

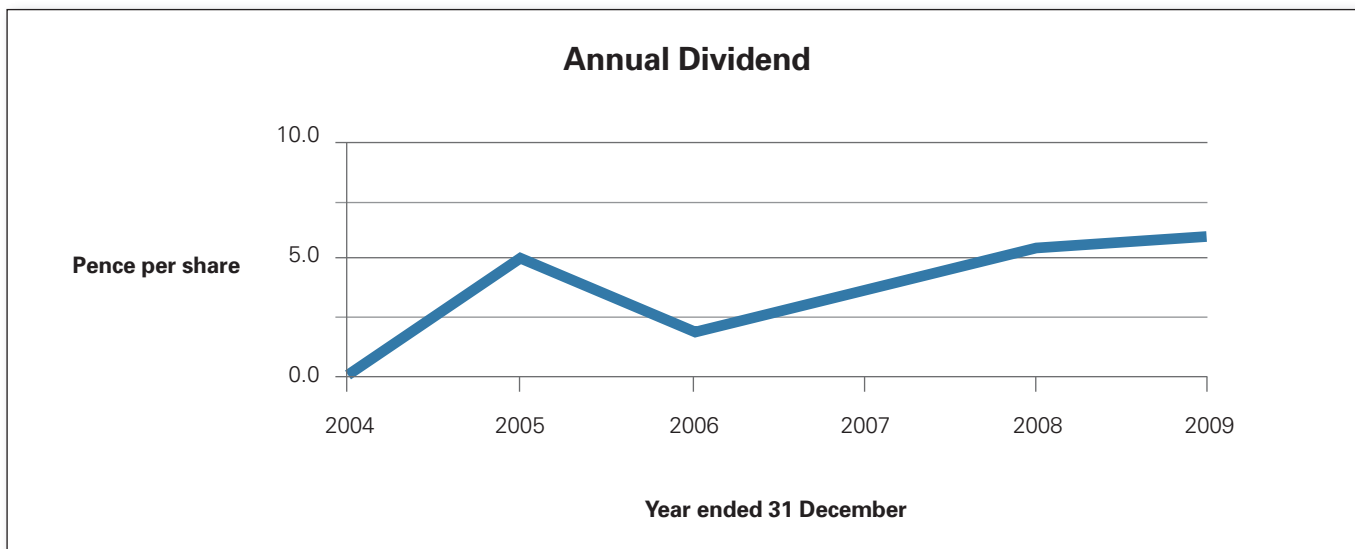


## British Smaller Technology Companies VCT 2 plc

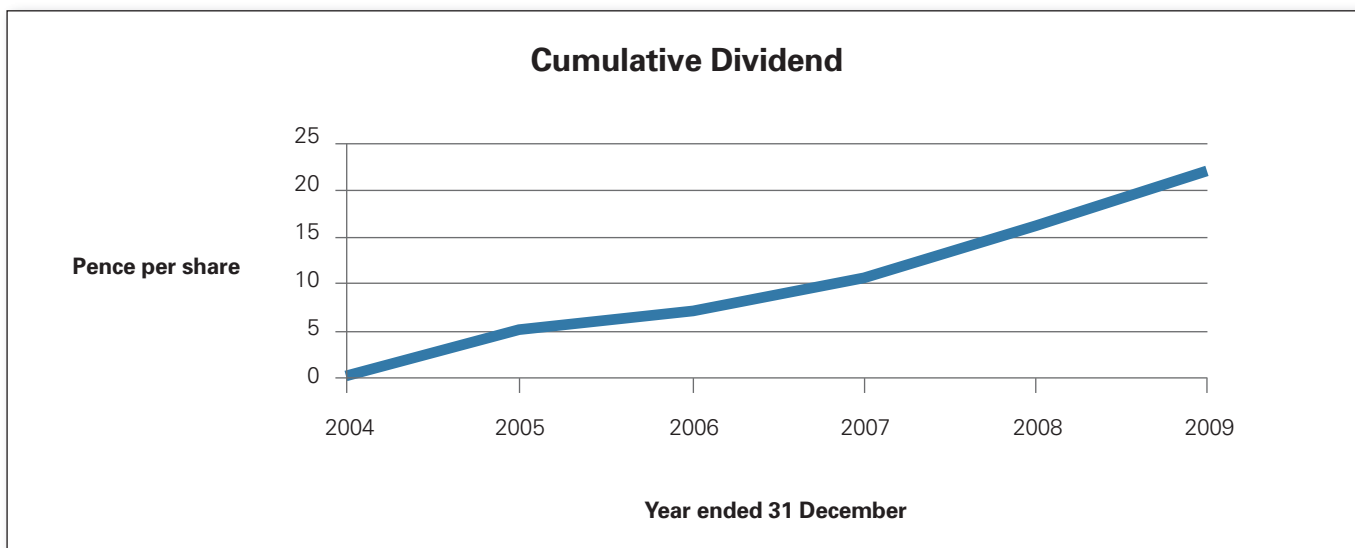
Offers for Subscription of up to 1,664,125 New Shares  
(Subject to a maximum of £1.286 million of funds raised)



