenses</i>	-	-	-	-	(184)	-	-	-	(184)
<i>Loss on investments held at fair value</i>	-	-	-	-	-	(3,748)	-	-	(3,748)
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	184	(184)	-	-	-
<i>Gain on disposal of investments in the year</i>	-	-	-	-	110	-	-	-	110
Total comprehensive income for the year	-	-	-	-	110	(3,932)	-	556	(3,266)
Dividends	-	-	-	-	(957)	-	-	(589)	(1,546)
Purchase of own shares	-	-	-	(265)	-	-	-	-	(265)
Issue of Ordinary share capital	538	4,979	-	-	-	-	-	-	5,517
Issue of share capital on DRIS*	7	53	-	-	-	-	-	-	60
Issue costs of Ordinary shares	-	(298)	-	-	-	-	-	-	(298)
Balance at 31 March 2009	3,187	15,236	221	(931)	-	(1,389)	2,408	7,668	26,400
<i>Revenue return for the year</i>	-	-	-	-	-	-	-	546	546
<i>Capital expenses</i>	-	-	-	-	(307)	-	-	-	(307)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	3,606	-	-	3,606
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	659	(659)	-	-	-
<i>Gain on disposal of investments in the year</i>	-	-	-	-	357	-	-	-	357
Total comprehensive income for the year	-	-	-	-	709	2,947	-	546	4,202
Dividends	-	-	-	-	(616)	-	-	(921)	(1,537)
Purchase of own shares	-	-	-	(244)	-	-	-	-	(244)
Issue of share capital on DRIS*	25	162	-	-	-	-	-	-	187
Balance at 31 March 2010	3,212	15,398	221	(1,175)	93	1,558	2,408	7,293	29,008

* DRIS being the dividend reinvestment scheme.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	2010	2009
Notes	£000	£000
Net cash inflow from operating activities	654	166
Cash flows used in investing activities		
Purchase of financial assets at fair value through profit or loss	(6,389)	(6,714)
Proceeds from sale of financial assets at fair value through profit or loss	5,517	6,148
Net cash used in investing activities	(872)	(566)
Cash flows from financing activities		
Issue of Ordinary shares	-	5,436
Cost of Ordinary share issue	(76)	(244)
Purchase of own Ordinary shares	(244)	(339)
Dividends paid	(1,339)	(1,486)
Net cash (used in) from financing activities	(1,659)	3,367
Net (decrease) increase in cash and cash equivalents	(1,877)	2,967
Cash and cash equivalents at the beginning of the year	3,697	730
Cash and cash equivalents at the end of the year	1,820	3,697

RECONCILIATION OF PROFIT (LOSS) BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010	2009
	£000	£000
Profit (loss) before tax	4,202	(3,266)
Increase in prepayments and accrued income	(1,382)	(276)
Increase in accruals and other creditors	1,797	70
Profit on realisation of investments in the year	(357)	(110)
Revaluation of investments in the year	(3,606)	3,748
Net cash inflow from operating activities	654	166

NOTES

1. Basis of Accounting

This announcement of the annual results of the Company for the year ended 31 March 2010 has been prepared using accounting policies consistent with those adopted in the full audited financial statements which have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements have been prepared under the historical cost convention as modified by the measurement of investments and quoted Government Securities at fair value through profit or loss.

In addition where guidance set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009 (SORP) is consistent with the requirements of IFRSs, the financial statements have been prepared in compliance with the recommendations of the SORP.

Segmental reporting has been determined by the directors based upon the reports reviewed by the Board. The directors are of the opinion that the Company has engaged in a single operating segment - investing in equity and debt securities within the United Kingdom - and therefore no reportable segmental analysis is provided.

2. Income

	2010	2009
	£000	£000
Income from investments:		
Dividends from unquoted companies	78	24
Dividends from AiM quoted companies	94	77
	172	101
Interest on loans to unquoted companies	295	274
Fixed interest Government securities	609	748
Income from investments held at fair value through profit or loss	1,076	1,123
Interest on VAT recovered in 2009	16	-
Interest on deposits	37	50
	1,129	1,173

3. Taxation

	2010			2009		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Profit (loss) before taxation	646	3,556	4,202	677	(3,943)	(3,266)
Profit (loss) before taxation multiplied by standard small company rate of corporation tax in UK of 21% (2009: 21%)	136	746	882	142	(828)	(686)
Effect of:						
UK dividends received	(36)	-	(36)	(21)	-	(21)
Non taxable (profits) losses on investments	-	(832)	(832)	-	764	764
Excess management expenses	-	(14)	(14)	-	(57)	(57)
Tax charge (credit)	100	(100)	-	121	(121)	-

The Company has no provided or unprovided deferred tax liability in either year.

Deductible temporary differences for which no deferred tax asset has been recognised amount to £270,000 calculated at 21% (2009: £284,000 calculated at 21%) in respect of unrelieved management expenses. These have not been recognised as management do not currently believe that it is probable that sufficient taxable profits will be available against which the assets can be recovered.

Due to the Company's status as a venture capital trust, and the continued intention to meet the conditions required to comply with the Chapter 3 part 6 of the Income Tax Act 2007, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

4. Dividends

	2010			2009		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Interim dividend for the year ended 31 March 2010 – 2.0p per Ordinary share; paid 7 January 2010 (2009: 2.0p per Ordinary share)	-	616	616	-	615	615
Final dividend for the year ended 31 March 2009 – 3.0p per Ordinary share; paid 13 August 2009 (2008: 3.0p per Ordinary share)	921	-	921	589	342	931
	921	616	1,537	589	957	1,546

The interim dividend of 2.0p per share was declared on 20 November 2009 and paid on 7 January 2010 to Shareholders on the register at 4 December 2009.

A final dividend of 3.0p per share in respect of the year to 31 March 2010, amounting to £983,000, is proposed. This has not been recognised in the year ended 31 March 2010 as the obligation did not exist at the balance sheet date. If approved, this dividend will be paid on 28 September 2010 to Shareholders on the register at 3 September 2010 (the record date) and accordingly the ex-dividend date will be 1 September 2010.

A special dividend of 1.25 p per share is to be paid on 28 September 2010 to Shareholders following the profit generated from the sale of Sheet Piling (UK) Limited in March 2010.

5. Basic and Diluted) Earnings (Loss per Ordinary Share and Movements in Share capital

The basic and diluted earnings (loss) per Ordinary share is based on the profit after tax attributable to equity Shareholders of £4,202,000 (2009: £3,266,000 loss) and 30,774,418 (2009: 30,760,716) shares, being the weighted average number of shares in issue during the year.

The basic and diluted revenue return per Ordinary share is based on the revenue profit for the year attributable to equity Shareholders after tax of £546,000 (2009: £556,000) and 30,774,418 (2009: 30,760,716) shares being the weighted average number of shares in issue during the year.

The basic and diluted capital return per Ordinary share is based on the capital profit for the year after tax attributable to equity Shareholders of £3,656,000 (2009: £3,822,000 loss) and 30,774,418 (2009: 30,760,716) shares being the weighted average number of shares in issue during the year.

During the year the Company issued 244,184 Ordinary shares. The Company also repurchased 331,882 of its own shares, which are held in treasury.

The 1,382,837 treasury shares have been excluded in calculating the weighted average number of Ordinary shares during the year (2009: 1,050,955). The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted (loss) earnings per share are the same.

After the year end the Company issued 2,048,221 shares. If these shares had been issued on 31 March 2010 the weighted average number of shares in issue during the year would have been 30,780,030 and there would have been no change in the basic and diluted earnings per Ordinary share figures shown at the foot of the Statement of Comprehensive Income.

6. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per share is calculated on attributable assets of £29,008,000 (2009: £26,400,000) and 30,732,194 (2009: 30,819,892) shares in issue at the year end, excluding treasury shares.

The treasury shares have been excluded in calculating the number of Ordinary shares in issue at 31 March 2010. The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted net asset values per share are the same.

7. Total Return per Ordinary Share

The Total return per share is calculated on cumulative dividends paid of 50.0 pence per Ordinary share (2009: 45.0 pence per Ordinary share) plus the net asset value as calculated per note 6.

8. Related Party Transactions

The Company has not entered into any related party transactions that have had a material impact on its financial position or performance in the year to 31 March 2010. Full details of related party transactions are shown in note 17 to the Annual Report and Accounts, which can be obtained as described in note 11.

9. Events after the Balance Sheet Date

On 4 March 2010, your Board published proposals offering existing investors the opportunity to subscribe for up to 2,050,000 million new Ordinary shares in the Company at an offer price of 97.25 pence per share. The Offer in respect of 2009/10 tax year opened and closed by 31 March 2010. As the Offer had closed by the year end yet the fundraising proceeds could not be recognised as cash and cash equivalents until the shares were issued the Company has recognised the monies to be received on issue of Ordinary shares of £1,736,000 within debtors on the balance sheet while the capital to be issued of £1,626,000, being proceeds less associated fundraising costs, is reflected within creditors.

On 1 April 2010 the Company issued 1,784,967 Ordinary shares at a price of 97.25p per share in respect of the tax year 2009/10 Offer. On 6 April 2010 the Company issued a further 263,254 Ordinary shares in respect of the tax year 2010/11, again at a price of 97.25p per share. In aggregate these two issues of shares raised £1.94 million before expenses.

There have been no investments approved by the Board of Directors at 31 March 2010 that have not been reflected in the accounts (2009: one). Since the year end three further investments totalling £482,000 have been approved by the Board (2009: one) and two of these, both follow-on investments, have completed.

10. Financial Information

The financial information set out here for the year ended 31 March 2010 does not constitute full statutory financial statements as defined in section 435 of the Companies Act 2006 but has been extracted from the Company's financial statements for that period. Statutory accounts for the year ended 31 March 2010 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 21 September 2010. Those accounts were reported upon without qualification by the independent auditors and their report was reported on without qualification and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

11. Annual Report and Accounts

A copy of the Annual Report and Accounts for the year ended 31 March 2010 will shortly be available on our website at www.yfmprivateequity.co.uk. These will be distributed by post to Shareholders and will be available thereafter to members of the public from the Company's registered office.

12. Directors

The directors of the Company are: Ms H Sinclair, Mr PS Cammerman, Mr RM Pettigrew and Mr R Last.

13. Annual General Meeting

The Annual General Meeting of the Company will be held at 33 St James Square, London, SW1Y 4JS, on 21 September 2010 at 11.30am.

SHARE ALLOTMENT

British Smaller Companies VCT plc ("the Company") announces that on 22 June 2010 it allotted 77 ordinary shares of 10 pence each ("Ordinary Shares") to shareholders of the Company at a price of 97.25 pence per share.

Following such allotment the Company's issued share capital consists of 32,780,492 Ordinary shares with voting rights ("Voting Capital") and 1,382,837 shares held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FSA's Disclosure and Transparency Rules.

For further information, please contact:

David Hall
Jeff Keating

YFM Private Equity Limited
Singer Capital Markets

Tel: 0161 832 7603
Tel: 0203 205 7500

16 April 2010

British Smaller Companies VCT plc (the “Company”)

Circular to Shareholders

The Company announces that a circular (the “Circular”) was issued to shareholders on or around 4 March 2010 relating to an offer for subscription for up to 2,050,000 New Shares as defined in the Circular (subject to a maximum of £1.99 million of funds raised).

To view the Circular, please paste the URL below into the address bar of your browser.

