

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold or otherwise transferred all of your shares in British Smaller Companies VCT2 plc, please send this document and accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for delivery to the purchaser or transferee.

British Smaller Companies VCT2 plc

(Registered in England and Wales with registered number 4084003)

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

Your attention is drawn to the letter from the chairman of the Company set out on pages 4 to 6 which contains a recommendation to vote in favour of the Resolutions to be proposed at the General Meeting.

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

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

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Risk Factors Relating to the Scheme

The Directors draw the attention of Shareholders who may be considering an investment in the Company under the Scheme to the following risk factors, which may affect the performance of the Company and/or the availability of tax reliefs:

- Investment in the Company should be regarded as long-term in nature and may not be suitable for all individuals. If they are in any doubt potential investors should consult their professional advisers about the Scheme.
- Investment in unquoted companies and AiM companies by its nature, involves a higher degree of risk than investment in a quoted portfolio. Unquoted and AiM investments may be difficult to realise.
- The market price of the Ordinary Shares may not fully reflect their underlying net asset value. Past performance is not a guide to the future and the value of an investment in the Company, and the income derived from it may go down as well as up and an investor may not get back the amount invested.
- Although the Shares will be listed on the Official List of the UK Listing Authority it is possible that there may not be a liquid market in the Shares and Shareholders may have difficulty in selling their Shares.
- Any realised losses on a disposal of Shares will not be allowable losses, for the purposes of capital gains tax, and will therefore not be capable of set off against any capital gains.
- There can be no guarantee that the Company will maintain full VCT qualifying status. If the Company ceases to retain approval as a VCT, before Participating Shareholders have held their shares for five years, any income tax relief will have to be repaid. Following a loss of VCT status, Shareholders will be taxed on dividends paid by the Company and, in addition, a liability to capital against tax may arise on any subsequent disposal of the Shares.
- Where full approval as a VCT is withdrawn the Company will also lose its exemption from corporation tax on capital gains. If at any time VCT status is lost, dealings in the Ordinary Shares will normally be suspended until such time as the Company has published proposals either to continue as an investment company or to be wound up.
- Should a VCT not qualify as a VCT, or if it qualifies but the Shares fall outside the qualifying limit of the Shareholder, the Shareholder will generally be liable to income tax on the aggregate amount of the dividend and the notional tax credit equal to 1/9th of the dividend. The notional tax credit will discharge the income tax liability of a basic rate taxpayer. Shareholders who also pay tax at the higher rate can use the notional credit to offset against their higher rate tax liability.
- The information in this document is based on existing legislation. The tax reliefs described are those currently available. The tax rules or their interpretation in relation to an investment in the Company and/or rates of tax may change during the life of the Company.
- The investments made by the Company may be difficult to realise. The fact that a Share is traded on AiM does not guarantee its liquidity. The spread between the buying and selling price of such Shares may be wide and thus the price used for valuation may not be achievable.
- The Company's ability to obtain maximum value from its investment (for example, through a sale or takeover) may be limited by requirements imposed in order to maintain its VCT status (such as the condition that not less than 70% by value of a VCT's total investments must be in shares in, or securities of, an unquoted (including AiM quoted) company carrying on a qualifying trade wholly or mainly in the UK satisfying the conditions in Chapter 4 of the Income Tax Act 2007.

Part 1

Letter from the Chairman

BRITISH SMALLER COMPANIES VCT2 PLC

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

7 December 2010

Dear Shareholder,

Recommended proposals relating to the authorities to Issue Ordinary Shares, the amendment of the articles of association, the adoption of a Dividend Reinvestment Scheme and the cancellation of the share premium account

The Offers

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

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

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

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

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

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

The Dividend Reinvestment Scheme

The Scheme offers Shareholders the opportunity to elect to reinvest their dividends (including the 2010 Final Dividend) by subscribing for Ordinary Shares in the Company.

Dividend reinvestment enables Shareholders to increase their total holding in the Company without incurring dealing costs, issue costs or stamp duty.

The Ordinary Shares issued under the Scheme will rank *pari passu* in all respects with the Ordinary Shares then in issue.

