

YFM Equity
Partners

BRITISH SMALLER COMPANIES VCT2 PLC

**ANNUAL REPORT &
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2025

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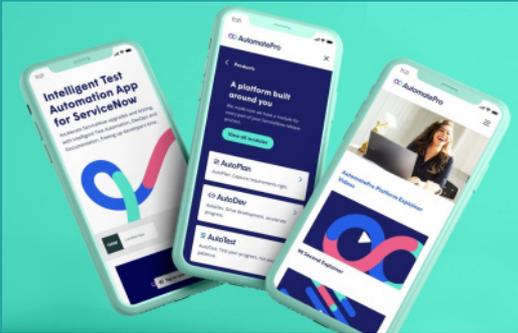
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ABOUT US

British Smaller Companies VCT2 plc was formed in 2000. It aims to provide investors exposure to a diversified portfolio of UK businesses that offer opportunities in the application and development of innovation in their products and services, across established and emerging industries.

THE PORTFOLIO HAS
A VALUATION OF

£112.3m

AS AT 31 DECEMBER 2025.

BRITISH SMALLER COMPANIES VCT2 PLC

Transforming small businesses

Manager

YFM Private Equity Limited (“the Manager”) is a wholly owned subsidiary of YFM Equity Partners LLP and is authorised and regulated by the Financial Conduct Authority.

Investment Policy

The investment strategy of British Smaller Companies VCT2 plc (“the Company”) is to invest in UK businesses across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.

These investments will all meet the definition of a Qualifying Investment* and be primarily in unquoted UK companies. It is anticipated that the majority of these businesses will be reinvesting their profits for growth and the investments will comprise mainly equity investments. Further details of the Company’s investment policy can be found in the Strategic Report on page 10.

Dividend Policy

The Board remains committed to achieving the objective, over time, of paying tax free dividends from realised investment returns. This depends upon the level of investment income and realisations that the Company is able to make or achieve in any one period and cannot be guaranteed.

The tax reliefs that are available for an investment in a Venture Capital Trust are of particular benefit for shareholders as there is no income tax payable on the dividend received, or need to declare them in a tax return.

Share Buy-Backs

Share buy-backs enable shareholders to obtain some liquidity in an otherwise illiquid market when there is a need to dispose of shares. This policy is kept under active review to ensure that any decisions taken are in the interests of shareholders as a whole. The current rate of discount at which ordinary shares will be bought back is targeted to be no more than five per cent of the latest reported net asset value.

Dividend Re-Investment Scheme (“DRIS”)

The Company operates a DRIS which gives shareholders the opportunity to re-invest any cash dividends. Currently, dividends are re-invested at the latest reported net asset value as adjusted for the relevant dividend in question if this has not already been recognised. Any dividends that are re-invested by shareholders are eligible for income tax relief at 30 per cent (moving to 20 per cent from 6 April 2026) of the amount invested, subject to an annual investment limit of £200,000, or, if lower, the amount of a shareholder’s income tax liability. The Finance Act 2014 confirmed that shares acquired at any time under dividend re-investment schemes will not impact tax relief on sales of, or subscriptions for, VCT shares, unless in the latter case it results in a breach of the £200,000 investment limit.

* Under Chapter 3 Part 6 of the Income Tax Act 2007

FINANCIAL HIGHLIGHTS IN THE YEAR

1. Total Return ("TR") is defined as an Alternative Performance Measure. The Board considers TR to be the primary measure of shareholder value; it is calculated as the total of net asset value per ordinary share plus cumulative dividends paid since inception of the Company.

The Annual Report contains a number of Alternative Performance Measures ("APMs"). APMs are financial measures that are in addition to those defined or specified in the Company's financial reporting framework.

All stated figures above and throughout the annual report exclude the impact of any tax benefits that may arise to shareholders due to the Company's status as a Venture Capital Trust.

TOTAL RETURN¹ IN THE YEAR

1.30p

+2.4% ON OPENING NAV

The Company's Total Return increased by 1.30 pence, from 146.35 pence per ordinary share to 147.65 pence per ordinary share, which includes cumulative dividends paid of 93.25 pence per ordinary share. The increase is equivalent to an annualised return of 2.4 per cent of the opening net asset value.

DIVIDENDS PAID IN THE YEAR

4.00p

YIELD OF 7.0%

Total dividends paid were 4.00 pence per ordinary share, which equates to 7.0 per cent of the opening net asset value per ordinary share.

REALISATION PROCEEDS

£15.7m

+£9.7M OVER COST

Realisations of investments generated recognised proceeds of £15.7 million in the year, a gain of £2.2 million over the opening carrying value and £9.7 million over cost.

INVESTED IN PORTFOLIO

£16.1m

FOR 2025

The Company completed a total of 17 investments, of which four were new additions to the portfolio.

GROSS FUNDS RAISED

£29.2m

FOR 2024/25 TAX YEAR

£29.2 million raised for the 2024/25 tax year and allotted in 2025.

FIVE YEAR SUMMARY

	Year ended 31 December 2025	Year ended 31 December 2024	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021
Income £000	2,861	3,336	2,047	1,075	661
Profit before and after taxation £000	4,422	2,610	6,691	6,253	20,389
Net assets attributable to ordinary shares £000	178,399	160,451	135,616	111,869	87,375
Profit per ordinary share	1.38p	0.96p	3.08p	3.45p	14.71p
Dividends per ordinary share paid in the year	4.00p	3.00p	5.25p	3.00p	8.00p
Net asset value per ordinary share	54.40p	57.10p	59.30p	61.60p	61.50p
Total Return per ordinary share ¹	147.65p	146.35p	145.55p	142.60p	139.50p
Increase in Total Return per ordinary share ¹	1.30p	0.80p	2.95p	3.10p	14.50p
Annualised return ¹	2.4%				
Cumulative 3 year increase in Total Return per ordinary share ¹	5.05p				
Annualised 3 year return ¹	3.0%				
Cumulative 5 year increase in Total Return per ordinary share ¹	22.65p				
Annualised 5 year return ¹	8.8%				

1. These are Alternative Performance Measures. The Board considers Total Return to be the primary measure of shareholder value. The annualised return comprises the cumulative dividends paid plus the NAV at 31 December 2025, compared to the NAV at the beginning of the relevant period.

FINANCIAL CALENDAR

Results announced	18 March 2026
Annual General Meeting	9 June 2026
Shareholder workshop	18 June 2026

THE PORTFOLIO

	 AutomatePro Let's make progress	 B2M SOLUTIONS ANALYTICS. INSIGHT. RESULTS.	
	 DynaRisk		
			
			
			
			
			
			
			

CHAIR'S STATEMENT

I am pleased to present the 2025 annual report and financial statements of British Smaller Companies VCT2 plc ("the Company"). The Company has continued to make positive progress this year, with encouraging developments across a number of its portfolio businesses.

The last 12 months have been set against a global backdrop of macroeconomic volatility. Tariffs, geopolitical tensions and inflationary pressures have all featured, as nations have sought to navigate a way through their respective challenges.

Despite this, the Company's focus on innovative, entrepreneur-led businesses that are addressing clearly defined market needs has helped to provide insulation from these external factors.

The benefits of this approach are reflected in the performance of the Company, which generated an annualised 2.4 per cent return on its opening net asset value in the year.

There are several factors contributing to this performance: 20 out of the 25 companies valued on a revenue basis have shown positive revenue growth over the last 12 months, with eight of these delivering growth of 30 per cent or more. Overall performance has however been dampened by the reduction in value of a small number of portfolio companies, where specific circumstances have held back their growth. The Company's Manager continues to work closely with these companies to navigate these challenges.

Pleasingly, as well as adding four new companies to the portfolio in the year, the Company has had the opportunity to provide £10.1 million of further funding to 13 existing portfolio companies, with the vast majority of this being deployed into the fastest growing companies to help accelerate their impressive growth.

From an exit perspective, the Company has continued to realise investments this year despite a subdued M&A environment, recognising £15.7 million of proceeds from three full realisations, one partial exit and deferred consideration.

Financial Performance

In 2025, the Company delivered a 1.30 pence per ordinary share increase in Total Return, equivalent to an annualised 2.4 per cent of the opening net asset value at 31 December 2024. Total Return is now 147.65 pence per ordinary share.

Portfolio

The year's growth in Total Return was driven by value growth in the portfolio, which generated a return of £6.1 million, 5.8 per cent over its opening value.

Over half of the portfolio saw positive value movements in the year, with the largest valuation uplifts from the key contributors more than offsetting the largest valuation falls.

The Company's investments in Summize and Xapien each increased in value by £3.4 million over the year. Summize has continued to deliver strong revenue growth, enhancing the functionality of its contract lifecycle management product and increasing its customer base in the large US market. In January 2026, Summize completed a \$50 million Series B funding round, which provides the business with additional capital to continue its scaling journey.

2025 was a strong year for Xapien, with turnover increasing by 137 per cent and the continued build-out of the company's senior team. Xapien's AI-powered software, which automates research on individuals and companies, is increasingly being used by customers across a range of sectors. The Company participated in a follow-on funding round at the end of 2025, which will enable Xapien to maintain its momentum.

The Company's holding in Unbiased increased by £2.1 million in the year. The business provides an online marketplace that can generate new customer leads for financial advisers. It continues to show good growth in its established UK business and is seeing increasing traction in the US, as it scales its customer base there. Unbiased is well-placed to continue on its current trajectory in 2026.

Other notable positive valuation movements in the period include a £1.5 million increase in data validation business Vypr, and a £1.0 million increase in automated software testing business AutomatePro.

The Company's holding in data engineering software business, Matillion, decreased by £3.1 million. This fall is due to a combination of factors, which include subdued revenue growth, a reduction in valuation multiples and adverse currency movements. The Company's holding in Outpost reduced by £1.7 million, as the visual effects business continued to navigate industry challenges. The Company's investment in Vuealta also reduced in value by £1.1 million, with the business facing adverse market conditions, ahead of its January 2026 sale. Portfolio company Wooshii experienced significant market challenges, and the trading business was sold during the year, with the valuation of the Company's investment falling by £1.3 million.

New Investments

The Company invested £6.0 million into four new investments during the year.

Investment	Sector
DynaRisk	DynaRiskCyber risk solutions
S4labour	Workforce management
Stormharvester	AI Analytics for wastewater utilities
TeamFeePay	Payment platform for grassroots football

Follow-On Investments in the Year

In our continued support of the portfolio, 13 companies received follow-on funding, totalling £10.1 million in aggregate. Further details are given in the Investment Review on page 19.

Post-year end, in January 2026 the Company invested £2.0 million into portfolio company Summize.

Realisations in the Year

Realisations of portfolio investments generated recognised proceeds of £15.7 million in the year. These investments have returned a net gain of £9.7 million over the original cost, which includes £2.2 million over the opening carrying value at the start of the financial year.

In February 2025 the Company realised its investment in ACC Aviation, receiving £3.1 million in initial proceeds, with additional deferred consideration of £1.5 million anticipated to be received over the next two to four years. Including the deferred consideration, the ACC investment has generated an overall return of £8.2 million, a 5.9x return on the original cost of £1.4 million.

In July 2025 the sale of the trade and liabilities of Wooshii was completed; no proceeds were received on exit, in line with its minimal carrying value, although there is the potential for a small return for the Company depending on future trading.

In October 2025, the Company realised its investment in Elucidat, receiving £3.6 million in initial proceeds (including income due), with additional deferred consideration of £0.5 million anticipated to be received over the next 18 months. To date, the Elucidat investment has generated a 1.3x return on the original cost of £2.8 million. Including deferred consideration, proceeds have the potential to rise to £4.1 million, and the return to 1.45x.

In December 2025, the Company realised its investment in SharpCloud receiving £5.8 million in initial proceeds, with additional deferred consideration of £0.6 million anticipated to be received over the next two years. To date, the SharpCloud investment has generated a 2.0x return on the original cost of £2.9 million. Including deferred consideration, proceeds have the potential to rise to £6.4 million, and the return to 2.2x.

In December 2025, portfolio company Teraview successfully completed an oversubscribed listing on the Korean Stock Exchange. The Company subsequently realised 34 per cent of its holding prior to 31 December 2025, receiving proceeds of £1.2 million. The balance of the Company's holding was realised post-year end, in January 2026, generating a further £1.8 million of proceeds. Overall, the Teraview investment has generated an 8.2x return on the original cost of £0.4 million.

The Company also recognised additional deferred consideration of £0.3 million relating to an investment realised in 2024.

Post-year end, the Company realised its remaining holding in Vuealta, receiving proceeds of £0.5 million, in line with the valuation at the year end. Overall, the Vuealta investment has generated a 1.5x return on the original cost of £2.4 million.

The Company also realised its investment in Sipsynergy post-year end, with total expected proceeds of c.£0.7 million, in line with the valuation at the year end. This represents a 0.3x return on the original cost of £2.1 million.

Treasury

Due to the nature of its structure, a proportion of the Company's net assets will be held in cash and cash equivalents at any point in time. The Company takes an active approach to generating a return on liquid funds, whilst remaining focused on the primary goal of capital preservation.

A portion of the Company's liquid assets are held across a diversified range of Triple-A rated money market funds, managed by global institutions, while the balance is held as readily accessible cash, all of which is held at Tier 1 Financial Institutions (A2 rated or above).

In the year, the Company generated a return of £2.5 million on its liquid assets, and at year end was generating a weighted run-rate return on these assets of c.3.7 per cent per annum.

CHAIR'S STATEMENT (CONTINUED)

Financial Results

The movement in net asset value ("NAV") per ordinary share and the dividends paid are set out in the table below:

	Pence per ordinary share	£000
NAV at 31 December 2024	57.10	160,451
Increase in value	1.25	4,176
Gain on disposal of investments	0.70	2,206
Net underlying change in investment portfolio	1.95	6,382
Net operating costs	(0.40)	(1,337)
Incentive fee	(0.20)	(623)
Total Return in the year	1.35	4,422
Issue/buy-back of new shares	(0.05)	26,237
NAV before the payment of dividends	58.40	191,110
Dividends paid	(4.00)	(12,711)
NAV at 31 December 2025	54.40	178,399
Cumulative dividends paid	93.25	
Total Return: at 31 December 2025	147.65	
at 31 December 2024	146.35	

The charts on page 12 show the movement in Total Return and net asset value over time in greater detail.

The investments held at the beginning of the financial year, amounting to £105.5 million, delivered a return over the year of £6.1 million.

The current portfolio's net valuation increased by £4.2 million. Within this there were valuation gains of £14.4 million, offset by £10.2 million of downward movements.

Following the portfolio's evolution towards younger, higher growth companies after changes to VCT regulations in 2015, as expected the level of income generated by the portfolio continues to decrease. Overall, £0.3 million was recognised in the year, down from £0.6 million in 2024.

Dividends

Dividends paid in the year totalled 4.00 pence per ordinary share. This comprised two 1.50 pence per ordinary share interim dividends and one 1.00 pence per ordinary share special dividend. Cumulative dividends paid as at 31 December 2025 were 93.25 pence per ordinary share.

Dividend Re-investment Scheme ("DRIS")

The Company operates a DRIS, which gives shareholders the opportunity to re-invest any cash dividends; it is open to all shareholders, including those who invested under the recent offers. The main advantages of the DRIS are:

- 1 the dividends remain tax free; and
- 2 any DRIS investment attracts income tax relief at the rate of 30 per cent (20 per cent from 6 April 2026).

For the financial year ended 31 December 2025, £2.0 million was re-invested by way of the DRIS, from overall dividend proceeds of £12.7 million.

Liquidity and Fundraising

The Company completed a successful fundraising during the year, allotting £28.3 million relating to the 2024/25 tax year.

At 31 December 2025, the Company's cash and money market reserves of £63.8 million represented 35.8 per cent of net assets.

Post-period end, in January 2026, a further £9.4 million of funds were allotted, relating to the 2025/26 tax year. It is expected that a further c.£22.5 million will be allotted between 1 and 2 April 2026, following the close of the Company's joint share offer alongside British Smaller Companies VCT plc on 18 December 2025.

Shareholder Relations

Investor Workshop

The annual shareholder workshop held on 19 June 2025 was well attended. The theme for the day was Artificial Intelligence ("AI"). Attendees heard from the CEOs of

the portfolio businesses Xapien and AutomatePro, who provided overviews of their companies and how they are using AI within their own product offerings.

We are pleased to announce that the next in-person shareholder workshop will be held jointly with British Smaller Companies VCT plc on 18 June 2026 at The Royal Institution, 21 Albermarle Street, London W1S 4BS.

Annual General Meeting

The Annual General Meeting of the Company will be held at 1:30 pm on 9 June 2026 at Thomas House, 84 Ecclestone Square, London SW1V 1PX. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 86.

The electronic communications policy continues to be a success, with 84 per cent of shareholders now receiving communications in this way. Documents such as the annual report are published on the website www.bscfunds.com rather than by post, saving on printing costs, as well as being more environmentally friendly.

The Company's website, www.bscfunds.com, is refreshed on a regular basis and provides a comprehensive level of information in what I hope is a user-friendly format.

Budget

The November 2025 Budget included increases to the annual and lifetime VCT investment limits into businesses, as detailed on pages 14 and 15. This is a welcome step that will allow VCT funds to provide more support to their portfolio companies for longer.

The Budget also announced a reduction in initial income tax relief from 30 per cent to 20 per cent. It is too early to predict the full impact of this change, but we expect the more established VCTs with stronger track records, like the Company, to continue to be able to meet their fundraising objectives.

Post Balance Sheet Events

Having previously assessed its expected cash requirements, the Company announced a new share offer on 25 September 2025, alongside British Smaller Companies VCT plc, with the intention of raising up to £85 million, in aggregate, which included an over-allotment facility of £25 million, in aggregate. The offers closed to new applications on 18 December 2025. Gross applications of £85 million have been received, of which c. £31.9 million relate to the Company. The first allotment of £25 million (£9.4 million relating to the Company) took place on 7 January 2026. The second and final allotment will take place between 1 and 2 April 2026.

As part of the 7 January 2026 allotment, the Company issued 16,978,814 shares. Following this allotment, the

Company's issued share capital consists of 344,956,241 ordinary shares with voting rights and 36,211,546 shares held in treasury.

Subsequent to the year end, the Company invested £2.0 million into portfolio company Summize. The Company also completed the realisations of Teraview, Vuealta and Sipsynergy, as detailed on page 7.

Outlook

The Company's portfolio is well positioned, and we are optimistic about its potential to deliver value over the long-term. During 2025, the Company was pleased to be able to continue to provide follow-on funding to accelerate the growth of its strong performing portfolio companies and we expect this strategy to continue into 2026.

The Manager maintains a hands-on approach to portfolio management, with a large and experienced group of professionals working with the management teams of the Company's investments. This proactive style enables it to identify value creation opportunities within high-potential investee companies and to provide targeted support to those facing performance challenges. Overall, the portfolio is being positioned to benefit from an increasingly AI-led world, which we feel should help to insulate the Company from the more subdued sentiment towards software stocks.

Macroeconomic uncertainty experienced in 2025 has persisted into 2026, with the conflict in the Middle East adding to an already challenging environment. We will continue to assess and manage the potential impacts on portfolio businesses. The resilience of investee companies and the experience of the Manager remain important in navigating this environment.

The Company also completed a successful fundraising for the 2025/26 tax year during the period. The Company's joint offer with British Smaller Companies VCT plc reached its full target of £85 million. This raise ensures the Company continues to have strong levels of liquidity to support new and follow-on investments, fund shareholder distributions and to meet operating costs.

With this strong capital position behind the Company, there is confidence to deploy these funds into promising new opportunities across the Manager's regional footprint in the year ahead. I would like to thank shareholders for their ongoing support.



Barbara Anderson
Chair

18 March 2026

OBJECTIVES AND KEY POLICIES

The Company's objective is to maximise Total Return and provide investors with a long-term tax-free dividend yield whilst maintaining the Company's status as a venture capital trust.

Investment Strategy

The Company seeks to build a broad portfolio of investments in early-stage companies focused on growth, with the aim of spreading the maturity profiles and maximising returns, as well as ensuring compliance with VCT regulations.

The Company predominantly invests in unquoted smaller companies and expects that this will continue to make up the significant majority of the portfolio. It will also retain holdings in cash or near-cash investments to provide a reserve of liquidity which will maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Unquoted investments are structured using various investment instruments, including ordinary shares, preference shares, convertible securities and very occasionally loan stock, to achieve an appropriate balance of income and capital growth, having regard to the VCT Regulations. The portfolio is diversified by investing in a broad range of industry sectors. The normal investment period into the portfolio companies is expected to be typically between the range of five to seven years.

Investment Policy

The investment policy of the Company is to invest in UK businesses across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.

These investments will all meet the definition of a Qualifying Investment and be primarily in unquoted UK companies. It is anticipated that the majority of these will be re-investing their profits for growth and the investments will comprise mainly equity instruments.

The Company seeks to build a broad portfolio of investments in early-stage companies focused on growth with the aim of spreading the maturity profiles and maximising return as well as ensuring compliance with the VCT guidelines.

Borrowing

The Company does not borrow and has no borrowing facilities, choosing to fund investments from its own resources.

Co-investment

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc (together "the VCTs") typically co-invest in investments, allocating such investments 40 per cent to the Company and 60 per cent to British Smaller Companies VCT plc. However, the Board of the Company has discretion as to whether or not to take up its allocation; where British Smaller Companies VCT plc does not take its allocation, the Board may opt to increase the Company's allocation in such opportunities.

The VCTs may invest alongside co-investment funds managed by YFM, the Manager of the VCTs. The VCTs have first priority on all equity investment opportunities meeting the VCT qualifying criteria. Non-VCT qualifying investments are allocated to YFM's co-investment funds.

Asset Mix

Cash which is pending investment in VCT-qualifying securities is held in money market funds and interest bearing instant access and short-notice bank accounts.

Remuneration Policy

The Company's policy on the remuneration of its directors, all of whom are non-executive, can be found on page 47.

Other Key Policies

Details of the Company's policies on the payment of dividends, the DRIS and the buy-back of shares are given on page 2. In addition to these the Company's anti-bribery and environmental and social responsibilities policies can be found on page 34.