### 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 17 of this document.**

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# British Smaller Technology Companies VCT 2 plc

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

## OFFERS FOR SUBSCRIPTION

Of up to, in aggregate 1,664,125 Ordinary Shares of 10 pence in the capital of the Company  
at an issue price of 77.25 pence per Share payable in full on application

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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.

1,664,125 Ordinary Shares are being offered to the public under the Offers, which open on 26 February 2010 and 6 April 2010 respectively. The 2009/2010 Offer will close on 11:00am on Monday 5 April 2010 and the 2010/2011 Offer will close at 11:00 am on Friday 30 April 2010 (or such later date to which the Directors extend the 2010/2011 offer), or the date on which the Offers become fully subscribed, if earlier. 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 page 20 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 6,480 shares (£5,005.80). Completed Application Forms 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.

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## Summary (cont)

### Key Details of the Offers

- Minimum subscription per Investor: 6,480 Shares (£5,005.80) at 77.25 pence per Share
- Maximum tax relief available on aggregate investment in all VCTs in any one tax year: £200,000
- Offer Price based on NAV of 73.0 pence per Share divided by 0.954 (to allow for Offer costs of 5.5%)
- Commission to intermediaries: up to 3.0% initial or 2.25% plus annual trail commission of 0.5% for 4 years
- Timetable: 2009/2010 tax year; open from 26 February 2010 until 5 April 2010 or earlier if the Offer is fully subscribed; 2010/2011 tax year; open from 6 April 2010 until 30 April 2010, unless fully subscribed, in which case the Offer will close early

### Shareholder Returns (all figures in pence per Share)

	Dec 2004 Audited	Dec 2005 Audited	Dec 2006 Audited	Dec 2007 Audited	Dec 2008 Audited	Sept 2009 Unaudited
Net Asset Value (NAV)	97.1	74.2	83.7	79.0	76.9	73.0
Cumulative Dividends	–	7.0	7.0	10.5	16.0	22.0 *
Total Return	97.1	81.2	90.7	89.5	92.9	95.0 *
Dividends in the period	–	7.0	–	3.5	5.5	6.0 *

\* 9 month period. Cumulative cash dividends are adjusted for 2.0 pence per Share interim dividend and 2.0 pence per Share special dividend paid on 2 October 2009 and 30 October 2009 respectively.

Dividend Table	Year ended 31 December	Gross Dividend
	2005	7.0p
	2006	–
	2007	3.5p
	2008	5.5p
	2009	6.0p
	<b>Cumulative dividends to date</b>	<b>22.0p</b>

Shareholders have benefited from annual dividends of 4.4 pence per Share per year for the last five years to 31 December 2009 and cumulative dividends of 22.0 pence per Share.