Subject to individual circumstances Shareholders who elect to reinvest dividends under the Scheme should be eligible to claim income tax relief (currently at 30 per cent) on the amounts subscribed provided the Ordinary Shares are issued in the name of the Shareholder and not in the name of a nominee. Further details regarding the availability of tax reliefs can be found in Part II of this Circular. Shares subscribed for via the Scheme will form part of each Shareholder's annual limit for investing in VCTs and qualifying for tax reliefs. If you are in doubt regarding your personal tax position, or whether you should participate in the Scheme, you should contact your professional adviser immediately.

The terms of the Scheme only permit a Shareholder to join if all dividends on the Ordinary Shares registered in their name at the Record Date for the dividend are mandated to the Scheme. If you elect to receive Ordinary Shares under the Scheme, any residual cash balance arising representing a fractional entitlement will be carried forward to the next dividend.

The terms and conditions of the Scheme, as set out in Annex I to this Circular, have been approved by the Directors.

Application to join the Scheme can be made at any time by returning a completed Mandate Form. However, Mandate Forms need to have been received by the Scheme Administrator Capita Registrars Limited, New Issues, The Registry, 34 Beckenham Road, Beckenham BR3 4TU at least 20 Business Days prior to the payment of a dividend which is to be reinvested. Mandate Forms received after that date shall be effective in relation to any future dividends in respect of which the mandate applies.

If you elect to join the Scheme, the mandate given in the Mandate Form will remain in force for all dividends declared after 31 December 2010 up to 6 January 2016 unless and until you give notice to terminate your participation in the Scheme in accordance with the terms of the Scheme. Those Shareholders not electing to join the Scheme at this time will be able to do so in respect of dividends declared for later periods whilst the Scheme is in place.

Dividend Mandate Form

A Mandate Form is also enclosed at Annex II to this Circular. It is recommended that Shareholders who wish to join the Scheme submit the completed Mandate Form at the same time as their Forms of Proxy. If you wish to receive your dividends in cash you need take no further action.

Resolutions

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

Recommendation

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

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

Resolution 2 will, if passed, authorise the Directors, pursuant to article 168 of the Company's articles of association to establish a dividend reinvestment scheme for the Shareholders.

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

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

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

Resolution 6 will, if passed, amend the article 195 of the Company's articles of association (as amended by a resolution passed on 12 May 2010) which refers to the duration of the Company. This article (as amended) provides that at the annual general meeting of the Company held in 2015 and, if the Company has not then been wound-up or unitised or re-organised, at each fifth annual general meeting thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that the Company shall continue in being a venture capital trust.

In view of the five year VCT qualifying period for tax relief that will relate to the further Shares that will be issued under the Offers, Resolution 6 proposes that article 195, as amended, is further amended so that the year 2016 replaces 2015.

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

Action to be Taken

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

Recommendation

The Board considers that the Resolutions are in the best interests of the Shareholders as a whole and unanimously recommends you to vote in favour of the Resolutions. The Directors intend voting in favour of the Resolutions in respect of their own beneficial shareholdings in the Company which, at the date of this Circular, total 74,394 Shares (representing approximately 0.417% of the issued Shares).

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Last.', with a stylized flourish at the end.

Richard Last
Chairman

Part 2

Taxation

The following information is based on the law and practice currently in force in the United Kingdom. It assumes that an investor (including an existing Shareholder participating in the Scheme) is resident or ordinarily resident in the UK and not in any other jurisdiction. If potential investors are in any doubt as to their tax position, they should consult their professional advisers.

Tax Reliefs for Individual Investors

Investors must be individuals subscribing in their own name and aged 18 or over to be eligible for the respective tax reliefs. Tax reliefs will only be given in relation to an individual's total investments in VCTs in any tax year not exceeding £200,000.

Income Tax Relief

Relief on investment

An investor subscribing for shares (including by way of reinvestment of dividends) in VCTs during any tax year will be entitled to claim income tax relief on amounts subscribed up to the permitted maximum of £200,000. The relief is given for the tax year in which the shares are issued and is currently at the rate of 30 per cent. The relief is restricted to the amount which reduces the investor's income tax liability to nil.

If the shares are sold or otherwise disposed of (other than to the investor's spouse) within five years of their issue then some or all of the income tax relief obtained will have to be repaid. Shares may be transferred into the name of a nominee, provided the nominee holds them for the investor's benefit.

Relief on dividends

An investor who either subscribes for or purchases shares in a VCT, up to a maximum of £200,000 in any given tax year, will not be liable to UK income tax on dividends paid by the VCT.

