

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 (FSMA) if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are outside the United Kingdom.

If you have sold or otherwise transferred all of your shares in British Smaller Companies VCT2 plc (the “**Company**”), please send this document and accompanying form of proxy, 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 transmission to the purchaser or transferee.

British Smaller Companies VCT2 plc

(Registered in England and Wales with registered number 04084003)

Recommended proposals relating to:
the cancellation of the Company’s share premium account
the cancellation of the Company’s capital redemption reserve
the reduction in the nominal value of the Company’s
issued share capital

A notice of the General Meeting of the Company, to be held at 1:30 pm on 12 November 2024, at Thomas House, 84 Ecclestone Square, London SW1V 1PX, to approve the Resolutions to effect the Proposals, is set out at the end of this document.

Shareholders are encouraged to participate by casting their votes by proxy, appointing the Chair of the General Meeting as their proxy.

To be valid, the form of proxy accompanying this document for the General Meeting (and the power of attorney or other authority (if any) under which it is signed or a notorially certified or office copy of such power or authority) should be returned not less than 48 hours (excluding weekends and public holidays) before the General Meeting, either by post or by hand (during normal business hours only) to The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH or, alternatively, you may register your proxy electronically at www.bscfunds.com.

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Expected Timetable

General Meeting

Latest time and date for receipt of forms of proxy for use at the General Meeting	1:30 pm on 8 November 2024
General Meeting	1:30 pm on 12 November 2024
Final Court hearing	3 December 2024
Registration of Court Order at Companies House and date upon which the Reduction becomes effective	December 2024

The timetable assumes that the General Meeting will not be adjourned as a result of there being no quorum, or for any other reason. If there is an adjournment, all subsequent dates are likely to be later than those shown. Any changes will be notified to Shareholders by an announcement through a Regulatory Information Service.

Part I - Risk Factor

The risk factor set out below is considered by the Directors to be material to the Proposals and the Company as at the date of this document and which the Directors believe Shareholders should consider prior to deciding how to cast their votes at the General Meeting but is not the only risk in relation to the Proposals and the Company. Additional risks and uncertainties relating to the Company and/or the Proposals that are not currently known to the Directors or that the Directors do not currently consider to be material may also have a material adverse effect on the Company. Shareholders who are in any doubt about the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser without delay.

The Reduction is conditional on the approval by Shareholders of the Resolutions proposed at the General Meeting and a subsequent Court Order confirming the Reduction. The Court will need to be satisfied that the interests of the creditors (including contingent creditors) of the Company, whose debts remain outstanding on the date on which the Court Order is registered, will not be prejudiced by the proposed Reduction. In the event that the Resolutions are (i) not approved by the Shareholders or (ii) the Resolutions are approved by the Shareholders but the Court does not grant the Court Order, then the capital available to be distributed to Shareholders by way of the payment of dividends, share buy-backs or for other corporate purposes will be limited to the extent of the available distributable reserves of the Company which would not include the distributable reserves that would be created as a result of the Reduction.

Part II - Letter from the Chair of the Company

Registered Office:

4th Floor,
2 Bond Court,
Leeds LS1 2JZ

17 October 2024

Dear Shareholder,

Recommended Proposals relating to:

- **the cancellation of the Company's share premium account**
- **the cancellation of the Company's capital redemption reserve**
- **the reduction in the nominal value of the Company's issued share capital**

The purpose of this document is to explain the recommended Proposals and to seek Shareholders' approval for the required authorities.

The Reduction of capital

Under the CA 2006, a company may, with the sanction of a special resolution and the confirmation of the Court, reduce or cancel its existing share capital, provided the company's articles do not contain any provisions restricting or prohibiting such reduction or cancellation.

The Articles do not prohibit the Company from reducing or cancelling its share capital.

Purpose

The purpose of the recommended Proposals is to enable the Company to create additional distributable reserves so as to provide it with greater flexibility for the purposes of:

- buy-backs of Shares, thereby improving the liquidity of its Shares and minimising their discount to the Company's NAV;
- dividend distributions; and
- other corporate purposes capable of being undertaken by the Company from time to time.