An annual dividend of 4.4 pence per Share is the equivalent to a tax free yield of 5.69% on the subscription price of 77.25 pence per Share, based on the subscription price net of 30% income tax relief of 54.07p this would imply a net tax free yield of 8.1%.

### Investment Manager

The Manager, YFM Private Equity Limited, has acted as Investment Manager for the Company since its inception in 2001. YFM Private Equity Limited is a wholly owned subsidiary of GLE Group Limited, a business specialising in providing a range of services to the UK's fast growing small businesses.

Founded in 1987 YFM Private Equity Limited is an established investment Manager and Fund Manager that specialises in making equity investments of up to £5 million in unquoted companies.

YFM Private Equity Limited also manages British Smaller Companies VCT 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 Plc Report and Accounts.

The investment team comprises 6 key individuals with over 100 years combined experience of venture capital investing.

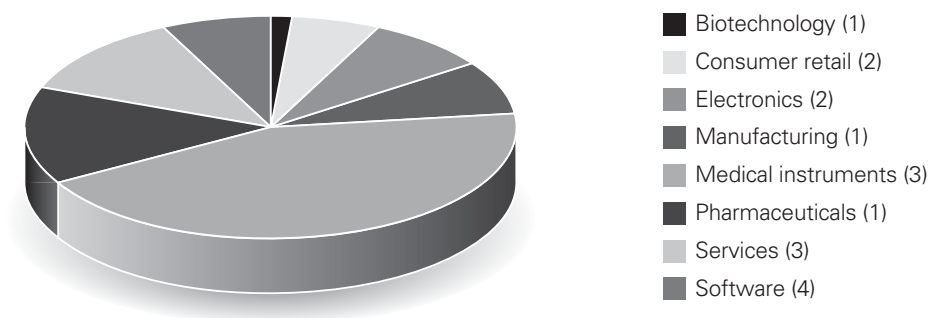
The Directors, Investment Manager\*, and Investment team have together invested £345,086 in the Company.

\* Through an intermediate holding company

## Summary (cont)

### 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 that offer opportunities in the application and development of innovation combined with those operating in traditional industries.



### Investment Objectives

- 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 £0.5 million would represent less than 4.0% of the enlarged Company's net asset value
- To invest at least 70% and up to 85% of its total assets in qualifying investments and maintain the Company's VCT status
- To build a diversified portfolio that is capable of continuing to support the Company's ambition of maintaining a constant level of dividend

To date the Company's investments have typically involved funding for a broad cross-section of businesses from growth orientated earlier stage (post sales pre-profit) companies to management buy-outs, acquisition funding 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.

A proportion of investments include an element of loan stock to enhance the security of the portfolio and to provide investment income for the Company.

The benefits of following a diversified portfolio strategy can be demonstrated in that returns to date have been delivered from a range of investments with 12 investments realised at a profit.

### Share Buy Back Policy

For the benefit of Shareholders the Board will be recommending the reintroduction of a Share buy-back policy, with an initial discount of 15% on Net Asset Value. It is the Board's intention that this be proposed at the Company's Annual General Meeting to be held on 12 May 2010.

# Part 1 – Background information on the Company

## Historic Performance

	Dec 2004 Audited	Dec 2005 Audited	Dec 2006 Audited	Dec 2007 Audited	Dec 2008 Audited	Sept 2009 Unaudited
Net Asset Value (NAV)	97.1	74.2	83.7	79.0	76.9	73.0
Cumulative Cash Dividends	–	5.0	7.0	10.5	16.0	22.0 *
Total Return	97.1	81.2	90.7	89.5	92.9	95.0 *
Dividends in the period	–	7.0	–	3.5	5.5	6.0 *

\* 9 month period. Cumulative cash dividends are adjusted for 2.0 pence per Share interim dividend and 2.0 pence per Share special dividend paid on 2 October 2009 and 30 October 2009 respectively.