<http://www.yfmprivateequity.co.uk/late-stage-buy-out/our-funds/british-smaller-companies/>

Copies of the Circular will shortly be available for inspection at the FSA's Document Viewing Facility, which is situated at:

Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS
Tel no: 020 7066 1000

Name of contact and telephone number for enquiries:

David Hall, YFM Private Equity Limited 0161 832 7603

Robin Smeaton, The City Partnership (UK) Limited 0131 243 7210

Jim Gervasio, Secretary to the Company 0113 290 2000

BRITISH SMALLER COMPANIES VCT PLC
ALLOTMENT OF SHARES

British Smaller Companies VCT plc (“the Company”) announces that on 6 April 2010 it allotted 263,254 ordinary shares of 10 pence each (“Ordinary Shares”) to shareholders of the Company at a price of 97.25 pence per share pursuant to its Offers for Subscription document.

Following such allotment the Company’s issued share capital consists of 32,780,415 Ordinary shares with voting rights (“Voting Capital”) and 1,382,837 shares held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FSA’s Disclosure and Transparency Rules.

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0161 832 7603
Jeff Keating	Singer Capital Markets	Tel: 0203 205 7500

END

BRITISH SMALLER COMPANIES VCT PLC
ALLOTMENT OF SHARES

British Smaller Companies VCT plc (“the Company”) announces that on 1 April 2010 it allotted 1,784,967 ordinary shares of 10 pence each (“Ordinary Shares”) to shareholders of the Company at a price of 97.25 pence per share pursuant to its Offers for Subscription document.

Following such allotment the Company’s issued share capital consists of 32,517,161 Ordinary shares with voting rights (“Voting Capital”) and 1,382,837 shares held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FSA’s Disclosure and Transparency Rules.

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0161 832 7603
Jeff Keating	Singer Capital Markets	Tel: 0203 205 7500

END

30 March 2010

British Smaller Companies VCT Plc
("the Company")

Offer for Subscription to raise up to £1.99 million
by way of an issue of New Ordinary Shares
("the Offer")

Offer Update - Close of Offer

The Board of the Company is pleased to announce that applications in respect of the Offers have been received for £1.99 million. As the Offers are fully subscribed they are now closed.

It is anticipated that the shares will be allotted on Thursday 1 April 2010 in respect of successful applications for the 2009/10 tax year and on Tuesday 6 April 2010 in respect of successful applications in respect of the 2010/11 tax year. Admission of the shares is anticipated to take place on Wednesday 14 April 2010.

David Hall, YFM Private Equity Limited 0161 832 7603

Robin Smeaton, The City Partnership (UK) Limited 0131 243 7210

Jim Gervasio, Secretary to the Company 0113 290 2000

END

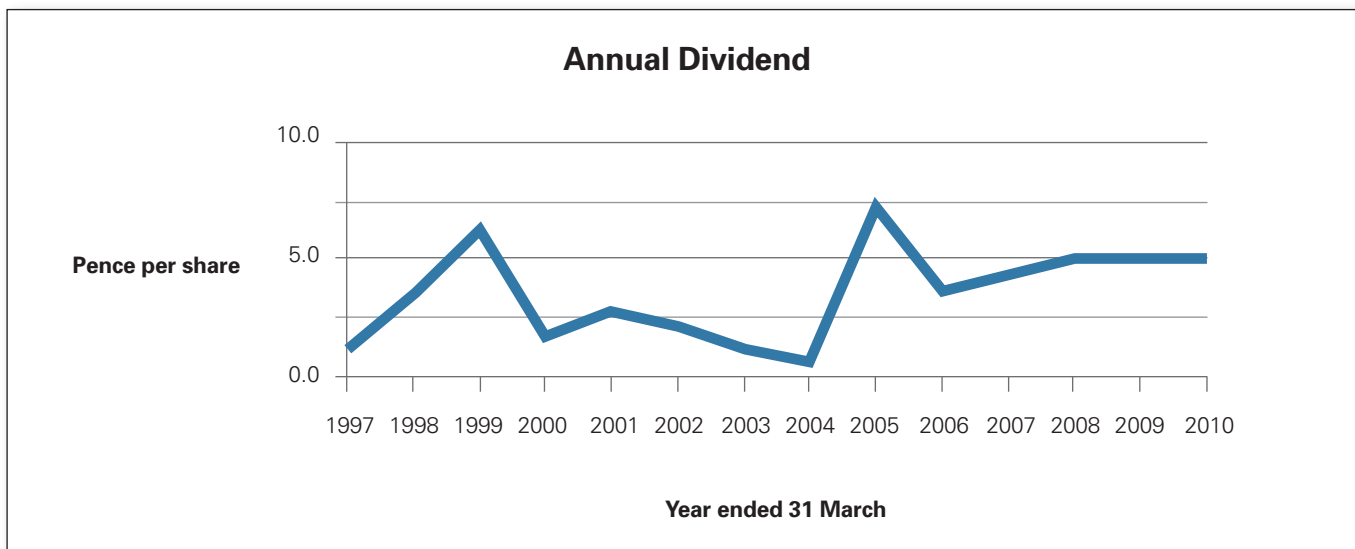
British Smaller Companies VCT plc

Offers for Subscription of up to 2,050,000 New Shares
(Subject to a maximum of £1.99 million of funds raised)

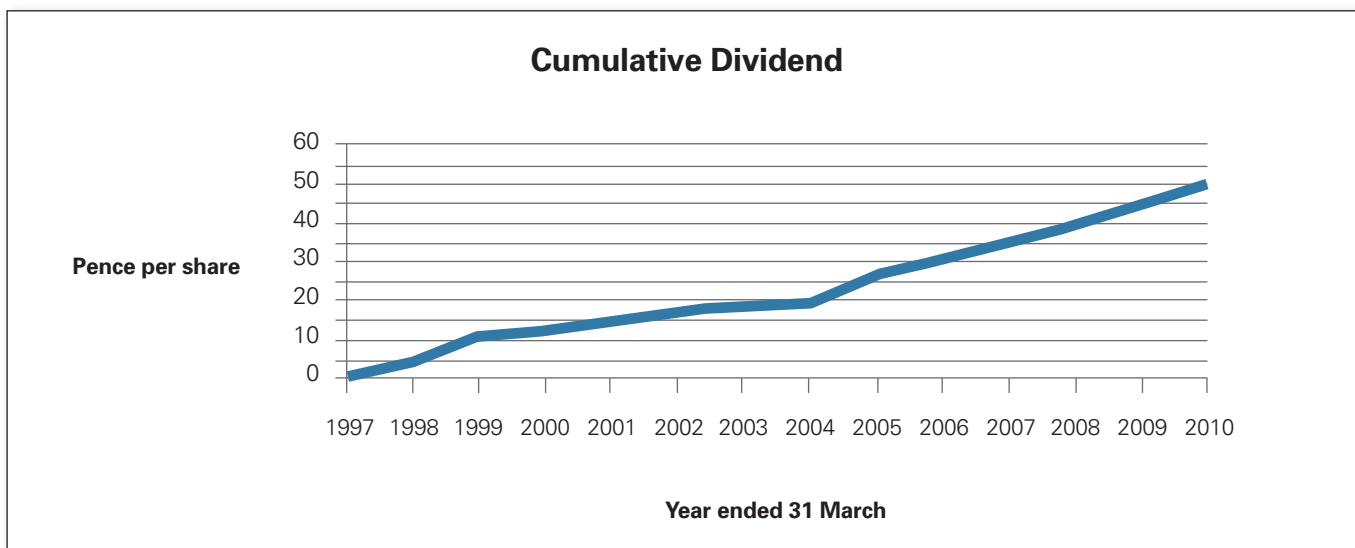
yfm
private equity



Annual dividend distribution (in pence per Share)



Cumulative dividend distribution (in pence per Share)



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should seek your own financial advice from a person authorised under the Financial Services and Markets Act 2000.

The whole of this document should be read. **Your attention is drawn to the “Risk Factors” set out on page 20 of this document.**

British Smaller Companies VCT plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 3134749)

OFFERS FOR SUBSCRIPTION

Of up to 2,050,000 Ordinary Shares of 10 pence to raise up to a maximum of £1.99 million*

This document, which is a financial promotion and not a prospectus, is issued by the Company and has been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by Howard Kennedy (ref 127279), which is authorised and regulated by the Financial Services Authority, on behalf of the Company.

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

Howard Kennedy is acting exclusively for the Company in connection with the Offers and will not be responsible to anyone other than the Company for providing the protections afforded to clients in accordance with the rules of the Financial Services Authority or for advising any such person in connection with the offers.

A maximum of 2,050,000 Ordinary Shares are being offered to the public under the Offers, which opens on 4 March 2010. The 2009/2010 Offer will close at 11:00am on Monday 5 April 2010 and the 2010/2011 Offer will close at 11:00 am on Friday 30 April (or such later date to which the Directors extend the 2010/2011 Offer) or earlier should the Offers become fully subscribed. The Offers are not being underwritten and are not subject to reaching a minimum level of subscription.

The terms and conditions are set out on pages 23 to 25 of this document, together with the application procedure and an application form for use in connection with the Offers. The minimum subscription per investor is £5,000. The completed Application Form in respect of the Offers should be sent by post (in the enclosed reply paid envelope) or delivered by hand to:- The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh EH2 1DF.

* Issue of up to 2,050,000 Shares at the Offer price paid by Application for each Offer Share issued under the Offers calculated according to the Pricing Formula. Under the Pricing Formula any Net Asset Value published during the Offer periods may affect the price payable by Applicants for Offer Shares

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Expected Timetable and Offer Statistics

Offers open:

2009/10 Offer Opens	4 March 2010
2010/11 Offer Opens	6 April 2010
First Allotment	5 April 2010
Dealings commence	within 5 business days
Share certificates issued	within 10 business days

Offers close:

2009/2010 Offer*	11.00 a.m. on 5 April 2010*
2010/2011 Offer*	11.00 a.m. on 30 April 2010*

* In the event that the maximum subscription is reached before either closing date the Offers will be closed early. When posting application forms it should be noted that Friday 2 April and Monday 5 April are bank holidays.

Key Details of the Offers

Minimum subscription per Investor: £5,000

Maximum tax relief available on aggregate investment in all VCTs in any one tax year is £200,000

Offer costs 5.5%

Issue Price to be calculated in accordance with the Pricing Formula on page 23

Commission to intermediaries: up to 3.0% initial or 2.25% plus annual trail commission of 0.5% for four years

Timetable:

- **2009/2010 tax year; open from 4 March 2010 until 5 April 2010**
- **2010/2011 tax year; open from 6 April 2010 until 30 April 2010**

Summary

The following summary must be read in conjunction with the full contents of this document including page 20 headed "Risk Factors".

Managed by YFM Private Equity Limited, British Smaller Companies VCT plc provides venture capital funding to qualifying companies. The investment policy of the Company is to create a portfolio that blends a mix of businesses operating in traditional industries with those that offer opportunities in the application and development of innovation. Shareholder's funds in the Company as at 31 December 2009 were £28.1 million equivalent to 91.7 pence per Ordinary Share.

The Company has a track record of delivering strong investment performance as a platform to support the payment of tax free cash dividends averaging 4.6 pence per share over the last 5 years and of 50 pence per Share in total since the Company's inception. This level of dividend has been paid whilst maintaining Net Asset Value at 91.7 pence per Share giving a total return to Shareholders, as at 31 December 2009, of 141.7 pence per Share.

The Issue Price per Share is 97.25 pence calculated by reference to the most recent published Net Asset Value, adjusted for Issue Costs of 5.5%. The Issue Price is subject to adjustment if the Net Asset Value increases or decreases by 5% prior to the allotment of Shares under either Offer.

The Company is currently invested in a diverse portfolio of unquoted, quoted, fixed income securities and cash. This Offer enables new and existing Shareholders to invest in a mature and diverse existing portfolio to be supplemented with new investments made in line with the Company's proven investment strategy.

The Offers are top up issues to raise a maximum of £1.99 million before costs of the Issue.

