

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

BRITISH SMALLER COMPANIES VCT PLC

(Registered in England and Wales with registered number 03134749)

**Recommended proposals to approve changes
to the Company's Incentive Agreement**

Your attention is drawn to the letter from the Chairman of the Company set out on pages 3 to 6 which contains a unanimous recommendation from the Board to vote in favour of the Resolution 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 7 January 2019 at 11 a.m. to approve the Resolution. The General Meeting will be held at 2nd Floor, 21 Hanover Square, London W1S 1JW.

To be valid, the form of proxy accompanying this document for the meeting should be returned not less than 48 hours (excluding weekends and public holidays) before the General Meeting, either by post or by hand to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF.

CONTENTS

	Page
Part I: Letter from the Chairman	3
Part II: Additional Information	7
Part III: Definitions	11
Part IV: Notice of General Meeting	12
Form of Proxy	15

PART I

Letter from the Chairman

BRITISH SMALLER COMPANIES VCT PLC

5th Floor, Valiant House
14 South Parade
Leeds
LS1 5QS

Directors

Helen Sinclair
Edward Buchan
Rupert Cook

27 November 2018

Dear Shareholders

Recommended proposals to approve changes to the Incentive Agreement between the Company and its Investment Adviser, YFM Private Equity Limited, to improve alignment between fees paid to YFM and returns delivered to Shareholders.

1. Introduction

I am writing to you to provide the details of a package of proposed changes to the fees paid to the Company's Investment Adviser, YFM Private Equity Limited, intended to provide greater alignment between the fees paid to the Investment Adviser and the returns delivered to Shareholders ("**Proposals**").

A General Meeting has been convened at which Shareholders will be asked to consider and approve the Resolution, as required by the Listing Rules. The General Meeting, notice of which is set out at the end of this document, will be held at 11 a.m. on 7 January 2019 at 2nd Floor, 21 Hanover Square, London W1S 1JW.

The Resolution which will be proposed at the General Meeting is as follows:

"To approve the proposed variation to the Incentive Agreement dated 7 July 2009 (as subsequently varied) between the Company and YFM Private Equity Limited on the terms set out in the Circular".

The opportunity is also being taken to reduce the fees payable on cash balances under the Company's administration and investment advisory agreement with the Investment Adviser. Whilst this reduction is not subject to the approval of Shareholders, it is conditional upon the passing of the above Resolution by Shareholders.

In addition to providing you with further details of the Proposals, this document also explains the reasons why the Board recommends unanimously that you vote in favour of the Resolution to be proposed at the General Meeting. Your attention is directed to the section entitled "Action to be taken" on page 6 of this document which sets out the details of the action you should take.

2. Summary of the proposed changes to the Incentive Agreement and the Administration and Investment Advisory Agreement ("AIA Agreement")

The purpose of the proposed changes to the Incentive Agreement is to create improved alignment between the fees paid to the Investment Adviser and the returns delivered to Shareholders.

The Incentive Payment hurdle is being varied to require that, in addition to the present requirement for a minimum amount of dividends to have been paid, a target level of Total Return per Share (ie. net asset value and cumulative dividends) has first to be achieved, as opposed to the current hurdle which is based on net asset value only.

The Company and the Investment Adviser recognise that no Incentive Payment should be payable to the

Investment Adviser until strong returns have been delivered by the Company. However, as the key objective of Shareholders is to achieve a combination of dividends and growth in net asset value, the calculation of the Incentive Payment should not discourage the payment of dividends, providing these are backed by strong returns.

In addition, although not requiring Shareholder approval, it has been agreed, subject to the passing of the Resolution, to reduce the Adviser Fee that is paid by the Company to the Investment Adviser under the AIA Agreement. This will be achieved by reducing the amount payable on Surplus Cash from 2% to 1% per annum, with Surplus Cash initially defined as the cash balances above £15 million but reducing to £7.5 million if and when an incentive payment becomes payable to the Investment Adviser.

