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1 October 2025

Dear Shareholder

**British Smaller Companies VCT plc ("BSC"); and
British Smaller Companies VCT2 plc ("BSC2") (together "the Companies")**

**£60 MILLION JOINT OFFER PLUS £25 MILLION
OVER-ALLOTMENT FACILITY (THE "OFFERS")**

We are pleased to announce the launch of our fundraising Offers for the 2025/26 tax year.

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

Despite a challenging macro environment in recent years, with higher levels of inflation and interest rates, the majority of the Companies' portfolio businesses have shown resilience in their trading and continued to deliver growth. In the 10 year period from 1 July 2015 to 30 June 2025, the Companies have generated Total Return increases of 61.7 per cent (BSC) and 61.3 per cent (BSC2) compared to their respective opening net asset values. During the same period the FTSE Small Cap rose by 53.6 per cent. The comparative performances over 1, 3, 5 and 10 years are shown in the table below.

	BSC	BSC2	FTSE Small Cap
1 year	3.7%	2.7%	6.8%
3 years	14.2%	11.6%	15.3%
5 years	65.8%	61.8%	43.4%
10 years	61.7%	61.3%	53.6%

Demand for growth capital has been increasing in recent years, as evidenced by investments totalling £68.6 million made in the past two years to 30 September 2025. The fundraising will allow the Companies to continue to broaden the portfolio with new investments; provide further funding for existing investee companies to accelerate their growth plans; and facilitate the ongoing operation of the Companies.

Key details of the Offers include:

SEEKING TO RAISE £60 MILLION, WITH AN OVER-ALLOTMENT FACILITY OF £25 MILLION	OFFERING AN EARLY BIRD DISCOUNT OF 0.125% FOR THE FIRST £25 MILLION OF CLEARED APPLICATION AMOUNTS	FIRST ALLOTMENT OF UP TO £25 MILLION IN JANUARY 2026 WITH THE BALANCE BEING ALLOTTED BETWEEN 1 AND 2 APRIL 2026
MONIES AWAITING ALLOTMENT WILL RECEIVE ADDITIONAL SHARES IN THE OFFERS, WITH THE INITIAL RATE AVAILABLE EQUIVALENT TO ACHIEVING A 2.36%* PER ANNUM RETURN ON CLEARED FUNDS	OPEN TO BOTH NEW AND EXISTING SHAREHOLDERS	OPEN FOR SUBSCRIPTION IN THE CURRENT 2025/26 TAX YEAR ONLY

*Rate is provided by the receiving agent's banking provider and is subject to change.

British Smaller Companies VCT plc (Co No: 03134749) registered in England and Wales. Registered Office: 4th Floor, 2 Bond Court, Leeds, LS1 2JZ.

British Smaller Companies VCT plc is managed by YFM Private Equity Limited, a company authorised and regulated by the Financial Conduct Authority FRN: 122120

British Smaller Companies VCT2 plc (Co No: 04084003) registered in England and Wales. Registered Office: 4th Floor, 2 Bond Court, Leeds, LS1 2JZ.

British Smaller Companies VCT2 plc is managed by YFM Private Equity Limited, a company authorised and regulated by the Financial Conduct Authority FRN: 122120

YFM Private Equity Limited is a wholly owned subsidiary of YFM Equity Partners LLP.



The Offers will give Investors the option to invest in either BSC or BSC2 or a combination of the two. The Prospectus assumes Application Amounts will be split 60 per cent into BSC and 40 per cent into BSC2 in accordance with the basis for allocation when the Companies co-invest.

The Offers are now open and will close for applications on 27 March 2026, or earlier if fully subscribed. The Prospectus is available to view online at www.bscfunds.com.

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

Please note that Investors will be allocated New Shares on a first-come, first-served basis, subject always to the discretion of the relevant Board. This is based on the date and time of receipt of a completed application form, as long as full payment of your investment is made within five business days. If payment is made after this date, the date and time that these funds clear will instead be the relevant date.

NEXT STEPS

Included with this letter is an Application Form together with accompanying notes on its completion, along with the Investor Guide. You may complete and submit your Application Form online at www.bscfunds.com. Alternatively, please complete and return the Application Form to The City Partnership, the receiving agents of the Offers, in the envelope provided.

The Prospectus can be downloaded from www.bscfunds.com.

If you have any queries, please contact your own Independent Financial Adviser or you can speak to Tracey Nice at YFM Private Equity Limited, the Manager of the Companies, on 0113 208 2646.

We hope you take this opportunity to invest further in the Companies and we thank you for your continued support.

A handwritten signature in black ink, appearing to read 'Rupert Cook'.

Rupert Cook
Chairman

British Smaller Companies VCT plc

A handwritten signature in black ink, appearing to read 'Barbara Anderson'.

Barbara Anderson
Chair

British Smaller Companies VCT2 plc

IMPORTANT NOTICE

This letter has been issued and approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by YFM Private Equity Limited ('YFM') which is authorised and regulated by the Financial Conduct Authority (FRN: 122120). YFM is the Companies' Manager.

This letter does not constitute an offer to subscribe for shares in the Companies. You should only invest on the basis of information contained in the Prospectus issued by the Companies on 25 September 2025. The tax reliefs available are dependent on individual circumstances, on investors retaining their shares for a five year period and on the Companies maintaining HM Revenue & Customs approval. Please refer to the HM Revenue & Customs website for further guidance on the tax relief available on VCT investments. We recommend that you seek independent financial advice from an appropriately authorised independent financial adviser as to whether this investment is suitable for you, as well as your personal entitlement to tax reliefs associated with the Companies' share offer.

Past performance is not a guide to future performance and may not be repeated. The value of investments, and the income derived from them, may fall or rise and investors may get back less than they invested. Prospective investors should carefully consider the risk factors. An investment in a VCT should be considered as a long term investment. Investments in unquoted companies involve a higher degree of risk than investments in other companies which are listed on the London Stock Exchange official list. The secondary market for VCT shares is generally illiquid, and therefore you may find it difficult to realise your investment.

For a full list of risk factors, please see the section titled 'Risk Factors' in the Prospectus which is available at www.bscfunds.com.