PROCESSES AND OPERATIONS

The Manager is responsible for the sourcing and screening of investment opportunities, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments.

Post investment, the Manager works with the businesses and management teams in which the Company is invested, monitoring progress, effecting change and, where applicable, redefining strategies with a view to maximising values through structured exit processes.

The Board regularly monitors the performance of the portfolio and the investment requirements set by the relevant VCT legislation. Reports are received from the Manager regarding the trading and financial position of each investee company and senior members of the Manager regularly attend the Company's Board meetings. Monitoring reports on compliance with VCT regulations are also received at each Board meeting so that the Board can monitor that the Venture Capital Trust status of the Company is maintained and take corrective action if appropriate. Monitoring reports carrying out an independent review of this compliance are received twice a year.

The Board reviews the terms of YFM Private Equity Limited's appointment as Manager on a regular basis.

YFM Private Equity Limited has performed investment advisory or management, administrative and secretarial services for the Company since its inception on 28 November 2000. The principal terms of the agreement under which these services are performed are set out in note 3 to the financial statements.

In the opinion of the directors, the continuing appointment of YFM Private Equity Limited as Manager is in the interests of the shareholders as a whole, in view of its experience in managing venture capital trusts and in making, managing and exiting investments of the nature falling within the Company's investment policies.

KEY PERFORMANCE INDICATORS

Total Return

Total Return, calculated by reference to the cumulative dividends paid plus net asset value (excluding tax reliefs received by shareholders), is the primary measure of performance in the VCT industry.

Further explanation is given under the heading “Financial Performance” on page 6.

All returns are shown as pence per share (“pps”).

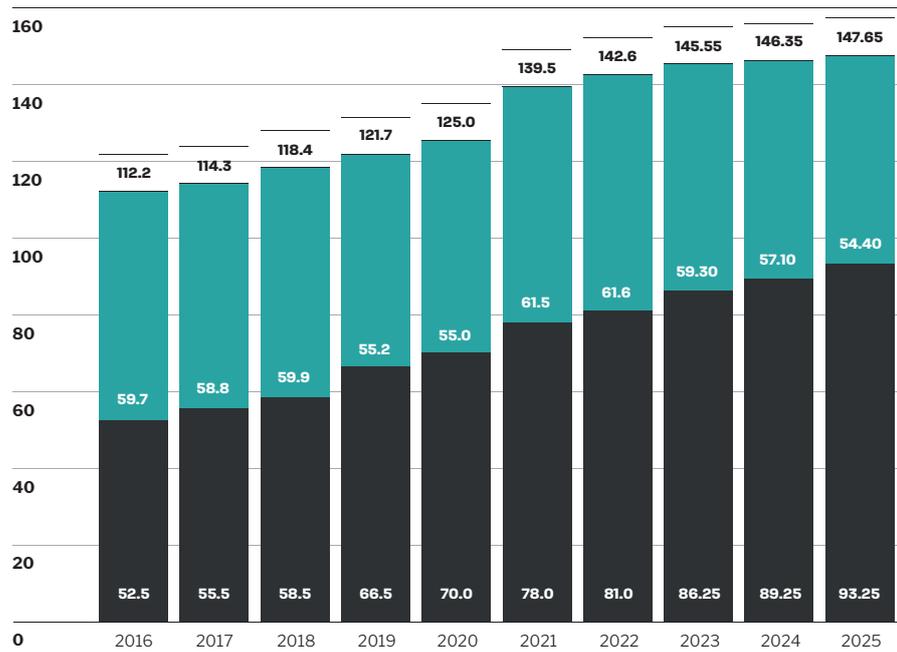
TOTAL RETURN

(as at 31 December)

The chart shows how the Total Return of the Company has developed over the last ten years.

The evaluation of comparative success of the Company’s Total Return is by way of reference to the Share Price Total Return for an index of VCTs that are members of the AIC (based on figures provided by Morningstar). This is the Company’s stated benchmark index. A comparison and explanation of the calculation of this return is shown in the Directors’ Remuneration Report on page 49.

- Total Return (pps)
- NAV (pps)
- Cumulative Dividends (pps)

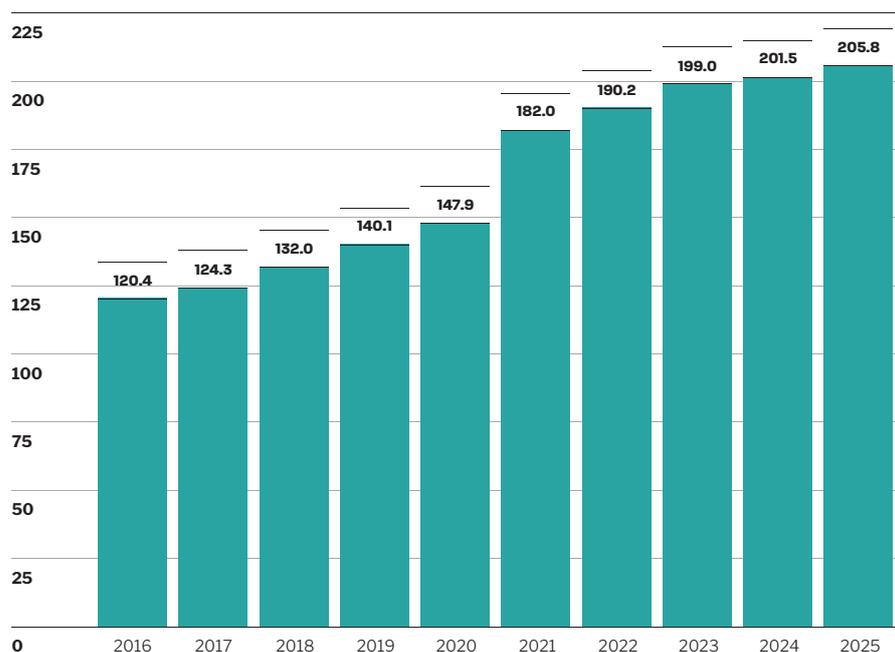


TOTAL RETURN WITH DIVIDEND RE-INVESTMENT SCHEME

(as at 31 December)

The chart illustrates the Total Return (excluding tax reliefs received by shareholders) for investors who subscribed to the first fundraising in 2000/01 who have re-invested their dividends.

- Total Return (pps)

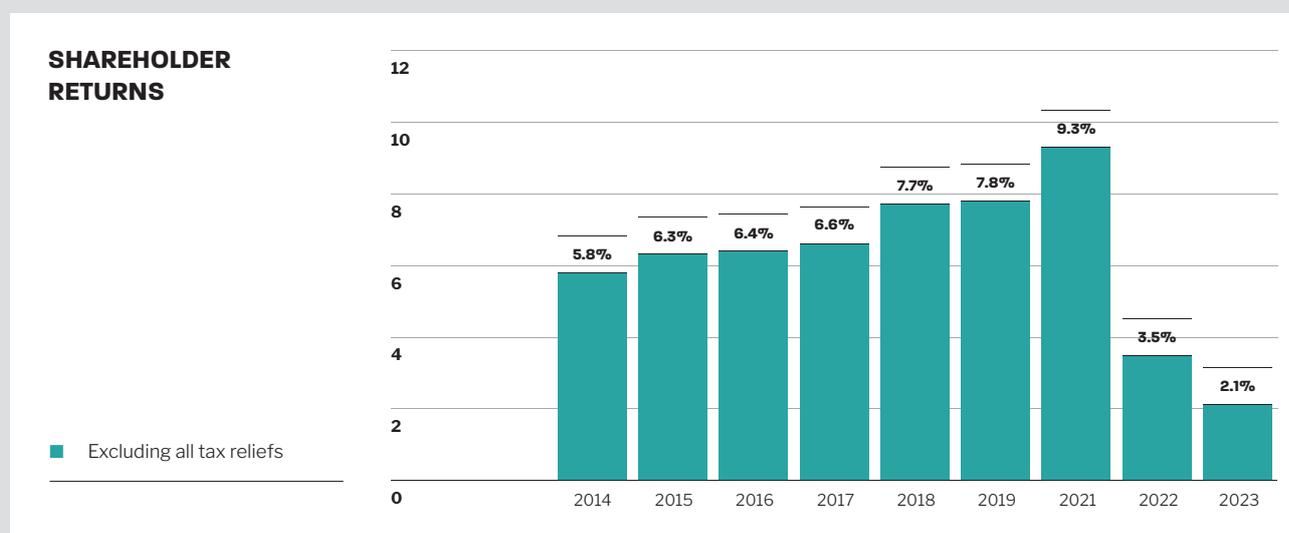


Shareholder Returns

The Board considers Total Return to be the primary measure of shareholder value. The Internal Rate of Return (the “IRR”) from the offers over the last ten years are set out below. IRR, which is an Alternative Performance Measure, is a key metric used to assess the potential profitability of an investment, a higher IRR indicates a more profitable investment. More specifically, IRR is the annual rate of return that equates the cost at the date of the original investment, with the value of subsequent

dividends plus the audited 31 December 2025 net asset value. This excludes the benefit of any initial tax relief.

The IRRs shown are based on fundraisings and offer prices during the relevant calendar year whilst the second graph below shows specific financial periods to 31 December 2025. Note there was no fundraising in 2020 and it is too soon to give meaningful returns for the fundraisings in 2024 and 2025.



Set out below is the annualised return over 10, 5, 3 and 1 years to 31 December 2025. The annualised return is calculated with reference to the cumulative dividends paid in the period plus the audited 31 December 2025 net asset value, compared to the net asset value at the beginning of the relevant period.



KEY PERFORMANCE INDICATORS (CONTINUED)

Expenses

Ongoing Charges

The Ongoing Charges figure, as calculated in line with the AIC recommended methodology, is used by the Board to monitor expenses. This figure shows shareholders the costs of the Company's recurring operational expenses of £3,467,000 (2024: £3,119,000) as shown in note 3, expressed as a percentage of the average net asset value during the year of £177,492,000 (2024: £157,839,000). Whilst based on historical information, this provides an indication of the likely level of costs that will be incurred in managing the Company in the future.

	Year to 31 December 2025 (%)	Year to 31 December 2024 (%)
Ongoing Charges figure*	1.95	1.98

* Alternative Performance Measure

Shareholders benefit from the Company's agreement with the Manager to pay a lower level of management fee of 1.25 per cent (1.00 per cent prior to 1 January 2026) on surplus cash. The Company estimates that the Ongoing Charges figure for the year ended 31 December 2025 would have been c.2.17 per cent under the new fee arrangements set out in note 3 on page 68, remaining one of the lowest in the VCT industry.

Expenses Cap

The total costs incurred by the Company in the year (excluding any performance related fees, trail commission payable to financial intermediaries and VAT) are capped at 2.9 per cent of the total net asset value as at the relevant year end. The treatment of costs in excess of the cap is described in note 3 on page 69. There was no breach of the expenses cap in the current or prior year.

Compliance with VCT Legislative Tests

A principal risk facing the Company is the retention of its VCT qualifying status. The Board receives regular reports on compliance with the VCT legislative tests from the Manager. In addition, the Board receives formal reports from its VCT Status Adviser (Philip Hare & Associates LLP) twice a year. The Board confirms that during the period, all VCT legislative tests have been met.

Under Chapter 3 Part 6 of the Income Tax Act 2007, in addition to the requirement for a VCT's ordinary share capital to be listed in the Official List on a European regulated market throughout the period, there are further specific tests that VCTs must meet following the initial three year provisional period.

Income Test

The Company's income in the period must be derived wholly or mainly (70 per cent) from shares or securities.

Retained Income Test

The Company must not retain more than 15 per cent of its income from shares and securities.

Qualifying Investments Test

At least 80 per cent by value of the Company's investments must be represented throughout the period by shares or securities comprised in Qualifying Investments of investee companies.

For shares issued in accounting periods beginning on or after 6 April 2018, at least 30 per cent of those share issues must be invested in Qualifying Investments of investee companies by the anniversary of the accounting period in which those shares are issued.

Eligible Shares Test

At least 70 per cent of the Company's Qualifying Investments must be represented throughout the period by holdings of non-preferential shares.

Investments made before 6 April 2018 from funds raised before 6 April 2011 are excluded from this requirement.

At least 10 per cent of the Company's total investment in each Qualifying Investment must be in eligible shares.

In addition, monies are not permitted to be used to finance buy-outs or otherwise to acquire existing businesses or shares.

Investment Limits

There is an annual limit for each investee company which provides that they may not raise more than £5 million (£10 million from 6 April 2026) of state aided investment (including from VCTs) in the 12 months ending on the date of each investment (£10 million for Knowledge Intensive Companies, £20 million from 6 April 2026).

There is also a lifetime limit that a business may not raise more than £12 million (£24 million from 6 April 2026) of state aided investment (including from VCTs); the limit for Knowledge Intensive Companies is currently £20 million (changing to £40 million from 6 April 2026).

Maximum Single Investment Test

The value of any one investment must not, at any time in the period, represent more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and updated should there be further additions; as such, it cannot be breached passively.

The Board can confirm that during the period, all of the VCT legislative tests set out above have been met, where required.

Further restrictions placed on VCTs are:

Dividends from Cancelled Share Premium

The Finance Act 2014 introduced a restriction with respect to the use of monies in respect of VCTs. In particular, no dividends can be paid out of share capital or cancelled share premium arising from shares allotted on or after 6 April 2014 until at least three full financial years have elapsed from the date of allotment.

In December 2024 the Company cancelled the balance of its Share Premium and Capital Redemption Reserve of £54.3 million, of which £0.9 million is now distributable. The remaining £53.4 million will become distributable over the period to 1 January 2028, as set out on page 61.

Also in December 2024, the Company reduced the nominal value of the share capital of the Company from 10 pence per ordinary share to 0.01 pence per ordinary share, creating additional distributable reserves of £30.9 million, of which £19.9 million is now distributable. The remaining £11.0 million will become distributable over the period to 1 January 2028, as set out on page 61.

Other

No more than seven years can have elapsed since the first commercial sale achieved by the business (ten years in the case of a Knowledge Intensive Company), unless:

- a. The business has previously received an investment from a source that has received state aid; or
- b. The investment comprises more than 50 per cent of the average of the previous five years' turnover and the funds are to be used in the business to fund growth into new product markets and/or new geographies.

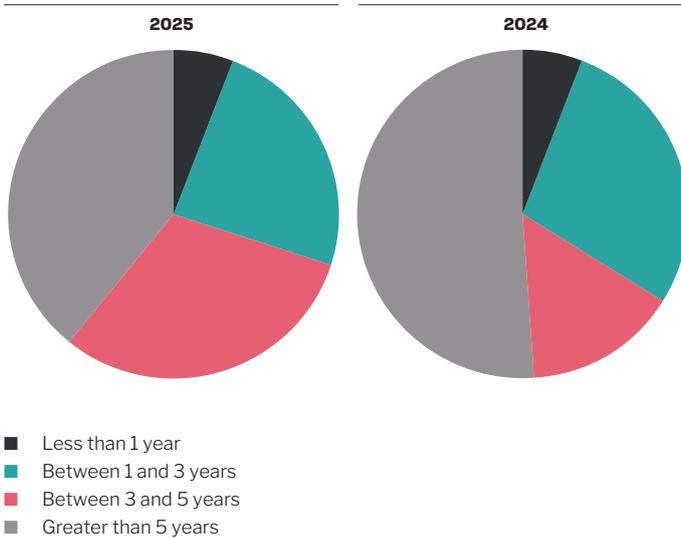
Wherever possible, the Company self-assures that an investment is a Qualifying Investment, subject to the receipt of professional advice.

PORTFOLIO STRUCTURE AND ANALYSIS

Portfolio Structure

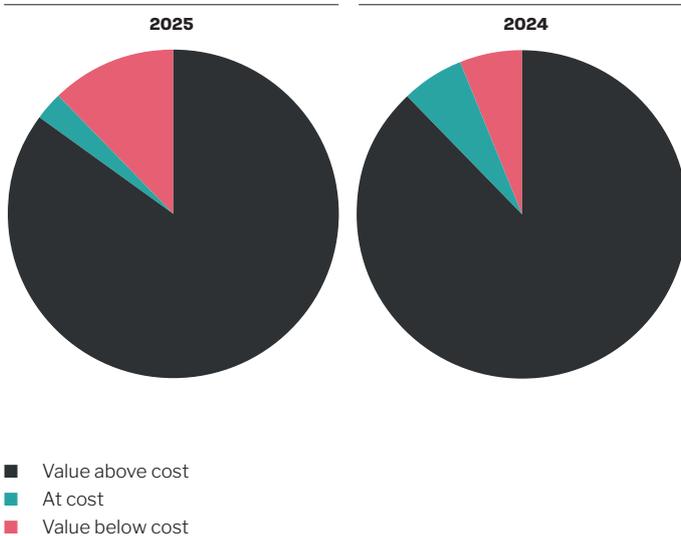
The broad range of the portfolio is illustrated below, with 39 per cent of the portfolio valuation being held for more than five years, whilst 88 per cent is held at cost or above. 3 per cent of the portfolio value is held in loans and preference shares.

AGE OF INVESTMENTS (%)



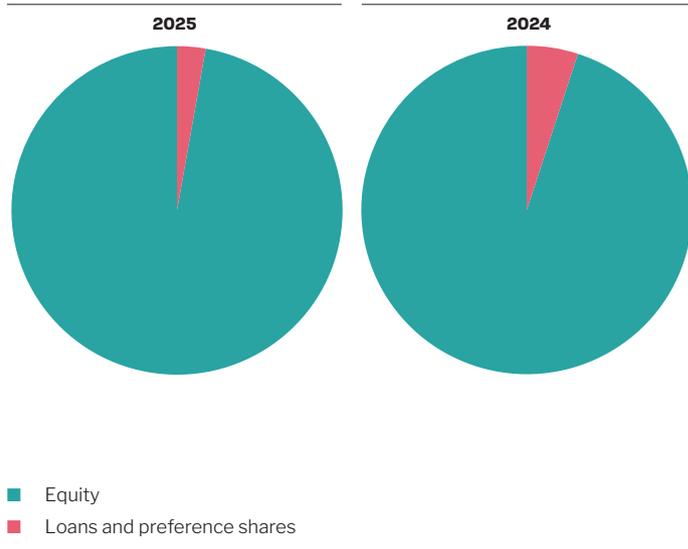
	2025	2024
Less than 1 year	6%	6%
Between 1 and 3 years	24%	28%
Between 3 and 5 years	31%	15%
Greater than 5 years	39%	51%

VALUE COMPARED TO COST (%)



	2025	2024
Value above cost	85%	88%
At cost	3%	6%
Value below cost	12%	6%

INVESTMENT INSTRUMENT (%)

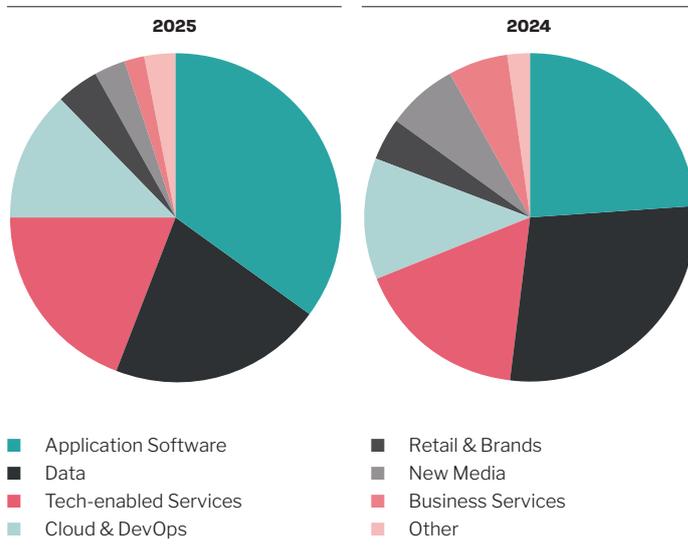


	2025	2024
Equity	97%	95%
Loans and preference shares	3%	5%

Portfolio Analysis

Also included below is a profile of the portfolio by industry sector.

INDUSTRY SECTOR (%)



	2025	2024
Application Software	35%	24%
Data	21%	28%
Tech-enabled Services	19%	17%
Cloud & DevOps	13%	12%
Retail & Brands	4%	4%
New Media	3%	7%
Business Services	2%	6%
Other	3%	2%

INVESTMENT REVIEW

THE PORTFOLIO

£112.3m

(2024: £105.5m)

Fair value of the portfolio

£0.3m

(2024: £0.6m)

Income from the portfolio

£16.1m

(2024: £15.1m)

Level of investment in the year

£6.1m

(2024: £2.9m)

Return from the portfolio in year

The portfolio showed steady performance in the period, adding £6.1 million of value on the opening fair value of £105.5 million. The composition of investments continues to show its dynamism, with £16.1 million invested in the year and proceeds of £15.4 million recognised from the opening portfolio.

The movements in the investment portfolio are set out in Table A below:

Table A
Investment Portfolio

	Investment portfolio £million
Opening fair value at 1 January 2025	105.5
Additions	16.1
Disposal proceeds	(15.4)
Gain arising from the portfolio	6.1
Closing fair value at 31 December 2025	112.3
Accrued income	0.5
Financial assets – investments	112.8

At 31 December 2025 the investment portfolio was valued at £112.3 million, representing 62.9 per cent of net assets (65.8 per cent at 31 December 2024). Cash and cash equivalents at 31 December 2025 of £63.8 million represent 35.8 per cent of net assets (33.1 per cent at 31 December 2024).

Fair value changes

Table B
Gain from Investment Portfolio

	£million
Gain in fair value from the portfolio	4.2
Gain on disposal over opening value from the portfolio	1.9
Gain arising from the portfolio	6.1
Deferred income recognised	0.3
Gain arising from the investment portfolio	6.4

Of the £6.4 million gain in the year, £2.2 million arose from investments which were realised, including £0.3 million deferred consideration received from investments realised in prior years. Further details can be found in the Chair's Statement and note 7 to the financial statements.

The ongoing portfolio delivered a net value gain of £4.2 million in the year. It is pleasing to see the fair value increases arising across a range of companies, including Summize, Xapien, Unbiased, Vypr, AutomatePro and Teraview.