General Meeting

At the General Meeting, Resolutions will be proposed to approve, subject to the sanction of the High Court, the cancellation of the Company's share premium account, the cancellation of the Company's capital redemption reserve and the reduction in the nominal value of the Company's issued share capital from 10p per Share to 0.01p per Share. These Resolutions are detailed below. The Resolutions are required to be put to Shareholders under the CA 2006 and the Articles.

The Directors will treat the authorities to allot Shares that were granted by resolutions 6 to 9 passed at the annual general meeting of the Company held on 13 June 2024 as authorising them to allot, whilst disapplying pre-emption rights, such number of Shares equal to the aggregate nominal value of the Shares set out in those resolutions assuming a nominal value per Share of 10p, such that the proposed reduction in the nominal value of the Shares will not increase those authorities.

A notice of the General Meeting, to be held at 1:30 pm on 12 November 2024 at Thomas House, 84 Ecclestone Square, London SW1V 1PX, is set out at the end of this document. An explanation of the Resolutions to be proposed at the General Meeting is set out below:

Resolution 1 is a resolution to cancel the share premium account of the Company at the date an order is made confirming such cancellation by the Court, to create a pool of distributable reserves.

Resolution 2 is a resolution to cancel the capital redemption reserve of the Company at the date an order is made confirming such cancellation by the Court, to create a pool of distributable reserves.

PART II

Resolution 3 is a resolution to reduce the nominal value of the issued share capital of the Company from 10p per Share to 0.01p per Share at the date an order is made confirming such reduction by the Court, to create a pool of distributable reserves.

Resolutions 1, 2 and 3 will be proposed as special resolutions requiring the approval of 75 per cent of the votes cast on the Resolutions.

Action to be taken

Before taking any action, you are recommended to read the information set out in Part III of this document.

Enclosed with this Circular, Shareholders will find a form of proxy for use at the General Meeting, which you are requested to complete and return whether or not you propose to attend the General Meeting, so that it is received not less than 48 hours (excluding weekends and public holidays) before the General Meeting. Completion and return of the form of proxy will not prevent you from attending the General Meeting and voting in person should you wish to do so.

Recommendation

The Board believes that the Proposals are in the best interests of the Shareholders as a whole and recommends to the Shareholders to vote in favour of the Resolutions.

The Directors who are Shareholders have undertaken to vote in favour of all of the Resolutions in respect of their own beneficial holdings (representing approximately 0.52 per cent of the issued Shares as at 10 October 2024, this being the latest practicable date prior to the publication of this document).

Yours faithfully



Barbara Anderson
Chair

Part III - Additional Information

1. Responsibility

- 1.1 The Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge of 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. Share Capital

- 2.1 As at 10 October 2024 (being the latest practicable date prior to the publication of this document), the issued share capital of the Company was 308,550,802 Shares (including 26,573,146 treasury Shares).
- 2.2 As at 10 October 2024 (being the latest practicable date prior to the publication of this document), no share or loan capital of the Company was under option or had been agreed, conditionally or unconditionally, to be put under option.

3. Directors and their Interests

- 3.1 As at 10 October 2024 (being the latest practicable date prior to publication of this document), the interests of the Directors (and their respective immediate families), in the issued voting share capital of the Company was as follows:

Director	No. of Shares	% of Issued Share Capital
Barbara Anderson	619,754	0.22%
Roger McDowell	837,259	0.30%
Arif Ahmed*	0	0%

* Arif Ahmed was appointed as a Director on 13 June 2024 after the close of the Company's last offer for subscription.

- 3.2 Each of the Directors has entered into a letter of appointment with the Company for the provision of their services as directors, for the fees disclosed in paragraph 3.3 below, pursuant to 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. There are no commission or profit sharing arrangements and no compensation is payable on termination of the agreements. No amounts have been put aside to provide pensions, retirement or similar benefits to any Directors.
- 3.3 The current annual remuneration of the Directors is as follows:

Director	Annual Fees
Barbara Anderson	£48,375
Roger McDowell	£29,400
Arif Ahmed	£28,000

- 3.4 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Company and which were effected by the Company in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

4. Substantial Shareholders

- 4.1 The Company is not aware of any person, not being a member of its administrative, management or supervisory bodies who, as at the date of this document, is directly or indirectly, interested in 3 per cent or more of the issued share capital of the Company and who is required to notify such interest in accordance with the Disclosure Guidance & Transparency Rules or who directly or indirectly controls the Company.

