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Supplementary Prospectus

British Smaller Companies VCT plc ("BSC1")

(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 3134749)

British Smaller Companies VCT2 plc ("BSC2")

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

JOINT OFFER FOR SUBSCRIPTION

Of up to 8,780,488 Ordinary Shares of 10 pence each in the BSC1 and up to 12,811,388 Ordinary Shares of 10 pence each in BSC2 to raise up to a maximum of £15 million, in aggregate.

Important Notice

This document constitutes a supplementary prospectus relating to BSC1 and BSC2 issued on 8 April 2011 prepared in accordance with the Prospectus Rules and approved by the FSA in accordance with section 85 of FSMA ("Supplementary Prospectus"). The Supplementary Prospectus is supplemental to, and should be read in conjunction with, the Prospectus issued by the Companies dated 8 December 2010 ("the Prospectus"), such prospectus containing offers for subscription of New Ordinary Shares ("the Offers"). Except as expressly stated herein, or unless the context otherwise requires, the definitions used or referred to in the Prospectus also apply in this Supplementary Prospectus. Save as disclosed in this document, there has been no significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus.

Responsibility

The Companies and the Directors of the Companies accept responsibility for the information contained in this document. To the best of the knowledge of the Companies and the Directors of the Companies (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.

Persons receiving this document should note that Howard Kennedy Corporate Services LLP is acting for the Companies and no-one else in connection with the Offers and will not be responsible to any other person for providing the protections afforded to customers of Howard Kennedy Corporate Services LLP or for providing advice in connection with the Offers, subject to their responsibilities and liabilities imposed by FSMA or the regulatory regime established hereunder. Howard Kennedy Corporate Services LLP is authorised and regulated by the Financial Services Authority.

Copies of this Supplementary Prospectus and the Prospectus are available for inspection during normal business hours and may be viewed on the National Storage Mechanism (NSM) of the UKLA at <http://www.hemscott.com/nsm> whilst the Offers are open and copies of this document and the Prospectus can be obtained from YFM Equity Partners Website at <http://www.yfmep.com/> or by contacting Tracey Parker on 0113 294 5055 or by emailing Tracey.Parker@yfmep.com

1. Significant new factors

On 8 December 2010 the Companies published the Prospectus. This Supplementary Prospectus is a regulatory requirement under the Prospectus Rules and follows a decision by the board of directors of BSC1 to announce a change in its unaudited NAV which the Directors of BSC1 regard as a significant new factor in respect of the information in the Prospectus.

BSC1 change in unaudited Net Asset Value (NAV)

On 23 March 2011 the board of BSC1 announced a revised unaudited NAV per Ordinary Share as at the 28 February 2011 of 120.9 pence per Ordinary Share, increased from 98.8 pence per Ordinary Share as set out in the Prospectus (being the published unaudited NAV per Ordinary Share as at the date of publication of the Prospectus). An interim dividend of 2.0 pence per Ordinary Share was paid on 7 January 2011.

This change in unaudited NAV is represented by two new portfolio considerations; a revision of the aggregate portfolio valuation and a revision of an individual portfolio valuation following a number of indicative offers to acquire some or all of BSC1's investment by external parties.

These approaches have valued the portfolio company using a different valuation methodology to the one historically used in BSC1's accounts. Accordingly, the board of BSC1 has decided to adopt this valuation methodology and this has increased the valuation of the investment which in turn has increased BSC1's unaudited NAV. The new valuation does not fully reflect the value that might be achieved if one of these approaches leads to a completed transaction, but there can be no certainty that this will be the outcome.

In addition, there is a revision to the aggregate portfolio valuation of BSC1 as a result of increased valuations across its quoted and unquoted investment portfolios.

There are no changes to the NAV of BSC2.

Other matters which are not required for disclosure under the Section 87G of the Financial Services and Markets Act 2000

2. Amended Offer Price under Offers

In accordance with the Prospectus the above change in NAV will affect the Offer Price for subscriptions allocated to BSC1. The Offer Price is based on the Pricing Mechanism which is discussed below.

As the Net Asset Value of BSC1 on the last day of the month immediately preceding the proposed allotment of Ordinary Shares under the Offers on 22 March 2011 (see below) is more than 5% above 96.8 p per Ordinary Share (being the published unaudited NAV per Ordinary Share as at the date of

publication of the Prospectus less the interim dividend of 2.0 pence per Ordinary Share paid on 7 January 2011), the Prospectus adjusts the Offer Price by reference to that latest published NAV plus 5.5% of gross proceeds, rounded to the nearest 0.25 pence. This adjusts the Offer Price for BSC1's Ordinary Shares under the Prospectus to 128.0 per Ordinary Share.

There is no change to the Offer Price for Ordinary Shares in BSC2.

The boards of the Companies reserve the right to make further price adjustments to the Offer Price in accordance with the Pricing Mechanism under the Prospectus. Any such adjustment will be announced through an RIE.

3. Allotment of Shares pursuant to Offer

3.1 British Smaller Companies VCT plc

As at the date of this document, BSC1 has raised gross proceeds of over £2.593 million. Pursuant to the Offers, 2,025,838 Ordinary Shares have been issued on 22 March 2011 and were admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities on 29 March 2011.

3.2 British Smaller Companies VCT2 plc

As at the date of this document, BSC2 has raised gross proceeds of over £2.568 million. Pursuant to the Offers, 3,655,500 Ordinary Shares have been issued on 22 March 2011 and were admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities on 29 March 2011.

3.3 British Smaller Companies VCT plc and British Smaller Companies VCT2 plc

Save in respect of the matters set out under the heading "Significant new factors", there has been no significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus.

Save as otherwise amended hereby the Offers are being made on the terms and subject to the conditions set out in the Prospectus. BSC1 will accept withdrawals of applications for BSC1 Ordinary Shares made in respect of the Offers until close of business on 15 April 2011 only where these relate to applications which have been submitted under the Offers, but have not yet received an allotment of Offer Shares. Investors should seek their own legal advice in this regards. Investors who wish to withdraw their applications should contact The City Partnership (UK) Limited by telephone 0131 243 7210 or Thistle House, 21 Thistle Street, Edinburgh EH2 1DF (no investment advice can be given).

Date: 8 April 2011