Some decreases in value have been seen, with notable reductions for the investments in Matillion, Outpost and Wooshii (the latter of which realised its trade and assets in the year), as well as Vuealta, which was realised post-period end, in line with its year end value.

Other Significant Investment Movements

Investments

During the year ended 31 December 2025, the Company invested £16.1 million across 17 companies.

Four new companies were added to the portfolio, receiving aggregate investment of £6.0 million; while a further £10.1 million was invested across 13 existing portfolio companies. The analysis of these investments is shown in Table C. The case studies on page 24 give more information on the investments in Plandek and Workbuzz.

Table C
Investments

Company	Description	New £million	Investments made		Total £million
			Follow-on £million		
TeamFeePay	Payment platform for grassroots football	1.8	-		1.8
S4labour	Workforce management	1.6	-		1.6
Vypr	Data validation	-	1.6		1.6
Workbuzz	Insights and engagement	-	1.4		1.4
Stormharvester	AI analytics for wastewater utilities	1.4	-		1.4
AutomatePro	Automated software testing	-	1.2		1.2
DynaRisk	Cyber risk solutions	1.2	-		1.2
Fuuse	EV charging point software	-	1.2		1.2
DrDoctor	Patient engagement	-	1.2		1.2
Plandek	Engineering analytics	-	1.1		1.1
Xapien	Automated research on individuals and companies	-	1.0		1.0
Ohalo	Unstructured data governance platform	-	0.6		0.6
Force24	B2B marketing automation software	-	0.3		0.3
Panintelligence	Business Intelligence software	-	0.2		0.2
Relative Insight	Text data analytics	-	0.1		0.1
Immunobiology	Life sciences	-	0.1		0.1
Sipsynergy	Software tools for telephony services	-	0.1		0.1
Portfolio		6.0	10.1		16.1

In January 2026 the Company invested £2.0 million into portfolio company Summize.

INVESTMENT REVIEW (CONTINUED)

Disposal of Investments

During the year to 31 December 2025, the Company recognised proceeds from disposals of £15.7 million, a net gain of £2.2 million over the opening carrying value at the beginning of the year, and an overall net gain of £9.7 million over cost. This included the successful realisations of ACC, SharpCloud and Elucidat. Further details are given in the Chair's statement on page 7.

Table D
Disposal of Investments

	Net proceeds from sale of investments £million	Opening value 31 December 2024 £million	Gain on opening value £million
Portfolio	15.4	13.5	1.9
Deferred consideration	0.3	-	0.3
Total investment disposals	15.7	13.5	2.2

Further analysis of all investments sold in the year can be found in note 7 to the financial statements on page 75.

Investment Portfolio Composition

As at 31 December 2025, the portfolio was valued at £112.3 million, comprising £111.1 million of unquoted investments and one quoted investment of £1.2 million (Teraview, which arose from an IPO in the year and was subsequently realised post-period end). An analysis of the movements in the year is shown on page 73.

The single largest investment, Matillion, represents 9.3 per cent of the net asset value.

The charts on pages 16 and 17 show the diversity of the portfolio, split by industry sector, age of investment, investment instrument and the valuation compared to cost.

Treasury Management

Under VCT legislation, it is not possible to deposit funds for longer than seven days, which means that cash deposits must be available on very short notice. The Company takes an active approach to cash management, whilst pursuing its primary aim of capital preservation. This is effected through the use of a pool of money market funds (which can be converted back to

cash with immediate notice) and cash deposits held with Tier 1 banking institutions. £2.5 million of income was earned from money market funds and bank deposits during the year, equating to a weighted average interest rate of c.4.0 per cent across the year. At 28 February 2026 the Company was achieving a weighted average return on liquid assets of 3.5 per cent.

Valuation Policy

Unquoted investments are valued in accordance with both IFRS 13 'Fair Value Measurement' and International Private Equity and Venture Capital Guidelines (the "IPEV Guidelines").

Initially, at the first quarter-end following investment, investments are valued at the price of the funding round; following this, the valuation switches to a new primary basis for all subsequent periods.

The valuation methodology applied depends upon the facts and circumstances of each individual investment. This may be with reference to revenue multiples, earnings multiples, net assets, discounted cash flows or calibrated from the price of the most recent investment.

The full valuation policy is set out in note 1 on pages 64 and 65.

Table E shows the value of investments within each valuation category as at 31 December 2025.

With continued investment in earlier stage businesses that are investing for growth, the majority of valuations continue to be based on revenue multiples.

Table E
Valuation Policy

	Valuation £million	2025 % of portfolio by value	2024 % of portfolio by value
Revenue multiple	99.0	88	86
Earnings multiple	5.9	5	9
Cost or price of recent investment, reviewed for change in fair value	3.2	3	2
Net assets, reviewed for change in fair value	2.4	2	3
Quoted investment	1.2	1	-
Sale proceeds	0.6	1	-
Total	112.3	100	100

Responsible Investment and Environmental, Social and Governance (“ESG”) Management

The Company backs small UK businesses to help them to grow, with the primary aim to produce strong financial returns for shareholders. However, in doing this we believe this can have a significant positive impact on our economy and society through economic growth, jobs creation and innovation. At the same time the Company aims to help the businesses it invests in become better and more sustainable businesses over time.

The Manager maintains a Responsible Investment (RI) policy that sets out its approach to integrating responsible investment practices into its operations and investment activities. This policy outlines the processes the Manager follows and describes how environmental, social and governance (ESG) risks are considered and incorporated when appropriate.

Please view the Manager’s policy here: www.yfmep.com/our-purpose.

The Manager’s approach is based on the belief that sustainable businesses:



This approach is consistent with the Company’s financial aims, as improvements in these areas can strengthen the resilience and value creation potential of portfolio businesses through their increased attractiveness to customers, employees, suppliers, and eventual future owners and investors.

Underpinning the Manager’s approach to responsible investing is the United Nations’ Principles for Responsible Investment (PRI), which the Manager has been a signatory to since 2020. The Manager is rated 4 stars (out of 5) by the PRI.

Responsible Investment Principles

This set of principles guides the Manager’s investment process:

- > To seek to understand the ESG related impacts and risk factors of the businesses the Company invests in, aiming to enhance positive impacts and to avoid, reduce or minimise any negative impacts where possible over an investment’s lifetime, leaving them overall better businesses;
- > To play a positive role in the investor, business and wider communities by promoting good practice in ESG management, and by being transparent in the way that investments are made and how the Manager behaves;
- > To increase focus on the challenge of climate change both as it may be affected by our investments, and as it may impact on them and their resilience to possible climate change scenarios; and
- > To show leadership by managing the Manager’s own business’ ESG impacts to the best of its ability.

The Manager has developed processes to help portfolio businesses to improve in these areas, by assessing them in terms of creating positive impacts and outcomes and preventing or minimising negative ones.

The Manager has developed and integrated the following ESG management processes:

> Pre-investment Phase:

The Manager applies an ESG screening process at the pre investment stage to identify material risks and potential improvement areas. An assessment is also made for any links to excluded sectors or high risk practices.

> Portfolio Phase:

During the portfolio phase the Manager works with each management team to assess ESG priorities and then works with each business to improve performance in ESG areas.

**INVESTMENT REVIEW
(CONTINUED)**

**ESG PERFORMANCE DATA
AND REPORTING**



**GROWING OUR
ECONOMY**

- > Average revenue growth rate of 17 per cent across the portfolio during 2025
- > Over £49 million of R&D investment during 2025
- > £92 million of export sales achieved in 2025
- > c.1,100 new jobs were created from date of investment to 2025 representing a 69 per cent increase



**VALUING THEIR
PEOPLE**

- > 54 per cent had mental well-being programmes in place and held regular employee engagement surveys
- > 57 per cent of the portfolio held DE&I training for employees in 2025
- > 39 per cent of companies had female representation at board-level, with 14 per cent having a female CEO/MD
- > 54 per cent of businesses had a designated board member with responsibility for improving ESG issues
- > 37,500+ hours of non-statutory training was given to employees across the portfolio



**IMPROVING OUR
SOCIETY**

- > 82 per cent of the portfolio employees underwent cyber security training, and 64 per cent of portfolio companies have a cyber accreditation or management system in place
- > 74 per cent was the average customer rating of portfolio companies in 2025
- > 89 per cent of companies were independently chaired in 2025



**PROTECTING THE
ENVIRONMENT**

- > 32 per cent had Environmental Policies in place
- > 29 per cent formally measured their carbon footprint in 2025
- > 14 per cent have embedded an active carbon reduction plan

> **Reporting:**

Data is collected on an annual basis across a variety of ESG areas across our investments. Note that investment companies such as the Company are not within scope for reporting under the Task Force on Climate-Related Financial Disclosures (TCFD); and the Company does not use more than 40,000kWh of energy and therefore is not required to report on its energy usage within Streamlined Energy and Carbon Reporting (SECR) regulations.

> **Oversight and Support:**

The Manager monitors the responsible investment approach. This includes delivering events and webinars and providing resources focused on key ESG themes such as environmental management, diversity and inclusion, company culture and cyber security.

Summary and Outlook

2025 has been another positive year for the Company despite a tough macroeconomic environment. The portfolio continues to develop, with several holdings delivering strong growth during the period. Our active portfolio management approach allows us to stay close to investee companies and support them as they scale. Adding new companies to the portfolio and providing follow-on capital to support their growth, remains central to our strategy.

Although macroeconomic volatility is likely to persist into 2026, we believe the resilience of the portfolio and the Company's strong liquidity position leave it well-placed to manage downside risks and capture upside potential.

We are optimistic about the year ahead and are grateful to shareholders for their continued support.

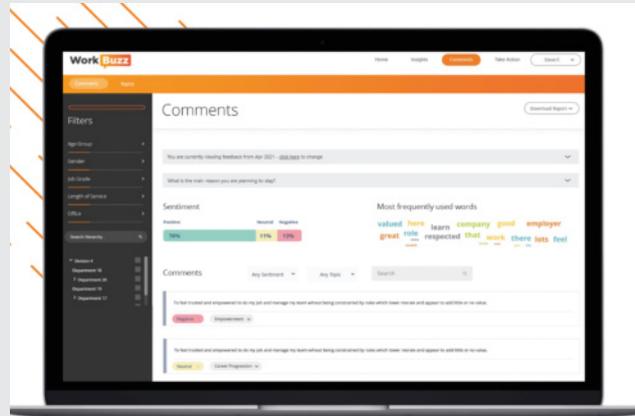


Jamie Roberts

YFM Private Equity Limited

18 March 2026

CASE STUDIES



AMOUNT INVESTED

£3.4 million (including further investment of £1.1 million during 2025)

BUSINESS AT INVESTMENT

An AI-driven Software Engineering Intelligence application which helps improve the efficiency of software development

THE INVESTMENT

Growth capital to invest in sales, marketing, and product development

RATIONALE FOR THE DEAL

Companies’ desire to better understand and optimise the productivity of their software engineering activity

SINCE INVESTMENT

Growth in the category from companies seeking to understand the adoption and impact of AI coding copilots



AMOUNT INVESTED

£3.1 million (including further investment of £1.4 million during 2025)

BUSINESS AT INVESTMENT

Employee engagement and insights platform focused on deskless workers, helping guide People Leaders with actions to improve engagement

THE INVESTMENT

Growth capital to invest in product development, scaling of the sales & marketing team and partnerships

RATIONALE FOR THE DEAL

Backing a strong leadership team with a clear customer focus and an AI forward approach in a market where competitors lack differentiation

SINCE INVESTMENT

Strengthened the existing product with AI features and developing a second complementary product which is AI native. The business has also completed an acquisition which expands its presence internationally

PORTFOLIO SUMMARY

Page No	Name of company (unquoted unless stated)	Date of initial investment	Location	Industry Sector	Amount invested £000	Valuation at 31 December 2025 £000	Recognised income/proceeds to date £000	Realised & unrealised value to date* £000
28	Matillion Limited	Nov-16	Manchester	Data	1,778	16,572	5,946	22,518
28	Unbiased EC1 Limited	Dec-19	London	Tech-enabled Services	3,731	11,057	-	11,057
29	Xapien (via Digital Insight Technologies Limited)	Mar-23	London	Application Software	5,072	9,503	-	9,503
29	Vypr Validation Technologies Limited	Jan-21	Manchester	Tech-enabled Services	3,798	7,543	-	7,543
29	Summize Limited	Oct-22	Manchester	Application Software	1,700	6,649	-	6,649
29	AutomatePro Limited	Dec-22	London	Cloud & DevOps	3,923	6,507	-	6,507
30	DrDoctor (via ICNH Ltd)	Feb-23	London	Application Software	3,570	4,184	-	4,184
30	Workbuzz Analytics Limited	Jun-23	Milton Keynes	Application Software	3,135	3,974	-	3,974
30	Plandek Limited	Oct-22	London	Cloud & DevOps	3,414	3,935	-	3,935
30	Force24 Ltd	Nov-20	Leeds	Application Software	2,850	3,894	162	4,056
	Quality Clouds Limited	May-22	London	Cloud & DevOps	3,880	3,496	-	3,496
	Fuuse Limited	May-24	Lancaster	Application Software	3,200	3,409	-	3,409
	Outpost VFX Limited	Feb-21	Bournemouth	New Media	3,833	3,398	113	3,511
	Tonkotsu Limited	Jun-19	London	Retail & Brands	1,592	2,689	-	2,689
	Spotless Water Limited	Jun-24	Frimley	Business Services	1,456	1,880	-	1,880
	S4labour Limited	Apr-25	Banbury	Application Software	1,600	1,874	-	1,874
	TeamFeePay (via Concept Apps Ltd)	Dec-25	Belfast	Application Software	1,800	1,800	-	1,800
	GEEIQ (via Checkpoint GG Limited)	Sep-23	London	Data	1,572	1,770	-	1,770
	Stormharvester Holdings Limited	Jan-25	Belfast	Data	1,400	1,686	-	1,686
	Ohalo Limited	Jun-24	Bicester	Data	1,710	1,639	-	1,639
	Frescobol Carioca Ltd	Mar-19	London	Retail & Brands	1,200	1,478	-	1,478
	Biorelate Limited	Nov-22	Manchester	Application Software	1,540	1,438	-	1,438
	DynaRisk (via Zen Risk Limited)	Jul-25	London	Application Software	1,200	1,348	-	1,348
	Panintelligence (via Paninsight Limited)	Nov-19	Leeds	Data	1,187	1,257	-	1,257
	Arcus Global Limited	May-18	Cambridge	Application Software	2,050	1,220	238	1,458
	Relative Insight Limited	Mar-22	Lancaster	Tech-enabled Services	3,057	1,166	33	1,199
	KeTech Technology Holdings Limited	Nov-15	Nottingham	Tech-enabled Services	2,000	1,296	4,059	5,355
	Teraview Limited (quoted from December 2025)	Apr-17	Cambridge	Advanced Manufacturing	377	1,226	1,231	2,457
	Other investments below £1.0 million				18,406	4,362	7,765	12,127
	Total investments				86,031	112,250	19,547	131,797
	Full disposals to date				58,587	-	108,634	108,634
	Total portfolio				144,618	112,250	128,181	240,431

* represents income and proceeds recognised to date plus the unrealised valuation at 31 December 2025.

SUMMARY OF PORTFOLIO MOVEMENT

Name of company (unquoted unless stated)	Investment valuation at 31 December 2024 £000	Disposal proceeds £000	Additions £000	Valuation gains including profits/(losses) on disposal £000	Investment valuation at 31 December 2025 £000
Summize Limited	3,256	-	-	3,393	6,649
Xapien (via Digital Insight Technologies Limited)	5,132	-	1,008	3,363	9,503
Unbiased EC1 Limited	8,962	-	-	2,095	11,057
Vypr Validation Technologies Limited	4,475	-	1,598	1,470	7,543
SharpCloud Software Limited	4,789	(6,254)	-	1,465	-
Teraview Limited (quoted from December 2025)	1,100	(1,231)	-	1,357	1,226
AutomatePro Limited	4,253	-	1,240	1,014	6,507
DrDoctor (via ICNH Ltd)	2,377	-	1,193	614	4,184
Stormharvester Holdings Limited	-	-	1,400	286	1,686
Arcus Global Limited	940	-	-	280	1,220
S4labour Limited	-	-	1,600	274	1,874
Biorelate Limited	1,199	-	-	239	1,438
Fuuse Limited	2,000	-	1,200	209	3,409
Spotless Water Limited	1,729	-	-	151	1,880
DynaRisk (via Zen Risk Limited)	-	-	1,200	148	1,348
Tonkotsu Limited	2,546	-	-	143	2,689
ACC Aviation Group Limited	4,285	(4,368)	-	83	-
Workbuzz Analytics Limited	2,476	-	1,417	81	3,974
Panintelligence (via Paninsight Limited)	1,000	-	187	70	1,257
Frescobol Carioca Ltd	1,447	-	-	31	1,478
KeTech Technology Holdings Limited	1,275	-	-	21	1,296
TeamFeePay (via Concept Apps Ltd)	-	-	1,800	-	1,800
Plandek Limited	2,908	-	1,054	(27)	3,935
Relative Insight Limited	1,180	-	137	(151)	1,166
Ohalo Limited	1,277	-	600	(238)	1,639
Other investments below £1.0 million	3,413	-	169	(371)	3,211
GEEIQ (via Checkpoint GG Limited)	2,146	-	-	(376)	1,770
Elucidat Ltd	4,057	(3,589)	-	(468)	-
Integrum ESG Limited	1,160	-	-	(581)	579
Quality Clouds Limited	4,118	-	-	(622)	3,496
Force24 Ltd	4,331	-	250	(687)	3,894
Vuealta Holdings Limited	1,594	-	-	(1,112)	482
Wooshii Limited	1,419	-	-	(1,329)	90
Outpost VFX Limited	5,058	-	-	(1,660)	3,398
Matillion Limited	19,624	-	-	(3,052)	16,572
Total investments	105,526	(15,442)	16,053	6,113	112,250
Deferred consideration	-	(269)	-	269	-
	105,526	(15,711)	16,053	6,382	112,250
Accrued income	1,241				535
Financial assets – investments	106,767				112,785

INVESTEES COMPANY INFORMATION

APPLICATION SOFTWARE

£39.3m

NUMBER OF COMPANIES: 12

RETAIL & BRANDS

£4.2m

NUMBER OF COMPANIES: 2

DATA

£23.5m

NUMBER OF COMPANIES: 6

NEW MEDIA

£3.7m

NUMBER OF COMPANIES: 3

TECH-ENABLED SERVICES

£21.5m

NUMBER OF COMPANIES: 5

BUSINESS SERVICES

£1.9m

NUMBER OF COMPANIES: 2

CLOUD & DEVOPS

£15.0m

NUMBER OF COMPANIES: 4

OTHER

£3.2m

NUMBER OF COMPANIES: 7

PORTFOLIO

THE TOP 10 INVESTMENTS HAD A COMBINED VALUE OF

£73.8m

65.8 PER CENT OF THE
TOTAL PORTFOLIO

Financial information is derived from publicly
available report and accounts.

1. Return to date

Represents income and proceeds
recognised to date, plus the unrealised
valuation at 31 December 2025.

Matillion Limited

Manchester

www.matillion.com

Matillion is a leading provider of cloud-based data extraction and transformation tools. The company helps businesses utilise their data in the cloud for insight and decision making and is headquartered in Manchester with offices in Denver and Seattle.

Date of initial investment:	November 2016
Amount invested:	£1,778,000
Valuation at 31 December 2025:	£16,572,000
Recognised income/proceeds to date:	£5,946,000
Return to date ¹ :	£22,518,000
Equity held:	2.9%
Valuation basis:	Revenue multiple

Year ended 31 January	2025 \$million	2024 \$million
Revenue	92.97	92.64
LBITA	(32.06)	(47.74)
Loss before tax	(29.78)	(44.42)
Retained losses	(220.26)	(190.00)
Net assets	108.11	133.41

Unbiased EC1 Limited

London

www.unbiased.co.uk

Unbiased is a technology-enabled marketplace that connects consumers to Independent Financial Advisers, Mortgage Brokers and Accountants. The company has a strong, well-established position and brand awareness in the IFA market with a high level of recurring subscription income from the thousands of professionals in their network. The proven UK model is now being launched into the much larger US financial advisor market.

Date of initial investment:	December 2019
Amount invested:	£3,731,000
Valuation at 31 December 2025:	£11,057,000
Recognised income/proceeds to date:	£nil
Return to date ¹ :	£11,057,000
Equity held:	12.5%
Valuation basis:	Revenue multiple

Year ended 30 September	2024 £million	2023 £million
Revenue	13.81	10.25
LBITA	(1.03)	(1.85)
Loss before tax	(2.28)	(2.74)
Retained losses	(5.60)	(4.75)
Net assets	3.38	4.20

Xapien (via Digital Insight Technologies Limited)

London

www.xapien.com

Xapien is an online software platform that automates detailed background research on individuals and companies, using proprietary AI and Natural Language Processing models to screen large volumes of structured and unstructured data. It significantly speeds up the time it takes to conduct enhanced due diligence, for customers that include universities, charities, law firms and banks.

Date of initial investment:	March 2023	
Amount invested:	£5,072,000	
Valuation at 31 December 2025:	£9,503,000	
Recognised income/proceeds to date:	£nil	
Return to date ¹ :	£9,503,000	
Equity held:	11.1%	
Valuation basis:	Revenue multiple	
	2024	2023
Year ended 31 December	£million	£million
Retained losses	(10.06)	(6.42)
Net assets	5.45	1.48

Vypr Validation Technologies Limited

Manchester

www.vyprclients.com

Vypr is a cloud-based data validation platform providing industry-leading consumer intelligence for use in all aspects of product development including packaging, pricing and naming.

Date of initial investment:	January 2021	
Amount invested:	£3,798,000	
Valuation at 31 December 2025:	£7,543,000	
Recognised income/proceeds to date:	£nil	
Return to date ¹ :	£7,543,000	
Equity held:	14.9%	
Valuation basis:	Revenue multiple	
	2025	2024
Year ended 31 March	£million	£million
Retained losses	(4.82)	(4.40)
Net assets	6.01	1.51

Summize Limited

Manchester

www.summize.com

Summize is a provider of contract lifecycle management (CLM) software for enterprise and mid-market customers including Revolut, Fujifilm, Miami Heat and Matillion. The cloud-based product integrates through Microsoft Word, Teams, Slack and DocuSign to automate the creation, negotiation and project management of high volume, low value commercial contracts, which improves efficiency and contract portfolio risk management for corporate in-house legal teams.