5. Material Contracts

The following, together with the non-executive director appointment letters referred to in paragraph 3.2 above, are (a) the only contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company within the two years preceding the date of publication of this document and which are or may be material to the Company, and (b) the only contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company at any time and which contain any provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

- 5.1 An offer agreement dated 17 October 2024 (“the Offer Agreement”) between the Companies (1), the directors of the Companies (2), the Manager (3) and Howard Kennedy (4) under which the Manager has undertaken, as agent of the Companies, to use its reasonable endeavours to procure applicants under the Offers and Howard Kennedy has agreed to act as sponsor to the Offers. Pursuant to the Offer Agreement an initial application fee of 3 per cent of application amounts under the Offers, or 3.5 per cent for applications received from applicants who have not invested their money through an intermediary/financial adviser and have invested directly into the Companies, is paid by the Companies to the Manager, in consideration for which the Manager has agreed to meet the costs associated with the Offers, save for commissions payable to execution only brokers, on behalf of the Companies. As is usual in contracts of this type, the Manager agreed to indemnify the Companies against the costs of the Offers (excluding trail commission) exceeding 3 per cent of the application amounts. Under the Offer Agreement, which may be terminated by the Companies, the directors of the Companies and the Manager in certain circumstances, warranties have been given by the Companies, the directors of the Companies and the Manager to the other parties, subject to certain limitations. The warranties are in the usual form for a contract of this type.
- 5.2 An offer agreement dated 20 September 2023 (the “2023 Offer Agreement”) between the Companies (1), the directors of the Companies (2), the Manager (3) and Howard Kennedy (4) under which the Manager undertook, as agent of the Companies, to use its reasonable endeavours to procure applicants under the offers for subscription that were launched by the Companies on 20 September 2023 (the “2023 Offers”) and Howard Kennedy agreed to act as sponsor to the 2023 Offers. Pursuant to the 2023 Offer Agreement an initial application fee of 3 per cent of the application amounts under the 2023 Offers, or 3.5 per cent for applications received from applicants who did not invest their money through an intermediary/financial adviser and who invested directly into the Companies, was paid by the Companies to the Manager, in consideration for which the Manager agreed to meet the costs associated with the 2023 Offers, save for commissions payable to execution only brokers, on behalf of the Companies. As is usual in contracts of this type, the Manager agreed to indemnify the Companies against the costs of the 2023 Offers (excluding trail commission) exceeding 3 per cent of the application amounts. Under the 2023 Offer Agreement, which could be terminated by the Companies, the directors of the Companies and the Manager in certain circumstances, warranties were given by the Companies, the directors of the Companies and the Manager to the other parties, subject to certain limitations. The warranties were in the usual form for a contract of this type.
- 5.3 An offer agreement dated 30 November 2022 (the “2022 Offer Agreement”) between the Companies (1), the directors of the Companies (2), the Manager (3) and Howard Kennedy (4) under which the Manager undertook, as agent of the Companies, to use its reasonable endeavours to procure applicants under the offers for subscription that were launched by the Companies on 30 November 2022 (the “2022 Offers”) and Howard Kennedy agreed to act as sponsor to the 2022 Offers. Pursuant to the 2022 Offer Agreement an initial application fee of 3 per cent of the application amounts under the 2022 Offers, or 3.5 per cent for applications received from applicants who did not invest their money through an intermediary/financial adviser and who invested directly into the Companies, was paid by the Companies to the Manager, in consideration for which the Manager agreed to meet the costs associated with the 2022 Offers, save for commissions payable to execution only brokers, on behalf of the Companies. As is usual in contracts of this type, the Manager agreed to indemnify the Companies against the costs of the 2022 Offers (excluding trail commission) exceeding 3 per cent of the application amounts. Under the 2022 Offer Agreement, which could be terminated by the Companies, the directors of the Companies and the Manager in certain circumstances, warranties were given by the Companies, the directors of the Companies and the Manager to the other parties, subject to certain limitations. The warranties were in the usual form for a contract of this type.