The Company usually co-invests with its sister company, British Smaller Companies VCT2 plc ("BSC2") in the ratio 60% the Company and 40% BSC2 and the portfolios of the Company and BSC2 are now very similar. The incentive payment that is paid by BSC2 to the Investment Adviser is based on Total Return delivered to the BSC2 shareholders and so the above proposed amendments create consistency between the Company and BSC2. The BSC2 board has also agreed to a similar reduction of its adviser fees from 2% to 1% on surplus cash above £10 million, reducing to £5 million once the hurdle that triggers an incentive payment by BSC2 has been reached.

3. Incentive Payment hurdles

The current Incentive Payment arrangements require the following conditions to have been met in order for an Incentive Payment to be paid:

- that net assets per Share are in excess of an agreed hurdle, currently 92.2 pence per Share (the "NAV Hurdle"); and
- annual dividends of at least 4.0 pence per Share, as increased or decreased in any accounting period by the percentage increase or decrease (if any) in RPI (the "Dividend Hurdle").

It is not proposed to amend the Dividend Hurdle which will continue to apply to Incentive Payments. The current dividend hurdle is 5.3 pence per Share.

With regards to the NAV Hurdle, as at 31 March 2018 the audited net asset value per Share was 79.6 pence, a shortfall of 12.6 pence per Share before the NAV Hurdle of 92.2 pence per share is achieved. It is proposed to replace the NAV Hurdle with a hurdle (the "Total Return Hurdle") that is based on the Total Return per Share as opposed to net asset value only. The initial Total Return Hurdle, as at 31 March 2019, will be set at the aggregate of (i) 216.0 pence, being the Total Return per Share as at 31 March 2018, (ii) 12.6 pence, being the shortfall mentioned above between the audited NAV per Share as at 31 March 2018 and the current NAV Hurdle, and (iii) 5.3 pence, being the 4.0 pence Dividend Hurdle index linked to RPI, which equals an initial Total Return Hurdle at 31 March 2019 of 233.9 pence.

The opening Total Return Hurdle for any subsequent financial year will equal the sum of A+B+C, where:

A = the opening Total Return Hurdle for the previous year (which, as stated above, will be 233.9 pence for the year ending 31 March 2019);

B = the Dividend Hurdle for the prior year; and

C = if the Total Return Hurdle is exceeded in the previous year (the "Total Return Excess"), the lesser of (i) the Total Return Excess divided by 1.2 and (ii) the amount by which dividends paid in that financial year exceed the Dividend Hurdle for that year.

4. Incentive Payment calculation

The current calculation of the hurdle for the current Incentive Payment uses an average of the Company's net asset positions at four quarters through the year. This can result in an Incentive Payment being due at the end of the year even if the net assets in the final quarter falls below the minimum level. Alternatively, it is also possible that no Incentive Payment would be payable even if the final quarter returns are very strong and the Company's net assets at the year-end are significantly higher than the minimum level. In order to avoid these anomalies it is proposed that the calculation of the hurdle for the

Incentive Payment is changed so it is based on the Total Return at the end of the year rather than the current quarterly averaging. It is the Board's view that Shareholders are most interested in the long term returns of the Company and the Company's year-end position, as opposed to fluctuations during the year.

Subject to the cap as set out in the following paragraph, if the Total Return Hurdle and the Dividend Hurdle have been achieved at any year end, an Incentive Payment becomes payable, equal to 20% of the amount by which the dividends paid in the relevant year have exceeded the Dividend Hurdle for that year.

The Incentive Payment in any financial year will be subject to a cap if the excess of dividends paid over the Dividend Hurdle is greater than the sum of the excess of the Total Return over the Total Return Hurdle divided by 1.2. By way of example, if the Total Return per Share at a year end is 2.4 pence above the Total Return Hurdle, and the dividends paid per Share during the year are 4.0 pence above the Dividend Hurdle, the Incentive Payment would not be 0.8 pence per Share (that is 20% of the dividend excess of 4.0 pence per Share) as it is currently calculated, but would be capped at 20% of 2.0 pence (being the 2.4 pence Total Return excess divided by 1.2) which equals an Incentive Payment of 0.4 pence per Share. The cap reduces the Incentive Payment so that the opening Total Return at the start of the following financial year is not lower than the opening Total Return Hurdle, calculated as set out under the heading "Incentive Payment hurdles" above. Note that the historic incentive payments would have been significantly lower if the proposed incentive arrangements had been in place since 2009 due to this cap.