The Company has paid an average dividend of 4.4 pence per Share for the last four years and nine months and paid total dividends since inception of 22.0 pence per Share. For the past two years, as a result of the two successful realisations of Sarian Systems and DxS Limited, a 2 pence per Share special dividend was paid.

The Net Asset Value of the Company as at 30 September 2009 was 73.0 pence per Share. The results for the nine months to 30 September 2009 delivered a profit of £0.36 million.

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.

The market for new investments has been impacted in a number of ways. The AIM market has seen very low levels of activity with the record low number of new entrants being mostly being made up of overseas mining companies or financial vehicles (neither of which are VCT qualifying). The lower activity levels have been mirrored in the unquoted market.

During 2008 and 2009 the Company adopted a cautious approach choosing to concentrate on portfolio management and support and the preservation of its cash. 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.

In December 2009 the Company made a £0.5 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.

The rate of new opportunities continues to grow and it anticipated that this will translate into a further expansion of the investment portfolio.

## Investment Portfolio

	Carrying cost (£000)	Original investment cost (£000)	Valuation (£000)	% of Net Asset Value
<b>Top Ten Investments at 30 September 2009</b>				
Digital Healthcare Limited	3,072	3,072	1,659	13.6%
Primal Pictures Limited	961	961	742	6.1%
Immunobiology Limited	850	850	807	6.7%
Pressure Technologies plc	300	300	440	3.6%
Silistix Limited	1,215	1,215	387	3.2%
Waterfall Services Limited	250	250	382	3.2%
Harvey Jones Holdings Limited	389	389	273	2.2%
Patsystems plc	317	317	258	2.1%
Ellfin Home Care Limited	296	296	150	1.2%
RMS Group Holdings Limited	392	408	146	1.2%
<b>Subtotal</b>	<b>8,042</b>	<b>8,058</b>	<b>5,244</b>	<b>43.1%</b>
Optos plc	115	153	94	0.8%
Allergy Therapeutics plc	350	350	84	0.7%
Brulines plc	81	81	76	0.6%
Solcom Limited	–	–	71	0.6%
ART Technology Group Inc	31	275	71	0.6%
Tissuemed Limited	48	48	60	0.5%
<b>Subtotal</b>	<b>625</b>	<b>907</b>	<b>456</b>	<b>3.8%</b>
<b>Total</b>	<b>8,667</b>	<b>8,965</b>	<b>5,700</b>	<b>46.9%</b>

## Part 1 – Background information on the Company (cont)

More details are given below of the Company's ten most significant investments as at 30 September 2009. Brief details of the Company's additional investments and realisations since 30 September 2009 are set out on page 10 below, and the full details of the investment portfolio are disclosed in the Company's Annual Report and accounts, accessible at [http://www.yfmgroup.co.uk/bstc\\_vct\\_literature.asp](http://www.yfmgroup.co.uk/bstc_vct_literature.asp). The turnover, profit/loss before tax, retained profit/loss and net assets/liabilities of the companies are extracted without adjustment from the latest audited accounts of each of those companies.

### Digital Healthcare Limited\*

(Ophthalmology Screening Software)

Cambridge  
www.digital-healthcare.co.uk

Investment date	June & December 2005, July 2007, October & November 2008	Year end	30 September
Equity held	25.04%	Turnover £000	2,872
Cost £000	3,072	Loss before tax £000	(1,708)
Valuation £000	1,659	Retained losses £000	(5,358)
Valuation basis	Price of recent investment, reviewed for impairment	Net assets £000	128
		Audited accounts date	30 September 2008

Digital Healthcare has developed software for the management of digital images in the diabetic screening, ophthalmology and optometric markets. In November 2008, it raised a further £2.6 million to continue to expand its US presence. It continues to develop its market share in both the UK and US.