Capital Gains Tax Relief

Any gain or loss accruing to investors on a disposal of shares in a company which was a VCT at the time he or she acquired the shares, and which has remained a VCT throughout his or her period of ownership, will neither be a chargeable gain, nor an allowable loss, for the purposes of capital gains tax.

Obtaining Tax Relief

Income tax relief on investment

The Company will give each investor a certificate which he or she can use to claim the income tax relief, either (where applicable) immediately by obtaining an adjustment to his or her tax coding from the HM Revenue & Customs or by waiting until the end of the tax year and claiming the relief on his or her tax return.

Loss or Clawback of Tax Reliefs

The Company

If a company loses approval as a VCT, it will lose its exemption from corporation tax on chargeable gains. Loss of approval takes effect either on the date when notice is given to the company by the HM Customs & Revenue or, if earlier and at the HM Revenue & Customs's discretion, from the beginning of the company's accounting period in which the notice is given.

Investors

Withdrawal or clawback of investors' tax reliefs can occur as a result of a company losing full approval as a VCT or as a result of actions taken by the investors themselves.

Income tax relief on investment

If a company loses approval as a VCT within three years from the time when an investor acquired the shares by subscription, the income tax relief will be clawed back by an assessment to income tax for the year of assessment in respect of which the relief was given.

Income tax relief on dividends

If a company loses approval as a VCT then shares acquired by an investor after loss of approval are not capable of generating tax free dividends and any dividend paid in respect of profits or gains arising to the company in any accounting period ending at a time when the company was not a VCT will likewise not be exempt from income tax.

Exemption from capital gains tax on disposal

If a company loses approval as a VCT, then investors will be deemed to have disposed of and reacquired the shares at market value immediately before withdrawal of approval of the company as a VCT, and so any accrued gain or loss to that date will not be taxable or allowable. Investors subsequently disposing of the shares will be treated as making a chargeable gain or an allowable loss (as the case may be).

Any investor acquiring shares in a company after it has lost VCT approval will likewise make a chargeable gain or an allowable loss on subsequent disposal.

Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or (unless shares are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax should be payable on the issue of shares.

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

Part 3

Additional Information

1. Responsibility and Registered Office

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

Richard Last (Chairman)
Robert Pettigrew
Peter Waller

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

2. Authorised and Issued Share Capital

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

2.2 Immediately following the close of the Offers, assuming full subscription and the maximum number of early subscription Shares being allotted, the issued share capital of the Company fully paid or credited as fully paid will be £3,065,618 divided into 30,656,184 Ordinary Shares (including 300,000 Ordinary Shares held in treasury which were purchased by the Company on 3 November 2010), and there will remain authorised but un-issued a minimum of £1,934,381 of share capital divided into 19,343,816 Ordinary Shares.

3. Directors and Other Interests

3.1 The interests of the Directors, or persons connected with such Directors, (all of which are beneficial unless otherwise stated) in the issued share capital of the Company as at 3 December 2010 (being the latest practicable date before publication of this Circular) were:

Director	Ordinary Shares
Richard Last	36,870
Robert Pettigrew	37,524
Peter Waller	-

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

Director	Ordinary Shares
Richard Last	43,987
Robert Pettigrew	41,794
Peter Waller	7,117

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

4. Significant Shareholdings

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

5. Material Contracts

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

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

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

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

- 5.1.2 YFM Private Equity has acted as fund manager and performed administrative and secretarial duties for the Company under an agreement dated 28 November 2000, superseded by an agreement dated 31 October 2005 and as varied by an agreement dated 7 December 2010. The agreement may be terminated by not less than twelve months' notice given by either party at any time. The key features of the agreement are: YFM Private Equity receives a fund management fee, payable quarterly in advance, at the rate of 2.5% of net asset value of the Company, calculated at half-yearly intervals as at 30 June and 31 December. Under this same agreement YFM Private Equity also provides administrative and secretarial services to the Company for a fee of £46,000 per annum plus annual adjustments to reflect movements in the Retail Prices Index. The total remuneration payable to YFM Private Equity in the period (including irrecoverable VAT to September 2008) was £367,000 (2008: £437,000). For the period until 30 April 2011, YFM Private Equity agrees to indemnify the Company to the extent that the Company's annual operating expenses (including the management fee set out above but excluding any performance fee referred to in the paragraph below and excluding VAT and trail commissions) exceed 4.5% of the Company's Net Asset Value. From 30 April 2011, the indemnity applies if the annual operating expenses exceed 4.0% if £5 million or less is raised by the Company under the Offers: 3.75% if between £5,001 and £7,499 million is raised and 3.5% if £7.5 million or more is raised.