As before, the amount that can be paid under the incentive scheme is also capped to ensure that the Company's total costs in a single year do not exceed 5% of net assets. Any excess over the 5% is carried forward to be included in the calculation of the amount that can be paid in future years. In addition, the annual Incentive Payment will be subject to an outright cap of £7.5 million unless an amount greater than this is approved by shareholders at a general meeting.

The proposal to vary the Incentive Payment is a "related party transaction" under the Listing Rules, being an arrangement with the Company's Investment Adviser, which is a "related party" of the Company under the Listing Rules, and which is required under the Listing Rules to be approved by Shareholders. The General Meeting has been convened, therefore to approve the Resolution.

Accordingly, the Resolution, which is an ordinary resolution, is set out in the notice of General Meeting on page 12 and is being put to Shareholders.

5. Proposed changes to the Investment Adviser fee payable under the Administration and Investment Advisory Agreement ("AIA Agreement")

The current AIA Agreement calculates the adviser fee (the "Adviser Fee") payable by the Company to the Investment Adviser every 6 months, on 31 March and 30 September. The Adviser Fee payable is calculated as 2% per annum of the net assets of the Company on the day of the calculation, pro rata to the 6-month period.

All VCTs need to hold a cash balance in order to be able to make new investments and provide further support for the portfolio, with VCTs often holding a significant cash balance immediately following a fundraising process. This cash balance ("Surplus Cash") is included within the net assets of the Company and is, therefore, subject to the Adviser Fee. The Board endeavours to deposit the Surplus Cash in higher yielding bank accounts but in the current low-interest rate environment it is difficult to achieve a good return.

Accordingly, and subject to the passing of the Resolution, it is proposed to reduce the Adviser Fee in respect of such Surplus Cash from 2% to 1%, and Surplus Cash for these purposes will be defined as all cash held by the Company in excess of £15 million, reducing to £7.5 million from the time when an Incentive Payment becomes payable to the Investment Adviser. At 30 September 2018 the Company's cash balances were £14.0 million.

6. Action to be taken

Shareholders will find a form of proxy at the back 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 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.

7. Recommendation

The Board considers that the proposal set out in the Resolution is in the best interests of the Shareholders as a whole and unanimously recommends you to vote in favour of the Resolution. The Board, which has been so advised by Howard Kennedy as sponsor to the Company, believes the Resolution to be fair and reasonable as far as the Shareholders are concerned. The Directors intend voting in favour of the Resolution in respect of their own beneficial shareholdings in the Company which, at the date of this Circular, total 53,092 Shares (representing approximately 0.05% of the issued Shares).

Yours sincerely

Helen Sinclair
Chairman

PART II

Additional Information

1. Responsibility and Registered Office

The Company, and the Directors whose names appear on page 3, 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.

2. Issued Share Capital

As at 26 November 2018 (being the latest practicable date before publication of this Circular), there were 108,352,886 issued Ordinary Shares, each ranking *pari passu*. All of the Ordinary Shares are listed on the Official List of the UK Listing Authority and the Company held an additional 6,814,043 Shares in the treasury account as at 26 November 2018.

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 Ordinary Shares as at 26 November 2018 (being the latest practicable date before publication of this Circular) were:

Director	Ordinary Shares
Helen Sinclair	23,062
Edward Buchan	22,280
Rupert Cook	7,750

3.2 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 issued Ordinary Shares.

4. Significant Shareholdings

As at 26 November 2018 (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 Ordinary Shares 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 Circular:

5.1.1 By an administration and investment advisory agreement dated 28 February 1996 between BSC and YFM Private Equity (the "AIA"), as varied by deeds of variation dated 16 November 2012, 17 November 2014 and 24 August 2015 YFM Private Equity agreed to provide administrative, company secretarial and investment advisory services to BSC in relation to BSC's qualifying portfolio. The AIA took effect on 4 April 1996 for an initial period of 3 years and thereafter is terminable by either party on not less than 12 months' notice or, *inter alia*, on the others' breach or insolvency. Following the Financial Conduct Authority's registration of BSC as a Small Registered Alternative Investment Fund Manager BSC has retained responsibility for the custody of its investments.