Reasons to consider investing in British Smaller Companies VCT plc include:-

- Total return to original shareholders of 141.7 pence per Share (unaudited as at 31 December 2009)
- Annual tax free cash dividend of 5.0 pence per Share for each of the three years to 31 March 2010
- Shares subscribed for under the Offers will be eligible for any final dividend in respect of the year ended 31 March 2010
- Performance consistently ranked by Trustnet in the top 3 best performing VCTs (both NAV growth and share performance) over five years
- Access to a diversified mature portfolio of existing investments
- Experienced investment team
- The Company is well placed to take advantage of any economic upturn
- The Directors believe that the short and medium term is likely to offer some excellent investment opportunities
- British Smaller Companies VCT awarded 'Best Shareholder Communication for VCT Reports and Accounts' by the Association of Investment Companies (AIC) 2009

Shareholder Returns (all figures in pence per Share)

	March 2005 Audited	March 2006 Audited	March 2007 Audited	March 2008 Audited	March 2009 Unaudited	December 2009 Unaudited
Net Asset Value (NAV)	86.6	97.5	101.3	102.1	85.7	91.7
Cumulative Dividends	26.8	30.5	35.0	40.0	45.0	50.0 *
Total Return	113.4	128.0	136.3	142.1	130.7	141.7 *
Dividends in the period	7.4	3.7	4.5	5.0	5.0	5.0 *

* 9 month period. NAV and cash dividends are adjusted for 2.0 pence per Share dividend paid on 7 January 2010 (source: unaudited Interim management statement for the quarter ended 31 December 2009, issued 29 January 2010).

Summary (cont)

Potential Transaction

On 1 March 2010 the Company issued the following RNS announcement:-

“The Directors would like to announce that one of the investments of British Smaller Companies VCT plc has received a number of indicative proposals to purchase a part of its share capital. Whilst there remains considerable uncertainty that these proposals could lead to a transaction; should it complete it would have a materially positive impact on the net asset value of the shares of British Smaller Companies VCT plc”

Dividend Table	Year ended 31 March	Gross Dividend
	1997	1.1p
	1998	3.5p
	1999	6.3p
	2000	1.8p
	2001	2.8p
	2002	2.2p
	2003	1.2p
	2004	0.6p
	2005	7.3p
	2006	3.7p
	2007	4.5p
	2008	5.0p
	2009	5.0p
	2010 (paid to 31 December 2010)	3.0p
	2010 (paid 7 January reflected in NAV)	2.0p
	Cumulative dividends to date	50.0p

Shareholders have benefited from annual dividends of 5.0 pence per Share in the last three financial years and an average dividend of 4.6 pence per Share in respect of the five years to 31 March 2010.

Illustration of equivalent returns

All figures in pence per Share

Based on an illustrative:-

Annual Cash dividend	5.00
Effective Gross dividend to 40% tax payer	8.33

If the Subscription Price is 97.25 pence per Offer Share, calculated with reference to the Net Asset Value as at 31 December 2009, which could be subject to adjustment prior to the close of the Issues, the equivalent return would be:-

		Cash Yield	Gross Yield
Subscription price (gross)	97.25	5.14% p.a	8.57% p.a.
Subscription price (net of 30% tax relief)	68.08	7.34% p.a	12.24% p.a.

An annual dividend of 5.0 pence per Share is the equivalent to a tax free yield of 5.14% per annum on the Subscription Price of 97.25 pence per Share. A net cash dividend of 5.0 pence per Share based on the subscription price, net of 30% income tax relief equates to a net tax free yield of 7.34% per annum. To obtain an equivalent return a higher rate tax payer (40%) would require a gross yield of 12.24% per annum.

The Finance Act 2009 set out the introduction of a 50% higher rate income tax and the restriction of tax relief on pension contributions. From 6 April 2010 to obtain an equivalent return a higher rate tax payer (50%) would require a gross yield of 14.69% per annum.

As at 4 March 2010 the Bank of England Base rate had been held at 0.5%.

Note: The potential transaction, referred to on page 4, could have a material positive impact on the Company's Net Asset Value. The Pricing Formula will adjust the Issue Price to take account of any announced change in the Net Asset Value of the Company prior to the date of issue of the relevant Shares. If this is the case the Issue Price of the New Shares will increase. Under the above illustration any increase in Issue Price will result in a corresponding decrease in dividend yield.

Summary (cont)

Investment Manager

The Manager, YFM Private Equity Limited, has acted as Investment Manager for the Company since its inception in 1996. YFM Private Equity Limited is a wholly owned subsidiary of GLE Group Limited an economic development company focussed on maximising the potential of individuals and businesses across the whole of the UK.

Founded in 1987 YFM Private Equity Limited is an established Investment Manager that specialises in making equity investments of up to £5 million in unquoted companies.

YFM Private Equity Limited also manages British Smaller Technology Companies VCT 2 plc and the Chandos Fund LLP which draws investment from institutional investors including predominantly UK Pension Funds. YFM Private Equity Limited was awarded Growth Company Investor VCT Fund Manager of the Year 2007 for British Smaller Companies VCT Plc and The Association of Investment Companies Best Shareholder Communication Award 2009 for the British Smaller Companies VCT Reports.

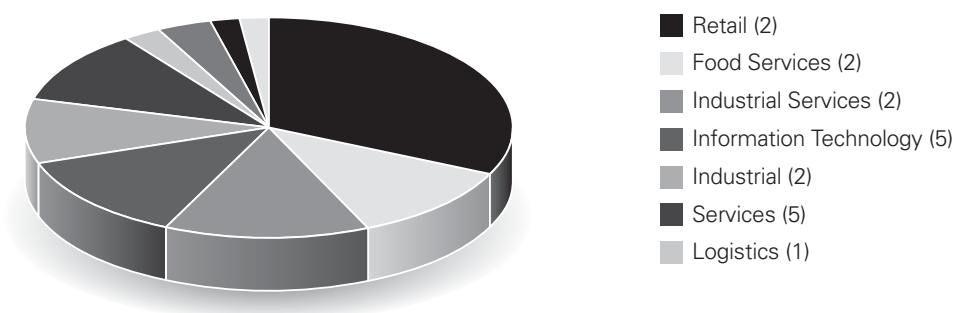
The investment team comprises 6 key individuals with over 100 years combined experience of venture capital investing.

The Investment Manager (including other companies in the GLE Group), the investment team and other employees of GLE Group have together invested over £550,000 in Shares of the Company.

Investment Strategy

The Company will continue to invest predominantly in established unquoted companies. The investment policy of the Company is to create a portfolio that blends a mix of businesses operating in traditional industries with those that offer opportunities in the application and development of innovation.

Distribution of the portfolio as at 31 December 2009 by value (figures in brackets are the number of investee companies in the sector).



- On 9 December 2009 the Company invested £1 million as part of an aggregate £3.5 million investment in Deep-Secure Limited, a company that supplies market leading high security network gateway technology products. The transaction supported a Management Buy In by a team that has previously been successful in a similar business. The transaction was led by Richard Beaton, who the Company successfully backed in two previous ventures which both quickly doubled the value of the investment, each generating annualised returns in excess of 100%.
- On 9 February 2010 the Company made a £1 million investment in North Western Investments Limited which has been established to pursue opportunities in underperforming businesses based in the North West of England. The Chairman, Nick Owen, has previously worked with the Manager on a number of projects.

Investment Objectives

- To build a portfolio that is capable of continuing to support the Company's ambition of maintaining a constant level of dividend.
- To maintain the Company's VCT status. Requiring the Company to invest at least 70% of its total assets in qualifying investments within 3 years.
- The Company intends to continue to broaden its portfolio of investments. By investing across a range of companies and sectors the Company reduces its exposure to particular markets and individual companies. An individual investment costing £1 million would represent less than 3.35% of the enlarged Company's Net Asset Value

Summary (cont)

As at 31 December 2009 the Company's portfolio included 25 investments valued at £14.12 million (unaudited) comprising 13 unquoted (valued at £9.90 million) and 12 quoted (mostly on AIM) investments (valued at £4.22 million).

To date the Company's investments have typically involved funding for management buy-outs, acquisition funding, business development and management buy-ins.

The Company looks for businesses with a strong, balanced and well motivated management team and seeks to support them in the creation of Shareholder value. The maturity of certain businesses within the portfolio is expected to generate some interesting buy and build opportunities.

The majority of investments include an element of loan stock to enhance the security of the portfolio and to provide investment income for the Company.

Share Buy Back Policy

The Board is conscious that the Company's Share price is affected by the illiquidity of its Shares in the market. In line with many other VCTs the Company, where appropriate, operates a buy back policy. The policy and the rate of discount at which the Shares are bought back is regularly reviewed and the policy is subject to annual resolutions put before the Shareholders. In the period from 1 April 2009 to 31 December 2009 the Company bought back 244,184 Ordinary Shares at an average price of 81.1 pence per Share. Typically, Shares have been bought back at approximately 85% of the latest published NAV.

Part 1 – Background information on the Company

Historic Performance

	March 2005 Audited	March 2006 Audited	March 2007 Audited	March 2008 Audited	March 2009 Audited	December 2009 Unaudited
Net Asset Value	86.6	97.5	101.3	102.1	85.7	91.7
Cumulative Cash Dividends	26.8	30.5	35.0	40.0	45.0	50.0 *
Total Return	113.4	128.0	136.3	142.1	130.7	141.7 *

* 9 month period. NAV and cash dividends have adjusted to recognise 2.0 pence per Share dividend paid on 7 January 2010.

The Company has paid an annual dividend of 5 pence per Share since March 2007 and paid total dividends since inception of 50 pence per Share.

The Net Asset Value (NAV) of the Company as at 31 December 2009 (unaudited interim management statement to the quarter ended 31 December 2009, released 29 January 2010) was 91.7 pence per share, an increase in NAV of 6.0 pence per share from 31 March 2009 and an increase in total return (net asset value plus cumulative dividends paid) of 11.0 pence per Share. The results for the nine months to 31 December showed an increase in shareholders' funds of £1.67 million, generated through profits attributable to Shareholders of £3.26 million less dividend payments of £1.45 million (5 pence per Share) adjusted for Shares issued under the dividend reinvestment scheme of £0.11 million and Share buy backs of £0.24 million.

Trading Environment

The UK has endured the longest recession in peacetime, a stock market crash and the worst banking crisis in living memory which together have combined to create a significantly challenging economic environment. The current Bank of England base rate of 0.5% is at the lowest level in modern history.

However, this challenging backdrop has provided certain of the Company's investee companies with particular opportunities. Notably GO Outdoors Limited and Harvey Jones Holdings Limited have been able to continue their expansion plans through new store openings, Waterfall Services Limited has seen both good levels of organic growth and diversification following its acquisition of North West based business, Taylor Shaw and Fishawack Limited has recently completed an acquisition. The portfolio of quoted investments has, in line with the wider market, shown good value growth over the period.

The market for new investments has been impacted in a number of ways. The AIM market has seen very low levels of activity in 2009 with the record low number of new entrants. The relatively small number of new entrants included a high proportion of overseas mining companies or financial vehicles (neither of which are VCT qualifying). The lower activity levels have been mirrored in the unquoted market where the number of deals completed in 2009 has been very much lower than in previous years.

During much of 2008 and 2009 the Company adopted a cautious approach choosing to concentrate on the management and support of portfolio businesses and the preservation of its cash balances. The improving economic outlook and increasing levels of deal related activity are encouraging and, as a result, the Company is seeking to increase its investment capacity through these Offers.

On 9 December 2009 the Company made a £1 million investment in Deep-Secure Limited, a company that supplies market leading high security network gateway technology products. The technology allows electronic traffic into and out of high security networks to be carefully monitored and controlled.

On 9 February 2010 the company made a £1 million investment in North Western Investments Limited which has been established to pursue opportunities in underperforming businesses based in the North West. The Chairman, Nick Owen, has previously worked with the Manager on a number of projects.

