

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK ADVICE FROM YOUR BANK MANAGER, STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

If you have sold or transferred all of your Ordinary Shares in British Smaller Technology Companies VCT 2 plc you should send this document immediately to the purchaser or transferee or the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

British Smaller Technology Companies VCT 2 plc

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

Circular to Shareholders issued in connection with the proposed:

Change of name of the Company

Authority for the Company to purchase its own shares

NOTICE OF GENERAL MEETING

Your attention is drawn to the letter from the Chairman of the Company set out on pages 3 to 4 of this document which contains a recommendation to vote in favour of the resolutions to be proposed at the General Meeting referred to below.

A notice convening a General Meeting of the Company to be held at 2nd Floor, Berkeley Square House, Berkeley Square, London, W1J 6BD at 10.00 a.m. on 18 October 2010 is set out at the end of this document. A Form of Proxy accompanies this document.

To be valid, Forms of Proxy for use at the General Meeting must be completed and returned so as to be received at the offices of the Company's registrars, Capita Registrars, at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by 10.00 a.m. on 16 October 2010.

The completion and depositing of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting should you wish to do so.

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Definitions

“Act”	Companies Act 2006
“the Company”	British Smaller Technology Companies VCT 2 plc
“Directors” or “Board”	the board of directors of the Company
“Form of Proxy”	the form of proxy for use in connection with the General Meeting enclosed with this document
“Listing Rules”	the Listing Rules as contained in the Handbook of the Financial Services Authority as UK Listing Authority
“Notice”	the notice of the General Meeting set out on page 5 of this document
“Ordinary Shares”	Ordinary Shares of 10 pence each in the capital of the Company
“Resolutions”	the resolutions to be proposed at the General Meeting, as set out in the Notice
“Shareholder”	a holder of Ordinary Shares
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“VCT”	a venture capital trust as defined in Section 259 Income Tax Act 2007

Chairman's Letter

British Smaller Technology Companies VCT 2 plc

(Registered No. 04084003)

Directors:

Richard Last
Robert Martin Pettigrew

Registered Office:

British Smaller Technologies Companies VCT 2 plc
Saint Martins House
210-212 Chapeltown Road
Leeds
West Yorkshire LS7 4HZ

24 September 2010

Dear Shareholder

Notice of General Meeting

1. Introduction

The Company

The Company's recent track record has seen a balancing of its investment approach between more developed income generating investments and earlier stage emerging businesses. This has resulted in a more mature investment portfolio that has delivered strong investment performance and tax free cash dividends averaging 4.9 pence per Ordinary Share for the last 3 years and six months to June 2010. The unaudited net asset value per Ordinary Share as at 30 June 2010 was 70.1 pence per share (source: unaudited interim accounts of the Company for the six months to 30 June 2010). This performance underpins the Board's commitment to maximising Shareholder dividends and has contributed to the total return as at that date of 94.1 pence per Ordinary Share, which includes 24.0 pence per Ordinary Share of tax-free dividends.

Shareholder Approval

The Board is proposing two resolutions at a General Meeting which has been convened for 18 October 2010 (details of which appear in the Notice attached to this document), first that the Company's name be changed and secondly to enable the Company to re-introduce a share buyback policy.

2. Further details

The first special resolution is to change the name of the Company to 'British Smaller Companies VCT 2 plc'. Since 2004 the Company has pursued an investment strategy targeting later stage innovative companies to deliver a portfolio that balances both the need for income generation and capital growth. This strategy has seen dividends increase and a greater proportion of the costs covered through income generation. It is the view of the Directors that this change of name more appropriately reflects the Company's investment policy.

The second special resolution is to enable the Company to re-introduce a share buyback policy by giving the Directors the authority to make market purchases of the Company's own shares. The Company withdrew its share buyback policy in 2006 so that the Company's resources could at that time be concentrated on supporting the expansion plans of key businesses in the Company's investment portfolio and selectively making new investments.

There are a number of reasons that the Directors consider it appropriate that the buyback policy be reintroduced. It is part of the Board's strategy to increase the size of the Company. This allows increased diversification of the portfolio, increasing the future dividend capacity affording greater opportunity to provide consistent dividends and to spread the costs over a wider asset base. An important part of this strategy is to raise new funds. Without a buyback policy financial intermediaries are reluctant or in some cases unable to recommend the shares to new investors. This reduces the prospect of raising significant new funds. A buyback policy also provides an increased measure of liquidity for shareholders seeking to dispose of their holding.

Chairman's Letter

The Directors will only exercise the authority to purchase Ordinary Shares where they consider that such purchases will be in the best interests of Shareholders generally and will result in an increase in earnings per Ordinary Share. Shares purchased under the general authority proposed will either be cancelled or held in Treasury at the discretion of the Board.

Under this policy the Company will make market purchases of its own Ordinary Shares up to a maximum number of shares equivalent to 14.99% of total Ordinary Shares in issue as at 30 June 2010. Subject to shareholder approval, the Board intends to operate a policy of purchasing shares that become available in the market at a price equivalent to the Company's most recently published Net Asset Value less a discount of 15%.