### Primal Pictures Limited\*

(3D Anatomy Software)

London  
www.primalpictures.com

Investment date	December 2005	Year end	31 December
Equity held	16.39%	Turnover £000	2,541
Cost £000	961	Profit before tax £000	302
Valuation £000	742	Retained losses £000	(4,757)
Valuation basis	Earnings multiple	Net liabilities £000	(1,376)
		Audited accounts date	31 December 2008

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 license revenues from reseller partners.

### Immunobiology Limited\*

(Vaccine Development)

Cambridge  
www.immbio.com

Investment date	June & December 2003, November & December 2005, August 2007	Year end	31 May
Equity held	10.14%	Turnover £000	2
Cost £000	850	Loss before tax £000	(1,547)
Valuation £000	807	Retained losses £000	(3,921)
Valuation basis	Price of recent investment, reviewed for impairment	Net assets £000	289
		Audited accounts date	31 May 2008

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.

\*Acquired by British Smaller Technology Companies VCT 2 plc from British Smaller Technology Companies VCT plc in December 2005.

## Part 1 – Background information on the Company (cont)

### Pressure Technologies plc (Manufacturing)

Sheffield  
www.pressuretechnologies.co.uk

Investment date	June 2007	Year end	3 October
Equity held	1.77%	Turnover £000	26,186
Cost £000	300	Profit before tax £000	5,053
Valuation £000	440	Retained profits £000	8,206
Valuation basis	Quoted bid price	Net assets £000	14,114
		Audited accounts date	3 October 2009

Pressure Technologies was admitted to the Alternative Investment Market 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. Results for the year to September 2009 show turnover up 10.7% on the previous year.

### Silistix Limited (Semiconductor Technology)

Manchester  
www.silistix.com

Investment date	December 2003, October 2004, December 2005, July 2006 & January 2007, January, August & November 2008, April 2009	Year end	31 December
Equity held	9.65%	Turnover £000	–
Cost £000	1,215	Loss before tax £000	(2,831)
Valuation £000	387	Retained losses £000	(8,644)
Valuation basis	Price of recent investment, reviewed for impairment	Net liabilities £000	(5,522)
		Audited accounts date	31 December 2008

Silistix is a spin-out from the University of Manchester producing a self-timed silicon chip to deliver easier and faster chip design and reduced energy consumption. The company is developing its products in response to specific customer developments and expects to sign license deals soon.

### Waterfall Services Limited (Services)

Warrington  
www.caterplus.co.uk

Investment date	February 2007	Year end	31 March
Equity held	4.61%	Turnover £000	28,414
Cost £000	250	Profit before tax £000	441
Valuation £000	382	Retained profits £000	334
Valuation basis	Earnings multiple	Net assets £000	1,099
		Audited accounts date	31 March 2009

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 the supply of residential and care homes to 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 services provided to the education sector.

## Part 1 – Background information on the Company (cont)

### Harvey Jones Holdings Limited

(Consumer Products)

London

[www.harveyjones.com](http://www.harveyjones.com)

Investment date	May 2007	Year end	31 December
Equity held	3.44%	Turnover £000	9,591
Cost £000	389	Profit before tax £000	204
Valuation £000	273	Retained profits £000	331
Valuation basis	Earnings multiple	Net assets £000	893
		Audited accounts date	31 December 2008

Harvey Jones is a manufacturer/retailer of kitchen furniture. The business has a manufacturing facility in the UK and stores in London and wealthy provincial towns principally in the South of England. Its strong brand positioning has helped Harvey Jones to retain volumes through the economic down turn. The business has continued to selectively open new stores to be well positioned to benefit as market conditions improve.