- On 1 March 2010 the Company issued the following RNS announcement:-

"The Directors would like to announce that one of the investments of British Smaller Companies VCT plc has received a number of indicative proposals to purchase a part of its share capital. Whilst there remains considerable uncertainty that these proposals could lead to a transaction; should it complete it would have a materially positive impact on the net asset value of the shares of British Smaller Companies VCT plc"

The rate of new opportunities continues to grow and it is anticipated that this will translate into a further expansion of the investment portfolio.

Part 1 – Background information on the Company (cont)

Investment Portfolio

	Carrying cost (£000)	Value (unaudited) (£000)	% of Net Asset Value
Top Ten Investments at 31 December 2009			
Go Outdoors Limited (*)	156	4,083	14.5
Waterfall Services Limited (*)	1,000	1,566	5.6
Connaught plc	91	1,134	4.0
Deep-Secure Limited (*)	1,000	1,000	3.6
Sheet Piling (UK) Limited (*)	110	798	2.8
Fishawack Limited (*)	618	717	2.6
Pressure Technologies plc	425	680	2.4
Hargreaves Services plc	469	645	2.3
Mattioli Woods plc	326	584	2.1
Harvey Jones Holdings Limited (*)	777	460	1.6
	4,972	11,667	41.5
Other investments	5,181	2,452	8.8
	10,153	14,119	50.3
Non-venture capital investments		11,657	41.5
Cash		2,149	7.7
Other Net current assets		148	0.5
		28,073	100.0

*Unquoted investments

The Company holds surplus funds (non-venture capital investments) in a small portfolio of Government stocks and other similar fixed interest securities. This portfolio is managed by Brewin Dolphin Securities Limited.

Further details of the Company's ten largest equity investments, by value

Go Outdoors Limited	Sheffield
(Consumer products)	www.gooutdoors.co.uk

Investment dates	May 1998 and March 2002	Year end	31 January
Equity held	21.0%	Turnover £000	41,188
Cost £000	156	Profit before tax £000	1,213
Equity £000	156	Retained profits £000	2,084
Non-equity £000	—	Net assets £000	7,217
Valuation £000	4,083	Audited accounts date	31 January 2009
Valuation basis	Earnings multiple		

Go Outdoors is a retailer of outdoor clothing and equipment. The investment of £500,000 in May 1998 supported the buy-out from its previous owner. The investment in March 2002 supported the company's first acquisition. Store openings have been expanded rapidly in recent years. Currently there are 19 stores with several more openings planned for this year.

Waterfall Services Limited	Warrington
(Services)	www.caterplus.co.uk

Investment date	February 2007	Year end	31 March
Equity held	18.45%	Turnover £000	28,414
Cost £000	1,000	Profit before tax £000	441
Equity £000	100	Retained profits £000	334
Non-equity £000	900	Net assets £000	1,099
Valuation £000	1,566	Audited accounts date	31 March 2009
Valuation basis	Earnings multiple		

The Company invested to support the management buy-in/management buy-out of this specialist supplier of catering services to the residential and care home sector in February 2007. In June 2008 Waterfall Services completed the acquisition of Taylor Shaw, expanding its services into the education sector.

Part 1 – Background information on the Company (cont)

Connaught plc

(Support services)

Sidmouth

www.connaught.co.uk

Investment dates	November 1998, June 1999, October 2007	Year end	31 August
Equity held	0.23%	Turnover £000	659,600
Cost £000	91	Profit before tax £000	26,700
Equity £000	91	Retained profits £000	51,900
Non-equity £000	–	Net assets £000	167,500
Valuation £000	1,134	Audited accounts date	31 August 2009
Valuation basis	Quoted bid price		

Connaught operates as a facilities management and integrated property services group, engaged in building maintenance, light refurbishment, commercial fitting-out and electrical work and since 2007 compliance services.

Deep-Secure Ltd

(Security software)

Reading

www.deep-secure.com

Investment date	December 2009	Year end	31 December
Equity held	12.86%	Audited accounts date	
Cost £000	1,000	No accounts have yet been filed for this company.	
Equity £000	100		
Non-equity £000	900		
Valuation £000	1,000		
Valuation basis	Price of recent investment, reviewed for impairment		

Deep-Secure Limited's products protect against threats to security via high defence network border gateway technology, which enables customers to defend sensitive and protected information from intruders.

Sheet Piling (UK) Limited

(Construction)

Preston

www.sheetpilinguk.com

Investment date	June 2000	Year end	27 May
Equity held	36.00%	Turnover £000	17,399
Cost £000	110	Loss before tax £000	(931)
Equity £000	110	Retained profits £000	981
Non-equity £000	–	Net assets £000	1,345
Valuation £000	798	Audited accounts date	27 May 2008
Valuation basis	Earnings multiple		

Preston-based Sheet Piling is one of the UK's leading driven steel piling contractors carrying out contracts throughout the UK. The investment supported the management buy-out from Allen plc, since when it has successfully increased turnover, repaid all loan stock to the Company and significantly reduced indebtedness.

Fishawack Limited

(Medical communications)

Knutsford

www.fishawack.com

Investment date	January 2008, December 2009	Year end	31 March
Equity held	6.88%	Fishawack Limited has a small companies exemption from filing full consolidated financial statements at Companies House.	
Cost £000	618	Audited accounts date	31 March 2009
Equity £000	65		
Non-equity £000	553		
Valuation £000	717		
Valuation basis	Earnings multiple		

Fishawack is an established, specialist healthcare communications agency focussed on the medical sector, with a strong reputation for providing specialist support for many of the world's top global pharmaceutical companies. In December 2009 a further investment was made to acquire one of its trading partners Nexus Communications.

Part 1 – Background information on the Company (cont)

Pressure Technologies plc

(Manufacturing)

Sheffield

www.pressuretechnologies.co.uk

Investment date	June 2007	Year end	30 September
Equity held	2.50%	Turnover £000	26,186
Cost £000	425	Profit before tax £000	5,053
Equity £000	425	Retained profits £000	8,206
Non-equity £000	–	Net assets £000	14,114
Valuation £000	680	Audited accounts date	3 October 2009
Valuation basis	Quoted bid price		

Pressure Technologies is the holding company for Chesterfield Special Cylinders Limited ("CSC"). CSC designs, manufactures and offers retesting and refurbishment services for a range of speciality high pressure, seamless steel gas cylinders for global energy and defence markets.

Hargreaves Services plc

(Support Services)

Durham

www.hargreavesservices.co.uk

Investment dates	December 2007, January, February and March 2008.	Year end	31 May
Equity held	0.35%	Turnover £000	503,903
Cost £000	469	Profit before tax £000	26,168
Equity £000	469	Retained profits £000	35,792
Non-equity £000	–	Net assets £000	71,669
Valuation £000	645	Audited accounts date	31 May 2009
Valuation basis	Quoted bid price		

Hargreaves services are the UK's leading energy support services provider. The Group has one of the UK's largest bulk haulage and tanker fleets, provides industrial services, has interests in mining coal and producing coke and smokeless fuel.

Mattioli Woods plc

(Pension consultants)

Leicester

www.mattioli-woods.com

Investment dates	November 2005	Year end	31 May
Equity held	1.43%	Turnover £000	13,283
Cost £000	326	Profit before tax £000	3,897
Equity £000	326	Retained profits £000	8,060
Non-equity £000	–	Net assets £000	16,459
Valuation £000	584	Audited accounts date	31 May 2009
Valuation basis	Quoted bid price		

Mattioli Woods provides pensions consultancy and administration services primarily to owner-managers, senior executives and professional persons. The Group's key activities include complex pensions consultancy, the provision of self-invested personal pensions ("SIPP") and small self-administered pension schemes ("SSAS") and advice on related business affairs.

Harvey Jones Holdings Limited

(Consumer Products)

London

www.harveyjones.com

Investment date	May 2007	Year end	31 December
Equity held	6.88%	Turnover £000	9,591
Cost £000	777	Profit before tax £000	204
Equity £000	78	Retained profits £000	331
Non-equity £000	699	Net assets £000	893
Valuation £000	460	Audited accounts date	31 December 2008
Valuation basis	Earnings multiple		

Harvey Jones is a fitted kitchen furniture specialist. We supported the MBO of the business from its private owner. The business has a manufacturing facility in the UK and 11 stores mostly in London and wealthy provincial towns in the South of England. It plans to roll out the number of stores organically and build brand recognition.

Part 1 – Background information on the Company (cont)

Other than the investment in North Western Investment Limited there have been no material changes to the Investment Portfolio since 31 December 2009. Attention is however drawn to the RNS announcement dated 1st March 2010 referred to earlier in this document.

The Manager and Investment Team

YFM Private Equity Limited

Established in 1987 YFM Private Equity Limited specialises in investing in unquoted companies.

The Investment Management Team comprises principally 6 key executives with extensive experience who together have over 100 years experience investing in and managing venture capital opportunities. This experience has enabled YFM Private Equity Limited to establish strong networks of deal introducers, effective investment selection processes and strong portfolio management procedures. The management team is supplemented by other employees of the Manager.

The Manager is actively involved in the portfolio companies, taking non executive positions where appropriate. The depth of experience in the management team allows the Manager to offer real practical support to portfolio companies particularly in relation to acquisitions, re-financing, strategy and exit ultimately adding value to the investments.

David Hall – Managing Director David became the managing director of YFM Private Equity Limited in 2003, having had responsibility for the Manchester Office since 2000. Prior to this he had been an investment manager with Invotec Limited and Head of Investment for AIM Listed Enterprise Plc. David trained as a Chartered Accountant with Coopers & Lybrand and qualified in 1986. He also holds a BA (Hons) in Economics from the University of Manchester.

Nigel Barraclough – Investment Director Nigel joined YFM Private Equity Limited in 1991, where he has been responsible for the appraisal, negotiation and conclusion of many deals in a varied range of sectors. He has been making venture capital investments since 1995 and led many of the Company's ten largest investments. He represents the Company on the Boards of Waterfall Services Limited and Deep-Secure Limited and is an independent non-executive director of AIM quoted Hargreaves Services plc where he was a founding Director. Nigel qualified as a Chartered Accountant with BDO Stoy Hayward before joining Ernst & Young.

David Gee – Investment Director David has 19 years experience in the venture capital field with YFM Private Equity Limited. Since 1996 he has been investment director on the Board of YFM Private Equity Limited. He is a non-executive director of several companies including an investee of British Smaller Technology Companies VCT 2 Plc. He qualified as a Chartered Accountant with Grant Thornton, latterly specialising in corporate finance.

David Bell – Portfolio Director David joined YFM in 2009 to lead portfolio management activities and is a Director of YFM Private Equity Limited. Prior to joining YFM he spent 10 years at 3i where he was also portfolio director and had extensive experience of managing and realising private equity investments in SMEs. He is on the Board of RMS Europe Limited and Primal Pictures Limited and represents the Company's interest on several other investments. He has a first class degree in maths from Imperial College and also spent 5 years working as a management consultant focussing on supply chain solutions.

Paul Cannings – Director Paul joined YFM in 2006 to raise new funds and to make and manage investments. He is a Director of YFM Private Equity Limited. Prior to joining YFM he spent 14 years at 3i where he was also Director and had extensive experience of making and managing private equity investments. He has led several new investments and currently sits on the boards of Harvey Jones, Harris Hill and Go Outdoors. He has a first class degree in Economics from Bristol University and qualified as a chartered accountant with PwC.

Mike White – Investment Director Mike joined YFM Group in 1999. Prior to that, he spent 10 years working in the software industry, co-founding a software company in the USA that specialised in selling business intelligence and performance management solutions. During his software career Mike focussed on business development, strategy formulation and the establishment of new business partnerships. As Investment Director, Mike is focussed on making and managing investments. He represents the Company on the Board of Fishawack Limited.