- 5.1.3 Under a subscription rights agreement dated 28 November 2000, YFM Private Equity and Generics Asset Management Limited have a performance-related incentive, structured so as to entitle them to an amount (satisfied by the issue of Ordinary Shares) equivalent to 20% of the amount by which the cumulative cash dividends paid as at the last business day in December in any year plus the average of the middle market quotation per Ordinary Share exceeds 120p per Ordinary Share on that same day multiplied by the number of Ordinary Shares in issue and the Shares under option (if any). The subscription rights are exercisable in the ratio 59:41 between YFM Private Equity and Generics Asset Management Limited as amended by an agreement between those parties dated 31 October 2005. No shares have been issued in 2009 or 2008 under this agreement.

By a Deed of Assignment dated 19 December 2004 (together with a supplemental agreement dated 5 October 2005), the benefit of the YFM Private Equity subscription right was assigned to YFM Private Equity Limited Trust, an employee benefit trust formed for the benefit of certain employees of YFM Private Equity and associated companies.

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

- 5.1.4 Under an agreement dated 28 November 2000 between the Company and Brewin Dolphin, Brewin Dolphin agreed to act as investment manager to the Company in relation to its portfolio of short-term government securities and to produce monthly portfolio valuations. In return for such services Brewin Dolphin is entitled to receive a management fee based on an ad valorem charge of 0.2% per annum (plus VAT) of funds under management, payable quarterly, plus VAT. This cost is borne by YFM Private Equity.
- 5.1.5 By a deed of novation dated 1 April 2009 (to the agreement dated 3 September 2004) between the Company and Singer Capital Markets Limited ("Singer"), Singer agreed to act as brokers to the Company, and, inter alia, to act as a market maker in the Shares and to carry out share purchases on the Company's behalf.

Singer are entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in arrears on 30 September, 31 December, 31 March and 30 June. Under the terms of the novated agreement the Company indemnifies Singer against losses arising out of Singer's appointment except where such losses arise from Singer's breach of agreement.

6. Directors' Service Contracts and Remuneration

None of the Directors has a service contract with the Company and no such contract is proposed. The services of the Directors are provided to the Company pursuant to letters of appointment under which they are required to devote such time to the affairs of the Company as the Board reasonably requires consistent with their role as a non-executive director.

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

Director	£
Richard Last	31,500
Robert Pettigrew	18,000
Peter Waller	18,000
	67,500

7. Significant Changes

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

8. Documents Available for Inspection

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

- 8.1 the audited accounts of the Company for the years ended 31 December 2007, 2008 and 2009;
- 8.2 the unaudited interim financial statements for the 6 month period to 30 June 2010;
- 8.3 the Company's articles of association;
- 8.4 the Directors letters of appointments referred to in paragraph 6 above; and
- 8.5 this Circular.

7 December 2010

Part 4

Definitions

“Board” or “Directors”	Richard Last, Robert Pettigrew and Peter Waller;
“BSC”	British Smaller Companies VCT plc, registered with the Registrar of Companies of England and Wales with registered number 3134749 and whose registered office is Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ;
“Business Day”	a day (excluding Saturday and Sunday and public holidays in England and Wales) when the banks are generally open for business in London;
“the Circular”	this document;
“the Company”	British Smaller Companies VCT2 plc, registered with the Registrar of Companies of England and Wales with registered number 4084003 and whose registered office is Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ;
“the Companies”	the Company and BSC;
“Dealings”	buying, selling, subscribing for or underwriting of securities in the Company or offering or agreeing to do so, either as principal or agent;
“2010 Final Dividend”	the final dividend on Ordinary Shares declared for the year ended 31 December 2010;
“General Meeting”	the general meeting of the Company to be held on 11 January 2011 (or any adjournment thereof);
“Mandate Form”	the form enclosed with this document which enables Shareholders to participate in the Scheme;
“Offers”	the linked offers for subscription in the Company of up to 12,811,388 Shares and up to 8,780,488 Shares in BSC;
“Participating Shareholders”	Shareholders who participate in the Scheme;
“the Prospectus”	the prospectus dated the date of this Circular relating to the Offers;
“Record Date”	the date set out in the dividend procedure timetable published by the London Stock Exchange plc by which a Shareholder must hold Ordinary Shares to be entitled to a dividend declared by the Company;
“Resolutions”	the resolutions to be proposed at the General Meeting;
“RIS”	a regulatory information service that is on the list of Regulatory Information Services maintained by the Financial Services Authority;
“Scheme” or “Dividend Reinvestment Scheme”	the dividend reinvestment scheme the terms and conditions of which are described in this document;
“Scheme Administrator”	Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham BR3 4TU;
“Shareholders”	holders of Shares;
“Shares” or “Ordinary Shares”	ordinary shares of 10p each in the capital of the Company;
“VCT”	a venture capital trust as defined in section 272 Income Taxes Act 2007;
“YFM Private Equity” or the “Fund Manager”	YFM Private Equity Limited, the Company’s fund manager.