Date of initial investment:	October 2022	
Amount invested:	£1,700,000	
Valuation at 31 December 2025:	£6,649,000	
Recognised income/proceeds to date:	£nil	
Return to date ¹ :	£6,649,000	
Equity held:	8.0%	
Valuation basis:	Revenue multiple	
	2024	2023
Year ended 30 June	£million	£million
Retained losses	(7.61)	(5.32)
Net assets	3.55	3.19

AutomatePro Limited

London

www.automatepro.com

AutomatePro is a provider of automated testing and documentation tools for enterprise users of ServiceNow workflow automation, enabling new application and upgrades to be installed efficiently and safely. The company has sales teams in the UK and US, but also sells via a growing number of partners.

Date of initial investment:	December 2022	
Amount invested:	£3,923,000	
Valuation at 31 December 2025:	£6,507,000	
Recognised income/proceeds to date:	£nil	
Return to date ¹ :	£6,507,000	
Equity held:	12.2%	
Valuation basis:	Revenue multiple	
	2024	2023
Year ended 30 June	£million	£million
Retained losses	(6.84)	(4.26)
Net assets	0.01	2.38

PORTFOLIO (CONTINUED)

DrDoctor (via ICNH Ltd)

London

www.drdoctor.co.uk

DrDoctor is a digital patient engagement solution that links patients and clinicians in NHS secondary care trusts (hospitals). DrDoctor's platform gives patients better access to care through patient-led bookings, waitlist management to fill cancelled slots, and digital access to clinicians outside of appointments.

Date of initial investment:	February 2023
Amount invested:	£3,570,000
Valuation at 31 December 2025:	£4,184,000
Recognised income/proceeds to date:	£nil
Return to date ¹ :	£4,184,000
Equity held:	4.4%
Valuation basis:	Revenue multiple

Year ended 31 December	2024 £million	2023 £million
Revenue	16.08	10.05
LBITA	(4.81)	(8.68)
Loss before tax	(4.55)	(8.43)
Retained losses	(15.53)	(11.40)
Net (liabilities) assets	(2.36)	1.64

Workbuzz Analytics Limited

Milton Keynes

www.workbuzz.com

Workbuzz is a SaaS-based employee engagement and insights platform that is targeted at deskless and frontline workers. It enables businesses to gather real time employee feedback, track employee wellbeing and make more informed data driven people decisions. The business is UK focused and expanding internationally.

Date of initial investment:	June 2023
Amount invested:	£3,135,000
Valuation at 31 December 2025:	£3,974,000
Recognised income/proceeds to date:	£nil
Return to date ¹ :	£3,974,000
Equity held:	9.1%
Valuation basis:	Revenue multiple

Year ended 31 March	2025 £million	2024 £million
Retained losses	(10.07)	(6.33)
Net assets	2.85	2.57

Plandek Limited

London

www.plandek.com

Plandek is a software platform, in the fast-growing category of Software Engineering Intelligence, and provides end to-end analytics to improve the efficiency of software delivery while also providing enterprise level governance that have been proven to drive productivity.

Date of initial investment:	October 2022
Amount invested:	£3,414,000
Valuation at 31 December 2025:	£3,935,000
Recognised income/proceeds to date:	£nil
Return to date ¹ :	£3,935,000
Equity held:	11.5%
Valuation basis:	Revenue multiple

Year ended 31 December	2024 £million	2023 £million
Retained losses	(10.47)	(8.34)
Net assets	2.90	1.76

Force24 Ltd

Leeds

www.force24.co.uk

Force24 provides cloud-based personalised marketing automation technology trusted by over 450 businesses.

Date of initial investment:	November 2020
Amount invested:	£2,850,000
Valuation at 31 December 2025:	£3,894,000
Recognised income/proceeds to date:	£162,000
Return to date ¹ :	£4,056,000
Equity held:	13.1%
Valuation basis:	Revenue multiple
Dividends:	£87,559 (2024 £61,519)

Year ended 31 December	2024 £million	2023 £million
Retained losses	(3.75)	(3.02)
Net assets	3.12	3.80

RISK FACTORS

The Board has responsibility for identifying, assessing and monitoring the risks to which the Company is exposed and for maintaining appropriate systems and controls to manage those risks. The Board regularly reviews the risk environment in which the Company operates, including changes in market conditions, regulation and the wider economic and operational environment, and seeks to identify emerging risks that may affect the Company's ability to achieve its investment objectives.

The risks described below represent the principal and emerging risks currently considered by the Board to be relevant to the Company. These risks are not intended to be exhaustive and additional risks and uncertainties, including those not currently known to the Company or which the Board presently considers to be immaterial, may also have an adverse effect on the Company's business, financial condition, performance or prospects.

Investment & Portfolio

The Company's performance is dependent on the performance of individual portfolio companies. Unquoted growth companies may require additional funding to support their development and growth, and such funding may not be available on acceptable terms or at all. Portfolio companies may also be adversely affected by changes in market conditions, customer demand, competitive dynamics or regulatory requirements.

The Manager actively monitors portfolio company performances and provides strategic, operational and governance support where appropriate. Investment risk is mitigated through disciplined investment selection and diversification across sectors and investment stages. Follow-on funding decisions are made selectively and subject to capital availability.

Poor performance or failure of one or more portfolio companies could have a material adverse effect on the Company's net asset value and returns to shareholders.

Liquidity

Investments in unquoted companies are inherently illiquid and it may take a considerable period of time to realise investments. Exits are typically dependent on trade sales, secondary transactions or other corporate events, which may not occur when anticipated or at all.

The Company & Manager monitor liquidity and cash resources on an ongoing basis and seek to manage the timing of investments and realisations.

In some cases, investments may only be realised at a value materially below their carrying value, or may not be realised, which could restrict the Company's ability to return capital to shareholders.

Economic

Adverse economic conditions, including recession, inflation, interest rate changes or geopolitical instability, may adversely affect portfolio companies, restrict access to funding and delay or reduce exit opportunities. Market volatility may also impact investor sentiment and valuations.

The Company seeks to mitigate this risk through diversification and active portfolio management. The Board regularly considers macroeconomic conditions as part of its review of strategy and performance.

RISK FACTORS (CONTINUED)

VCT Qualifying Status

The continued availability of VCT tax reliefs is dependent on the Company continuing to satisfy the conditions for VCT approval, including compliance with qualifying investment requirements applicable to unlisted companies.

A breach of the VCT legislation could result in the withdrawal of VCT status, which would have significant adverse tax consequences for shareholders, including the loss of income tax relief and the taxation of dividends and capital gains.

The Board monitors compliance with the VCT rules on an ongoing basis and receives regular reports from the Manager and VCT Status Adviser. Specialist tax advice is obtained as required, and a formal review of compliance with the VCT rules is conducted bi-annually and reported to the Board.

Legislative and Regulatory

The Company operates in a regulatory environment that is subject to change. Amendments to VCT legislation, changes in HMRC practice or interpretation, or broader changes to financial services regulation could restrict the Company's ability to pursue its investment strategy, increase compliance costs or adversely affect returns.

The Board and Manager monitor legislative and regulatory developments and engage external legal and tax advisers as appropriate. The Company seeks to maintain flexibility within its investment policy to adapt to regulatory change, but such change remains outside the Company's control.

Operational

The Company has no employees and is reliant on a number of third party service providers, including the Manager, receiving agent, registrar and other professional advisers, for the day to day operation of the business. As a result, the Company is exposed to the risk of failure, disruption or poor performance by these third parties, including operational errors, systems failures, cyber security incidents or the loss of key personnel. Any such failure could result in financial loss, regulatory breaches or reputational damage and could adversely affect the Company's operations or performance.

The Board seeks to mitigate this risk through oversight of service providers, the use of experienced and regulated counterparties, and regular review of service arrangements and internal controls.

IT & Cyber Security

The Company is reliant on information technology systems operated by the Manager and other third party service providers for the processing, storage and reporting of data. As a result, the Company is exposed to risks arising from cyber security incidents, data breaches, systems failures or technological disruption, whether caused by malicious attack, human error or third party failure. Such incidents could result in financial loss, regulatory breaches, loss of confidential information or reputational damage, and may adversely affect the Company's operations or the services provided to shareholders.

The Board seeks to mitigate this risk through oversight of service providers, the use of established systems and controls, and regular review of cyber security and business continuity arrangements.

OTHER MATTERS

Section 172 Statement

This Section 172 Statement should be read in conjunction with the other contents of the Strategic Report, on pages 6 to 34.

Section 172 of the Companies Act 2006 requires that a director must act in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- > The likely consequences of any decision in the long term;
- > The interests of the company's employees;
- > The need to foster the company's business relationships with suppliers, customers and others;
- > The impact of the company's operations on the community and the environment;
- > The desirability of the company maintaining a reputation for high standards of business conduct; and
- > The need to act fairly as between members of the company.

The Company takes a number of steps to understand the views of investors and other key stakeholders and considers these, along with the matters set out above, in Board discussions and decision making.

Key Stakeholders

As an investment company with no employees, the Company's key stakeholders are its investors, its service providers and its portfolio companies.

Investors

The Board engages and communicates with shareholders in a variety of ways.

The Company encourages shareholders to attend its Annual General Meeting.

Along with British Smaller Companies VCT plc, the Company held an Investor Workshop on 19 June 2025 which was well attended. A further event is scheduled for June 2026.

Maintaining the Company's status as a VCT is critical to meeting the Company's objective to maximise Total Return and provide investors with an attractive long-term tax-free dividend yield. The Company receives regular reports on this issue from the Manager and has taken various steps in the year to ensure that the relevant tests are met.

The Board also aims for investors to continue to have tax efficient opportunities to invest in the Company, and to generate tax-free returns from both capital appreciation and ongoing dividends.

After carefully considering its funding needs, on 25 September 2025 the Company issued a prospectus, alongside British Smaller Companies VCT plc, to raise up to £85 million in aggregate for the 2025/26 tax year.

During the year the Board kept its arrangements for dividends, share buy-backs and the dividend re-investment scheme under constant review. Along with normal dividends totalling 3.00 pence per ordinary share in the year ended 31 December 2025, a special dividend of 1.00 pence per ordinary share was paid in January 2025, following the realisation of the Company's investment in Traveltek in 2024.

Manager

The Company's most important service provider is its Manager. There is regular contact with the Manager, and members of the Manager's board attend all of the Company's Board meetings. There is also an annual strategy meeting with the Manager, alongside the board of British Smaller Companies VCT plc.

The Manager maintains strong relationships with relevant media publications and a wide range of distributors for the Company's shares, including wealth managers, independent financial advisers and execution-only brokers. RAM Capital acts as a promoter of the Company's shares to smaller distributors.

The Company is a member of the Association of Investment Companies, which promotes the interests of investment companies, including VCTs. The Manager is a founder member of the Venture Capital Trust Association, which promotes the interests of VCTs in a variety of ways.

Portfolio Companies

The Company holds minority investments in its portfolio companies and has delegated the management of the portfolio to the Manager. The Manager provides the Board with regular updates on the performance of each portfolio company at least quarterly and the Board is made aware of all major issues.

OTHER MATTERS (CONTINUED)

The Manager has a dedicated portfolio team to assist portfolio companies with the challenges they face as fast-growing companies. The Manager promotes ongoing sustainable growth within the businesses; this often involves improving systems and processes, as well as significant job creation.

Employees

The Company has no employees. The Board is composed of one female non-executive director and two male non-executive directors. For a review of the policies used when appointing directors to the Board of the Company, please refer to the Directors' Remuneration Report.

Environment and Community

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment. The management and administration of the Company is undertaken by the Manager, YFM Private Equity Limited, which recognises the importance of its sustainable investment responsibilities and is a signatory of the United Nations' Principles for Responsible Investment.

More details of the work that the Manager has achieved in this area are set out on pages 21 to 23. Its Responsible Investment Policy can be found at www.yfmep.com/our-purpose.

Business Conduct

The Company has a zero-tolerance approach to bribery and corruption. The following is a summary of the controls in place:

- > The Company conducts all its business in an honest and ethical manner. The Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships;
- > The Company prohibits the offering, the giving, the solicitation or the acceptance of any bribe;
- > The Company has communicated its Anti-Bribery & Corruption Policy to the Manager and its other service providers; and
- > The Manager has its own Anti-Bribery & Corruption Policy and monitors portfolio companies' compliance with their legal obligations.

Statement on Long-term Viability

The statement on long-term viability on page 37 is included in the Strategic Report by reference.

The Strategic Report on pages 6 to 34 is approved by order of the Board.



Barbara Anderson

Chair

18 March 2026

DIRECTORS



Barbara Anderson

Chair, independent non-executive director

(appointed to the Board 1 October 2020, appointed as Chair on 13 June 2024) is an experienced Non-Executive Director and Chair who has worked extensively with SMEs, third sector and PLCs in regulated sectors, international private companies and venture capital specialists. Amongst other roles, Barbara is currently Chair of the Energy Saving Trust, and an Independent Board Member and Chair of Audit & Risk at Smart DCC Ltd. Her expertise includes innovation for growth and sustainability including ESG, strategic planning, start-up acceleration and business transformation.



Arif Ahmed

Independent non-executive director

(appointed 13 June 2024) is a serial entrepreneur and private equity investor in technology, e-commerce, B2B media and healthcare companies. Early in his career he co-founded, grew and exited a software company that scaled a NHS proof-of-concept pilot into a multi-year government contract covering over 1 million NHS staff. He is now building a portfolio of healthcare, software and B2B investments. Arif is Partner at Greystoke Advisory Services, board director of University College London Hospitals NHS Foundation Trust and Chair of Functional Gut Bidco.



Roger McDowell

Chair of the Audit & Risk Committee, independent non-executive director

(appointed 6 March 2019) has considerable experience as a Chair and Non-Executive Director of a wide range of technology, business services and manufacturing businesses. Following the flotation of his family's business and subsequent trade sale, he began his plural career in 2000, when he took board roles in three private equity backed technology businesses. He is Chair of Hargreaves Services Plc, Avingtrans Plc and Flowtech Fluidpower Plc, and Non-Executive Director of Tribal Group Plc and Proteome Sciences Plc. Roger is Chair of the Audit & Risks Committee at Proteome Sciences.

Secretary

The City Partnership (UK) Limited
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

Registered No:

SC269164

Registered Office of the Company

4th Floor
2 Bond Court
Leeds
LS1 2JZ

Registered No:

04084003

DIRECTORS' REPORT

For the year ended 31 December 2025

The directors present their report and the audited financial statements of British Smaller Companies VCT2 plc ("the Company") for the year ended 31 December 2025.

Principal Activity

The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office and principal place of business is 4th Floor, 2 Bond Court, Leeds, LS1 2JZ.

The Company has its primary, and sole, listing on the London Stock Exchange.

The principal activity of the Company is the making of long-term equity and loan investments, mainly in unquoted businesses.

The Company operates as a venture capital trust ("VCT") and has been approved by HM Revenue & Customs as an authorised venture capital trust under Chapter 3 Part 6 of the Income Tax Act 2007. It is the directors' intention to continue to manage the Company's affairs in such a manner as to comply with Chapter 3 Part 6 of the Income Tax Act 2007.

Business Performance and Future Prospects

A detailed and fair review of the Company's business, its development, its financial performance during and at the end of the financial year, and its future prospects is set out in the Strategic Report on pages 6 to 34. The principal risks and uncertainties the Company faces are detailed on pages 31 and 32.

The Board believes that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Results and Dividends

The Statement of Comprehensive Income is set out on page 58. The profit before and after taxation for the year amounted to £4,422,000 (2024: £2,610,000).

During the year the Company paid a total of £12,711,000 (2024: £8,499,000) in dividends equal to 4.00 pence per ordinary share (2024: 3.00 pence).

A detailed review can be found in note 5 on page 71.

The net asset value per ordinary share at 31 December 2025 was 54.40 pence (2024: 57.10 pence). The transfer to and from reserves is given in the Statement of Changes in Equity on page 60.

Going Concern

The directors have carefully considered the issue of going concern in view of the Company's activities and associated risks. The Company has a well-diversified portfolio with businesses in a variety of sectors, many of which are well funded. Some portfolio companies may require additional funding in the near- to medium-term; the Company is well placed to provide this, where appropriate.

The Company has a significant level of liquidity, which will be further enhanced by the current fundraising. In addition, the Board has control over, and can flex as appropriate, the Company's major outgoings, which predominantly comprise investments, dividends and share buy-backs.

The directors have also assessed whether material uncertainties exist and their potential impact on the Company's ability to continue as a going concern; they have concluded that no such material uncertainties exist.

The directors have carefully considered the issue of going concern and are satisfied that the Company has sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report. As at 31 December 2025, the Company held cash balances and money market funds with a combined value of £63.8 million. This excludes gross applications of c.£31.9 million from the current fundraising, of which £9.4 million was received in January 2026; the remaining c.£22.5 million will be allotted in April 2026. Cash flow projections show the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of share buy-backs and dividends. In the year ended 31 December 2025, the Company's costs and discretionary expenditures were:

	£000
Administrative expenses (before incentive fee and fair value movement related to credit risk)	3,641
Share buy-backs	3,933
Dividends (before DRIS)	12,711
Total	20,285

Taking all of the above into consideration, the directors are satisfied that the Company has sufficient resources to meet its obligations for at least 12 months from the date of this report and therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing the financial statements.

Statement on Long-term Viability

The AIC's Code requires the Board to assess the Company's viability over an appropriate period. The directors believe that a period of three years is appropriate to assess the Company's viability because the Company is required to invest funds raised within this timeframe in order to retain its status as a VCT.

In making their assessment, the directors have reviewed the types of investment that the Company will be able to make under current VCT legislation and they believe that the existing portfolio and future investments will be able to deliver the Company's objective "to maximise total return and provide investors with a long-term tax-free dividend yield whilst maintaining the Company's status as a venture capital trust".

The directors have also taken into account the emerging and principal risks and their mitigation identified in the Strategic Report on pages 31 and 32, the nature of the Company's business, including its reserves of cash (plus anticipated proceeds following allotment of the 2025/26 fundraising), the potential of its venture capital portfolio to generate returns in the future and, as noted above, the ability of the directors to minimise the level of cash outflows, should this be necessary.

Taking into account the Company's current position and principal risks, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over that period.

Corporate Governance

The statement on corporate governance set out on pages 40 to 46 is included in the Directors' Report by reference.

Directors' and Officers' Liability Insurance

The Company has, as permitted by the Companies Act 2006, maintained insurance cover on behalf of the directors, indemnifying them against certain liabilities which may be incurred by any of them in relation to the Company.

Provision of Information to the External Auditor

The directors confirm that so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and that each of the directors has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Share Capital

As shown in note 11 of the financial statements, the Company has only one class of share, being ordinary shares of 0.01 pence each.

Buy-back and Issue of Ordinary Shares

The Company has the power to purchase shares up to 14.99 per cent of the Company's ordinary share capital as at 18 March 2025, being 44,846,534 ordinary shares. The authority expires on the conclusion of the Company's Annual General Meeting in 2028 or on 12 June 2028, whichever is the later.

During the year, the Company purchased 7,440,583 ordinary shares in the market (as disclosed in the table below), for aggregate consideration, including costs, of £3,933,000. These shares are held in treasury. The buy-back was in accordance with the Company's buy-back policy, and under the authorities granted by the shareholders at general meetings held on 13 June 2022 and 12 June 2025. At 31 December 2025 36,211,546 shares were held in treasury, representing 9.9 per cent of the total issued share capital (including treasury shares) at that date.

Buy-back of Shares

Date	Number of ordinary shares bought back	Percentage of issued share capital at that date	Consideration paid per ordinary share (pence)
26 March 2025	1,871,896	0.63%	53.80
23 June 2025	1,341,547	0.40%	52.47
22 September 2025	1,543,959	0.47%	52.80
19 December 2025	2,683,181	0.81%	51.71

The directors have unconditional authority to allot shares in the Company or to grant rights to subscribe for or to convert any security into ordinary shares in the Company up to an aggregate nominal amount of £12,000, equivalent to 120,000,000 shares, expiring on the later of 12 September 2026 or the conclusion of the

DIRECTORS' REPORT (CONTINUED)

2026 annual general meeting. The Company issued 16,978,814 shares in January 2026 from the Company's 2025/26 fundraising under this authority.

This authority will be replaced by a new authority to issue shares up to an aggregate nominal amount of £12,000, equivalent to 120,000,000 shares, at the forthcoming annual general meeting.

50,774,434 shares were issued during the year arising from the Company's 2024/25 fundraising. These shares were issued under the previous authority granted by the shareholders at the annual general meeting on 13 June 2024, which expired on 13 September 2025. Further details are given in note 11 on page 79.

In addition, the directors have authority to allot shares and waive pre-emption rights in the Company in connection with the Company's Dividend Re-investment Scheme (DRIS), up to an aggregate nominal amount of £2,000, equivalent to 20,000,000, shares expiring on the later of 12 September 2026 or the conclusion of the 2026 annual general meeting. This authority will be replaced by a new authority to issue shares up to an aggregate nominal value of £2,000 (equivalent to 20,000,000 shares) at the forthcoming annual general meeting.

During the year to 31 December 2025, a total of 3,612,444 ordinary shares were issued under the Company's DRIS.

Capital Disclosures

The following information has been disclosed in accordance with Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended):

- > The Company's capital structure is summarised in note 11 to the financial statements. Each ordinary share carries one vote. There are no restrictions on voting rights or any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- > There are no securities carrying special rights with regard to the control of the Company;
- > The Company does not have an employee share scheme;

- > The rules concerning the appointment and replacement of directors, amendments to the Articles of Association and powers to issue or buy-back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- > With the exception of the Manager's Incentive Agreement, there are no agreements to which the Company is party that take effect, alter or terminate upon a change in control following a takeover bid; and
- > There are no agreements between the Company and its directors providing for compensation for loss of office that may occur because of a takeover bid.