Part 1 – Background information on the Company (cont)

The Directors

The Company benefits from a highly experienced Board consisting of 4 non-executive Directors, who are listed below. The Board has overall responsibility for the Company, its investment policy and its administration and has appointed YFM Private Equity Limited as its Investment Manager.

Helen Sinclair – Chairman

Starting in investment banking, Helen spent nearly 8 years at 3i plc focusing on MBO and growth capital investments. She later co-founded Matrix Private Equity raising a successful technology fund, the Matrix Venture Fund VCT plc. She subsequently became Managing Director of Matrix Private Equity before moving to take on a portfolio of non-executive Director roles in 2005. She is currently a non-executive Director of The Income & Growth VCT plc, Matrix Income & Growth 4 VCT plc and Spark Ventures plc.

Richard Last

Richard Last is a Fellow of the Institute of Chartered Accountants in England and Wales with substantial experience in the IT software and services sectors, and is Chairman and non-executive Director of Patsystems plc and Arcontech Group plc (both financial software businesses listed on AIM). He is also a non-executive Director of Lighthouse Group plc and of Corero Group plc, both AIM listed, and of British Smaller Technology Companies VCT 2 plc which is listed on the London Stock Exchange. In addition he is also a Director and shareholder of a number of private companies including the IT companies Sphinx CST Limited and APD Communications Limited. He is non-executive Chairman of CSE Global UK Limited, a subsidiary of a Singapore Stock Exchange listed company.

Philip Simon Cammerman

Has over 20 years of industrial experience in engineering and technology orientated industries and has worked in both the USA and the UK. He has spent the last 25 years in the venture capital industry and was Chairman of YFM Private Equity Limited and a Director of YFM Group (Holdings) Limited until he retired in April 2008. He has been responsible for a wide range of venture capital deals in a variety of industries including software, computer maintenance, engineering, printing, safety equipment, design and textiles. He is a non-executive Director of British Smaller Technology Companies VCT 2 plc and Pressure Technologies plc. He has been a Director of the Company since its establishment as a venture capital trust.

Robert Martin Pettigrew

Has more than 20 years experience in the development of emerging businesses and, in particular, the commercial exploitation of new technologies. He co-founded The Generics Group of companies (renamed Sagential) in 1986, which is one of the country's leading technology consulting and investment groups and was a key member of the team that took the company public in December 2000. He retired from The Generics Group at the end of 2002 to pursue independent investment activities. He is an investor-director on the Boards of a number of technology companies, including Sphere Medical Limited, Timberpost Limited, Xeros Ltd and Acal Energy Limited (of which he is Chairman). He is also a non-executive Director of British Smaller Technology Companies VCT 2 plc.

Appendix I

General Information

The Company

The Company was incorporated and registered in England and Wales under the Companies Act 1985 as a public company limited by shares on 6 December 1995, with registered number 3134749 under the name British Smaller Companies VCT plc, which is the current legal and commercial name of the Company.

The registered office and principal place of business of the Company is Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ. The telephone number of the Company is 0113 294 5000.

Share Capital

At 31 December 2009 the authorised share capital of the company was £16.5 million made up of 165,000,000 Ordinary Shares of 10 pence each, of which 30,626,423 are in issue and fully paid up.

Director's and other interests

The Company is not aware of any person who is, or immediately following the offer, will be, directly or indirectly interested in 3% or more of the issued share capital of the Company, or who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

The interests (all of which are or will be beneficial) of the directors, their immediate families and persons connected with the directors within the meaning of section 252 of the Companies Act (a "Connected Person") in the Share capital which have been notified to the Company; or are required to be entered into the register of director's interests; or are interests of a Connected Person are as follows:

	At Present	Following These Offers
(assuming full subscription) Director	Shares	Shares
Helen Sinclair	7,270	7,270
Richard Last	45,901	45,901
Robert Pettigrew	28,159	28,159
Philip Cammerman	35,880	35,880

None of the Directors have subscribed for or acquired in the market any shares since 31 March 2009.

Each director has a service agreement with the Company. The current fees, term and notice period are as follows:-

Director	Agreement Date	Fees per annum
Helen Sinclair	19 February 2008	£35,000
Richard Last	1 August 2007	£20,000
Robert Pettigrew	28 November 2006	£20,000
Philip Cammerman	1 August 2007	£20,000

The Director's service contracts are all rolling contracts with 3 months notice.

The directors do not have any commission or profit sharing agreements with the Company.

Material contracts

An Administration and Investment Advisory ("IAA") agreement dated 28 February 1996 exists between the Company and YFM Private Equity Limited. Under the agreement YFM Private Equity Limited agreed to provide administrative, company secretarial and investment advisory services to the Company in relation to the Company's qualifying portfolio. The IAA took effect on 4 April 1996 for an initial period of 3 years and thereafter is terminable by either party on not less than 12 months' notice.

Under the IAA, YFM Private Equity is entitled to receive an annual investment advisory fee of 2% of the Gross Assets of the Company (as determined on 31 March and 30 October each year), plus VAT, payable quarterly in advance on 1 January, 1 April, 1 July and 1 October in each year together with an annual secretarial fee of £35,000 (subject to annual adjustment) and currently £49,024, plus VAT. The Investment Manager is also entitled to all arrangement, syndication and monitoring fees payable in respect of unquoted investments. The Company indemnifies the Investment Manager against all things lawfully and properly done under the IAA.

A subscription rights agreement dated 7 July 2009 between YFM Carried Interest Trust ("Trust") and the Company, under which the Trust is entitled to a performance incentive fee as described on page 15.

Appendix I (cont)

Other Information

The Offers are being made by way of Offers to the UK public of New Ordinary Shares. The maximum amount to be raised under the Offer is £1.99 million.

There is no minimum subscription required for the Offers to proceed.

Terms of the Offers

The maximum number of New Shares being issued under the Offers is 2,050,000 representing approximately 6.7% of the Company's existing issued Ordinary Shares as at 31 December 2009.

Investors are invited to subscribe for New Shares subject to a minimum application of £5,000.00.

Applicants are invited to subscribe an amount in Pounds Sterling rather than apply for a number of Shares. The number of Shares issued to an Applicant will be determined by reference to the Pricing Formula as follows

Issue Price per Share equals Net Asset Value (most recently announced prior to the date of Allotment) divided by 0.945 to allow for Issue costs of 5.5% calculated, in pence, rounded up to the nearest 0.25 pence.

The Issue Price is subject to adjustment if the Net Asset Value (NAV) increases or decreases, from the latest published NAV, by 5%, prior to the issue of Shares under either Offer.

The unaudited Net Asset Value as at 31 December 2009 (the latest date for which the Net Asset Value has been announced prior to the date of this Document) was 91.7 pence per Ordinary Share. If this was the final announced Net Asset Value prior to the date of allotment New Shares will be issued at a price of 97.25 pence per Share.

Due to the potential material impact on the Net Asset Value as disclosed in the Company's RNS announcement dated 1 March 2010 the Directors will consider issuing a statement announcing an increase in Net Asset Value prior to the Allotment dates for the Issues. If this is the case the Issue Price will be adjusted accordingly.

The minimum subscription amount for each Applicant is £5,000 and, provided this condition is met, Applications may be for any amount. There is no maximum individual subscription level under the Offers but the maximum investment on which tax reliefs on investments in VCTs are currently available is £200,000 in the 2009/10 tax year and £200,000 in the 2010/2011 tax year. All Applications should be made on an individual basis as VCT tax reliefs are not available for Shares held in joint names or for Applications made in the name of nominee accounts.

The Offer for the 2009/10 tax year will remain open until 11.00 am on 5 April 2010 unless fully subscribed at an earlier date.

The Offer for the 2010/2011 tax year will remain open until 11.00 am on 30 April 2010 unless fully subscribed at an earlier date.

Authorised financial intermediaries will be paid commission, of 3.0% (or 2.25% plus a trail of 0.5% per annum for 4 years) of the gross amount subscribed for New Shares allotted under the Offers, in respect of all accepted applications which bear the stamp of the

relevant authorised financial adviser. The Offers are not being underwritten. There is no minimum subscription level for the Offers as a whole and, accordingly, the Offers will proceed irrespective of whether or not it is fully subscribed.

Authorised financial intermediaries may agree to waive all or part of the introductory commission available to them, and, by marking the relevant box on the Application Form, authorise the Receiving Agent to apply an amount equal to the amount of commission that would otherwise be payable to the authorised financial intermediary in the subscription for further new Shares on behalf of the applicant.

Costs

Capital Raising Fees

A charge of 5.5% will be deducted from each Application Amount to pay for the costs of this transaction.

Annual Fees

YFM Private Equity's fee for investment Management services is 2.0% per annum of the net asset value of the Company. The annual fee is calculated twice a year on 31 March and 30 September and is payable quarterly in advance, together with any applicable VAT. In addition, YFM Private Equity receives an annual fee of £49,024 plus VAT subject to annual increases in accordance with the Retail Price Index for the provision of administrative and secretarial services.

Performance Incentive

YFM Private Equity Limited through the YFM Private Equity Trust, a trust established for the benefit of employees of YFM Group Limited, receives a performance-related incentive. Under the incentive scheme the Investment Manager will receive an incentive payment equal to 20% of the amount by which dividends paid in the relevant period exceed 4 pence per Ordinary Share, once cumulative dividends of 10 pence (from 31 March 2009) have been paid. These incentive payments are subject to cumulative shortfalls in any prior accounting periods being made up and the average Net Asset Value in the relevant accounting period being not less than 94 pence per Share.

Dividends

The new Shares will rank *pari passu* in all respects with the existing Ordinary Shares.

Duration of the Company

Although it is not intended that the Company should have a limited life, the Articles of Association of the Company contain provisions requiring the Directors to put to Shareholders at five yearly intervals a resolution that the Company should continue as a VCT for a further five years. According to the Articles, the next opportunity for such a resolution to be put to Shareholders will be at the Company's Annual General Meeting to be held in 2013.

Reporting to Shareholders

The Company's annual report and accounts are produced to the 31 March in each year and will normally be sent to Shareholders in July. Shareholders will also receive unaudited interim reports, to 30 September in each year.

Appendix I (cont)

Share Repurchase

The Board is conscious that the Company's share price is affected by the illiquidity of its shares in the market, resulting from the requirement that the Shareholders must retain their shares for at least five years in order to retain their tax benefits. In line with accepted practices with VCTs, the Company currently operates a share buy back policy. The policy and the rate of discount at which shares are bought back is regularly reviewed and the policy is subject to resolution put before shareholders at the Company's AGM. In the last financial year to 31 March 2009 the Directors used this power to acquire 298,153 Ordinary Shares at an average price of 89.0 pence per Share. Since that date and prior to the date of this Document a further 244,184 Ordinary Shares have been purchased at an average price of 81.1 pence per Share.

Dividend Reinvestment scheme

The Company currently operates a Dividend Reinvestment scheme, providing Shareholders with the opportunity to reinvest the cash dividends paid by the Company through the issue of new Shares. The scheme can be withdrawn at any time.

Taxation and HM Revenue & Customs Approval

The Directors intend to continue to conduct the affairs of the Company so that it satisfies the conditions for approval as a VCT and that such approval will be maintained. HM Revenue & Customs has granted the Company approval under Section s274 ITA 2007 ICTA as a VCT and the Company has continued to meet the requirements for maintaining approval since that date. The Company intends to continue to carry on its business such that its VCT status will be maintained and has retained PricewaterhouseCoopers to advise it on VCT taxation matters.

Admission to Listing

Application will be made to the UK Listing Authority for the New Shares to be admitted to the Official List of the London Stock Exchange and to trading on the London Stock Exchange's main market for listed securities.