Part 5

Notice of the General Meeting of British Smaller Companies VCT2 plc

No: 4084003

BRITISH SMALLER COMPANIES VCT2 PLC

NOTICE IS HEREBY GIVEN that a General Meeting of British Smaller Companies VCT2 plc will be held at Berkeley Square House, Berkeley Square, London W1J 6BD at 11.00 am on 11 January 2011 to consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions as to resolutions 1 to 3 and as special resolutions as to resolutions 4 to 7:

Ordinary Resolutions

- (1) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company in connection with:
- (i) the Offers, up to an aggregate nominal amount of £900,000;
 - (ii) an offer of securities by way of a rights issue;
 - (iii) the allotment for cash (otherwise than pursuant to sub-paragraphs (i) to (ii) above) of equity securities up to an aggregate nominal amount of 10% of the issued Ordinary Share capital of the Company immediately following the final closing of the Offers,
- during the period commencing on the passing of this resolution and expiring on the later of 15 months from the date hereof or the next annual general meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and that all previous authorities given to the Directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect;
- (2) THAT pursuant to article 168 of the Company's articles of association, the Directors be and are hereby authorised to offer holders of shares in the Company the right to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part to be determined by the Board) of all or any dividend declared in the period commencing on the date of this resolution and ending on the fifth anniversary of this resolution pursuant to the Company's Dividend Reinvestment Scheme;
- (3) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot shares in the Company in connection with a dividend reinvestment scheme during the period commencing on the passing of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted after such expiry and that all previous authorities given to the Directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect;

Special Resolutions

- (4) THAT the Directors be and are hereby empowered in accordance with section 570(1) of the Act during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later, (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the Directors in resolution (1) above as if section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with:
- (i) the Offers;
 - (ii) an offer of securities by way of a rights issue;
 - (iii) the allotment for cash (otherwise than pursuant to sub-paragraph (i) to (ii) above) of equity securities up to an aggregate nominal amount of 10 per cent. of the issued share capital of the Company immediately following the final closing of the Offers,
- but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 560(2) of the Act as if in the first paragraph of this resolution the words "pursuant to the general authority conferred upon the Directors in resolution (1) above" were omitted;

- (5) THAT the Directors be and are hereby empowered in accordance with section 570(1) of the Act during the period commencing on the passing of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the Directors in resolution (1) above as if section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with a dividend reinvestment scheme but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.
- (6) THAT article 195 of the Company's articles of association be amended to delete the reference to "2010" in line 1 and substitute "2016" therefor;
- (7) THAT, subject to the sanction of the High Court, the amount standing to the credit of the share premium account of the Company immediately after the final closing date of the Offers be cancelled.

By order of the Board

James Gervasio

Secretary

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

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

8 December 2010

Notes

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

her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.

- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment, the Register of Directors' interests in the Ordinary Shares of the Company kept, a copy of the amended Articles of Association (marked up to show the proposed changes) and a copy of the current Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the General Meeting for at least 15 minutes prior to and during the meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 6pm on 7 January 2011 or, in the event that the General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 6pm on 7 January 2011 or, in the event that the General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the General Meeting.
- (g) As at 30 September 2010, the Company's issued share capital comprised 17,837,519 Ordinary Shares. The total number of voting rights in the Company as at 30 September 2010 is 17,837,519. The website referred to above will include information on the number of Ordinary Shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
- (k) Members may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.
- (l) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) not less than 48 hours (excluding weekends and public holidays) before the time of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Annex 1