- 5.4 An offer agreement dated 22 September 2021 (the “2021 Offer Agreement”) between the Companies (1), the directors of the Companies (2), the Manager (3) and Howard Kennedy (4) under which the Manager undertook, as agent of the Companies, to use its reasonable endeavours to procure Applicants under the offers for subscription that were launched by the Companies on 21 September 2021 (the “2021 Offers”) and Howard Kennedy agreed to act as sponsor to the 2021 Offers. Pursuant to the 2021 Offer Agreement an initial application fee was 3 per cent of the application amounts under the 2021 Offers, or 3.5 per cent for applications received from applicants who did not invest their money through an Intermediary/Financial Adviser and who invested directly into the Companies, was paid by the Companies to the Manager, in consideration for which the Manager agreed to meet the costs associated with the 2021 Offers, save for commissions payable to execution only brokers, on behalf of the Companies. As is usual in contracts of this type, the Manager agreed to indemnify the Companies against the costs of the 2021 Offers (excluding trail commission) exceeding 3 per cent of the application amounts. Under the 2021 Offer Agreement, which could be terminated by the Companies, the directors of the Companies and the Manager in certain circumstances, warranties were given by the Companies, the directors of the Companies and the Manager to the other parties, subject to certain limitations. The warranties were in the usual form for a contract of this type.
- 5.5 Pursuant to a depositary agreement dated 19 September 2023 (the “Depositary Agreement”) between the Companies, Thompson Taraz Depositary Limited (the “Depositary”) and the Manager, the Depositary provides cash monitoring, oversight duties including overseeing the safekeeping of the Company’s investments (including all financial instruments and any other assets that the Company may invest in) as well as such other services as agreed by the parties to the Depositary Agreement (the “Services”). Pursuant to the Depositary Agreement, each Company’s investments will be held in the name of the Company, or in the name of the Manager, on behalf of the Company.

The Depositary is a limited company registered in England and Wales with registration number 06043483, whose registered office is at 4th Floor, Stanhope House, 47 Park Lane, London W1K 1PR. The Depositary is authorised and regulated by the FCA in the conduct of its regulated activity. The Depositary is permitted to act as depositary of an alternative investment fund in accordance with FUND 3.11.10.

Under the Depositary Agreement, the Companies and the Manager gave certain warranties and an indemnity to the Depositary, and the Depositary gave certain warranties to the Company and the Manager, which were in usual form for a contract of this type. The Depositary Agreement can be voluntarily terminated by the Depositary on three months’ prior written notice, or six months’ prior written notice in the event that the Companies require and have not appointed an alternative depositary, and by the Companies or the Manager on one month’s prior written notice, subject, in the case of a termination by the Depositary, to a new depositary being appointed, or earlier in certain circumstances. The fees payable to the Depositary for the Services will depend on the level of the Services to be provided and will be set out in a schedule to the Depositary Agreement.

- 5.6 YFM Private Equity has acted as Manager and performed administrative and secretarial duties for BSC2 under an agreement dated 28 November 2000, superseded by an agreement dated 31 October 2005 and as varied by agreements dated 8 December 2010, 26 October 2011, 16 November 2012, 17 October 2014, 7 August 2015 and 13 November 2019 (the “IAA”). This agreement may be terminated by not less than twelve months’ notice given by either party at any time.

The annual fee payable to the Manager is 1.0 per cent on all surplus cash, defined as all cash above £5 million. The annual fee on all other assets is 2.0 per cent per annum. This is calculated half yearly at 30 June and 31 December. The annual fee for the twelve months ending 31 December 2023 was £2,147,000, equal to 1.76 per cent of the Company’s average NAV.

The Manager also provides and procures the provision of secretarial and administration services to BSC2. The Manager receives an annual accounting and secretarial fee, index linked to RPI, which is currently £90,000. The annual fee for the twelve months to 31 December 2023 was £85,000, equal to 0.07 per cent of the Company’s average NAV.

Under the IAA the Manager is entitled to receive advisory fees in connection with new investments which are paid by BSC2. There is an aggregate annual cap applied to these fees for new investments of 3 per cent and for further investments of 2 per cent, with any fees above this cap being payable to BSC2. Where expenses have been incurred and the investment does not proceed, the Manager pays any abort fees. The Manager also receives monitoring or non-executive director fees from unquoted portfolio companies. These fees are capped at a maximum of £40,000 per annum for an unquoted company.