### Patsystems plc

(Software)

London

[www.patsystems.com](http://www.patsystems.com)

Investment date	September 2007 & March 2008	Year end	31 December
Equity held	0.63%	Turnover £000	22,097
Cost £000	317	Profit before tax £000	4,486
Valuation £000	258	Retained losses £000	(3,700)
Valuation basis	Quoted bid price	Net assets £000	23,508
		Audited accounts date	31 December 2009

The holding in Patsystems has arisen as a result of deferred consideration payable in shares on the acquisition of Tamesis in August 2005. Patsystems develops trading and risk management systems for derivatives traders which is the only real-time risk management system available currently.

### Ellfin Home Care Limited

(Healthcare)

Oldham

Investment date	December 2007 & October 2009	Year end	31 October
Equity held	4.38%	Retained losses £000	(206)
Cost £000	296	Net assets £000	360
Valuation £000	150	Audited accounts date	31 October 2008
Valuation basis	Earnings multiple		

Ellfin 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 5 year period. To date two acquisitions have been completed and the management team continue to look for other suitable targets.

## Part 1 – Background information on the Company (cont)

### RMS Group Holdings Limited (Stevedoring and Logistics)

Goole  
www.rms-europe.co.uk

Investment date	July 2007 and June 2008	Year end	31 December
Equity held	3.43%	Turnover £000	31,398
Cost £000	392	Loss before tax £000	(2)
Valuation £000	146	Retained losses £000	(400)
Valuation basis	Earnings multiple	Net assets £000	5,159
		Audited accounts date	31 December 2008

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 overall commodity movements the financing structure has been defensively constructed and the team have used the tough economic conditions to consolidate their market position.

#### Investments since 30 September 2009

On 9 December 2009 when British Smaller Technology Companies VCT 2 plc invested £0.5 million into Deep-Secure Investments Limited, to acquire assets from Clearswift. Deep-Secure Limited 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.

Since 30 September 2009 the Company has approved follow-on investments in Immunobiology Limited (£181,818) and Silistix Limited (£150,000) as part of further fundraising rounds. These investments will be funded out of existing liquid resources and are expected to complete prior to the closing of the Offers.

There have been no other material changes to the Investment Portfolio since 30 September 2009.

## 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 in excess of 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. 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 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.

## Part 1 – Background information on the Company (cont)

**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 board of Harvey Jones and represents the Company's interests on several other investments. 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.

### The Directors

The Company benefits from a highly experienced Board consisting of four 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 as its Investment Manager.

#### **Richard Last – Chairman**

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 Companies VCT 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 Companies VCT 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 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, and Acal Energy Limited (of which he is Chairman). He is also a non-executive Director of British Smaller Companies VCT 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 4 October 2000 with registered number 4084003 under the name British Smaller Technology Companies VCT 2 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 30 September 2009 the authorised share capital of the Company was £5.0 million made up of 50,000,000 ordinary shares of 10p each, of which 16,641,257 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% of 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:

1. have been notified to the Company; or
2. are required to be entered into the register of director's interests; or
3. are interests of a Connected Person are as follows:

	At Present	Following These Offers
(assuming full subscription) Director	Shares	Shares
Richard Last	23,925	36,870
Robert Pettigrew	37,524	37,524
Philip Cammerman	22,115	22,115

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
Richard Last	28 November 2009	£31,500
Robert Pettigrew	28 November 2009	£18,000
Philip Cammerman	28 November 2009	£18,000

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 agreement, the Administration and Investment Advisory ("IAA") agreement dated 31 October 2005, 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 Original 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 Original IAA, YFM Private Equity is entitled to receive an annual investment advisory fee of 2.5% of the Gross Assets of the Company (as determined on 30 June and 31 December 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 £46,000 (subject to increases in the annual retail price index and currently £50,455), plus VAT where appropriate. The Investment Advisor is also entitled to all arrangement, syndication and monitoring fees payable in respect of unquoted investments. The Company indemnifies the Investment Advisor against all things lawfully and properly done under the Original IAA.