Environment

The Company is a low energy user and is therefore exempt from the reporting obligations under the Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any emissions producing sources including those within its underlying investment portfolio under part 7 of schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended.

Directors and their Interests

The directors of the Company at 31 December 2025, their interests and contracts of significance are set out in the Directors' Remuneration Report on pages 47 to 49.

Substantial Shareholdings

The directors are not aware of any substantial shareholdings representing 3 per cent or more of the Company's issued share capital as at 31 December 2025 and the date of this report.

Independent Auditor

BDO LLP has indicated its willingness to continue in office and a resolution concerning its reappointment will be proposed at the annual general meeting.

There were no non-audit services provided by BDO LLP during the year.

Financial Instruments

Details of the financial instruments held by the Company and the risks associated with them are set out on pages 81 to 85 and this information is accordingly incorporated into the Directors' Report by reference.

Employment Policies

The employment policies of the Company are set out on page 47.

Events after the Balance Sheet Date

Having previously assessed its expected cash requirements, the Company announced a new share offer on 25 September 2025, alongside British Smaller Companies VCT plc, with the intention of raising up to £85 million, in aggregate, which included an over-allotment facility of £25 million, in aggregate. The offers closed to new applications on 18 December 2025. Gross applications of £85 million have been received, of which c. £31.9 million relate to the Company. The first allotment of £25 million (£9.4 million relating to the Company) took place on 7 January 2026. The second and final allotment will take place between 1 and 2 April 2026.

As part of the 7 January 2026 allotment, the Company issued 16,978,814 shares. Following this allotment, the Company's issued share capital consists of 344,956,241 ordinary shares with voting rights and 36,211,546 shares held in treasury.

Subsequent to the year end, the Company invested £2.0 million into portfolio company Summize. The Company also completed the realisations of Teraview, Vuealta and Sipsynergy, as detailed on page 7.

Annual General Meeting

Shareholders will find the Notice of the Annual General Meeting on pages 86 to 90 of these financial statements.

The business of the meeting includes an ordinary resolution (Resolution 8) proposed to ensure the directors retain the authority to allot shares in the Company until the later of 9 September 2027 or the conclusion of the 2027 Annual General Meeting up to an aggregate nominal amount of £12,000 (representing approximately 35 per cent of the issued ordinary share capital of the Company as at 18 March 2026, excluding treasury shares).

Resolution 9 is an additional ordinary resolution proposed to ensure the directors retain the authority to allot shares in the Company under the Company's DRIS until the later of 9 September 2027 or the conclusion of the 2027 Annual General Meeting up to an aggregate nominal amount of £2,000 (representing approximately 6 per cent of the issued ordinary share capital of the Company as at 18 March 2026, excluding treasury shares).

Also included are the following special resolutions:

Resolution 10 is proposed to empower the directors to allot shares under the authority granted by the ordinary resolution (Resolution 8) referred to above and to sell treasury shares without regard to any rights of pre-emption on the part of the existing shareholders.

Resolution 11 is proposed to empower the directors to allot shares under the authority granted by the ordinary resolution (Resolution 9) referred to above without regard to any rights of pre-emption on the part of the existing shareholders.

This report was approved by the Board on 18 March 2026 and signed on its behalf by



Barbara Anderson
Chair

British Smaller Companies VCT2 plc
Registered number 04084003

CORPORATE GOVERNANCE

The Board is committed to the principle and application of sound corporate governance and confirms that the Company has taken steps, appropriate to a venture capital trust and relevant to its size and operational complexity, to comply with the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance available on the AIC website www.theaic.co.uk.

The AIC Corporate Governance Code (August 2024) (the "AIC Code") provides a framework of best practice for investment companies and addresses all relevant principles of the UK Corporate Governance Code (January 2024) issued by the Financial Reporting Council (the "FRC"), while also setting out additional principles and recommendations of particular relevance to the Company as an externally managed venture capital trust.

The 2024 UK Corporate Governance Code and the 2024 AIC Code apply to financial years beginning on or after 1 January 2025, replacing the 2018 UK Corporate Governance Code and the 2019 AIC Code, which applied to earlier accounting periods. Provision 29 is effective for financial years beginning on or after 1 January 2026.

The Board considers that reporting against the principles and provisions of the AIC Code provides the most appropriate and relevant governance framework for the Company and offers shareholders clear and meaningful insight into the Company's governance arrangements.

Given the Company's size and its externally managed structure, the Board considers that it would be unnecessarily burdensome to establish a separate management engagement committee. Matters relating to the performance and oversight of the investment manager are instead addressed by the Board as a whole.

The Company is committed to maintaining high standards of corporate governance and, for the period under review, has complied with the principles and provisions of the AIC Corporate Governance Code (August 2024), except as set out below.

The AIC Code includes provisions relating to the appointment of a chief executive officer, the designation of a senior independent director, the presumption regarding the independence of the Chair and the establishment of an internal audit function. For the reasons set out in the AIC Code, the Board considers that these provisions are not relevant to the Company, which is an externally managed venture capital trust with no employees. Accordingly, the Company has not reported further in respect of these provisions.

Role of the Board

An agreement between the Company and YFM Private Equity Limited sets out the matters over which the Manager has authority. This includes monitoring of the Company's assets and the provision of accounting, company secretarial, administration and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance, risk control and custody arrangements.

The Board meets at least quarterly; additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow directors to discharge their responsibilities.

There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company's expense. This is in addition to the access that every director has to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that applicable rules and regulations are complied with and that Board procedures are followed. The Company indemnifies its directors and officers and has purchased insurance to cover its directors. Neither the insurance nor the indemnity provide cover if the director has acted fraudulently or dishonestly.

Board Composition

The Board consists of three non-executive directors, all of whom are regarded by the Board as independent of each other and also of the Company's Manager, including the Chair. The independence of the Chair was assessed upon her appointment. Although the AIC Code presumes that the Chair of a company is deemed not to be an independent director, the remaining directors, having considered the nature of the role in the Company, are satisfied that Ms B L Anderson fulfils the criteria for independence as a non-executive director. The directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and provide a balance of power and authority including recent and relevant financial experience.

Brief biographical details of each director are set out on page 35.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which are given below.

There are no executive officers of the Company.

Given the structure of the Board and the fact that the Company's administration is conducted by YFM Private Equity Limited, the Company has not appointed a chief executive officer or a senior independent non-executive director. In addition, the directors consider that the role of a senior independent non-executive director is taken on by all of the directors. Shareholders are therefore able to approach any director with any queries they may have.

Boardroom Diversity

The Board is committed to ensuring that the Company is run in the most effective manner. Consequently the Board monitors the diversity of all directors to ensure an appropriate level of experience and qualification.

The Board believes in the value and importance of diversity in the boardroom but does not consider that it is appropriate or in the best interests of the Company and its shareholders to set prescriptive targets for gender or ethnicity on the Board.

Diversity of thought, experience and approach are all important and the directors will always seek to appoint on merit against objective criteria. In the year the Company has not met the Listing Rule board diversity target of the Board comprising at least 40 per cent women; the Board's current ratio of 33 per cent reflects the small, three-person composition of the Board. The target of at least one of the chair, CEO, CFO or senior independent director being a woman has been met in the year. The target of at least one member of the Board being from a minority ethnic background was met in the year.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	2	67%	1
Women	1	33%	2

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British	2	67%	3
Asian/Asian British	1	33%	-

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, it is the Board's policy that a director's appointment will run for a term of one year until the next Annual General Meeting. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the director to seek a further term. The Board, when making a recommendation, will take into account the ongoing requirements of the AIC Code, including the need to refresh the Board and its Committees.

The Board seeks to maintain a balance of skills and the directors are satisfied that as currently composed the balance of experience and skills of the individual directors is appropriate for the Company, in particular with regards to investment appraisal and investment risk management.

The terms and conditions of directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting. Ms B L Anderson's, Mr A Ahmed's and Mr R S McDowell's appointment are terminable on three-months' notice by either the director or the Company.

The directors recommend the re-election of Ms B L Anderson, Mr A Ahmed and Mr R S McDowell at this year's Annual General Meeting, because of their commitment, experience and contribution to the Company.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Directors who are not members of Committees may attend at the invitation of the Chair.

The table on page 42 details the number and function of the meetings attended by each director.

During the year there were eight formal Board meetings, three Audit & Risk Committee meetings, two Nominations & Remuneration Committee meetings, two Allotment Committee meetings and one General meeting. The directors met via video, telephone and electronic conferences on 23 other occasions.

CORPORATE GOVERNANCE (CONTINUED)

Meetings Attended

Director	Ms B L Anderson	Mr R S McDowell	Mr A Ahmed	Total
Board meetings	8	7	8	8
Audit & Risk Committee	3	3	3	3
Nominations & Remuneration Committee	2	2	2	2
Allotment Committee	-	2	2	2
Video, telephone & electronic conferences	23	23	22	23
General meeting	1	-	1	1
Total	37	37	38	39

In addition, there were three DRIS Allotment Committee meetings which the directors were not required to attend, but which were attended by the Company Secretary.

Training and Appraisal

On appointment, the Manager and Company Secretary provide all directors with induction training. Thereafter, regular briefings are provided on changes in regulatory requirements that affect the Company and its directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to VCTs.

The performance of the Board has been evaluated in respect of the financial year ended 31 December 2025. The Board, led by the Chair, has conducted a Board performance review to determine whether it and individual directors are functioning effectively.

The factors taken into account were based on the relevant provisions of the AIC Code and included attendance and participation at Board and Committee meetings, commitment to Board activities and the effectiveness of their contribution.

The results of the review process are communicated to the Board. Board performance review continues to be conducted on an annual basis.

The Chair has confirmed that the performance of the other directors being proposed for re-election continues to be effective and that they continue to show commitment to the role. The independent directors have similarly appraised the performance of the Chair. They considered that the performance of Ms B L Anderson continues to be effective.

Audit & Risk Committee

The Audit & Risk Committee consists of the directors of the Company. It meets at least three times each year.

The directors consider that it is currently appropriate that the Chair of the Committee should be Mr R S McDowell due to his experience in the role. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee, and that the Chair of the Committee meets the requirements of the AIC Code as to recent and relevant financial experience.

Given the small size of the Board, which is comprised solely of independent non-executive directors, the Board considers it appropriate for the Chair to serve as an additional member of the Audit & Risk Committee. The Chair was independent on appointment and brings relevant financial and governance experience. In line with the AIC Code's 'comply or explain' requirements, the Board is satisfied that this arrangement remains effective and appropriate, and the Chair does not chair the Committee.

The Audit & Risk Committee's terms of reference include the following roles and responsibilities:

- > Monitoring and making recommendations to the Board in relation to the Company's published financial statements (including in relation to the valuation of the Company's unquoted investments) and other formal announcements relating to the Company's financial performance;
- > Monitoring and making recommendations to the Board in relation to the Company's internal control (including internal financial control) and risk management systems;
- > Annually considering the need for an internal audit function;
- > Making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;

- > Reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
 - > Reviewing and monitoring the Company's tax status and compliance;
 - > Monitoring the extent to which the external auditor is engaged to supply non-audit services; and
 - > Ensuring that the Manager has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.
- > Reviewing reports on the effectiveness of the Manager's compliance procedures;
 - > Reviewing the appropriateness of the Company's accounting policies;
 - > Reviewing the Company's draft annual financial statements, half yearly results statement and interim management statements prior to Board approval, including the proposed fair value of investments as determined by the directors;
 - > Reviewing the external auditor's detailed reports to the Audit & Risk Committee on the annual financial statements; and
 - > Recommending to the Board and shareholders the re-appointment of BDO LLP as the Company's external auditor.

It reviews the terms of the investment management agreement and examines the effectiveness of the Company's risk management and internal control framework, receives information from the Manager's compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditor.

The directors' statement on the Company's risk management and internal control framework is set out on pages 45 and 46.

The Audit & Risk Committee has written terms of reference, which clearly define its responsibilities, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting, and also on the Company's website at www.bscfunds.com.

The Company does not have an internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the Committee considers annually whether there is a need for such a function and, if so, would recommend this to the Board.

During the year ended 31 December 2025 the Audit & Risk Committee discharged its responsibilities by:

- > Reviewing and approving the external auditor's terms of engagement, remuneration and independence;
- > Reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks;
- > Reviewing YFM Private Equity Limited's statement of internal controls operated in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;

The key areas of risk that have been identified and considered by the Audit & Risk Committee in relation to the business activities and financial statements of the Company are as follows:

- > Valuation of unquoted investments; and
- > Compliance with HM Revenue & Customs' conditions for maintenance of approved venture capital trust status.

These issues were discussed with the Manager and the auditor at the pre-year end audit planning meeting and at the conclusion of the audit of the financial statements.

Valuation of Unquoted Investments

The Audit & Risk Committee reviewed the estimates and judgements made in the investment valuations and was satisfied that they were appropriate. The Manager confirmed to the Audit & Risk Committee that the investment valuations had been carried out consistently with prior periods and in accordance with published industry guidelines, taking account of the latest available information about investee companies; current market data; and a report from the auditor, including key audit findings in respect of the valuations.

Venture Capital Trust Status

The Manager confirmed to the Audit & Risk Committee that the conditions for maintaining the Company's status as an approved venture capital trust had been complied with throughout the year. The position was also reviewed by the Company's Tax Status Advisers.

CORPORATE GOVERNANCE (CONTINUED)

Financial Statements

The Manager confirmed to the Audit & Risk Committee that it was not aware of any material unadjusted misstatements. Having reviewed the reports received from the Manager and the auditor, the Audit & Risk Committee is satisfied that the key areas of risk and judgement have been appropriately addressed in the financial statements and that the significant assumptions used in determining the value of assets have been properly appraised and are sufficiently robust.

Relationship with the Auditor

As part of the review of audit effectiveness and independence, BDO LLP has confirmed that it is independent of the Company and has complied with applicable auditing standards. BDO LLP was first appointed as the result of a competitive tendering process in 2016. As a consequence, this is their tenth year of office as auditor, meaning that a further audit tender was required by law. As such, in February 2025, the Company's Audit & Risk Committee conducted a competitive, formal tender for the Company's audit. Following assessment of the firms involved, the Audit & Risk Committee recommended to the Board that BDO LLP continue as auditor of the Company, noting its experience of asset management and, more specifically, venture capital trusts. This recommendation was accepted by the Board.

In accordance with professional guidelines, the audit engagement partner is rotated off the audit after five years; this is the fifth year of the current partner's tenure.

In July 2025 the FRC published its annual assessment of quality among the Tier 1 audit firms. The Company's external auditor, BDO is one of the six Tier 1 audit firms, and was therefore subject to a review by the FRC's Audit Quality Review team. The FRC's report identified a number of areas for improvement for the auditor but noted improvements in the Financial Services practice and commented upon improved results in its internal quality monitoring.

The Committee discussed the FRC's findings along with the auditor's action plan in detail with BDO. BDO have confirmed that they are committed to the highest standards of audit quality and will continue to work closely with the FRC to address any areas of concern.

The Committee will continue to monitor the auditor's progress.

Having completed its review, the Audit & Risk Committee is satisfied that BDO LLP remained effective and independent in carrying out its responsibilities up to the date of signing this report and its recommendation for reappointment is endorsed by the Board. No non-audit services were provided by BDO LLP during the year.

Nominations & Remuneration Committee

The Company has a Nominations & Remuneration Committee, which consists of the directors, all of whom are considered by the Board to be independent of the Manager. The Chair of the Board acts as Chair of the Nominations & Remuneration Committee.

Given the small size of the Company and the fact that it has no employees and is overseen solely by independent non-executive directors, the Board considers it appropriate to act as the Nomination & Remuneration Committee, and in accordance with the AIC Code's 'comply or explain' requirements the Board is satisfied that this structure remains effective and proportionate for the Company.

In considering appointments to the Board, the Nominations & Remuneration Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

Meetings are held as and when required. There were two Nominations & Remuneration Committee meetings during the year.

The Board considers succession planning at least annually, especially in relation to the positions of the Chair and the Chair of the Audit & Risk Committee.

Investment Committee

The Board has determined that, due to the investment procedures currently in place, in its opinion there is no role for an independent Investment Committee.

Allotment Committee

The Company has an Allotment Committee, which consists of the directors, all of whom are considered by the Board to be independent of the Manager. The quorum for Committee meetings is one director, unless otherwise determined by the Board. In addition, the Company Secretary has a delegated authority to allot shares under the DRIS.

The Committee considers and, if appropriate, authorises the allotment of shares. The Committee ensures that the total number of shares to be issued does not exceed the authority given by the shareholders. There are no written terms of reference.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance, and reports formally to shareholders at least twice a year by way of the Annual Report and the Interim Report. This is supplemented by the publication of the net asset value of the Company for the two quarters of the year where an Annual or Interim Report is not normally issued (31 March and 30 September), through the London Stock Exchange.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting, at which the directors and representatives of the Manager are available in person to meet with and answer shareholders' questions. In addition, representatives of the Manager periodically hold shareholder workshops which review the Company's performance and industry developments, and which give shareholders a further opportunity to meet members of the Board and chief executives or chairpersons of some of the investee companies. During the year, the Company's Manager has held regular discussions with shareholders. The directors are made fully aware of shareholders' views. The Chair and directors make themselves available, as and when required, to address shareholder queries. The directors may be contacted through the Company Secretary, whose details are shown on page 35.

The Company's Annual Report and Notice of the Annual General Meeting are published in time to give shareholders at least 21 clear days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 35. Separate resolutions are proposed for each separate issue. Proxy votes will be counted and the results announced at the Annual General Meeting for and against each resolution.

Risk Management and Internal Control Framework

Under an agreement dated 22 December 2025, certain functions of the Company have been sub-contracted to YFM Private Equity Limited. The Board receives regular operational and financial reports from the Manager

covering the current position of the Company and relevant strategic, financial, operational and compliance issues. These matters include, but are not limited to:

- > A clearly defined investment strategy for the Manager, approved by the Board;
- > All decisions concerning the acquisition or disposal of investments are ratified by the Board;
- > Regular reviews of the Company's investment portfolio, liquid assets and liabilities, revenue and expenditure;
- > Regular reviews of compliance with the VCT regulations to retain its status; and
- > The Board receives copies of the Company's management accounts on a regular basis showing comparisons with budget. These include a report by the Manager with a review of performance. Additional information is supplied on request.

The Board confirms the procedures to implement the guidance detailed in Principle O of the AIC Code were in place throughout the year ended 31 December 2025 and up to the date of this report. A detailed review of the risks faced by the Company and the techniques used to mitigate these risks can be found in the Strategic Report on pages 31 and 32.

The Board acknowledges that it is responsible for overseeing the Company's risk management and internal control framework and for reviewing its effectiveness on an ongoing basis. This framework is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board arranges its meeting agenda so that risk management and internal control is considered on a regular basis and a full robust risk and control assessment takes place at least twice a year. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for longer than the year under review and up to the date of approval of the Annual Report. The process is formally reviewed bi-annually by the Board.

Given the size and nature of the Company, the Board has concluded that it is not currently necessary to establish an internal audit function. This assessment is reviewed annually, and the Board would consider the introduction of such a function should it be deemed appropriate in the future. The directors are satisfied that the Company's risk management and internal control framework is appropriate and proportionate, and is consistent with relevant guidance issued by the FRC.

CORPORATE GOVERNANCE (CONTINUED)

In particular the Board, together with the Audit & Risk Committee, is responsible for overseeing and reviewing internal controls concerning financial reporting. In addition to the controls operated by the Manager, the following controls have been in place throughout the year:

- > A robust system of internal control is maintained by the Manager over the preparation and reconciliation of investment portfolio valuations;
- > Monthly reconciliation of assets held as cash or on fixed term deposit;
- > Independent review of the valuations of portfolio investments by the Board (quarterly);
- > The Audit & Risk Committee's review of financial reporting and compliance (as set out on pages 42 to 44);
- > The Board reviews financial information including the Annual Report, Interim Report and interim management statements prior to their external communication; and
- > The Board reviews the financial information in any prospectus or offer for subscription issued by the Company in connection with the issue of new share capital.

The Company is classified by the Financial Conduct Authority as an Alternative Investment Fund ("AIF") and is therefore required to appoint an Alternative Investment Fund Manager ("AIFM"). The Manager has been appointed as the Company's AIFM and is authorised as a full scope AIFM, as the assets under its management exceed the applicable regulatory thresholds. As required under the AIFM regime, an independent depository, Thompson Taraz Depository Limited, has been appointed and is responsible for the safekeeping of the Company's assets.

The Board has reviewed the effectiveness of the Company's risk management and internal controls framework throughout the year and up to the date of this Report. The Board is of the opinion that the Company's systems of internal, financial, and other controls are appropriate to the nature of its business activities and methods of operation given the size of the Company, and the Board has a reasonable expectation that the Company will continue in operational existence for the foreseeable future.

Conflicts of Interest

The directors have declared any conflicts or potential conflicts of interest to the Board, which has the authority to authorise such situations if appropriate. The Company

Secretary maintains the Register of Directors' Interests, which is reviewed quarterly by the Board, when changes are notified, and the directors advise the Company Secretary and the Board as soon as they become aware of any conflicts of interest. Directors who have conflicts of interest which have been approved by the Board do not take part in discussions or decisions which relate to any of their conflicts.

Corporate Governance in Relation to Investee Companies

The Company delegates responsibility for monitoring its investments to its Manager, whose policy, which has been noted by the Board, is as follows:

YFM Private Equity Limited is committed to introducing corporate governance standards into the companies in which its clients invest. With this in mind, the Company's investment agreements contain contractual terms specifying the required frequency of board meetings, and for representation at such meetings through YFM Private Equity Limited. In addition, provision is made for the preparation of regular and timely management information to facilitate the monitoring of an investee company performance in accordance with best practice in the private equity sector.

Co-Investment

Typically, the Company invests alongside funds, including those managed by the Manager, such syndication spreading investment risk. Details of the amounts invested in individual companies are set out in the Strategic Report.

Co-investments are detailed in note 7 to the financial statements on pages 76 to 78.