The FCA classifies BSC2 as an alternative investment fund (“AIF”); BSC2 must have a single alternative investment fund manager (an “AIFM”) responsible for providing, at a minimum, portfolio management and risk management services, to one or more AIFs, with this being its regular business (irrespective of where the AIFs are located or what legal form the AIF takes). The Manager is BSC2’s AIFM.

- 5.7 Pursuant to a Subscription Rights Agreement (the “Subscription Rights Agreement”) dated 23 November 2001 between BSC2, YFM Private Equity Limited and Chord Capital Limited (“Chord”, formerly Generics Asset Management Limited), as amended, a performance incentive fee is payable by BSC2 to the Manager and Chord.

Prior to 22 April 2024 the Subscription Rights Agreement provided that a performance incentive fee is payable when the aggregate of cumulative dividends paid or payable as at the last business day in December each year and the average of the middle market price per BSC2 Share on the five business days prior to that day, exceeds 120 pence per BSC2 Share (the “BSC2 Hurdle”). The fee is 20 per cent of the excess over this amount multiplied by the number of BSC2 Shares in issue and the BSC2 Shares under option (if any). Once the BSC2 Hurdle has been exceeded it is reset at that value going forward, which becomes the new BSC2 Hurdle. The fee is payable in cash or BSC2 Shares granted through rights to subscribe. These rights are exercisable in the ratio 95:5 between the Manager and Chord Capital Limited respectively.

The Hurdle for the year ended 31 December 2023 was set at 137.25 pence per BSC2 Share. As at 31 December 2023 the total of cumulative cash dividends paid and mid-market price was 140.75 pence per BSC2 Share. Consequently the BSC2 Hurdle was exceeded and a performance related incentive of £1,601,000 was paid for the year ended 31 December 2023.

With effect from 22 April 2024 the Subscription Rights Agreement was amended and restated to provide that a performance incentive fee is payable when the Cumulative Returns as at the last business day in December each year (a “Performance Fee Reference Date”) exceeds the Trigger Value at that Performance Fee Reference Date, where:

Cumulative Returns equals the sum of:

- (1) cumulative cash dividends (whether of a capital or income nature) paid, or payable if a declared dividend has reached its ex-dividend date but not yet been paid, as at the Performance Fee Reference Date on each BSC2 Share subscribed under the BSC2’s original offers for subscription; and
- (2) the middle market price per BSC2 Share on the five business days prior to the Performance Fee Reference Date (the “BSC2 Share Price”):

and

Trigger Value equals the sum of:

- (1) the Annual Share Price Hurdle at that Performance Fee Reference Date; and
- (2) the higher of:
 - a. the Cumulative Return at the previous Performance Fee Reference Date; and
 - b. the Trigger Value at the previous Performance Fee Reference Date.

At 31 December 2023 the Trigger Value was deemed to equal 140.75p.

The Annual Share Price Hurdle is as set out in the following table:

Performance Fee Reference Date	Annual Share Price Hurdle
2024 Performance Fee Reference Date	1% of the BSC2 Share Price on the previous Performance Fee Reference Date
2025 Performance Fee Reference Date	2% of the BSC2 Share Price on the previous Performance Fee Reference Date
2026 Performance Fee Reference Date	3% of the BSC2 Share Price on the previous Performance Fee Reference Date
2027 Performance Fee Reference Date	4% of the BSC2 Share Price on the previous Performance Fee Reference Date
2028 Performance Fee Reference Date and subsequent Performance Fee Reference Dates	5% of the BSC2 Share Price on the previous Performance Fee Reference Date

The performance fee is 20 per cent of the amount that Cumulative Returns as at a Performance Fee Reference Date exceeds the Trigger Value per BSC2 Share multiplied by the number of BSC2 Shares in issue and the BSC2 Shares under option (if any). The performance fee is payable in cash or BSC2 Shares granted through rights to subscribe. These rights are exercisable in the ratio 95:5 between the Manager and Chord Capital Limited respectively until 31 December 2026, and by the Manager thereafter.