Under the AIA, YFM Private Equity is entitled to receive an annual investment advisory fee of 2% of the Net Assets of BSC (as determined on 31 March and 30 September each year), payable quarterly in advance on 1 January, 1 April, 1 July and 1 November in each year together with an annual secretarial fee of £35,000 (subject to annual adjustment and which was £62,000 for the year ending 31 March 2018). The Investment Adviser is also entitled to all arrangement, syndication and monitoring fees payable in respect of unquoted investments. BSC indemnifies the Investment Adviser against all things lawfully and properly done under the AIA. The total remuneration payable to YFM Private Equity in the period to 31 March 2018 was £1,782,000. Pursuant to the deed of variation dated 17 November 2014, the Investment Adviser bears the annual operating costs of BSC to the extent that those costs exceed 2.9% of the Net Asset Value of BSC, a reduction from the previous level of 3.25%.

When BSC makes investments into its unquoted portfolio the Investment Adviser charges that investee an arrangement fee, calculated by applying a percentage to the investment amount. With effect from 1 November 2013 if the average of relevant fees exceed 3.0% of the total invested into new portfolio companies and 2.0% into follow-on investments over BSC's financial year this excess will be rebated to BSC. As at 31 March 2018, BSC was due a rebate of £nil. Monitoring and directors' fees the Investment Adviser receives from investee companies are limited to a maximum of £40,000 (excluding VAT) per annum per company.

Under the AIA, the Investment Adviser is entitled to receive fees from investee companies in respect of the provision of non-executive directors and other advisory services. The Investment Adviser is responsible for paying the due diligence and other costs incurred in connection with proposed investments which for whatever reason do not proceed to completion. In the year ended 31 March 2018 the fees receivable by the Investment Adviser from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £680,000.

- 5.1.2 An incentive agreement (the "Incentive Agreement"), dated 7 July 2009, as varied by deeds of variation dated 15 August 2014, 13 October 2014 and, subject to the passing of the Resolution, 27 November 2018, between BSC and the Investment Adviser under which, with effect from 1 April 2009 ("Effective Date") the Investment Adviser is entitled to receive a fee, calculated by reference to each accounting period of BSC, equal to 20% of the amount by which dividends paid to Shareholders exceed 4.0 pence per Share per accounting period (as increased or decreased, as applicable, in each accounting period by the percentage increase or decrease (if any) in the retail prices index in the previous accounting period) ("Target Rate"), once cumulative dividends per Share of 10 pence or more have been paid to Shareholders. The Target Rate is further adjusted by reference to any cumulative shortfall in dividends paid per Share from any previous accounting period after the Effective Date. The Target Rate at 31 March 2018 was 5.1 pence, and the calculation was verified by independent auditors. The payment is also conditional upon the Net Asset Value per Share in the relevant accounting period being not less than 94.0 pence per Share, as adjusted for the impact of share issues and buy-backs. The adjusted Net Asset Value per Share at 31 March 2018 was 92.2 pence per ordinary share. With effect from 1 April 2014 the amount of the incentive payment paid to the Investment Adviser for any one year shall, when taken with all other relevant costs, ensure that the Total Expenses Ratio is no greater than 5% of the net asset value at the end of the financial year (as adjusted for all realised gains that have been distributed during that year). Any unpaid incentive payment will be carried over to subsequent financial years and be included in the calculation of the Total Expenses Ratio. A compensatory payment is due if the Incentive Agreement is terminated without cause or if BSC is taken over. The compensatory payment is calculated as a percentage of the fee that would otherwise be payable under the Incentive Agreement by reference to the accounting period following the Incentive Agreement being so terminated; 80% is payable in the first accounting period after such event, 55% in the second, 35% in the third, and nil thereafter. The maximum fee payable in any 12 month period cannot exceed an amount

which would represent 25% or more of the net asset value or market capitalisation of BSC at such time. The total incentive payment to YFM Private Equity in respect of the year to 31 March 2018 was £nil (in respect of the year to 31 March 2017: £3,648,873 and in respect of the year to 31 March 2016: £983,025).