Management

The Board has delegated the monitoring of the investment portfolio to the Manager.

This report was approved by the Board on 18 March 2026 and signed on its behalf by



Barbara Anderson

Chair

British Smaller Companies VCT2 plc

Registered number 04084003

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Ordinary resolutions for the approval of this report and the Directors' Remuneration Policy will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditor, BDO LLP, to audit certain information included in this report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the Independent Auditor's Report on pages 51 to 57.

Directors' Remuneration Policy

This statement of the Directors' Remuneration Policy took effect following approval by shareholders at the Annual General Meeting held on 15 June 2023.

A resolution to approve the Directors' Remuneration Policy will be put to shareholders every three years.

The Board comprises three directors, all of whom are non-executive. The Company currently has an independent Nominations & Remuneration Committee, which is comprised of the full Board and of which Ms B L Anderson is the independent Chair.

The Board has not retained external advisors in relation to remuneration matters but has access to information about directors' fees paid by other companies of a similar size and nature and this is used as a reference when setting directors' remuneration. Shareholders' views in respect of the directors' remuneration are communicated at the Company's Annual General Meeting and are taken into consideration in formulating the Directors' Remuneration Policy.

At the last Annual General Meeting, 94 per cent of shareholders who exercised their voting rights voted for the resolution approving the Directors' Remuneration Report, showing significant shareholder approval.

The Board's policy is that the remuneration of non-executive directors should reflect the experience of the Board as a whole, to be fair and comparable to that of other relevant venture capital trusts that are similar in size and have similar investment objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the directors needed to properly oversee the Company and to reflect the duties and responsibilities of the directors and the value and amount of time committed to the Company's affairs.

It is not considered appropriate that directors' remuneration should be performance-related, and as such the directors are not eligible for bonuses, share options, pension benefits, long-term incentive schemes or other benefits in respect of their services as non-executive directors of the Company.

It is the Board's policy that directors do not have service contracts, but new directors are provided with a letter of appointment. The terms of directors' appointments provide that directors should retire and be subject to election at the first Annual General Meeting after their appointment. Thereafter, it has been agreed that all directors will offer themselves for re-election on an annual basis. All director appointments are terminable by each director or the Company on three months' notice. Any director who ceases to hold office is not entitled to receive any payment other than accrued fees (if any) for past services. There were no payments for loss of office made during the period.

The policy will continue to be applied in the forthcoming year.

Brief biographical notes on the directors are given on page 35.

Statement by the Chair of the Nominations & Remuneration Committee

At the 2025 director fee review, the directors noted the increasing workload arising in relation to the Company in recent years, particularly for a three-person board, versus many VCTs of a similar scale to the Company which have larger boards. The directors determined that it would be more cost effective for the Company to increase remuneration levels to reflect workloads versus hiring an additional director. As such the directors agreed that with effect from 1 July 2025, they would be increased to £57,000 per annum for the Chair and £34,000 for a non-executive director, with the Chair of the Audit & Risk Committee receiving an additional £3,000 per annum for this duty.

As part of the 2026 director fee review, the directors reviewed the level of directors' fees and, in light of the current inflationary environment, agreed that they will be increased by 1.3 per cent, to £57,750 per annum for the Chair and £34,450 for the non-executive directors, effective from 1 April 2026. The Chair of the Audit & Risk Committee will continue to receive an additional £3,000 per annum for this duty. In accordance with the Directors' Remuneration Policy, the directors agreed that the fees should be reviewed again in March 2027. The cap on aggregate annual fees is £165,000.

DIRECTOR'S REMUNERATION REPORT (CONTINUED)

Directors' Remuneration for the year ended 31 December 2025 (audited)

The directors who served in the year and the previous year received the following emoluments in the form of fees, which represent the entire remuneration payable to directors (see Table A below):

There are no executive directors (2024: none).

TABLE A
Total Fixed Fees Paid (audited)

	2025 £	2024 £
B L Anderson*	52,687	39,225
R S McDowell	33,200	29,050
A Ahmed**	31,000	15,292
P C Waller ***	-	20,987
	116,887	104,554

* appointed Chair 13 June 2024

** appointed 13 June 2024

*** resigned 13 June 2024

With effect from 1 July 2025, the annual salary of the Chair was increased to £57,000 (previously £48,375) and the annual salary of the non-executive directors was increased to £34,000 (previously £29,400) with the Chair of the Audit & Risk Committee receiving an additional £3,000 (previously £nil) per annum for this duty. The annual salary of Mr A Ahmed from the date of his appointment on 13 June 2024 was £28,000.

TABLE B
Total Fixed Fees Paid: Annual change

Director	2025 %	2024 %	2023 %	2022 %	2021 %
B L Anderson	17.8	5.0	5.9	8.7	0.0
R S McDowell	25.9	5.0	5.9	8.7	0.0
A Ahmed	21.4	n/a	n/a	n/a	n/a
P C Waller	n/a	7.5	5.4	5.2	0.0

Directors and their Interests (audited)

The directors of the Company at 31 December 2025 and their beneficial interests in the share capital of the Company (including those of immediate family members) were as shown in Table C:

TABLE C
Directors and their interests (audited)

	Number of ordinary shares at:		Percentage of voting rights:	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
B L Anderson	619,754	619,754	0.19%	0.22%
R S McDowell	926,126	837,259	0.28%	0.30%
A Ahmed	10,449	-	0.00%	-

None of the directors held any options to acquire additional shares at the year end. Mr R S McDowell was allotted 88,867 ordinary shares on 7 January 2026 as part of the 2025/26 fundraising, taking his total shareholding to 1,016,281 ordinary shares.

The Company has not set out any formal requirement or guidelines concerning their ownership of shares in the Company.

Relative Importance of Spend on Pay

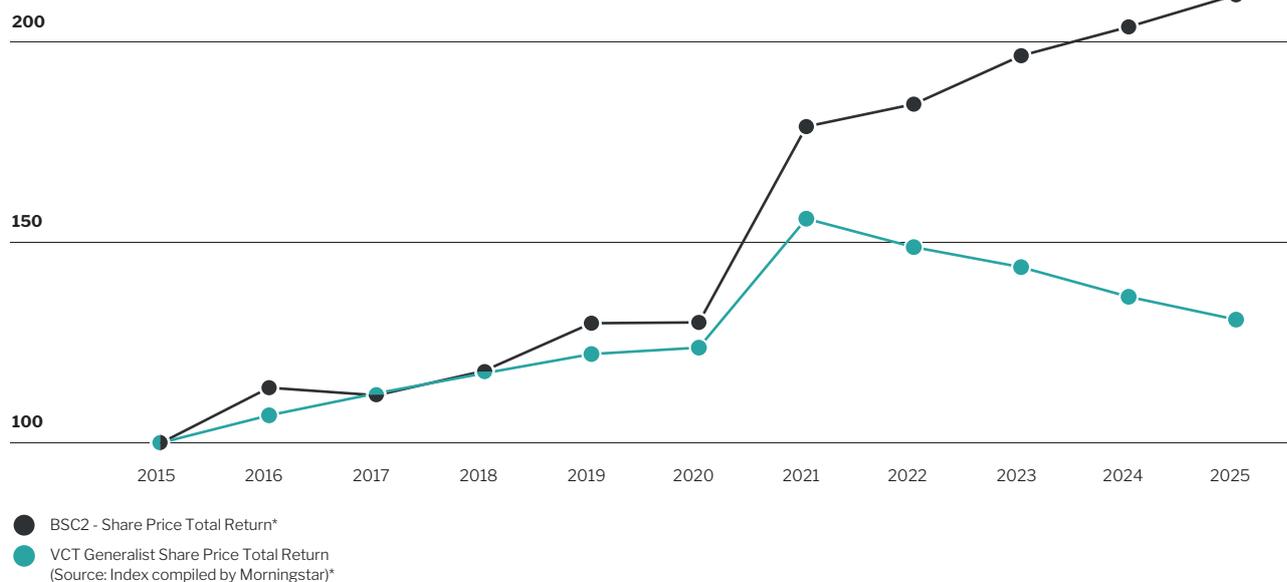
Directors' remuneration, dividend distribution and share buy-backs are shown in Table D:

The remuneration of the directors is fixed and contains no performance related variable element. As the Company has no employees, the directors do not consider it relevant to compare directors' fees against employee pay.

TABLE D
Relative Importance of Pay

	2025 £	2024 £
Dividends	12,711,000	8,499,000
Share buy-backs	3,933,000	4,086,000
Total directors' fees	116,887	104,554

250



* assumes dividends re-invested

Consideration of Employment Conditions of Non-director Employees

The Company does not have any employees. Accordingly, the disclosures required under paragraph 38 and 39 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are not required.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the management agreement, as referred to in the Corporate Governance section.

Net asset value Total Return (calculated by reference to the net asset value and cumulative dividends paid, as set out in note 12 of these financial statements and excluding tax reliefs received by shareholders) is the primary recognised measure of performance in the VCT industry. This measure is shown on page 12.

The graph above shows a comparison over the last ten years of the movements in both the Company's Share Price Total Return and the Share Price Total Return for an index of VCTs which are members of the AIC (based on figures provided by Morningstar). In line with the index all the relative performance measures have been rebased to 100 as at 31 December 2015. The directors consider this to be the most appropriate published index on which to report on comparative performance.

This report was approved by the Board and signed on its behalf on 18 March 2026.

Barbara Anderson
Chair

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

In preparing these financial statements, the directors are required to:

- > Select suitable accounting policies and then apply them consistently;
- > Make judgements and accounting estimates that are reasonable and prudent;
- > State whether they have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- > Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- > Prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy.

Website Publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website www.bscfunds.com in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibilities Pursuant to DTR4

The directors confirm to the best of their knowledge:

- > The financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and
- > The annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

The names and functions of all the directors are stated on page 35.

This statement was approved by the Board and signed on its behalf on 18 March 2026.



Barbara Anderson
Chair

INDEPENDENT AUDITOR'S REPORT

to the members of British Smaller Companies VCT2 plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- > give a true and fair view of the state of the Company's affairs as at 31 December 2025 and of its profit and cash flows for the year then ended;
- > have been properly prepared in accordance with UK adopted international accounting standards; and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of British Smaller Companies VCT2 plc (the 'Company') for the year ended 31 December 2025 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- > Obtaining the VCT compliance reports prepared by management's expert as at year end and reviewing the calculations therein to check that the Company was meeting its requirements to retain VCT status;
- > Consideration of the Company's expected future compliance with VCT legislation, the absence of bank debt, contingencies and commitments and any market or reputational risks;
- > Reviewing the forecasted cash flows that support the Directors' assessment of going concern, challenging assumptions and judgements made in the forecasts, and assessing them for reasonableness. In particular, we considered the available cash resources relative to the forecast expenditure which was assessed against the prior year for reasonableness; and
- > Evaluating the Directors' method of assessing the going concern in light of market volatility.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Overview

	2025	2024
<i>Key audit matters</i>		
Valuation of unquoted investments	✓	✓
<i>Materiality</i>		
Company financial statements as a whole	£3.5m (2024: £3.2m) based on 2% (2024: 2%) of Net asset value.	

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, the applicable financial reporting framework and the system of internal control. We identified and assessed the risks of material misstatement of the financial statements. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risk of material misstatement to the financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the risk of material misstatement to an acceptable level, to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How the scope of our audit addressed the key audit matter

Valuation of unquoted investments

(Note 1 and Note 7)

We consider the valuation of investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations.

There is also an inherent risk of management override arising from the unquoted investment valuations being prepared by the Manager, who is remunerated based on performance metrics including the net asset value of the Company.

For these reasons we considered the valuation of unquoted investments to be a key audit matter.

We assessed the design and implementation of controls relating to the valuation of unquoted investments. This included obtaining an understanding of the sources of key inputs, judgements and significant estimates used as well as the oversight and governance structures in relation to the valuation process.

For all investments we:

- > Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and the applicable accounting standards.
- > Assessed whether the valuation workings are based on the latest information provided by the investee companies, were reviewed and approved accordingly and the commentary in the valuation workings supports the fair value movement.

We performed a risk assessment to determine the extent of our detailed testing. This included assessing the value of individual investments, the movement in fair value; movements in multiples (where applicable); and enterprise value, and changes in discounts from prior year to current year; and the economic factors that impact the valuation of the portfolio companies.

For investments selected for testing that were valued using less subjective valuation techniques we:

- > Verified the price of recent investment to supporting documentation;
- > Considered whether the investment was an arm's length transaction through reviewing the parties involved in the transaction and checking whether or not they were already investors of the investee Company;

Key audit matter

How the scope of our audit addressed the key audit matter

- > Considered whether there were any indications that the cost or price of recent investment was no longer representative of fair value considering, inter alia, the current performance of the investee company and the milestones and assumptions set out in the investment proposal; and
- > Considered whether the price of recent investment is supported by alternative valuation techniques.

For investments selected for testing that were valued using more subjective techniques (earnings multiples and revenue multiples) we:

- > Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;
- > Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues, earnings or cash flows used in the valuations;
- > Considered the revenue or earnings multiples applied and the discounts applied by reference to observable listed company market data; and
- > Challenged the consistency and appropriateness of adjustments made to such market data in establishing the revenue, cash flow or earnings multiple applied in arriving at the valuations adopted by considering the individual performance of investee companies against plan and relative to the peer group, the market and sector in which the investee company operates and other factors as appropriate.

Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias.

Key observations

Based on the procedures performed we consider the investment valuations to be appropriate considering the level of estimation uncertainty.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2025 £m	Company financial statements 2024 £m
Materiality	3.5	3.2
Basis for determining materiality	2% of Net Assets	2% of Net Assets
Rationale for the benchmark applied	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 2% of net assets.	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 2% of net assets.
Performance materiality	2.6	2.4
Basis for determining performance materiality	75% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements based on our knowledge and experience of the Company.	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements based on our knowledge and experience of the Company.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £178,000 (2024: £160,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly

stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The UK Listing Rules sourcebook requires us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- > The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 36 to 37;
- > The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 36 to 37; and
- > The Directors' statement on whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities set out on pages 36 to 37.

Other Code provisions

- > Directors' statement on fair, balanced and understandable set out on page 36;
 - > Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 31 to 32;
 - > The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 45 to 46; and
 - > The section describing the work of the Audit and Risk Committee set out on pages 42 to 43.
-

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- > the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- > adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
 - > the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
 - > certain disclosures of Directors' remuneration specified by law are not made; or
 - > we have not received all the information and explanations we require for our audit.
-

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

However, the primary responsibility for the prevention and detection of fraud rests with both Those Charged with Governance of the Company and management.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- > Our understanding of the Company and the industry in which it operates;
- > Discussion with the Manager and those charged with governance; and
- > Obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") and updated in 2022 with consequential amendments and the applicable financial reporting framework. We also considered the Company's qualification as a VCT under UK tax legislation.

Our procedures in respect of the above included:

- > Agreement of the financial statement disclosures to underlying supporting documentation;
- > Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- > Obtaining the VCT compliance reports prepared by management's expert as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status; and
- > Reviewing minutes of meetings of those charged with governance throughout the period for instances of non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- > Enquiry of the Manager and those charged with governance regarding any known or suspected instances of fraud;
- > Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;

- > Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- > Considering performance incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the valuation of unquoted investments and management override of controls.

Our procedures in respect of the above included:

- > In addressing the risk of valuation of unquoted investments, the procedures set out in the key audit matter section in our report were performed;
- > In addressing the risk of management override of control, we:
 - Considered the opportunity and incentive to manipulate accounting entries;
 - Reviewed the significant judgements made in the valuation of unquoted investments and considering whether the valuation methodology is the most appropriate;
 - Considered any indicators of bias in our audit as a whole;
 - Performed a review of unadjusted audit differences, if any, for indicators of bias or deliberate misstatement; and
 - We have reviewed the appropriateness of adjustments made in the preparation of the financial statements.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board of Directors during 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. Our total uninterrupted period of engagement including retenders and reappointments is ten years, covering the years ended 31 December 2016 to 31 December 2025.

Our audit opinion is consistent with the additional report to the Audit and Risk committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.15R - 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R - DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R - DTR 4.1.18R.

Vanessa-Jayne Bradley
(Senior Statutory Auditor)

For and on behalf of BDO LLP,
Statutory Auditor
London, UK

18 March 2026

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	Revenue £000	2025 Capital £000	Total £000	Revenue £000	2024 Capital £000	Total £000
(Losses) gains on investments held at fair value	7	(557)	4,176	3,619	-	3,105	3,105
Gain on disposal of investments	7	-	2,206	2,206	-	234	234
(Loss) gain arising from the investment portfolio		(557)	6,382	5,825	-	3,339	3,339
Income	2	2,861	-	2,861	3,336	-	3,336
Total income		2,304	6,382	8,686	3,336	3,339	6,675
Administrative expenses:							
Manager's fee		(711)	(2,134)	(2,845)	(624)	(1,872)	(2,496)
Incentive fee		-	(623)	(623)	-	(818)	(818)
Other expenses		(796)	-	(796)	(751)	-	(751)
	3	(1,507)	(2,757)	(4,264)	(1,375)	(2,690)	(4,065)
Profit before taxation		797	3,625	4,422	1,961	649	2,610
Taxation	4	(146)	146	-	(12)	12	-
Profit for the year		651	3,771	4,422	1,949	661	2,610
Total comprehensive income for the year		651	3,771	4,422	1,949	661	2,610
Basic and diluted earnings per ordinary share	6	0.20p	1.18p	1.38p	0.72p	0.24p	0.96p

The accompanying notes on pages 63 to 85 are an integral part of these financial statements.

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with UK adopted international accounting standards. The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in December 2025 – "SORP") published by the AIC.

BALANCE SHEET

At 31 December 2025

	Notes	2025 £000	2024 £000
ASSETS			
Non-current assets at fair value through profit or loss			
Financial assets at fair value through profit or loss	7	112,785	106,767
Other assets	8	1,916	-
		114,701	106,767
Current assets			
Accrued income and other assets	8	816	1,651
Current asset investments	9	38,000	35,500
Cash at bank and other cash equivalents	9	25,840	17,627
		64,656	54,778
LIABILITIES			
Current liabilities			
Trade and other payables	10	(958)	(1,094)
Net current assets		63,698	53,684
Net assets		178,399	160,451
Shareholders' equity			
Share capital	11	36	31
Share premium account		30,165	-
Other reserves		2	2
Merger reserve		217	217
Capital reserve		108,960	121,455
Investment holding gains and losses reserve	7	37,594	36,280
Revenue reserve		1,425	2,466
Total shareholders' equity		178,399	160,451
Net asset value per ordinary share	12	54.40p	57.10p

The accompanying notes on pages 63 to 85 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 18 March 2026.



Barbara Anderson
Chair

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital £000	Share premium account £000	Other reserves* £000	Capital reserve £000	Investment holding gains and losses reserve £000	Revenue reserve £000	Total equity £000
Balance at 31 December 2023	25,014	25,386	5,615	37,458	40,245	1,898	135,616
Revenue return for the year	-	-	-	-	-	1,961	1,961
Expenses charged to capital	-	-	-	(2,690)	-	-	(2,690)
Investment holding gains on investments held at fair value	-	-	-	-	3,105	-	3,105
Realisation of investments in the year	-	-	-	234	-	-	234
Taxation	-	-	-	12	-	(12)	-
Total comprehensive (expense) income for the year	-	-	-	(2,444)	3,105	1,949	2,610
Issue of share capital	5,720	28,822	-	-	-	-	34,542
Issue of shares – DRIS	246	1,153	-	-	-	-	1,399
Issue costs **	-	(1,131)	-	-	-	-	(1,131)
Reduction in nominal value	(30,949)	-	-	30,949	-	-	-
Share premium cancellation	-	(54,230)	(88)	54,318	-	-	-
Purchase of own shares	-	-	-	(4,086)	-	-	(4,086)
Dividends	-	-	-	(7,118)	-	(1,381)	(8,499)
Total transactions with owners	(24,983)	(25,386)	(88)	74,063	-	(1,381)	22,225
Transfer between reserves	-	-	(5,308)	5,308	-	-	-
Realisation of prior year investment holding gains	-	-	-	7,070	(7,070)	-	-
Balance at 31 December 2024	31	-	219	121,455	36,280	2,466	160,451
Revenue return for the year	-	-	-	-	-	797	797
Expenses charged to capital	-	-	-	(2,757)	-	-	(2,757)
Investment holding gains on investments held at fair value	-	-	-	-	4,176	-	4,176
Realisation of investments in the year	-	-	-	2,206	-	-	2,206
Taxation	-	-	-	146	-	(146)	-
Total comprehensive (expense) income for the year	-	-	-	(405)	4,176	651	4,422
Issue of share capital	5	29,165	-	-	-	-	29,170
Issue of shares – DRIS	-	1,961	-	-	-	-	1,961
Issue costs **	-	(961)	-	-	-	-	(961)
Purchase of own shares	-	-	-	(3,933)	-	-	(3,933)
Dividends	-	-	-	(11,019)	-	(1,692)	(12,711)
Total transactions with owners	5	30,165	-	(14,952)	-	(1,692)	13,526
Transfer between reserves	-	-	-	(4,610)	4,610	-	-
Realisation of prior year investment holding gains	-	-	-	7,472	(7,472)	-	-
Balance at 31 December 2025	36	30,165	219	108,960	37,594	1,425	178,399

The accompanying notes on pages 63 to 85 are an integral part of these financial statements.

For the year ended 31 December 2025

Reserves available for distribution

Under the Companies Act 2006 the capital reserve and the revenue reserve are distributable reserves. The table below shows amounts that are available for distribution.

	Capital reserve £000	Revenue reserve £000	Total £000
Distributable reserves as shown on previous page	108,960	1,425	110,385
Share capital and cancelled share premium not yet distributable (see below)	(64,327)	-	(64,327)
Income/proceeds not yet distributable	(2,286)	(341)	(2,627)
Reserves available for distribution***	42,347	1,084	43,431

* Other reserves include the merger reserve and the other reserve, which are non-distributable. The other reserve was created upon the exercise of warrants, and the merger reserve was created on the merger with British Smaller Technologies Company VCT plc.