No incentive fee for the year ending 31 December 2024 is accrued in the accounts of BSC2 as at 30 June 2024.

- 5.8 By the terms of a letter of engagement dated 26 November 2016 between BSC2 and Panmure Gordon (UK) Limited (now Panmure Liberum Limited) (“Panmure”), Panmure agreed to act as brokers to BSC2, and, inter alia, to act as a market maker in the Shares of BSC2 and to carry out Share purchases on BSC2’s behalf. Panmure is 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 October. BSC2 indemnifies Panmure against losses arising out of Panmure’s appointment except where such losses arise from Panmure’s breach of agreement, negligence or wilful default.

6. Significant Change

- 6.1 There have been no significant changes in the financial position of the Company since 30 June 2024, the date of the last unaudited published financial information of the Company, to the date of this document.

7. Other

- 7.1 The Company was incorporated and registered in England and Wales on 4 October 2000 as a public company limited by shares under the Companies Act 1985 with registered number 04084003 (LEI: 213800846X6PYSUG1328).
- 7.2 Audited statutory accounts of BSC2 for the year ended 31 December 2023, in respect of which BSC2’s auditors, BDO LLP, registered auditor of 55 Baker Street, London W1U 7EU, a registered member firm of the Institute of Chartered Accountants in England and Wales, made an unqualified report under section 495 of the CA 2006, have been delivered to the Registrar of Companies and these audited statutory accounts did not contain any statements under section 498(2) or (3) of the CA 2006. A copy of these audited statutory accounts is available at www.bscfunds.com. Unaudited interim accounts of BSC2 for the six months ended 30 June 2024 and 30 June 2023 are available at www.bscfunds.com.
- 7.3 Save for the fees paid to the Directors as detailed in paragraph 3.3 above, the fees paid under the management, administration and incentive arrangements detailed in paragraphs 5.6 and 5.7 above, the Offer Agreement at paragraph 5.1 above and the irrevocable undertakings to subscribe for Shares under the Offers that have been given by Roger McDowell and Arif Ahmed, Directors, there were no other related party transactions or fees paid by BSC2 to a related party during the period from 30 June 2024, the date of its last published unaudited financial information, to the date of this document.

PART III

- 7.4 There are no governmental, legal or arbitration proceedings (including any such proceedings which are or were pending or threatened of which the Company is aware) during the 12 months immediately preceding the date of this document, which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

8. Documents Available for Inspection

The Company's memorandum and Articles and the Circular will be available for inspection, by prior appointment, from the date of this document at the registered office of the Company during normal business hours on any day (Saturdays, Sundays and public holidays excepted) until the conclusion of the General Meeting and will also be available for inspection at the place of the General Meeting during, and for at least 15 minutes before, the General Meeting and may also be inspected at the Company's website address at www.bscfunds.com.

17 October 2024

Part IV - Definitions

“Articles”	the articles of association of the Company
“Board”	the board of Directors
“CA 1985”	Companies Act 1985
“CA 2006”	Companies Act 2006
“Circular”	this document
“Companies”	the Company and British Smaller Companies VCT plc
“Company” or “BSC2”	British Smaller Companies VCT2 plc
“Court”	the High Court of England and Wales
“Court Order”	the order given by the Court confirming the Reduction
“Directors”	the directors of the Company (and each a “Director”)
“Disclosure, Guidance and Transparency Rules”	the disclosure, guidance and transparency rules of the FCA
“FCA”	the Financial Conduct Authority
“General Meeting” or “GM”	the general meeting of the Company convened for 1:30 pm on 12 November 2024 (or any adjournment thereof)
“Howard Kennedy”	Howard Kennedy Corporate Services LLP
“ITA 2007”	Income Tax Act 2007, as amended from time to time
“Manager”	YFM Private Equity Limited, registered number 02174994, in its position as the FCA authorised and regulated subsidiary of YFM Equity Partners LLP, registered number OC384467
“NAV”	net asset value
“Offers”	the offer for subscription by the Companies for new Shares in respect of the tax year 2024/25 contained in the Prospectus
“Proposals”	the proposals to approve the Resolutions
“Prospectus”	the prospectus dated 17 October 2024 issued by the Companies in connection with the Offers
“Reduction”	the cancellation of the Company's share premium account, the cancellation of the Company's capital redemption reserve and the reduction in the nominal value of the issued share capital of the Company from 10p to 0.01p, pursuant to the Resolutions and subject to Shareholder approval and confirmation by the Court.
“Regulatory Information Service”	a regulatory information service that is on the list of regulatory information services maintained by the FCA
“Resolutions”	the resolutions to be proposed at the General Meeting (and each a “Resolution”)
“RPI”	the general index of retail prices published by the Office of National Statistics each month
“Shareholders”	holders of Shares (and each a “Shareholder”)
“Shares”	ordinary shares of 10p each in the capital of the Company (and each a “Share”) (or, subject to the passing of Resolution 3 at the General Meeting, ordinary shares of 0.01p each in the capital of the Company)
“UK Listing Rules”	the listing rules of the FCA