Pursuant to a deed of variation dated 15 August 2014 the Incentive Agreement was varied so that the recipient was changed from the YFM Private Equity Carried Interest Trust to YFM Private Equity.

- 5.1.3 Under the terms of a letter of engagement dated 26 November 2016 between BSC and Panmure Gordon (UK) Limited (“Panmure Gordon”), Panmure Gordon agreed to act as brokers to BSC, and, inter alia, to act as a market maker in the Shares of BSC and to carry out share purchases on BSC’s behalf. Panmure Gordon are entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in advance on 1 January, 1 April, 1 July and 1 November. Under the terms of the novated agreement BSC indemnifies Panmure Gordon against losses arising out of Panmure Gordon’s appointment except where such losses arise from Panmure Gordon’s breach of agreement, negligence or wilful default.

6. Directors’ Service Contracts and Remuneration

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

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

Director	£
Helen Sinclair	40,000
Edward Buchan	25,000
Rupert Cook	25,000
	90,000

7. Significant Changes

Since 31 March 2018 (being the end of the last financial period of the Company for which audited financial information has been published), there has been no significant change in the financial or trading position of the Company.

8. Other

- 8.1 The Company was incorporated and registered in England and Wales under the Companies Act 1985 as a public company limited by shares on 6 December 1995, with registered number 03134749 under the name British Smaller Companies VCT plc, which is the current legal and commercial name of the Company.
- 8.2 Howard Kennedy of No. 1 London Bridge, London SE1 9BG has given and has not withdrawn its written consent to (i) the issue of this Circular with the references to it in the form and context in which they appear and (ii) the inclusion of the statement on page 6 of this Circular that it has advised the Board that it considers the Resolution to be fair and reasonable as far as the Shareholders are concerned.

9. 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 5th Floor, Valiant House, 14 South Parade, Leeds, LS1 5QS:

- 9.1 the audited accounts of the Company for the years ended 31 March 2017 and 2018;
- 9.2 the unaudited interim financial statements for the 6 month periods to 30 September 2017 and 30 September 2018;
- 9.3 the Company's memorandum and articles of association;
- 9.4 the Directors' letters of appointments referred to in paragraph 6 above; and
- 9.5 this Circular.

Date 27 November 2018

PART III

Definitions

“AIA Agreement”	the administration and investment advisory agreement dated 28 February 1996 (as subsequently varied) between the Company and the Investment Adviser;
“Board” or “Directors”	Helen Sinclair, Edward Buchan and Rupert Cook;
“the Circular”	this document;
“the Company”	British Smaller Companies VCT plc, registered with the Registrar of Companies of England and Wales with registered number 03134749 and whose registered office is 5 th Floor, Valiant House, 14 South Parade, Leeds, LS1 5QS;
“Dividend Hurdle”	the dividend hurdle that must be achieved in order for an Incentive Payment to be made, as detailed in Part I;
“Incentive Agreement”	the incentive agreement dated 7 July 2009 (as subsequently varied) between the Company and YFM;
“Incentive Payment”	the incentive payment payable by the Company to the Investment Adviser pursuant to the Incentive Agreement;
“Investment Adviser” or “YFM”	YFM Private Equity Limited, registered number 02174994 and whose registered office is 5 th Floor, Valiant House, 14 South Parade, Leeds, LS1 5QS;
“General Meeting”	the general meeting of the Company to be held on 7 January 2019 (or any adjournment thereof);
“Howard Kennedy”	Howard Kennedy Corporate Services LLP, registered number OC354088;
“Listing Rules”	the listing rules of the UK Listing Authority;
“Resolution”	the resolution to be proposed at the General Meeting as set out in the Notice of General Meeting on page 12;
“RPI”	the general index of retail prices published by the Office of National Statistics each month;
“Shareholders”	holders of Shares;
“Shares” or “Ordinary Shares”	ordinary shares of 10 pence each in the capital of the Company;
“Surplus Cash”	the surplus cash of the Company, as detailed in paragraph 5 of Part I;
“Total Return”	the aggregate of the net asset value of the Company and dividends paid by the Company;
“Total Return Hurdle”	the Total Return hurdle that must be achieved in order for an Incentive Payment to be made, as detailed in Part I;
“VCT”	a venture capital trust as defined in Section 259 Income Taxes Act 2007.