** Issue costs include both fundraising costs and costs incurred from the Company's DRIS.

*** Following the circulation of the Annual Report to shareholders.

The merger reserve arose following the Company's acquisition of the assets and liabilities of British Smaller Technology Companies VCT plc in 2005. The reserve accounted for the difference between the nominal and fair value of shares issued as consideration, in accordance with section 131 of the Companies Act 1985 and the provisions of the Companies Act 2006 for merger relief. As the majority of the assets and liabilities acquired in the merger have subsequently been realised, £5,308,000 of the merger reserve was transferred to distributable reserves during 2024. The remaining merger reserve will become distributable once the remaining assets acquired are realised.

The capital reserve and revenue reserve are both distributable reserves. The reserves total £110,385,000, representing a decrease of £13,536,000 during the year. The directors also take into account the level of the investment holding gains and losses reserve and the future requirements of the Company when determining the level of dividend payments.

Of the potentially distributable reserves of £110,385,000 shown above, £2,627,000 relates to income/proceeds not yet distributable. In addition, £64,327,000 relates to cancelled share premium and the reduction in the nominal value of share capital which will become distributable from the dates shown in the table below.

	Share premium £000	Share Capital £000	Total £000
1 January 2027	24,528	4,995	29,523
1 January 2028	28,844	5,960	34,804
Total	53,372	10,955	64,327

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 £000	2024 £000
Net cash outflow from operating activities		(1,355)	(1,491)
Cash flows generated from (used in) investing activities			
Proceeds from sale of financial assets at fair value through profit or loss	7	13,310	8,406
Deferred consideration		1,285	43
Purchase of financial assets at fair value through profit or loss	7	(16,053)	(15,127)
Net cash outflow from investing activities		(1,458)	(6,678)
Cash flows from (used in) financing activities			
Issue of ordinary shares		29,170	34,542
Costs of ordinary share issues*		(961)	(1,131)
Purchase of own ordinary shares		(3,933)	(4,086)
Dividends paid	5	(10,750)	(7,100)
Net cash inflow from financing activities		13,526	22,225
Net increase in cash and cash equivalents		10,713	14,056
Cash and cash equivalents at the beginning of the year		53,127	39,071
Cash and cash equivalents at the end of the year	9	63,840	53,127

* Issue costs include both fundraising costs and expenses incurred from the Company's DRIS

Cash and cash equivalents comprise:

Money market funds		38,000	35,500
Cash at bank and other cash equivalents		25,840	17,627
Cash and cash equivalents at the end of the year	9	63,840	53,127

Reconciliation of Profit before Taxation to Net Cash Outflow from Operating Activities

	2025 £000	2024 £000
Profit before taxation*	4,422	2,610
Decrease in trade and other payables	(136)	(748)
Decrease (increase) in accrued income and other assets**	184	(14)
Gain on disposal of investments	(2,206)	(234)
Gains on investments held at fair value	(3,619)	(3,105)
Net cash outflow from operating activities	(1,355)	(1,491)

* Includes cash inflows from

Dividends	483	248
Interest	2,590	3,083

** Includes accrued income and other assets disclosed in Note 7 – Financial Assets at Fair Value through Profit or Loss – Investments.

The accompanying notes on pages 63 to 85 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

Basis of Preparation

The accounts have been prepared on a going concern basis as set out in the Directors Report on page 36 and in accordance with UK adopted international accounting standards.

The directors have carefully considered the issue of going concern in view of the Company's activities and associated risks. The Company has a well-diversified portfolio with businesses in a variety of sectors, many of which are well funded. Some portfolio companies may require additional funding in the near- to medium-term; the Company is well placed to provide this, where appropriate.

The Company has a significant level of liquidity, which will be further enhanced by the current fundraising. In addition, the Board has control over, and can flex as appropriate, the Company's major outgoings, which predominantly comprise investments, dividends and share buy-backs.

The directors have also assessed whether material uncertainties exist and their potential impact on the Company's ability to continue as a going concern; they have concluded that no such material uncertainties exist.

Taking all of the above into consideration, the directors are satisfied that the Company has sufficient resources to meet its obligations for at least 12 months from the date of this report and therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing the financial statements.

The financial statements have been prepared under the historical cost basis as modified by the measurement of investments at fair value through profit or loss.

The accounts have been prepared in compliance with the recommendations set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies (issued in December 2025 – the "SORP") to the extent that they do not conflict with UK adopted international accounting standards.

The financial statements are prepared in accordance with UK adopted international accounting standards (International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS")) and interpretations in force at the reporting date. New standards coming into force during the year and future standards that come into effect after the year end have not had a material impact on these financial statements.

The Company has carried out an assessment of accounting standards, amendments and interpretations that have been issued by the International Accounting Standards Board and that are effective for the current reporting period. The Company has determined that the transitional effects of the standards do not have a material impact. The Company is assessing the effects of IFRS18, Presentation and Disclosure of Financial Statements, as it is not yet effective.

The financial statements are presented in sterling, and all values are rounded to the nearest thousand (£000), except where stated.

Financial Assets held at Fair Value through Profit or Loss - Investments

Financial assets designated as at fair value through profit or loss ("FVPL") at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with the documented investment strategy of the Company. Information about these financial assets is provided internally on a fair value basis to the Company's key management. The Company's investment strategy is to invest cash resources in venture capital investments as part of the Company's long-term capital growth strategy. Consequently, all investments are classified as held at fair value through profit or loss. Purchases and sales of investments are recognised when the contract for acquisition or sale becomes unconditional.

All investments are measured at fair value on the whole unit of account basis with gains and losses arising from changes in fair value being included in the Statement of Comprehensive Income as gains or losses on investments held at fair value. Accrued income on loans/preference shares that is rolled to exit and is not yet past due, forms part of the investment's fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal Accounting Policies (continued)

Transaction costs on purchases are expensed immediately through profit or loss.

Although the Company holds more than 20 per cent of the equity of certain companies, it is considered that the investments are held as part of the investment portfolio, and their value to the Company lies in their marketable value as part of that portfolio. These investments are therefore not accounted for using equity accounting, as permitted by IAS 28 'Investments in associates' and IFRS 11 'Joint arrangements' which give exemptions from equity accounting for venture capital organisations.

Under IFRS 10 "Consolidated Financial Statements", control is presumed to exist when the Company has power over an investee (whether or not used in practice); exposure or rights; to variable returns from that investee, and ability to use that power to affect the reporting entities returns from the investees. The Company does not hold more than 50 per cent of the equity of any of the companies within the portfolio. The Company does not control any of the companies held as part of the investment portfolio. It is not considered that any of the holdings represent investments in subsidiary undertakings.

Due to the above factors, the Company has applied the IFRS 10 investment entity consolidation exemption and has not prepared consolidated financial statements.

Valuation of Investments

Unquoted investments are valued in accordance with IFRS 13 "Fair Value Measurement" and using the International Private Equity and Venture Capital Valuation Guidelines, most recently updated in December 2025 (the "IPEV Guidelines"). Quoted companies are valued at market bid price. A detailed explanation of the valuation policies of the Company is included below.

Initial Measurement

The best estimate of the initial fair value of an unquoted investment is the cost of the investment. Unless there are indications that this is inappropriate, an unquoted investment will be held at this value within the first three months of investment.

Subsequent Measurement

Based on the IPEV Guidelines we have identified six of the most widely used valuation methodologies for unquoted investments. The IPEV Guidelines advocate that the best valuation methodologies are those that draw on external, objective market-based data in order to derive a fair value.

Unquoted Investments

- > **Revenue multiples.** An appropriate multiple, given the risk profile and revenue growth prospects of the underlying company, is applied to the revenue of the company. The multiple is adjusted to reflect any risk associated with lack of marketability and to take account of the differences between the investee company and the benchmark company or companies used to derive the multiple.
- > **Earnings multiple.** An appropriate multiple, given the risk profile and earnings growth prospects of the underlying company, is applied to the maintainable earnings of the company. The multiple is adjusted to reflect any risk associated with lack of marketability and to take account of the differences between the investee company and the benchmark company or companies used to derive the multiple.
- > **Net assets.** The value of the business is derived by using appropriate measures to value the assets and liabilities of the investee company.
- > **Discounted cash flows of the underlying business.** The present value of the underlying business is derived by using reasonable assumptions and estimations of expected future cash flows and the terminal value, and discounted by applying the appropriate risk-adjusted rate that quantifies the risk inherent in the company.

- > **Discounted cash flows from the investment.** Under this method, the discounted cash flow concept is applied to the expected cash flows from the investment itself rather than the underlying business as a whole.
- > **Price of recent investment.** This may represent the most appropriate basis where a significant amount of new investment has been made by an independent third party. This is adjusted, if necessary, for factors relevant to the background of the specific investment such as preference rights and will be benchmarked against other valuation techniques. In line with the IPEV Guidelines the price of recent investment will usually only be used for the initial period following the round and after this an alternative basis will be found.

Due to the significant subjectivity involved, discounted cash flows are only likely to be reliable as the main basis of estimating fair value in limited situations. Their main use is to support valuations derived using other methodologies and for assessing reductions in fair value.

One of the valuation methods described above is used to derive the gross attributable enterprise value of the company after which adjustments are made to reflect specific circumstances. This value is then apportioned appropriately to reflect the respective debt and equity instruments in the event of a sale at that level at the reporting date.

Income

Dividends and interest are received from financial assets measured at fair value through profit and loss and are recognised on the same basis in the Statement of Comprehensive Income. This includes interest and preference dividends rolled up and/or payable at redemption. Interest income is also received on cash, cash equivalents and current asset investments. Dividend income from unquoted equity shares is recognised at the time when the right to the income is established.

Expenses

Expenses are accounted for on an accruals basis. Expenses are charged through the Revenue column of the Statement of Comprehensive Income, except for the Manager's fee and incentive fees. Of the Manager's fees 75 per cent are allocated to the Capital column of the Statement of Comprehensive Income, to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75 per cent of the Company's investment returns will be in the form of capital gains. The incentive fee payable to the Manager (as set out in note 3) is charged wholly through the Capital column.

Tax relief is allocated to the Capital Reserve using a marginal basis.

Incentive Fee

The incentive fee is accounted for on an accruals basis. As further detailed in note 3, the incentive fee is calculated as 20 per cent of the amount by which the cumulative dividends per ordinary share paid as at the last business day in December in any year, plus the average of the Company's middle market price per ordinary share on the five dealing days prior to that day, exceeds the Hurdle (as defined in note 3), multiplied by the number of ordinary shares issued and the ordinary shares under option. At the end of each reporting period, an accrual is recognised based upon the cumulative dividends per ordinary share paid to the reporting date, plus the average of the Company's middle market price per ordinary share on the five dealing days prior to the reporting date. The incentive fee is charged wholly through the Capital column.

Cash, Cash Equivalents and Current Asset Investments

Cash at bank comprises cash at hand and demand deposits. Cash equivalents comprises short-term deposits and highly liquid investments readily convertible into known amount of cash and subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal Accounting Policies (continued)

Current asset investments comprise money market funds.

Cash and cash equivalents include cash at hand, money market funds and bank deposits repayable on up to three months' notice, as these meet the definition in IAS 7 'Statement of cash flows' of a short-term highly liquid investment that is readily convertible into known amounts of cash and subject to insignificant risk of change in value.

Cash and cash equivalents (excluding money market funds) are valued at amortised cost, which equates to fair value. Money market funds are valued at fair value through profit and loss.

Cash flows classified as "operating activities" for the purposes of the Statement of Cash Flows are those arising from the Revenue column of the Statement of Comprehensive Income, together with the items in the Capital column that do not fall to be easily classified under the headings for "investing activities" given by IAS 7 'Statement of cash flows', being management and incentive fees payable to the Manager. The capital cash flows relating to the acquisition and disposal of investments are presented under "investing activities" in the Statement of Cash Flows in line with both the requirements of IAS 7 and the positioning given to these headings by general practice in the industry.

Share Capital and Reserves

Share Capital

This reserve contains the nominal value of all shares allotted under offers for subscription.

Share Premium Account

This reserve contains the excess of gross proceeds less issue costs over the nominal value of shares allotted under offers for subscription, to the extent that it has not been cancelled.

Capital Reserve

The following are included within this reserve:

- > Gains and losses on realisation of investments;
- > Realised losses upon permanent diminution in value of investments;
- > Capital income from investments;
- > 75 per cent of the Manager's fee expense, together with the related taxation effect to this reserve in accordance with the policy on expenses in note 1 of the financial statements;
- > Incentive fee payable to the Manager;
- > Capital dividends paid to shareholders;
- > Transfers from the merger reserve;
- > Purchase and holding of the Company's own shares; and
- > Credits arising from the cancellation of any share premium account or changes in the nominal value of the share capital.

Investment Holding Gains and Losses Reserve

Increases and decreases in the valuation of investments held at the year end are accounted for in this reserve, except to the extent that the diminution is deemed permanent

Revenue Reserve

This reserve includes all revenue income from investments along with any costs associated with the running of the Company – less 75 per cent of the Manager's fee expense as detailed in the Capital Reserve above.

Taxation

Due to the Company's status as a Venture Capital Trust and the continued intention to meet the conditions required to comply with Chapter 3 Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arises. Deferred tax is recognised on all temporary differences that have originated, but not reversed, by the balance sheet date.

Deferred tax assets are only recognised to the extent that they are regarded as recoverable. Deferred tax is calculated at the tax rates that are expected to apply when the asset is realised. Deferred tax assets and liabilities are not discounted.

Dividends Payable

Dividends payable are recognised only when an obligation exists. Interim and special dividends are recognised when paid and final dividends are recognised when approved by shareholders in general meetings.

Segmental Reporting

In accordance with IFRS 8 'Operating Segments' and the criteria for aggregating reportable segments, segmental reporting has been determined by the directors based upon the reports reviewed by the Board. The directors are of the opinion that the Company has engaged in a single operating segment - investing in equity and debt securities within the United Kingdom - and therefore no reportable segmental analysis is provided.

Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with generally accepted accounting practice requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine the fair value of investments at fair value through profit or loss, as disclosed in note 7 to the financial statements.

The fair value of investments at fair value through profit or loss is determined by using valuation techniques. As explained above, the Board uses its judgement to select from a variety of methods and makes assumptions that are mainly based on market conditions at each balance sheet date.

The Board uses its judgement to select the appropriate method for determining the fair value of investments through profit or loss.

2. Income

	2025 £000	2024 £000
Dividends from unquoted companies	240	430
Interest on loans to unquoted companies	94	172
Income from unquoted portfolio	334	602
Income from money market funds	1,820	1,837
Income from investments held at fair value through profit or loss	2,154	2,439
Income from bank deposits	707	897
	2,861	3,336

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Administrative Expenses

	2025 £000	2024 £000
Manager's fee	2,845	2,496
Administration fee	93	90
Total payable to YFM Private Equity Limited	2,938	2,586
Other expenses:		
Directors' remuneration	136	119
General expenses	109	141
Listing and registrar fees	99	80
Auditor's remuneration - audit fees (excluding irrecoverable VAT)	67	67
Printing	62	74
Irrecoverable VAT	56	52
Ongoing charges	3,467	3,119
Incentive fee	623	818
Trail commission	174	128
	4,264	4,065
Ongoing charges figure	1.95%	1.98%

Directors' remuneration comprises only short-term benefits including national insurance contributions of £15,000 (2024: £11,000).

The Company does not have employees other than non-executive directors.

No fees are payable to the auditor in respect of other services (2024: £nil).

YFM Private Equity Limited has previously acted as Manager and performed administrative and secretarial duties for the Company under an Investment 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 "IA"). Under an Investment Agreement dated 18 November 2019, YFM Private Equity Limited was appointed as the Company's Alternative Investment Fund Manager. On 19 September 2023 YFM Private Equity Limited was approved as a full-scope Alternative Investment Fund Manager, from this date Thompson Taraz Depository Limited were appointed as the Depository and assumed responsibility for asset safekeeping, cash flow monitoring and oversight duties.

On 22 December 2025 the Company entered into a Deed of Amendment and Restatement to the Alternative Investment Fund Management Agreement (the "AIFMA") dated 18 November 2019 incorporating (and amending) the provisions of the IA. The changes to the AIFMA are effective from 1 January 2026. The AIFMA 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 Limited receives a Manager's fee, payable quarterly in advance, calculated at half-yearly intervals as at 30 June and 31 December. The fee is allocated between capital and revenue as described in note 1;
- > The annual Manager's fee payable to the Manager is 1.25 per cent (1.0 per cent prior to 1 January 2026) on all surplus cash, defined as all cash and cash equivalents above £20 million (£5 million prior to 1 January 2026). The annual fee on all other assets is 2.0 per cent of net assets per annum. Based on the Company's net assets at 31 December 2025 of £178,399,000, and cash and cash equivalents of £63,840,000 at that date this equates to approximately £3,239,000 per annum;

- > From 1 January 2026 the Manager's fee relating to surplus cash and cash equivalents applies to balances allotted from fundraisings from the date of allotment of the shares;
- > YFM Private Equity Limited shall bear the annual operating costs of the Company (including the Manager's fee set out above but excluding any payment of the performance incentive fee, details of which are set out below and excluding VAT and trail commissions, where applicable) to the extent that those costs exceed 2.9 per cent of the net asset value of the Company. No excess expenses were payable in the year (2024: £nil);
- > From the 2025/26 fundraising onwards, YFM Private Equity Limited will bear the costs of any trail commissions payable in relation to fundraising allotments; and
- > Under the AIFMA, YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee of £92,924 per annum plus annual adjustments to reflect movements in the Consumer Prices Index. This fee is charged fully to revenue and totalled £92,924 for the year ended 31 December 2025 (2024: £90,000).

The total remuneration payable to YFM Private Equity Limited under the IA in the year was £2,938,000 (2024: £2,586,000).

When the Company makes investments into its unquoted portfolio, the Manager charges that investee an advisory fee. If the average of relevant fees exceeds 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on investments over the Company's financial year, this excess will be rebated to the Company. As at 31 December 2025, the Company was due a rebate from the Manager of £25,000 (2024: £22,000).

Monitoring and directors' fees the Manager receives from the investee companies are limited to a maximum of £60,000 (£40,000 prior to 1 January 2026) per annum per company.

Under the AIFMA, YFM Private Equity Limited is entitled to receive fees from investee companies in respect of the provision of non-executive directors and other advisory services. YFM Private Equity Limited 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 December 2025, the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £929,000 (2024: £861,000).

Under the Subscription Rights Agreement (the "SRA") dated 22 April 2024 a performance incentive fee is payable when the aggregate of cumulative dividends paid as at the last business day in December each year and the average of the middle market price per share on the five business days prior to that day (the "Share Price"), exceeds a hurdle (the "Hurdle"). The fee is 20 per cent of the excess over this amount multiplied by the number of shares in issue and the shares under option (if any). Once the Hurdle has been exceeded it is reset at that value going forward, which becomes the new Hurdle. The fee is payable in cash or shares granted through rights to subscribe. These rights are currently exercisable in the ratio 95:5 between the Manager and Chord Capital Limited respectively, although from 1 January 2027 the rights will be wholly exercisable by the Manager.

With effect from 1 January 2024 the Hurdle for each financial year will be increased by an agreed percentage of the corresponding opening Share Price, commencing with 1 per cent for the year ended 31 December 2024 and increasing by an additional 1 percentage point per year until the year ending 31 December 2028 when the increase to the Hurdle will be 5 per cent of the corresponding opening Share Price. The Hurdle for the year ended 31 December 2024 was 141.295 pence per ordinary share.

As at 31 December 2024 the total of cumulative cash dividends paid and the Share Price was 142.75 pence per ordinary share. Consequently, the Hurdle was exceeded and a performance related incentive of £818,000 for the year ended 31 December 2024 was paid. The Hurdle for the year ended 31 December 2025 was 143.80 pence per ordinary share.

As at 31 December 2025 the total of cumulative cash dividends paid and the Share Price was 144.75 pence per ordinary share. Consequently, the Hurdle was exceeded and a performance related incentive of £623,000 for the year ended 31 December 2025 is payable. The Hurdle for the year ending 31 December 2026 is 146.295 pence per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Administrative Expenses (continued)

If the AIFMA is terminated, the beneficiaries of the SRA will continue to be entitled to the incentive payment. The incentive payment will be modified so as to entitle the recipients to an incentive payment that is fair, having regard to all the circumstances.

Under the terms of the offer launched with British Smaller Companies VCT plc on 17 October 2024, YFM Private Equity Limited was entitled to 3.0 per cent of gross subscriptions, (3.5 per cent for applications received from applicants who did not invest their money through a financial intermediary advisor and invested directly into the Company) less commissions payable to an execution-only broker or platform. The net amount paid to YFM Private Equity Limited under this offer amounted to £874,000.

Under the terms of the offer launched with British Smaller Companies VCT plc on 25 September 2025, YFM Private Equity Limited will be entitled to 3.0 per cent of gross subscriptions, (3.5 per cent for applications received from applicants who did not invest their money through a financial intermediary advisor and invested directly into the Company) less commissions payable to an execution-only broker or platform.

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 48 under the heading "Directors' Remuneration for the year ended 31 December 2025 (audited)".

4. Taxation

	Revenue £000	2025 Capital £000	Total £000	Revenue £000	2024 Capital £000	Total £000
Profit before taxation	797	3,625	4,422	1,961	649	2,610
Profit before taxation multiplied by standard rate of corporation tax in UK of 19%* (2024: 19%)	151	689	840	373	123	496
Effect of:						
UK dividends received	(5)	-	(5)	(152)	-	(152)
Non-taxable gains from investments	-	(1,213)	(1,213)	-	(634)	(634)
Deferred tax not recognised	-	378	378	(209)	499	290
Tax charge (credit)	146	(146)	-	12	(12)	-

* due to taxable losses incurred.

The Company has no provided or unprovided deferred tax liability in either year.

Deferred tax assets of £4,058,000 (2024: £3,680,000) calculated at 19% (2024: 19%) in respect of unrelieved management expenses (£21.36 million as at 31 December 2025 and £19.37 million as at 31 December 2024) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which assets can be recovered.