Terms and Conditions of the Dividend Reinvestment Scheme

1. Shareholders on the register of members at the close of business on the relevant Record Date may elect to receive Ordinary Shares, credited as fully paid, instead of receiving the dividend in cash for the relevant financial period ("the full cash dividend"). The election may only be made by Shareholders in respect of the whole (and not part only) of their shareholdings and shall, subject to Condition 7, operate as a mandate in respect of the 2010 Final Dividend and all dividends prior to 11 January 2016 to which the Scheme applies unless and until the Shareholder gives notice to terminate his or her participation in the Scheme in accordance with the terms of the Scheme.
2. Shareholders may only join the Scheme if all dividends on the Ordinary Shares registered in their name are mandated to the Scheme. The number of Ordinary Shares held by such Participating Shareholder which are mandated to the Scheme shall be altered immediately following any change to the number of Ordinary Shares in respect of which such Shareholder is the registered holder as entered onto the register of members of the Company from time to time.
3. The Company shall invest the monies held within the Scheme (being dividends paid on Ordinary Shares by, or on behalf of, Participating Shareholders) in the subscription of Ordinary Shares in the Company. The Company shall not have the discretion to vary such investments and Shareholders may not instruct the Company or the Scheme Administrator to make any other investments.
4. (a) On or as soon as practicable after a day on which any dividend is paid to Shareholders (a "Reinvestment Day"), the funds held by the Company on behalf of each Participating Shareholder shall be applied on behalf of that Shareholder in the subscription for the maximum number of Ordinary Shares as can be acquired with those funds.

(b) The number of New Ordinary Shares issued to a Participating Shareholder pursuant to condition 4(a) above shall be calculated by dividing the aggregate value of the dividends paid on the Ordinary Shares to which the Participating Shareholder is entitled by the greater of (i) the net asset value per Ordinary Share being the most recently announced financial year end or half yearly net asset value per Ordinary Share (as adjusted for the relevant dividend in question) less 5%; and (ii) the nominal value per Ordinary Share.

(c) No fractions of Ordinary Shares will be issued under the Scheme and subject to condition 4(d) below the election may only be made by Shareholders in respect of the whole and not part of their shareholdings. Any balance of cash remaining with the Company after the subscription shall be held by the Company on behalf of the Participating Shareholder to whom it relates and added to the cash available in respect of that Shareholder for the subscription of Ordinary Shares on the next Reinvestment Day. No interest shall accrue or be payable by the Company in favour of any Shareholder on any such cash balances.

(d) The Scheme involves the reinvestment of the whole dividend paid on each shareholding each time a dividend is paid by the Company, together with any cash residue brought forward from the previous dividend. Partial reinvestment of dividends is only permitted by nominees, who need to lodge a Mandate Form for each Reinvestment Day quoting the number of Ordinary Shares in respect of which their election is made. Shareholders will remain in the Scheme so that all future dividends will be reinvested in the same way, until they give notice in writing to the Scheme Administrator that they wish to terminate their participation in the Scheme.
5. The Scheme Administrator shall on the relevant Reinvestment Day take all necessary steps to ensure that the Participating Shareholders are entered onto the share register of the Company as the registered holders of the Ordinary Shares (as the case may be), issued to them under the Scheme, and that share certificates in respect of such shares issued are posted to the Participating Shareholders at their own risk as soon as is reasonably practical, unless such shares are to be uncertificated.
6. To assist Participating Shareholders with their tax returns, the Scheme Administrator will attach to the new share certificates a Statement of Entitlement, or if shares are held in uncertificated form, a Statement of Entitlement will be sent to a Participating Shareholder separately, detailing the following:- (i) the total dividend payable; (ii) the subscription price per Ordinary Share; (iii) the number of Ordinary Shares allotted to a Participating Shareholder; (iv) the residual cash balance (if any) representing an entitlement to a fraction of an Ordinary Share to be carried forward to the next dividend; and (v) the cash equivalent of the Ordinary Shares issued, together with any such other information as shall be required under the Listing Rules of the UK Listing Authority.