Appendix II

Directors and Advisers

Directors (all non-executive)

Helen Sinclair (Chairman)
Richard Last
Robert Pettigrew
Philip Cammerman

All of:

Saint Martins House
210-212 Chapeltown Road,
Leeds, West Yorkshire, LS7 4HZ

Company Secretary

James Gervasio LLB

Registered Office

Saint Martins House
210-212 Chapeltown Road
Leeds, West Yorkshire, LS7 4HZ

Investment Manager

YFM Private Equity Limited
Saint Martins House
210-212 Chapeltown Road
Leeds, West Yorkshire, LS7 4HZ

Solicitors to the Offer

Howard Kennedy
19 Cavendish Square
London W1A 2AW

Stockbrokers

Singer Capital Markets
One Hanover Street
London
W1S 1AX

Fixed Interest Securities Adviser

Brewin Dolphin Securities Limited
34 Lisbon Street
Leeds LS1 4LX

Registered Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London, NW1 2EP

Bankers

The Royal Bank of Scotland plc
27 Park Row
Leeds LS1 5QB

Receiving Agents

The City Partnership (UK) Limited
Thistle House
21-23 Thistle Street
Edinburgh
EH2 1DF

Registrars

Capita Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

VCT Tax Advisers

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Appendix III

Taxation

1. Tax reliefs for individual investors

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

Relief from income tax

An investor subscribing up to £200,000 in any tax year for Ordinary Shares in a VCT will be entitled to claim income tax relief on the investment, in the year in which the investment is made. For the 2009/2010 and 2010/2011 tax years relief is given at the rate of 30%, although this relief will be withdrawn if either the shares are sold within five years, except in death, or an investor takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of such shares. Relief is restricted to the amount which reduces the investor's income tax liability to nil. However, tax credits on dividends (currently at the rate of one ninth of the net dividend) are notional and cannot be repaid, and therefore Investors should take this into account when calculating the value of the income tax relief.

Dividend relief

An investor who subscribes for or acquires Ordinary Shares in a VCT will not be liable for UK income tax on dividends paid by the VCT (in respect of investments of up to a maximum of £200,000 in any one tax year). Dividends carry a tax credit at the rate of one-ninth of the net dividend which is not repayable and which cannot be utilised in any other way

Capital gains tax relief

Any gain or loss on disposal of a qualifying holding of Shares in the Company by an individual investor will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax, providing that the company remained a VCT throughout the period of ownership.

2. Taxation and approval of a VCT

Qualification as a VCT

VCT legislation sets out a comprehensive set of tests which the Company has to satisfy to obtain the tax benefits for itself and for its Shareholders. The legislation and regulations are summarised below.

To obtain VCT status a company must be approved by HM Revenue & Customs as a VCT.

To maintain approval, the conditions summarised below have to be satisfied in relation to the accounting period of the company which is current when the application for approval is made, or in any event must be satisfied by no later than the beginning of the VCT's next accounting period and must continue to be satisfied throughout the life of the VCT

- (i) The VCT's income must have been derived wholly or mainly from shares and securities (in the case of securities issued by a company, meaning loans with a five-year or greater maturity period);
- (ii) No holding in a company by the VCT may represent more than 15% by value, of the VCT's total investments at the time of investment; and
- (iii) The VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period.

- (iv) The VCT must not be a close company. Its ordinary share capital must be quoted on the London Stock Exchange by no later than the beginning of the accounting period following that in which the application for approval is made.

The following conditions also have to be satisfied by no later than the beginning of the VCT's accounting period which commences no later than three years after provisional approval takes effect and must continue to be satisfied throughout the life of the VCT:

- (i) at least 70%, by value, of its investments in shares or securities in VCT qualifying investments; and
- (ii) at least 30%, by value, of its qualifying investments must be in ordinary shares which carry no preferential rights to dividends, return of capital and no rights to redemption.

For funds raised after 5 April 2010 at least 70% by value of the Qualifying investments must be in ordinary shares which have no fixed rights to dividends, no preferential rights to assets on a winding up or any rights to be redeemed.

"Qualifying investments" comprise shares or securities (including loans with a five year or greater maturity period but excluding guaranteed loans and securities) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades. The trade must be carried on by, or be intended to be carried on by, the investee company or a qualifying subsidiary at the time of the issue of the shares or securities to the VCT (and by such company or by any other subsidiary in which the investee company has not less than a 90% interest 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 VCT and continue it thereafter. The definition of a qualifying trade excludes dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving royalties or licence fees in certain circumstances, leasing, the provision of legal and accounting services, farming and market gardening, forestry and timber production, property development and operating or managing hotels, guest houses, nursing and residential care homes, and coal production, steel production and shipbuilding. The funds raised by the investment must be used for the purposes of the qualifying trade within certain time limits.

Qualifying investments from the Company are limited to investments of up to £1 million per investee company in any one tax year or in any six month period straddling two tax years. An investee company may not raise more than £2 million in total from VCTs, Enterprise Investment Scheme or Corporate Venturing Schemes in a twelve month period. A qualifying investment can also be made in a company which is a parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades, one of which is carried on wholly or mainly in the United Kingdom. The subsidiary carrying on the qualifying trade in question must be at least 90% owned by the parent company. The investee company's gross assets (or those of a group, if applicable) must not exceed £7 million immediately prior to the investment and £8 million immediately thereafter. The investee company must at the time of investment employ fewer than 50 employees (or full time equivalents). Neither the VCT nor any other company may control the investee company. At least 10% of the VCT's total investment in the individual investee company must be in ordinary non-preferential shares.

Appendix III (cont)

Companies whose shares are traded on the AIM or PLUS are treated as unquoted companies for the purposes of calculating qualifying investments. Shares in an unquoted company which subsequently become listed may still be regarded as a qualifying investment for a further five years following listing, provided all other conditions are met.

VCTs are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT, subject to the requirements of company law. The Company will be subject to corporation tax on its income (excluding dividends received from UK companies) after deduction of attributable expenses

The above is only a summary of the law concerning the tax position of VCTs and individual investors in VCTs and is based on the understanding of current law and practice in relation to VCTs. Potential investors are recommended to consult an independent professional adviser as to the taxation consequences of their investing in a VCT.

Appendix IV

Risk Factors

The attention of Investors is drawn to the following Risk Factors that may affect the performance of the Company and the availability of tax reliefs.

The past performance of the Company and/or investments managed by the Investment Manager should not be regarded as an indication of the future performance of the Company. The value of a VCT depends on the performance of the underlying assets. The value of the Shares and the income from them can fluctuate. In addition, there is no guarantee that the market price of New Shares will fully reflect their underlying Net Asset Value or the ability to buy and sell at that price. Shareholders may get back less than they invested even after taking advantage of the tax incentives.

Investment in the Company should be regarded as long-term in nature and Investors must hold their shares for five years to retain their initial income tax relief. **The Directors strongly recommend that all potential investors consult an appropriate adviser before deciding whether to invest.**

Furthermore, in the opinion of the Directors, investing in the Company carries particular risks, of which the principal risks are set out below:

Taxation related risks

- Although it is intended that the Company will be managed so as to retain its VCT status, there is no guarantee that such status will be maintained. Further details of the taxation implications of an investment in the Company are set out on pages 18 and 19 of this Document. However, if the Company fails to meet the qualifying requirements for a VCT and as a result loses its status as a venture capital trust this could result in:
 - (i) the loss of income tax relief received if investors have not held their Shares for the required qualifying period;
 - (ii) the loss of income tax relief on dividends paid (or subsequently payable) to Investors;
 - (iii) the loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company;
 - (iv) a liability to tax on capital gains on any disposal of new Shares; and
 - (v) the loss of the Company's listing on the Official List and the ability of its Shares to be traded on the London Stock Exchange.
- The levels and bases of reliefs from taxation may change. The tax reliefs referred to in this Document are those currently available and their value depends on the individual circumstances of Investors.
- An investment in a VCT is free from tax on capital gains for a qualifying investor. Consequently, any realised losses on disposal of the New Shares cannot be used to create an allowable loss for capital gains tax purposes.
- Investors should be aware that the sale of New Shares within five years of their subscription will require repayment of the income tax relief available upon investment. Accordingly, investment in the Company is not suitable as a short or medium term investment.
- Changes in legislation, including those proposed in the Pre-Budget Report 2009, concerning VCTs in general, VCT Qualifying Investments and qualifying trades in particular, may restrict or

adversely affect the ability of the Company to meet its objectives and/or reduce the level of returns which would otherwise have been achievable.

Listing and Market risks

- Although the New Shares will be listed on the Official List and traded on the London Stock Exchange, it is unlikely that a liquid market in the New Shares will develop and there may never be two competitive market makers. It may, therefore, prove difficult for Shareholders to sell their New Shares.
- There is a limited secondary market for VCT shares and most trade below their net asset values.

Investment and performance risks

- The Company's investments are likely to be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.
- In order to comply with VCT legislation, the VCT Qualifying companies, in which the Company invests, must have gross assets of not more than £7 million immediately prior to investment, must have fewer than 50 full time employees and must not receive more than £2 million VCT investment in any 12 month period may limit the number of attractive investment opportunities available to the Company.
- The restrictions regarding investee companies set out in the preceding paragraph mean that the Company is only able to invest in relatively small companies. An investment in unquoted, AiM-traded and PLUS-traded companies, by its nature involves a higher degree of risk than investment in the main market. In particular, small companies often have limited product lines, markets or financial resources and maybe dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Proper information for determining their value or the risks to which they are exposed may also not be available.
- Valuations of unquoted companies are determined in accordance with current financial reporting standards. The valuation of unquoted portfolio companies often takes into account discounted stock market multiples. The valuation and opportunities for realisation, of portfolio companies may depend on stock market conditions.
- There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be available.
- The Company's ability to obtain maximum value from its investments (for example, through sale) may be limited by the requirements imposed in order to maintain the VCT tax status of the Company (such as the obligation to have at least 70% by value of its investments in VCT Qualifying Investments).

Legislation risk

- The possibility exists that UK or European Commission legislation may be adopted that may adversely affect the Company. New legislation or regulations or different or more stringent interpretation or enforcement of existing laws may require the Company to change its investment strategy which may have an adverse impact on the Company's financial performance.