PART IV
British Smaller Companies VCT plc
(registered number 03134749)

Notice of General Meeting

NOTICE IS HEREBY GIVEN that a General Meeting of British Smaller Companies VCT plc will be held at 2nd Floor, 21 Hanover Square, London W1S 1JW at 11 am on 7 January 2019 to consider and, if thought fit, pass the following Resolution which will be proposed as an ordinary Resolution:

Ordinary Resolution

To approve the proposed variation to the Incentive Agreement dated 7 July 2009 (as subsequently varied) between the Company and YFM Private Equity Limited, on the terms set out in the Circular.

For the purpose of this Resolution, words and expressions defined in the circular issued to Shareholders dated 27 November 2018 shall have the same meanings in this Resolution, save where the context requires otherwise.

By order of the Board

The City Partnership (UK) Limited
Secretary

Registered Office:

5th Floor, Valiant House
14 South Parade
Leeds
LS1 5QS

Information regarding the General Meeting, including the information required by Section 311A of the Act, is available from www.bscfunds.com

27 November 2018

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 must be completed and signed and together with 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 Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF 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.
- (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 Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF. 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 Link Asset Services 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 Articles of Association and a copy of the Incentive Agreement (marked up to show the proposed changes) and a copy of the current Incentive Agreement will be available for inspection at the registered office of the Company during usual business hours on any weekday (weekends 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 close of business on 3 January 2019 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 close of business on 3 January 2019 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 26 November 2018, the Company's issued share capital comprised 108,352,886 Ordinary Shares with a further 6,814,043 Ordinary Shares held in treasury. The total number of voting rights in the Company as at 26 November 2018 is 108,352,886. 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 letter from the Chairman 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.

FORM OF PROXY

British Smaller Companies VCT plc

For use at the General Meeting of the above-named Company to be held on 7 January 2019, at 2nd Floor, 21 Hanover Square, London W1S 1JW at 11 am.

I/ We*

(in BLOCK CAPITALS please)

of

being a member of the above-named Company, hereby appoint the Chairman of the General Meeting (see notes 2-6)

or

of

as my/our* proxy to attend for me/us* on my/our* behalf at the General Meeting of the Company to be held as detailed above or at any adjournment thereof.

Number of Ordinary Shares proxy is appointed over

--

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

I/ We* desire to vote on the Resolution as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast.

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

	FOR	AGAINST	WITHHELD
ORDINARY RESOLUTION			
1. To approve the changes to the Company's Incentive Agreement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this	day of	2018 / 2019*
------------	--------	--------------

Signature

* Delete as appropriate



Notes:

1. The Notice of the General Meeting is set out on page 12 of the Circular.
2. Any member of the Company entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the General Meeting in order to represent his appointor. A member entitled to attend and vote at the General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
3. If you wish to appoint a proxy of your own choice delete the words "the Chairman of the General Meeting" and insert the name and address of the person whom you wish to appoint in the space provided.
4. Any alterations to the Form of Proxy should be initialled.
5. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF 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.
6. In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF. 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 Link Asset Services before the General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note 9 below, the proxy appointment will remain valid.
7. In the case of a corporation, this form must be executed under its common seal or signed on its behalf by its attorney or a duly authorised officer of the corporation.
8. In the case of joint Shareholders, any one of them may sign. The vote of the person whose name stands first in the register of members will be accepted to the exclusion of the votes of the other joint holders.
9. Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the General Meeting in person, the proxy appointment will automatically be terminated.
10. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.