## Appendix I (cont)

### Other Information

The Offers are being made by way of an offer to the UK public of new Ordinary Shares. The maximum amount to be raised under the Offers is the Sterling equivalent of £1.286 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 1,664,125 representing approximately 10.0% of the Company's existing issued Ordinary Shares.

Investors are invited to subscribe for a minimum of £5,005.80 (6,480 shares).

The unaudited Net Asset Value as at 30 September 2009 (the latest date for which the Net Asset Value has been announced prior to the date of this Document) was 73.0 pence per Ordinary Share. New Shares will be issued at a price of 77.25 pence per share.

On the basis of an Offer Price of 77.25 pence per New Share, the amount raised under the Offers, before issue costs and assuming full subscription, would be £1,285,536.

The minimum subscription amount for each Applicant is 6,480 shares at a price of 77.25 pence per Share 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 2.5% per annum of the Net Asset Value of the Company. The annual fee is calculated twice a year on 30 June and 31 December and is payable quarterly in advance, together with any applicable VAT. In addition, YFM Private Equity receives an annual fee of £46,000 plus VAT subject to annual increases in accordance with the Retail Price Index for the provision of administrative and secretarial services.

#### Performance Incentive

Generics Asset Management Limited and YFM Private Equity Limited through the YFM Private Equity Trust, a trust established for the benefit of employees of YFM Group Limited, receive a performance-related incentive. Under the incentive scheme the Investment Manager will receive an incentive payment equal to 20% of the amount by which the Total Return (Share Price plus cumulative dividends paid) exceeds 120 pence per Ordinary 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 2010.

#### Reporting to Shareholders

The Company's annual report and accounts are produced to the 31 December in each year and will normally be sent to Shareholders in May. Shareholders will also receive unaudited interim reports, to 30 June in each year.

#### 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 intends to introduce a share buy-back policy at the appropriate time in the near future after the Offer period.

#### 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)

Richard Last (Chairman)  
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 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, must be 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, 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 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 page 15 and 16 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 main market of 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 which 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. 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 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 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:

<b>"2009/10 Offer"</b>	the offer for subscription of New shares pursuant to the terms of this document which opens on 26 February 2010 and closes on 5 April 2010
<b>"2010/11 Offer"</b>	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
<b>"AiM" or "AIM"</b>	AiM, a market operated by the London Stock Exchange, formerly known as the Alternative Investment Market
<b>"Applicant"</b>	an investor whose name appears in an Application Form
<b>"Application"</b>	offer to subscribe for New Shares under the Offer made by an Applicant by completing an Application Form
<b>"Application Amount"</b>	amount (in pounds sterling) due from an Applicant in respect of their Application or such part (if any) of their Application as is accepted
<b>"Application Form"</b>	the application form contained at the end of this Document
<b>"Articles"</b>	Articles of Association of the Company
<b>"Capita Registrars"</b>	a trading division of Capita IRG Plc
<b>"CGT"</b>	capital gains tax
<b>"Company"</b>	British Smaller Technology Companies VCT 2 plc
<b>"Directors" or "Board"</b>	directors of the Company as at the date of this Document
<b>"Document"</b>	this document, which describes the Offer
<b>"FSA"</b>	Financial Services Authority
<b>"ICTA"</b>	Income and Corporation Taxes Act 1988 (as amended)
<b>"Investment Manager", "Manager" or "Fund Manager"</b>	YFM Private Equity Limited registered number 2174994 whose registered office is Saint Martins House, 210-212 Chapeltown Road, Leeds LS7 4HZ
<b>"Investor"</b>	a person who subscribes for New Shares under the Offer
<b>"Listed"</b>	admitted to the Official List of the UK Listing Authority and to the trading on London Stock Exchange's main market for listed securities
<b>"London Stock Exchange"</b>	London Stock Exchange plc
<b>"Net Asset Value" or "NAV"</b>	net asset value per Ordinary Share
<b>"Net Assets"</b>	gross assets less all liabilities (excluding contingent liabilities) of the Company
<b>"New Shares"</b>	new Ordinary Shares available for subscription pursuant to the Offer(s)
<b>"Offer Price"</b>	the price paid by Applicants for each New Share issued under the Offer(s)
<b>"Offer(s)", "Issue(s)" or "Offer(s) for Subscription"</b>	the 2009/10 and /or 2010/11 Offer(s)
<b>"Official List"</b>	official list of the UK Listing Authority
<b>"Ordinary Shares" or "Shares"</b>	Ordinary Shares of 10 pence each in the capital of the Company