Appendix V

Definitions

In this Document the following words and expressions shall, unless the context requires otherwise, have the following meanings:

"2009/10 Offer"	the offer for subscription of New Shares pursuant to the terms of this document which opens on 4 March 2010 and closes on 5 April 2010
"2010/11 Offer"	the offer for subscription of New Shares pursuant to the terms of this document which opens on 6 April 2010 and closes on 30 April 2010
"AiM" or "AIM"	a market operated by the London Stock Exchange, formerly known as the Alternative Investment Market
"Applicant"	an investor whose name appears in an Application Form
"Application"	offer to subscribe for New Shares under the Offer made by an Applicant by completing an Application Form
"Application Amount"	amount (in pounds sterling) due from an Applicant in respect of their Application or such part (if any) of their Application as is accepted
"Application Form"	the application form contained at the end of this Document
"Articles"	Articles of Association of the Company
"Capita Registrars"	a trading division of Capita IRG Plc
"CGT"	capital gains tax
"Company"	British Smaller Companies VCT plc
"Directors" or "Board"	directors of the Company as at the date of this Document
"Document"	this document, which describes the Offer
"FSA"	Financial Services Authority
"ICTA"	Income and Corporation Taxes Act 1988 (as amended)
"Investment Manager", "Manager" or "Fund Manager"	YFM Private Equity Limited registered number 2174994 whose registered office is Saint Martins House, 210-212 Chapeltown Road, Leeds LS7 4HZ
"Investor"	a person who subscribes for New Shares under the Offer
"Listed"	admitted to the Official List of the UK Listing Authority and to the trading on London Stock Exchange's main market for listed securities
"London Stock Exchange"	London Stock Exchange plc
"Net Asset Value" or "NAV"	net asset value per Ordinary Share
"Net Assets"	gross assets less all liabilities (excluding contingent liabilities) of the Company
"New Shares"	new Ordinary Shares available for subscription pursuant to the Offer
"Offer Price"	the price paid by Applicants for each New Share issued under the Offer as calculated according to the pricing formula
"Offer", "Offer(s)", "Issue" or "Offer for Subscription"	the 2009/10 and/or 2010/11 Offer
"Official List"	official list of the UK Listing Authority

Appendix V (cont)

“Ordinary Shares” or “Shares”	Ordinary Shares of 10 pence each in the capital of the Company
“Pricing Formula”	formula for determining the number of shares that will be issued to an Applicant as described in the Terms and Conditions
“Qualifying Applicant”	a UK income tax payer, aged 18 or over, who subscribes for Ordinary Shares
“Receiving Agents”	The City Partnership (UK) Limited
“Shareholders”	holders of Ordinary Shares or ‘C’ Shares as the case may be
“Total Return”	NAV plus cumulative dividends paid
“Terms and Conditions”	terms and conditions of Application as set out on pages 23 to 25
“UK Listing Authority”	Financial Services Authority acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000
“VCT Investments”	investments made by the Company, other than Fixed Income Securities
“VCT Qualifying Company”	an unquoted company carrying on a qualifying trade wholly or mainly in the United Kingdom and which satisfies certain other conditions as set out in Part 6, Chapter 4 of the Income Tax Act 2007
“VCT Qualifying Investment”	an investment in an unquoted trading company, which comprises a qualifying holding for a VCT as set out in Part 6, Chapter 4 of the Income Tax Act 2007
“Venture Capital Trust” or “VCT”	a venture capital trust as defined in section 259 of the Income Tax Act 2007

Appendix VI

Terms and Conditions of Application

1. The contract created by the acceptance of an Application will (unless the Board resolve otherwise) be conditional on the Admission of the New Ordinary Shares becoming effective.
2. The Offer Shares will be issued at an Offer price calculated on the basis of the following formula ("the Pricing Formula")

Issue Price per Share equals Net Asset Value (most recently announced prior to the date of allotment) divided by 0.945 to allow for Issue costs of 5.5% calculated, in pence, rounded up to the nearest 0.25 pence..

The Offer price will be determined by the Pricing Formula so as to avoid dilution in the Net Asset Value attributable to existing Shares.

The unaudited Net Asset Value as at 31 December 2009 (the latest date for which the Net Asset Value has been announced prior to the date of this Document) was 91.7 pence per Ordinary Share. Based on this the new Shares would be issued at a price of 97.25 pence per share.

3.
 - (a) The right is reserved to present all cheques and banker's drafts for payment on receipt and to retain share certificates and subscription monies, pending clearance of successful Applicant cheques and banker's drafts. The Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at their discretion, accept an Application in respect of which payment is not received prior to the closing of the Offers. If any application is not accepted in full, or any contract created by acceptance does not become unconditional, or if any application is accepted for fewer New Shares than the number applied for, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the Applicant.
 - (b) Applications will be accepted generally on a first come, first served basis (but always subject to the absolute discretion of the Directors). Subscriptions which are not accompanied by cheques available for immediate presentation or by other valid payment means will be dealt with at the Directors' discretion. If any dispute arises as to the date or time at or on which an Application is received, the Directors' determination shall be final and binding.
 - (c) The Company reserves the right to allot and arrange for the listing of New Shares under the Offers prior to the stated closing date and generally vary the allotment and Admission timetable
4. By completing and delivering an Application Form, you as the Applicant (and, if you sign an Application Form on behalf of somebody else, that person):
 - (a) irrevocably offer to subscribe the amount of money specified in your Application Form subject to the provisions of this Document, these Terms and Conditions and the Memorandum and Articles of Association of British Smaller Companies VCT Plc;
 - (b) authorise the Registrar to send share certificate(s) in respect of the New Shares for which your Application is accepted, and/or a crossed cheque for any monies returnable by post without interest at your risk to your address as set out on your Application Form and to procure that your name is placed on the register of members of the Company in respect of such New Shares;
 - (c) agree that, in consideration of the Company agreeing to process your Application, your Application will not be revoked until after the Closing Date of these Offers and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon despatch by post to (in the case of delivery by hand) on receipt by, the Receiving Agent of your Application Form subject to your statutory rights of withdrawal in the event of the publication of a supplementary prospectus by the Company;
 - (d) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a share certificate for the New Shares applied for or to enjoy or receive any rights or distributions in respect of such New Shares unless and until you make payment in cleared funds for such New Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such New Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such New Shares as void and may allot such New Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such New Shares (other than return of such late payment);
 - (e) agree that in respect of those New Shares for which your Application Form has been received and is not rejected, your Application may be accepted at the election of the Company either by notification to the UK Listing Authority of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
 - (f) agree that any monies in respect of your Application together with any other monies received in respect of all Applications may be held on trust for the payment of the Offer Price in respect of New Shares for which you have subscribed or failing such payment be returned to you without interest and that any interest earned in respect of such monies will be paid to the Company;
 - (g) agree that the monies returnable to you may be retained pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agent may consider to be, required by the Money Laundering Regulations 2007 ("the Regulations") and that such monies will not bear interest;
 - (h) agree that, having had the opportunity to read the Document, you are deemed to have had notice of all information and statements concerning the Company and the New Shares contained therein;
 - (i) confirm that (save for advice received from your financial adviser) in making such Application you are not relying on any information and representation in relation to the Company other than the information contained in the Document or any part thereof and accordingly you agree that no person responsible solely or jointly for the Document or any part thereof or involved in preparation thereof will have any liability for any such other information or representation;

Appendix VI (cont)

- (j) agree that all Applications, acceptances of Applications and contracts resulting there from under the Offers shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptance and contracts in any other manner permitted by law or in any court of competent jurisdiction;
 - (k) irrevocably authorise the Receiving Agent or any other person authorised by them, as your agent, to do all things necessary to effect registration of any New Shares subscribed by you into your name and authorise any representatives of the Receiving Agent to execute any document required therefore;
 - (l) agree to disclose promptly in writing to the Company any information which they may reasonably request in connection with your Application, including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 2007 and authorise them to disclose any information relating to your Application as they consider appropriate;
 - (m) confirm that you have reviewed the restrictions contained in paragraphs 5 and 6 below and warrant that you are not a "US person" as defined in the United States Securities Act of 1933, as amended, nor a resident of Canada and that you are not applying for any New Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada, Australia, South Africa or Japan;
 - (n) declare that you are aged 18 years or over;
 - (o) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have due authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
 - (p) declare that a loan has not been made to you or any associate, which would not have been made, or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Shares and that the New Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
 - (q) declare that the Application Form has been completed to the best of your knowledge;
 - (r) undertake that you will notify the Company if you are not, or cease to be, either a Qualifying Applicant or beneficially entitled to the New Shares;
 - (s) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent will be sent at your risk;
- 5.** No person receiving a copy of the Document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application there under to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory
- 6.** The new Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. No Application will be accepted if it bears an address in the USA.
- 7.** Dealings prior to the issue of certificates for new Shares will be at the risk of Qualifying Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.
- 8.** Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms (bearing their stamp and FSA number) will be entitled to commission on the amount payable in respect of the new Shares allocated for each such Application Form at the rates specified in the paragraph "Terms and Conditions of Application" on pages 23 to 25 of this Document. Authorised financial advisers may agree to waive part or all of their initial commission in respect of an application. If this is the case, then the Application Amount will be increased by an amount equivalent to the amount of commission waived. Financial advisers should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission.
- 9.** The section headed Notes on the Application Form forms part of these Terms and Conditions of Application.
- 10.** It is a condition of these Offers that compliance with the Money Laundering Regulations 2007 is ensured. Capita Registrars is therefore entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to Capita Registrars to be acting on behalf of some other person. Pending the provision of evidence satisfactory to Capita Registrars as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, Capita Registrars may, at its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or Capita Registrars may not enter the Applicant on the register of members of the Company or issue any share certificates in respect of such application. If verification of identity is required, this may result in delay in dealing with an application and in rejection of the application. The Company reserves the right, at its absolute discretion, for it or Capita Registrars to reject any application in respect of which Capita Registrars considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the Company reserves the right at its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form

Appendix VI (cont)

(in which event the money payable or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to Capita Registrars such information as may be specified by it as being required for the purpose of the Money Laundering Regulations 2007.

- 11.** The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application for the Offers or not in all respects complying with the Notes on the Application Form. In particular, but without limitation, the Company may accept applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner acceptable to the Company to apply in accordance with these Terms and Conditions of Application.

Notes on the Application Form

It is essential that you complete all relevant parts of the Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or bankers' draft, by post, or deliver it by hand (during normal business hours), to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF. If you have any questions on how to complete the Application Form please contact YFM Private Equity Limited on 0800 854 057, email tracey.parker@yfmgroupp.co.uk or speak to your financial adviser

Page 1 – Subscription Details

- 1 Amount you wish to subscribe: Insert (in figures) in Box 1 the amount you wish to Apply in relation to each individual tax year. The Application must be for a minimum of £5,000 and above that minimum in multiples of £1,000.

Attach a cheque or bankers draft to the Application Form for the exact amount shown in Box 1. Your cheque or banker's draft must be made payable to "British Smaller Companies VCT Plc" and crossed "A/C Payee only". Your payment must relate solely to this application. Cheques may be presented for payment on receipt. Subscription forms accompanied by a post dated cheque will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date.

Your cheque or banker's draft must be drawn in sterling on an account with a United Kingdom or European Union regulated credit institution, and which is in the sole or joint name of the Applicant and must bear the appropriate sort code in the top right-hand corner.

The right is reserved to reject any Applicant in respect of which the Applicant's cheque or banker's draft has not been cleared on first presentation. Any monies returned will be sent through the post at the risk of the persons entitled thereto by cheque crossed "A/C Payee only" in favour of the Applicant without interest.

Money Laundering Notice - Important procedures for applications of the Sterling equivalent of €15,000 (approximately £13,500) or more. The verification of identity requirements in the Money Laundering Regulations 2007 will apply and verification of the identity of the Applicant may be required. Failure to provide the necessary evidence of identity may result in your Application being treated as invalid or result in a delay.

If the amount of your application is for the Sterling equivalent of €15,000 or more (or is one of a series of linked applications, the value of which exceeds that amount) and

A Payment is made through an IFA then verification of the Applicant's identity may be provided by means of a "Letter of Introduction" from an IFA or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC financial institution (such as a bank). The City Partnership (UK) Limited will supply specimen wording on request;

or

B is made direct (not through an IFA) you must ensure that the following documents are enclosed with the Application Form:

1. A certified copy of either your passport or driving licence; and
2. A recent (no more than 3 months old) original bank or building society statement, or utility bill, or recent tax bill, in your name.

Copies should be certified by a solicitor or a bank. Original documents will be returned by post at your risk. If a cheque is drawn by a third party, the above will also be required from that third party.

- 2 Name and address, etc: Insert (using block capitals) in Section 2 your full name, full address including the post code, daytime telephone number, National Insurance number and date of birth.
- 3 Signature and date: Sign and date the Application Form in Section 3. By signing and dating this form you agree to invest in British Smaller Companies VCT plc in accordance with the Terms and Conditions as set out on pages 23 to 25 of the Offers Document dated 4 March 2010.

Administration of Shareholder Account

The dividends paid by the Company can be taken as cash. Sections 4 and 5 of the Application Form allow you to indicate whether you would like to have them paid directly into your bank account. Dividends paid by cheque will be sent to the Shareholder's registered address using the standard mail delivery at the Shareholder's own risk if neither Section 4 or 5 is completed. The Company's Registrar will charge administration fees for re-issuing cheques.