7. Application to join the Scheme can be made at any time by returning a completed Mandate Form. However, Mandate Forms need to have been received by the Scheme Administrator Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham BR3 4TU at least 20 Business Days prior to the payment of a dividend which is to be reinvested. Mandate Forms received after that date shall be effective in relation to any future dividends in respect of which the Directors offer a dividend reinvestment alternative.
8. If, prior to the day on which the Ordinary Shares became ex-dividend, a Shareholder has sold all or some of his or her holdings in Ordinary Shares, the Shareholder should consult his or her stockbroker or agent without delay.
9. An application will be made to the UK Listing Authority for admission of the Ordinary Shares to the Official List and to the London Stock Exchange plc for admission to trading on the London Stock Exchange plc's market for listed securities (together "Admission"). On issue, the Ordinary Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares and will rank for future dividends. Subject to Admission, definitive share certificates for the Ordinary Shares will be posted as soon as practicable following Admission at the risk of the persons entitled to them. Where Ordinary Shares are issued as uncertificated shares, as soon as practicable following Admission the Company will arrange for the relevant Participating Shareholders' stock accounts in CREST to be credited with their entitlement to Ordinary Shares and a Statement of Entitlement will be posted to them. Ordinary Shares will be allotted as and when the Directors determine it appropriate, with Admission and Dealings expected within 10 Business Days of allotment.

In the event that Admission does not become effective, Mandate Forms will be disregarded in respect of the dividend and the full cash dividend will be paid as soon as possible in the usual way.

10. Further copies of this document and/or Mandate Forms may be obtained from the Scheme Administrator Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham BR3 4TU.
11. All costs and expenses incurred by the Scheme Administrator in administering the Scheme will be borne by the Company.
12. Each Shareholder applying to participate in the Scheme will be deemed to warrant to the Scheme Administrator and the Company in the Mandate Form that (i) save in the case of a Shareholder holding his Ordinary Shares as nominee, during the continuance of his or her participation in the Scheme he or she will remain the sole beneficial owner of the Ordinary Shares mandated to the Scheme free from encumbrances or security interests; and (ii) all information set out in the Mandate Form is correct and, to the extent any of the information changes, he or she will notify the changes to the Scheme Administrator.
13. Each Participating Shareholder acknowledges that neither the Company, the Scheme Administrator nor YFM Private Equity is providing a discretionary manager service. Neither the Scheme Administrator, YFM Private Equity or the Company shall be responsible for any loss or damage to Participating Shareholders as a result of their participation in the Scheme unless due to the negligence or default of the Scheme Administrator or the Company (respectively), its servants or agents.
14. The financial calendar and procedure for future dividends both as to any final and/or interim dividend will be notified in writing to Shareholders and/or published through an RIS.
15. The Participating Shareholder may at any time, by notice to the Scheme Administrator of not less than 20 Business Days prior to the relevant Reinvestment Day to the Scheme Administrator, terminate his or her participation in this Scheme. If a Participating Shareholder shall at any time cease to hold any Ordinary Shares in the Company, he or she shall be deemed to have served such a notice in respect of his or her participation in the Scheme in respect of such shares. If a Shareholder in whose name Ordinary Shares are held on behalf of a Participating Shareholder shall at any time cease to hold any such shares on behalf of that Participating Shareholder, he or she shall be deemed to have served such a notice in respect of his or her participation in the Scheme.
16. The Company and the Scheme Administrator shall be entitled, at any time and from time to time, to suspend the operation of the Scheme in whole or in part and/or to terminate the Scheme without notice to the Participating Shareholders. Circumstances under which the Directors might suspend or terminate the Scheme include, but are not limited to changes in legislation governing VCTs (including changes in available tax reliefs) and adverse market conditions in the public markets.