## Appendix V (cont)

<b>“Qualifying Applicant”</b>	a UK income tax payer, aged 18 or over, who subscribes for Ordinary Shares
<b>“Receiving Agents”</b>	The City Partnership (UK) Limited
<b>“Shareholders”</b>	holders of Ordinary Shares in the Company
<b>“Total Return”</b>	NAV plus cumulative dividends paid
<b>“Terms and Conditions”</b>	terms and conditions of Application as set out on pages 20 and 21
<b>“UK Listing Authority”</b>	Financial Services Authority acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000
<b>“VCT Investments”</b>	investments made by the Company, other than Fixed Income Securities
<b>“VCT Qualifying Company”</b>	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
<b>“VCT Qualifying Investment”</b>	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
<b>“Venture Capital Trust” or “VCT”</b>	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 New Ordinary Shares becoming effective.
2.
  - (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 Applicants' 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.
3. 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 Technology Companies VCT 2 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, you 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;
- (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 4 and 5 below and warrant that you are not a "US person" as defined in the United States Securities Act of 1933,

## Appendix VI (cont)

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;
4. 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.
  5. 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.
  6. 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.
  7. 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 of the Offers" on page 13 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.

8. The section headed Notes on the Application Form forms part of these Terms and Conditions of Application.
9. It is a condition of these Offers that compliance with the Money Laundering Regulations 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 (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.
10. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application for the Offers or not in all respects complying with the Notes on the Application Form. In particular, but without limitation, the 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 of shares required. Then, in Box 2, insert the value of the investment you wish to make (number of shares multiplied by 77.25 pence per share i.e.  $6,480 \times 77.25 = \text{£}5,005.80$ ). The Offer must be for a minimum of 6,480 shares at  $\text{£}5,005.80$ .

Attach a cheque or bankers draft to the Application Form for the exact amount shown in Box 2. Your cheque or banker's draft must be made payable to "British Smaller Technology Companies VCT 2 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 2 plc in accordance with the Terms and Conditions as set out on pages 20 to 21 of the Offer dated 26 February 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 change 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 17 of the Offer 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 Technology Companies VCT 2 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 Technology Companies VCT 2 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	Shares Box 1	Price	Total Box 2
<b>A 2009/10 Offer (income tax year 2009/2010)</b>	<input type="text"/>	<b>£0.7725</b>	<input type="text"/>
<b>B 2010/11 Offer (income tax year 2010/2011)</b>	<input type="text"/>	<b>£0.7725</b>	<input type="text"/>
<b>Total (A+B)</b>	<input type="text"/>	<b>£0.7725</b>	<input type="text"/>

**Total (A + B) to be not less than 6,480 shares**

in the Company, or such lesser amount for which this Application will be accepted, on the Terms and Conditions of the Offers dated 26 February 2010

**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 17 of the Offer.

### 6 Firm Name: Allenbridge Group plc

Contact (Adviser/Administrator) (delete as appropriate): Priti Patel

E-mail address: \_\_\_\_\_

FSA Number: 137716

Telephone No: 02074091111

Fax No: \_\_\_\_\_

Address: 17 Hill Street, Mayfair, London

Post Code: W1J 5NZ

### 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 eg 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 eg 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 Technology Companies VCT 2 plc

Saint Martins House

210 - 212 Chapeltown Road

Leeds LS7 4HZ