- 4 Payment to your bank account: In order to facilitate the payment of dividends on any shares held in the Company directly to your bank or building society account, please complete Section 5 of the Application Form. Dividends paid directly into your account will be paid in cleared funds on the dividend payment date. Your bank or building society statement will identify details of the dividends as well as the dates and amounts paid.
- 5 Signature, date and post code: Please sign and date the Administration of Shareholder Account section of the Application Form. Please also include your post code as this will allow the Registrar to match your details with those that the Receiving Agent will have recorded with respect to your Application. By signing and dating this section of the form you authorise the Company's Registrar to administer your shareholding in accordance with the instructions noted in the Shareholding Administration section of the Application Form.

Page 2 – Details of your Financial Adviser

- 6 Financial Advisers' Details: appropriately authorised financial advisers who are entitled to receive commission should complete Sections 6 and 7, giving their contact name and address and their FSA number. Please note the financial advisers' obligations to advise their clients of the risk factors set out on page 20 of this Document.
- 7 Commission: Introductory commission will be paid to authorised financial advisers at a rate of either 3% or 2.25% (with additional annual trail commission) on the amount invested. Authorised financial intermediaries can waive some or all of the commission and have it invested in New Shares for their clients.
 - 7A1 Introductory commission of 3% – no annual trail commission is to be paid.
 - 7A2 The amount of introductory commission to be waived and invested.
 - 7B1 Introductory commission of 2.25% – annual trail commission of 0.5% for four years will be paid.
 - 7B2 The amount of introductory commission to be waived and invested.
- 8 Bank details: Financial advisers who are entitled to receive commission can choose to have their commission paid directly to their bank account. In order to facilitate this, please complete section 8 of the Application Form.



British Smaller Companies VCT plc

Application Form

If you are in any doubt about the action to take you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. **IMPORTANT – before completing this form please read the accompanying notes, PLEASE USE BLOCK CAPITALS**

Make your cheque or bankers draft out to “British Smaller Companies VCT Plc” and cross it with the words “A/C Payee only”. Return this form by post or by hand (during normal business hours) to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF so as to arrive by no later than 11:00 am on 5 April 2010 in respect of the 2009/10 Offer or 11:00 am on 30 April 2010 in respect of the 2010/11 Offer. If you post your Application Form you are recommended to use first class post and allow at least four days for delivery.

Subscription Details

1	Total Box 1
A 2009/10 Offer (income tax year 2009/2010)	£ <input type="text"/>
B 2010/11 Offer (income tax year 2010/2011)	£ <input type="text"/>
Total (A+B)	£ <input type="text"/>

Total (A + B) to be not less than £5,000 (multiples of £1,000 thereafter)

2 Title and Full Name: _____
 Address: _____

Post Code: _____ Daytime Telephone Number: _____
 Date of Birth: _____ National Insurance Number: _____

3 Signature: _____ Date: _____

By signing this form I HEREBY DECLARE THAT I have read the Terms and Conditions of Application and agree to be bound by them. I understand this is a LONG TERM investment and have read the RISK FACTORS.

Administration of Shareholder Account

Please complete any relevant section.

4 PAYMENT OF DIVIDENDS TO YOUR BANK ACCOUNT

If you would like your dividends to be paid directly into your bank or building society please tick this box.

Please provide your Bank or Building society details below. The Company cannot accept responsibility if any details provided by you are incorrect.

Account name: _____

Account number (please quote all digits and zeros): _____ Sort Code: _____

Name of Bank or Building Society: _____

Branch: _____

Branch Address: _____

_____ Post Code: _____

Please forward, until further notice, all dividends that may from time to time become due on any Shares now standing or which may hereafter stand, in my name in the registers of members of the Companies to the account noted above.

5 Full Name:

Signature: _____ Date: _____ Post Code: _____

Details of Financial Advisers

To be completed by intermediaries only. FSA number must be quoted.

All financial advisers MUST advise their clients of the Risk Factors set out on page 20 of this document.

6 Firm Name:

Contact (Adviser/Administrator) (delete as appropriate): _____

E-mail address: _____

FSA Number: _____ Telephone No: _____ Fax No: _____

Address: _____

_____ Post Code: _____

7 COMMISSION OPTIONS – Please complete section 7A or 7B (NOT BOTH)

7A Introductory commission of 3%.

7A1 To receive commission of 3% place an 'X' in this box

7A2 Insert the amount of the 3% commission that you wish to be waived and reinvested in additional new Shares for your client e.g. 0%, 1%, 1.5%, 2%, 2.5% or ALL

7B Introductory commission of 2.25% plus trail commission

7B1 To receive 2.25% plus annual trail commission of 0.5% for 4 years place an 'X' in this box

7B2 Insert the amount of 2.25% introductory commission you wish to be waived and reinvested in additional new Shares for your client e.g. 0%, 1%, 1.5% or ALL

8 DIRECT PAYMENTS OF COMMISSION/S TO A BANK ACCOUNT

If you would like your commission/s to be paid directly into your bank or building society please tick this box

Please provide your Bank or Building Society details below. The Company and The City Partnership (UK) Limited cannot accept responsibility if any details provided by you are incorrect.

Account name: _____

Account Number (please quote all digits and zeros): _____ Sort Code: _____

Name of Bank or Building Society: _____

Branch: _____

Branch Address: _____

_____ Post Code: _____

Please forward, until further notice, all commission/s that may from time to time become due as a result of my client's investment in the Company.

Signature: _____ Date: _____

British Smaller Companies VCT plc

Saint Martins House

210 - 212 Chapeltown Road

Leeds LS7 4HZ

BRITISH SMALLER COMPANIES VCT PLC

Potential Transaction

The Directors would like to announce that one of the investments of British Smaller Companies VCT plc has received a number of indicative proposals to purchase a part of its share capital. Whilst there remains considerable uncertainty that these proposals could lead to a transaction; should it complete it would have a materially positive impact on the net asset value of the shares of British Smaller Companies VCT plc.

For enquiries please contact

Singer Capital Markets: Jeff Keating 020 3205 7500

YFM Private Equity Limited: David Hall 0113 294 5000

BRITISH SMALLER COMPANIES VCT PLC (“the Company”)

INTERIM MANAGEMENT STATEMENT For the quarter ended 31 December 2009

British Smaller Companies VCT plc presents its interim management statement for the quarter ended 31 December 2009. This constitutes the Company's second interim management statement for the financial year ending 31 March 2010, as required by the UK Listing Authority's Disclosure and Transparency Rule 4.3. A copy of this interim management statement can be found at www.yfmgroup.co.uk.

The unaudited net asset value per Ordinary share as at 31 December 2009 was 91.7p (30 September 2009: 90.6p). The net asset value is stated after taking account of the interim dividend of 2.0p per Ordinary share in respect of the period ended 30 September 2009, which was paid on 7 January 2010.

The total return at 31 December 2009, calculated by reference to the net asset value per Ordinary share and the cumulative dividends paid and proposed, was 141.7p per share compared to 138.6p at 30 September 2009.

The number of Ordinary shares in issue at 31 December 2009 was 30,626,423. In addition, the Company held 1,382,837 shares in Treasury.

During the quarter 190,000 shares were re-purchased by the Company at a price of 74.0p per share. These shares were placed in Treasury. There were no shares issued by the Company during the quarter. Subsequent to the quarter end 105,771 Ordinary shares were issued to shareholders of the Company at a price of 84.17p per share pursuant to its dividend reinvestment scheme.

Net assets at 31 December 2009 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	9,897	35.3%
Quoted investment at bid price	4,222	15.0%
Total venture capital investments	14,119	50.3%
Fixed income securities	11,657	41.5%
Total investments	25,776	91.8%
Cash and cash equivalents	2,149	7.7%
Other net current assets	148	0.5%
Net assets	28,073	100.0%

The ten largest investments by valuation at 31 December 2009 were as follows:

	£000	% of net assets
GO Outdoors Limited	4,083	14.5%
Waterfall Services Limited	1,566	5.6%
Connaught plc	1,134	4.0%
Deep-Secure Limited	1,000	3.6%
Sheet Piling Limited	798	2.8%
Fishawack Limited	717	2.6%
Pressure Technologies plc	680	2.4%
Hargreaves Services plc	645	2.3%
Mattioli Woods plc	584	2.1%
Harvey Jones Limited	460	1.7%
Top ten investments	11,667	41.6%
Other investments	2,452	8.7%

Total venture capital investments	<u>14,119</u>	<u>50.3%</u>
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Quoted investments are carried at bid price with a discount applied where appropriate. Unquoted investments are carried at fair value as determined by the directors.

During the three months ended 31 December 2009 the following significant investment transactions took place (all companies are unquoted except where otherwise indicated):

The Company invested £1 million in Deep-Secure Limited to support the management buy-in of Clearswift Specialist Products Limited. The business is a specialist provider of hardware and software high security solutions principally to an international defence industry client base. In addition a further investment of £0.12 million was completed in Fishawack Limited to support an acquisition of one of its trading partners.

During the quarter the Company realised its residual investment in Images at Work Limited for £49k (carrying value at 30 September 2009: nil).

During the quarter the movement in net asset value comprised the recognition of an interim dividend of 2.0p per share and an underlying increase in its investment portfolio of 3.1p per share. The total return, calculated by reference to the net asset value plus cumulative dividends paid and proposed, has increased by 3.1p to 141.7p per share, cumulative dividends representing 50.0p per share.

The net asset value currently comprises 7.7% in cash and cash equivalents and 41.5% in fixed Government Securities and as such the Company is well placed to take advantage of selective investment opportunities as they arise.

Shareholder Relations

Share Buy Back policy

The Company continues to offer a dividend reinvestment scheme. In January 2010 14.5% of shareholders took the opportunity to re-invest the interim dividend.

The board of directors continues to monitor the share buyback policy of the Company. The board recognises the need to provide support to those shareholders wishing to dispose of their shares. In these uncertain times the board has reviewed carefully the appropriate level of share buybacks to the advantage of the shareholder base as a whole. Consequently for the foreseeable future they have determined that shares will continue to be acquired at a discount of 15% to the net asset value.

Fundraising

Your board has continued to review the Company's investment capacity and has consequently determined that it will undertake a top up offer available to all shareholders. This offer seeks to raise up to €2.5 million. Details will be circulated shortly.

Other

As part of the Company's shareholder relations strategy it will be holding an Investor Workshop at the Natural History Museum on 2 February 2010.

Outlook

In common with the first half of this financial year and against a background of economic uncertainty the investment portfolio has continued to be resilient. Whilst economic conditions remain challenging we have noted an increase in the number of businesses seeking funds for expansion and your Company has begun to take advantage of this, completing two investments in the period. With some evidence of a recovery, albeit fragile, this increased flow of investment opportunities could well be set to continue throughout 2010 and beyond.

29 January 2010

For further information please contact:

David Hall YFM Private Equity
Jeff Keating Singer Capital Markets

Tel: 0161 832 7603
Tel: 0203 205 7500

BRITISH SMALLER COMPANIES VCT PLC

ALLOTMENT OF SHARES

British Smaller Companies VCT plc (“the Company”) announces that on 7 January 2010 it allotted 105,771 ordinary shares of 10 pence each (“Ordinary Shares”) to shareholders of the Company at a price of 84.17 pence per share pursuant to its dividend reinvestment scheme.

Following such allotment the Company’s issued share capital consists of 30,732,194 Ordinary Shares with voting rights (“Voting Capital”) and 1,382,837 shares held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FSA’s Disclosure and Transparency Rules.

For further information, please contact:

David Hall
Jeff Keating

YFM Private Equity Limited
Singer Capital Markets

Tel: 0161 832 7603
Tel: 0203 205 7500