17. All notices and instructions to be given to the Scheme Administrator shall be in writing and delivered or posted to Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham BR3 4TU. Applications to participate in the Scheme will be made by way of Mandate Form in the prescribed form as provided by the Scheme Administrator.
18. Subject to the prior agreement of the Scheme Administrator, the Directors shall be entitled to amend the Scheme terms and conditions on giving one month's notice in writing to all Participating Shareholders. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to Participating Shareholders unless in the Scheme Administrator's opinion, the change materially affects the interests of Participating Shareholders. Amendments to the Scheme Terms and Conditions which are of a formal, minor or technical nature, or made to correct a manifest error and which do not adversely affect the interests of Participating Shareholders, may be effected without notice.
19. By completing and delivering the Mandate Form provided by the Scheme Administrator, the Participating Shareholder will (i) agree to provide the Company with any information which it may request in connection with such application and to comply with legislation relating to VCTs or other relevant legislation (as the same may be amended from time to time); and (ii) declare that no loan has been made to the Participating Shareholder or any associate, which would not have been made, or not have been made on the same terms but for the Participating Shareholder offering to subscribe for, or acquiring, Ordinary Shares, and that the Ordinary Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement, the main purpose of which is the avoidance of tax.
20. Subscriptions for VCT shares only attract tax reliefs if in any tax year subscriptions to all VCTs do not exceed £200,000 (including subscriptions pursuant to dividend reinvestment schemes). Where Ordinary Shares are held by a nominee as at the relevant Record Date, that nominee's beneficiary will not be entitled to receive the tax reliefs otherwise available to Participating Shareholders under the Scheme. Participating Shareholders under the Scheme are responsible for ascertaining their own tax status and liabilities and neither the Scheme Administrator nor the Company can accept any liability in the event they do not receive any VCT tax reliefs, or such reliefs are reduced or restricted in any way.
21. Since dividends on Ordinary Shares acquired in excess of £200,000 in any tax year will not be exempted from income tax in the same way as Ordinary Shares acquired within this limit, Participating Shareholders will generally be liable to tax on such dividends.
22. The election to receive Ordinary Shares in place of the cash dividend is not being offered to, or for the benefit of, any citizen of the United States, Canada or Australia, any corporation, partnership or other entity created or organised in, or under the laws of the United States, Canada or Australia or any political sub-division thereof or with a registered office in any of these countries or any estate or trust, the income of which is subject to United States Federal, or Canadian, or Australian income taxation regardless of its source. "United States" means United States of America (including the District of Columbia). References to the United States, Canada and Australia include their territories, possessions and all areas subject to their jurisdiction.

No person receiving a copy of this Circular and/or Mandate Form in any territory other than the United Kingdom may treat it as constituting an invitation to him unless in the relevant territory such an invitation could lawfully be made to him without complying with any registration or other legal requirements. **It is the responsibility of the Shareholder outside the United Kingdom wishing to elect to receive Ordinary Shares to satisfy himself as to the full observance of the laws of the relevant territory in connection with the offer, including obtaining any governmental or other consents which may be necessary and observing any other formalities requiring to be observed in such territory.**

23. The Company shall not be required to issue Ordinary Shares hereunder if the Directors so decide.
24. These Scheme terms and conditions shall be governed by, and construed in accordance with, English law and each Participating Shareholder submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

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

Annex 2

Dividend Reinvestment Mandate

BRITISH SMALLER COMPANIES VCT2 plc
(Registered in England No. 4084003)
DIVIDEND REINVESTMENT SCHEME MANDATE FORM
THIS MANDATE FORM IS NOT TRANSFERABLE

Dividend Reinvestment Scheme mandate form

If you wish to participate in the Dividend Reinvestment Scheme (the "Scheme") in respect of your holding of Ordinary Shares, please sign and return this form to the Scheme Administrator, Capita Registrars Limited, New Issues, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 20 Business Days before the payment of a dividend by the Company. All enquiries concerning this form should be made to the Scheme Administrator Capita Registrars Limited, New Issues, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (Telephone: 0871 664 0321).

If your British Smaller Companies VCT2 plc Ordinary Shares are held in more than one account you must complete a separate form for each account. You may obtain further copies of this form from Capita Registrars Limited or www.yfmgroup.co.uk.

If you decide to participate in the Scheme you will be deemed to have agreed that any mandate which you have given for the payment of cash dividends directly to your Bank or Building Society account shall be suspended for so long as you remain a participant in the Scheme.

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

In the case of joint holders all must sign. In the case of a corporation this form must be executed under its common seal or be signed by a duly authorised official, whose capacity should be stated in accordance with Section 44 of the Companies Act 2006.

If this form is not completed to the satisfaction of the Scheme Administrator it will not be processed and will be returned to you for completion.

To: the Scheme Administrator and the Company

I/We, the undersigned, confirm that I/we have read and understood the terms and conditions of the Scheme and that I/we wish to participate in that Scheme for each future dividend paid on the Ordinary Shares and to which the scheme is applied. I/We agree that future dividends paid on Ordinary Shares will be reinvested in Ordinary Shares.

Name (1)	Name (2)	Name (3)	Name (4)
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Address

Signature(s)	Signature(s)	Signature(s)	Signature(s)
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Date	Date	Date	Date
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Daytime telephone number