The minimum price that the Company may pay for each Ordinary Share is 10p, its nominal value, and under the Listing Rules, the maximum price is an amount not more than 5% above the average middle market price of the Ordinary Shares taken from the Official List of the UK Listing Authority for the five business days immediately preceding the day on which the shares are contracted to be purchased.

As at the date of this document there are no options to subscribe for Ordinary Shares and the Company does not have any outstanding share warrants.

3. General Meeting

The Resolutions, upon which Shareholders are asked to vote at the General Meeting are set out in the Notice on page 5 and are summarised above.

The General Meeting has been convened for 10.00 a.m. on 18 October 2010 at 2nd Floor, Berkeley Square House, Berkeley Square, London, W1J 6BD. At the General Meeting, Special Resolutions, requiring the approval of not less than 75 per cent of the votes cast, will be proposed in order to pass Resolutions 1 and 2.

4. Action to be Taken

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. Shareholders are asked to complete and return this (as appropriate) to the Company's registrars, Capita Registrars, at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received as soon as possible, and in any event to arrive not later than 10.00 a.m. on 16 October 2010. Completion and return of a Form of Proxy will not affect a registered Shareholder's right to attend and vote at the General Meeting should he or she wish to do so.

5. Recommendation

The Board considers that the Resolutions are in the best interests of the Company and the Shareholders as a whole and, accordingly, the Board recommends Shareholders to vote in favour of the Resolutions, as they intend to do in respect of their own beneficial shareholdings totalling 96,509 Ordinary Shares (representing 0.5% of the issued share capital of the Company). In addition YFM Private Equity Limited the Company's investment manager intends to vote its shareholding of 345,086 (representing 1.9% of the issued share capital of the Company) in favour of the Resolutions.



Richard Last
Chairman, British Smaller Technology Companies VCT 2 plc

Notice of General Meeting

BRITISH SMALLER TECHNOLOGY COMPANIES VCT 2 PLC

Incorporated in England and Wales (Registered Number 04084003)

Notice is hereby given that a General Meeting of British Smaller Technology Companies VCT 2 plc will be held at 10.00 a.m. on 18 October 2010 at 2nd Floor, Berkeley Square House, Berkeley Square, London, W1J 6BD for the purpose of considering and, if thought fit, pass the resolutions 1 and 2 below as Special Resolutions of the Company:

SPECIAL RESOLUTIONS

- 1 That the name of the Company be changed to "British Smaller Companies VCT 2 plc".
- 2 That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of Ordinary Shares of 10p in the capital of the Company provided that:
 - 2.1 the maximum aggregate number of Ordinary Shares authorised to be purchased is 2,673,844 being 14.99% of issued Ordinary Shares as at 30 June 2010;
 - 2.2 the maximum price which may be paid for an Ordinary Share shall be an amount equal to five per cent above the average of the middle market quotations for such shares taken from the London Stock Exchange Official List for the five business days immediately preceding the date the Ordinary Share is contracted to be purchased;
 - 2.3 the minimum price which may be paid for an Ordinary Share is its nominal value;
 - 2.4 this authority shall take effect from 18 October 2010 and shall expire 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 earlier; and
 - 2.5 the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

By order of the Board

For and on behalf of
British Smaller Technology Companies VCT 2 plc
Jim Gervasio LL.B.
Company Secretary

24 September 2010
Registered Office:
Saint Martins House
210-212 Chapeltown Road
Leeds LS7 4HZ

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and to speak and vote on his or her behalf. A proxy need not also be a member. Appointment of a proxy will not preclude a member from subsequently attending and voting at the Meeting should he or she subsequently decide to do so. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attaching to a different share or shares held by you.
2. A reply paid form of proxy is enclosed with this circular. If you prefer, you may return the proxy form to the Registrar in an envelope addressed to FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, BR3 4TU. To be valid, it should be lodged with the Company's registrars, Capita Registrars, so as to be received by 10.00 a.m. on 16 October 2010.
3. In accordance with regulation 41 of the Uncertificated Securities Regulations 2001, only members entered on the Company's register of members not later than 6.00 p.m on 16 October 2010 or, if the Meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned Meeting, shall be entitled to attend and vote at the Meeting.
4. As at 23 September 2010 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 17,837,519 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 23 September 2010 are 17,837,519.
5. The register of Directors' interests will be available for inspection at the Meeting.
6. Defined terms used in the above resolution shall have the meaning given to them in the Circular to shareholders of the Company dated 24 September 2010.
7. Note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Act are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly. In accordance with Section 324 of the Act, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the Act. Persons nominated to receive information rights under section 146 of the Act who have sent a copy of this notice of Meeting are hereby informed, in accordance with Section 149(2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this Meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

British Smaller Technology Companies VCT 2 plc

Saint Martins House

210 - 212 Chapeltown Road

Leeds LS7 4HZ