British Smaller Companies VCT2 plc

(Registered in England and Wales with registered number 04084003)

Notice of General Meeting

NOTICE IS HEREBY GIVEN that a general meeting of British Smaller Companies VCT2 plc ("the Company") will be held at 1:30 pm on 12 November 2024 at Thomas House, 84 Ecclestone Square, London SW1V 1PX, for the purposes of considering and, if thought fit, passing the following resolutions, which will be proposed as special resolutions:

Special Resolutions

1. THAT, subject to the sanction of the High Court, the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled, and the amount by which the share capital is so reduced be credited to a reserve of the Company.
2. THAT, subject to the sanction of the High Court, the amount standing to the credit of the capital redemption reserve of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled, and the amount by which the share capital is so reduced be credited to a reserve of the Company.
3. THAT, subject to the sanction of the High Court, the issued share capital of the Company be reduced by cancelling and extinguishing capital to the extent of 9.99 pence on each issued fully paid up Share and reducing the nominal value of each issued fully paid up Share from 10 pence per Share to 0.01 pence per Share at the date an order is made confirming such reduction by the Court, and the amount by which the share capital is so reduced be credited to a reserve of the Company.

For the purpose of these Resolutions, words and expressions defined in the circular issued to Shareholders dated 17 October 2024 shall have the same meanings in these Resolutions, save where the context requires otherwise.

Dated 17 October 2024

By order of the Board

The City Partnership (UK) Limited
Secretary

Registered Office:

4th Floor,
2 Bond Court,
Leeds LS1 2JZ

Information regarding the General Meeting, including the information required by section 311A of the CA 2006 is available from: www.bscfunds.com.

Notes:

- (a) A member entitled to attend and vote at the General Meeting may appoint one or more proxies to attend and vote on their behalf. A proxy need not be a member.
- (b) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (c) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH or alternatively, you may register your proxy electronically at www.bscfunds.com, in each case, so as to be received by no later than 48 hours before the time the General Meeting is scheduled to begin.

Appointment of a proxy, or any CREST proxy instruction (as described in paragraph (d) below) will not preclude a member from subsequently attending and voting at the meeting should they choose to do so. This is the only acceptable means by which proxy instructions may be submitted electronically.

NOTICE OF GENERAL MEETING

- (d) To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (8RA57) not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (e) Any person receiving a copy of the Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person') should note that the provisions in Notes (a) and (b) above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
- (f) Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the General Meeting which relates to the business of the meeting although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.
- (g) A copy of the Notice of General Meeting and the information required by Section 311A Companies Act 2006 is available from www.bscfunds.com. Copies of the Directors' letters of appointment, the register of Directors' interests in the ordinary shares of the Company kept in accordance with the UK Listing Rules and a copy of the articles of association of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the General Meeting, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion.
- (h) As at 10 October 2024 (being the last practicable date prior to the publication of this Notice of General Meeting) the Company's issued share capital consists of 281,977,656 ordinary shares, carrying one vote each, and 26,573,146 treasury shares. Therefore, the total voting rights in the Company as at 10 October 2024 are 281,977,656.
- (i) 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.
- (j) Except as provided above, members who have general queries about the General Meeting should contact Tracey Nice at YFM Private Equity Limited on 07500 330986 or tracey.nice@yfmepl.com. No investment advice can be given.
- (k) Members may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the Chair's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

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