Due to the Company's status as a venture capital trust and the continued intention to meet with the conditions required to comply with Section 274 of the Income Tax Act 2007, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

5. Dividends

Amounts recognised as distributions to equity holders in the period to 31 December:

	Revenue £000	2025 Capital £000	Total £000	Revenue £000	2024 Capital £000	Total £000
Special dividend for the year ended 31 December 2025 of 1.00p per ordinary share	-	2,810	2,810	-	-	-
First interim dividend for the year ended 31 December 2025 of 1.50p (2024: 1.50p) per ordinary share	1,185	3,777	4,962	583	3,687	4,270
Second interim dividend for the year ended 31 December 2025 of 1.50p (2024: 1.50p) per ordinary share	507	4,432	4,939	798	3,431	4,229
	1,692	11,019	12,711	1,381	7,118	8,499
Proceeds from shares allotted under DRIS			(1,961)			(1,399)
Dividends paid in Statement of Cash Flows			10,750			7,100

The special dividend of 1.00 pence per ordinary share was paid on 27 January 2025 to shareholders on the register on 27 December 2024.

The first interim dividend of 1.50 pence per ordinary share was paid on 23 June 2025 to shareholders on the register as at 23 May 2025.

The second interim dividend of 1.50 pence per ordinary share was paid on 31 October 2025 to shareholders on the register as at 26 September 2025.

6. Basic and Diluted Earnings per Ordinary Share

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to shareholders of £4,422,000 (2024: £2,610,000) and 321,119,116 (2024: 272,756,162) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue earnings per ordinary share is based on the revenue profit for the year attributable to shareholders of £651,000 (2024: £1,949,000) and 321,119,116 (2024: 272,756,162) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital earnings per ordinary share is based on the capital profit for the year attributable to shareholders of £3,771,000 (2024: £661,000) and 321,119,116 (2024: 272,756,162) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 3,612,444 new ordinary shares in respect of its DRIS and 50,774,434 new ordinary shares from the fundraising.

The Company has also repurchased 7,440,583 of its own shares in the year, and these shares are held in the capital reserve. The total of 36,211,546 treasury shares has been excluded in calculating the weighted average number of ordinary shares for the period. The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per ordinary share are the same.

The Company has no potentially dilutive shares and consequently, basic and diluted earnings per ordinary share are equivalent in both the year ended 31 December 2025 and 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial Assets at Fair Value through Profit or Loss – Investments

	2025 £000	2024 £000
Investment portfolio	112,250	105,526
Accrued income and other assets	535	1,241
Financial assets at fair value through profit and loss	112,785	106,767

IFRS 13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. An active market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1 and comprise money market funds classified as held at fair value through profit or loss. The Company's current asset investments fall into this category at 31 December 2025 and 31 December 2024. The Company also held one portfolio investment classed as a financial asset at fair value through profit and loss in this category at 31 December 2025 (31 December 2024: none) which was subsequently realised in January 2026.

Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Company held no such investments in the current or prior year.

Level 3: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as revenue and earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Apart from one asset classed in level 1 at 31 December 2025, as noted above, all of the Company's portfolio investments classed as financial assets at fair value through profit and loss fall into this category at 31 December 2025 and 31 December 2024.

Each investment is reviewed at least quarterly to ensure that it has not ceased to meet the criteria of the level in which it is included at the beginning of each accounting period. The change in fair value for the current and previous year is recognised through profit or loss.

There was one transfer between level 3 and level 1 during the year (2024: none).

All items held at fair value through profit or loss were designated as such upon initial recognition.

Valuation of Investments

Full details of the methods used by the Company are set out in note 1 of these financial statements.

Movements in investments at fair value through profit or loss during the year to 31 December 2025 are summarised as follows:

IFRS 13 measurement classification	Level 3 Unquoted investments £000	Level 1 Quoted Investment £000	Total £000
Opening cost	69,273	-	69,273
Opening investment holding gain***	36,253	-	36,253
Opening fair value at 1 January 2025	105,526	-	105,526
Additions at cost	16,053	-	16,053
Transfer between levels	(1,961)	1,961	-
Disposal proceeds	(14,211)	(1,231)	(15,442)
Net gain on disposal*	1,373	564	1,937
Change in fair value**	5,585	(85)	5,500
Foreign exchange (loss) gain**	(1,341)	17	(1,324)
Closing fair value at 31 December 2025	111,024	1,226	112,250
Closing cost	79,044	249	79,293
Closing investment holding gain***	31,980	977	32,957
Closing fair value at 31 December 2025	111,024	1,226	112,250

* The net gain on disposal in the table above is £1,937,000 whereas that shown in the Statement of Comprehensive Income is a profit of £2,206,000. The difference comprises deferred proceeds in respect of assets which have been disposed of in prior periods and were not included in the portfolio at 1 January 2025.

** The change in fair value and foreign exchange loss shown above total £4,176,00. In addition, a fair value movement related to credit risk of £557,000, relating to accrued income that was deemed irrecoverable, has been charged to the revenue account in the Statement of Comprehensive Income.

*** Following the merger between the Company and British Smaller Technologies Company VCT plc a total of £975,000 of negative goodwill was recognised in the investment holding gains and losses reserve in respect of the investments acquired. The relevant amount per investment is realised at the point of disposal to the capital reserve. At 31 December 2025 a total of £27,000 (2024: £27,000) was held on investments yet to be realised in the investment holdings gains and losses reserve. In addition, a permanent diminution in value of investments totalling £4,610,000 (2024: £nil) has been transferred to the capital reserve.

There were no individual reductions in fair value during the year that exceeded 5 per cent of the total assets of the Company (2024: £nil).

Level 3 valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes in fair value of financial assets held at the price of recent investment, or to adjust revenue and earnings multiples. IFRS 13 requires an entity to disclose quantitative information about the significant unobservable inputs used. Of the Company's level 3 investments, 89 per cent are held on a Revenue Multiple ("RM") basis and 5 per cent on an Earnings Multiple ("EM") basis, both of which have significant judgement applied to the valuation inputs. The table on page 76 sets out the range of RM, EM, and discounts applied in arriving at investments valued on these bases. The remaining 6 per cent are valued at cost (3 per cent), net asset value reviewed for change in fair value (2 per cent), and sales proceeds (1 per cent).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial Assets at Fair Value through Profit or Loss – Investments (continued)

Revenue Multiple inputs		Application Software	Cloud & DevOps	Data	New Media	Retail & Brands	Tech-enabled Services
2025	Revenue Multiple Range	5.67-11.90	5.67-11.90	5.67-9.51	0.88	1.52	5.69-7.14
	Revenue Multiple Weighted Average	8.53	8.51	8.38	0.88	1.52	6.50
2024	Revenue Multiple Range	6.28-7.66	7.35-7.66	6.28-11.41	1.05-1.79	1.43	1.42-7.35
	Revenue Multiple Weighted Average	7.51	7.64	9.83	1.21	1.43	6.39
2025	Combined RM and/or Marketability Discount Range	28%-82%	36%-75%	0%-64%	51%	24%	20%-60%
	Combined RM and/or Marketability Discount Weighted Average	42%	39%	12%	51%	24%	30%
2024	Combined RM and/or Marketability Discount Range	24%-76%	36%-76%	5%-60%	20%	24%	28%-68%
	Combined RM and/or Marketability Discount Weighted Average	43%	42%	17%	20%	24%	35%
Earnings Multiple inputs				Business Services	New Media	Retail & Brands	Tech-enabled Services
2025	Earnings Multiple			10.20	6.23	9.86	13.51
	Earnings Multiple Weighted Average			10.20	6.23	9.86	13.51
2024	Earnings Multiple			7.86-10.44	7.18	11.83	14.24
	Earnings Multiple Weighted Average			8.60	7.18	11.83	14.24
2025	Combined EM and Marketability Discount			36%	20%	36%	32%
	Combined EM and Marketability Discount Weighted Average			36%	20%	36%	32%
2024	Combined EM and Marketing Discount			28%-36%	20%	44%	36%
	Combined EM and Marketing Discount Weighted Average			30%	20%	44%	36%

The standard also requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. Each unquoted portfolio company has been reviewed in order to identify the sensitivity of the valuation methodology to using alternative assumptions. Where discounts have been applied (for example to revenue/earnings levels or multiple ratios) alternatives have been considered which still fall within the IPEV Guidelines (see page 66). For each unquoted investment, two scenarios have been modelled, principally a five per cent discount to discount rates, although other factors were considered on an individual portfolio company basis: more prudent assumptions (downside case) and more optimistic assumptions (upside case). Applying the downside alternative the value of the unquoted investments would be £4.7 million or 4.2 per cent lower (2024: £4.1 million or 3.8 per cent lower). Using the upside alternative the value would be increased by £4.6 million or 4.1 per cent (2024: £4.2 million or 3.9 per cent).

Movements in investments at fair value through profit or loss during the previous year to 31 December 2024 are summarised as follows:

IFRS 13 measurement classification	Level 3 Unquoted Investments £000
Opening cost	56,209
Opening investment holding gain**	40,218
Opening fair value at 1 January 2024	96,427
Additions at cost	15,127
Disposal proceeds	(8,976)
Net loss on disposal*	(157)
Change in fair value	2,728
Foreign exchange gain	377
Closing fair value at 31 December 2024	105,526
Closing cost	69,273
Closing investment holding gain**	36,253
Closing fair value at 31 December 2024	105,526

* The net loss on disposal in the table above is £157,000 whereas that shown in the Statement of Comprehensive Income is a profit of £234,000. The difference comprises deferred proceeds in respect of assets which have been disposed of in prior periods and were not included in the portfolio at 1 January 2024.

** Following the merger between the Company and British Smaller Technologies Company VCT plc a total of £975,000 of negative goodwill was recognised in the investment holding gains and losses reserve in respect of the investments acquired. The relevant amount per investment is realised at the point of disposal to the capital reserve. At 31 December 2024 a total of £27,000 was held on investments yet to be realised in the investment holdings gains and losses reserve.

The following disposals (including partial disposals) took place in the year:

	Net proceeds from sale £000	Cost £000	Opening carrying value as at 1 January 2025 £000	Profit (loss) on disposal £000
Unquoted investments unless stated:				
SharpCloud Software Limited	6,254	2,920	4,789	1,465
ACC Aviation Group Limited	4,368	145	4,285	83
Elucidat Ltd	3,589	2,840	4,057	(468)
Teraview Limited*	1,231	128	374	857
Total from portfolio	15,442	6,033	13,505	1,937
Traveltek Group Holdings Limited	269	-	-	269
Deferred consideration	269	-	-	269
Total from investment portfolio**	15,711	6,033	13,505	2,206

* Partial disposal of quoted investment.

** The total from disposals in the year in the table above is £15,711,000 whereas that shown in total in the Statement of Cash Flows is £13,310,000. The difference comprises deferred proceeds which have been received during the year or will be received in subsequent years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial Assets at Fair Value through Profit or Loss – Investments (continued)

The following disposals took place in the year to 31 December 2024:

	Net proceeds from sale £000	Cost £000	Opening carrying value as at 1 January 2024 £000	Profit (loss) on disposal £000
Unquoted investments:				
DisplayPlan Holdings Limited	4,821	70	4,741	80
Traveltek Group Holdings Limited	2,494	1,163	2,731	(237)
KeTech Holdings Limited/KeTech Technology Holdings Limited*	1,461	-	1,461	-
Arcus Global Limited*	200	830	200	-
Total from portfolio	8,976	2,063	9,133	(157)
Tissuemed Limited	300	-	-	300
Ncam Technologies Limited	91	-	-	91
Deferred consideration	391	-	-	391
Total from investment portfolio**	9,367	2,063	9,133	234

* Partial disposal.

** The total from disposals in the year in the table above is £9,367,000 whereas that shown in total in the Statement of Cash Flows is £8,406,000. The difference comprises deferred proceeds which were received during the year or will be received in subsequent years.

Significant Interests

YFM Private Equity Limited, the Company's Manager, also acts as manager to certain other funds that have invested in certain companies within the current portfolio of the Company. Details of these investments are summarised in the tables below.

At 31 December 2025 the Company held a significant holding of at least 20 per cent of the issued ordinary share capital, either individually or alongside commonly managed funds, in the following companies:

Company	Principal activity	No of shares held by the Company	Percentage of class held by the Company*	Percentage of class held by commonly managed funds*
AutomatePro Limited	Cloud & DevOps	86,198	12%	39%
EL Support Services Limited**	Investment Company	3,500	50%	100%
Force24 Ltd	Application Software	23,786	13%	39%
Fuuse Limited	Application Software	935,555	10%	26%
Immunobiology Limited**	Lifesciences	67,151,947	27%	27%
Integrum ESG Limited	Data	4,315	9%	23%
KeTech Technology Holdings Limited	Tech-enabled Services	128,333	12%	36%
NB Technology Services Limited**	Investment Company	3,500	50%	100%
OC Engineering Services Limited**	Investment Company	3,500	50%	100%
Outpost VFX Limited	New Media	3,999,853	12%	36%
Panintelligence (via Paninsight Limited)	Data	22,712	9%	32%
Plandek Limited	Cloud & DevOps	103,954	12%	29%
Quality Clouds Limited	Cloud & DevOps	390,048	11%	33%
Relative Insight Limited	Tech-enabled Services	545,434	12%	29%
SH Healthcare Services Limited**	Investment Company	3,500	50%	100%

Company	Principal activity	No of shares held by the Company	Percentage of class held by the Company*	Percentage of class held by commonly managed funds*
Sipsynergy (via Hosted Network Services Limited)**	Cloud & DevOps	6,093,201	20%	62%
SP Manufacturing Services Limited**	Investment Company	3,500	50%	100%
Summize Limited	Application Software	385,125	8%	20%
Tonkotsu Limited	Retail & Brands	33,662	12%	38%
Unbiased EC1 Limited	Tech-enabled Services	1,031,782	13%	35%
Vuealta Holdings Limited	Tech-enabled Services	60,583	19%	52%
Vypr Validation Technologies Limited	Tech-enabled Services	17,154	15%	37%
Wooshii Limited	New Media	972,207	15%	42%
Workbuzz Analytics Limited	Application Software	32,600	9%	25%
Xapien (via Digital Insight Technologies Limited)	Application Software	678,080	11%	28%

* Fully diluted holding.

** The registered office of these significant holdings is given on page 92.

The amounts shown below are the net cost of investments as at 31 December 2025 and exclude those companies which are in receivership or liquidation.

	British Smaller Companies VCT2 plc £000	British Smaller Companies VCT plc £000	Other commonly managed funds £000	Total £000
Arcus Global Limited	1,220	1,830	-	3,050
AutomatePro Limited	3,923	5,885	2,392	12,200
Biorelate Limited	1,540	2,310	-	3,850
Biz2Mobile Limited	1,265	1,898	-	3,163
DrDoctor (via ICNH Ltd)	3,570	5,355	1,548	10,473
DynaRisk (via Zen Risk Limited)	1,200	1,800	-	3,000
Eikon Holdco Limited	500	750	250	1,500
EL Support Services Limited	500	500	-	1,000
Force24 Ltd	2,850	4,275	1,425	8,550
Frescobol Carioca Ltd	1,200	1,800	-	3,000
Fuuse Limited	3,200	4,800	-	8,000
GEEIQ (via Checkpoint GG Limited)	1,572	2,358	-	3,930
Intamac Systems Limited	905	302	-	1,207
Integrum ESG Limited	1,160	1,740	-	2,900
KeTech Technology Holdings Limited	10	10	10	30
Matillion Limited	1,456	1,778	549	3,783
NB Technology Services Limited	500	500	-	1,000
OC Engineering Services Limited	500	500	-	1,000
Ohalo Limited	1,710	2,565	-	4,275
Outpost VFX Limited	3,833	5,750	1,917	11,500
Panintelligence (via Paninsight Limited)	1,187	1,781	1,187	4,155
Plandek Limited	3,414	5,121	-	8,535
Quality Clouds Limited	3,880	5,821	2,000	11,701

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial Assets at Fair Value through Profit or Loss – Investments (continued)

	British Smaller Companies VCT2 plc £000	British Smaller Companies VCT plc £000	Other commonly managed funds £000	Total £000
Relative Insight Limited	3,057	4,586	-	7,643
S4labour Limited	1,600	2,400	-	4,000
SH Healthcare Services Limited	500	500	-	1,000
Sipsynergy (via Hosted Network Services Limited)	2,143	2,781	2,226	7,150
SP Manufacturing Services Limited	500	500	-	1,000
Spotless Water Limited	1,456	2,183	-	3,639
Stormharvester Limited	1,400	2,100	-	3,500
Summize Limited	1,700	2,550	-	4,250
TeamFeePay (via Concept Apps Ltd)	1,800	2,700	-	4,500
TeraView Limited	249	249	-	498
Tonkotsu Limited	1,592	2,388	995	4,975
Unbiased EC1 Limited	3,731	5,596	1,223	10,550
Vuealta Holdings Limited	417	625	128	1,170
Vypr Validation Technologies Limited	3,798	5,698	-	9,496
Wooshii Limited	3,277	4,915	1,599	9,791
Workbuzz Analytics Limited	3,135	4,703	912	8,750
Xapien (via Digital Insight Technologies Limited)	5,072	7,607	-	12,679

Financial details of significant holdings of the Company are given below

	Profit (loss) before taxation £million	Net assets (liabilities) £million
EL Support Services Limited (year to 30 April 2025)	0.05	0.52
Immunobiology Limited (year to 31 May 2024)	(0.04)	(0.17)
NB Technology Services Limited (year to 30 April 2025)	0.03	(0.05)
OC Engineering Services Limited (year to 30 April 2025)	0.02	0.47
SH Healthcare Services Limited (year to 30 April 2025)	(0.48)	(0.51)
Sipsynergy (via Hosted Network Services Ltd) (year to 30 June 2025)	(0.18)	(1.06)
SP Manufacturing Services Limited (year to 30 April 2025)	0.16	(0.69)

8. Accrued Income and Other Assets

	2025 £000	2024 £000
Non-current assets		
Other assets	1,916	-
Current assets		
Accrued income on cash, cash equivalents and cash deposits	306	369
Prepayments and other debtors	510	1,282
	816	1,651

Non-current assets relates to contingent deferred consideration, which is subject to fair value changes, where this is expected to be received in cash more than one year after the balance sheet date.

The carrying amounts of the Company's accrued income are denominated in sterling.

9. Current Asset Investments and Cash and Cash Equivalents

	2025 £000	2024 £000
Money market funds	38,000	35,500
Current asset investments	38,000	35,500
Cash at bank	24,829	16,616
Short term deposits	1,011	1,011
Cash and cash equivalents	63,840	53,127

10. Trade and Other Payables

	2025 £000	2024 £000
Amounts payable within one year:		
Incentive fee	623	818
Accrued expenses	335	276
	958	1,094

An amount of £623,000 has been accrued within trade and other payables in relation to the performance incentive fee for the year ended 31 December 2025 (£818,000 for the year ended 31 December 2024), as further explained in note 3.

11. Called-up Share Capital

	2025 Allotted, called-up and fully paid £000	2024 Allotted, called-up and fully paid £000
Ordinary shares of 0.01 pence Issued 364,188,973 (2024: 309,802,095) including 36,211,546 shares held in treasury (2024: 28,770,963)	36	31

The movement in the year was as follows:

		Price pence	Date	Number of shares	Share Capital £000
Total as at 1 January 2025				309,802,095	31
Issue of shares	DRIS	54.85	27 Jan 2025	831,686	-
Issue of shares	Fundraising	55.96-58.72	30 Jan 2025	17,313,531	2
Issue of shares	Fundraising	57.05-60.35	1 Apr 2025	33,460,903	3
Issue of shares	DRIS	54.70	23 Jun 2025	1,384,755	-
Issue of shares	DRIS	53.55	31 Oct 2025	1,396,003	-
As at 31 December 2025 (including treasury shares)				364,188,973	36
As at 31 December 2025 (excluding treasury shares)				327,977,427	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Called-up Share Capital (continued)

The movement in the previous year to 31 December 2024 was as follows:

		Price pence	Date	Number of shares	Share Capital £000
Total as at 1 January 2024				250,142,433	25,014
Issue of shares	Fundraising	57.76-60.83	30 Jan 2024	19,533,372	1,953
Issue of shares	Fundraising	59.96-63.95	3 Apr 2024	37,666,087	3,767
Issue of shares	DRIS	57.75	28 Jun 2024	1,208,910	121
Issue of shares	DRIS	56.00	1 Nov 2024	1,251,293	125
Reduction in nominal value of share capital				-	(30,949)
As at 31 December 2024 (including treasury shares)				309,802,095	31
As at 31 December 2024 (excluding treasury shares)				281,031,132	

During the year the Company purchased 7,440,583 (2024: 7,387,195) of its own shares. These shares are held on the balance sheet in the Capital Reserve. Full details of the share purchases are set out in the Directors' Report under the heading 'Buy-Back and Issue of Ordinary Shares'. The treasury shares have been included in calculating the number of ordinary shares in issue, and excluded in calculating the number of ordinary shares with voting rights in issue, at 31 December 2025 and 31 December 2024.

12. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £178,399,000 (2024: £160,451,000) and 327,977,427 (2024: 281,031,132) ordinary shares in issue at the year end.

The treasury shares have been excluded in calculating the number of ordinary shares in issue at 31 December 2025.

The Company has no potentially dilutive shares and consequently, basic and diluted net asset values per ordinary share are equivalent in both the years ended 31 December 2025 and 31 December 2024.

13. Total Return per Ordinary Share

The Total Return per ordinary share is calculated on cumulative dividends paid of 93.25 pence per ordinary share (2024: 89.25 pence per ordinary share) plus the net asset value as calculated per note 12.

14. Financial Commitments

There are no financial commitments at 31 December 2025 or 31 December 2024.

15. Events after the Balance Sheet Date

Having previously assessed its expected cash requirements, the Company announced a new share offer on 25 September 2025, alongside British Smaller Companies VCT plc, with the intention of raising up to £85 million, in aggregate, which included an over-allotment facility of £25 million, in aggregate. The offers closed to new applications on 18 December 2025. Gross applications of £85 million have been received, of which c. £31.9 million relate to the Company. The first allotment of £25 million (£9.4 million relating to the Company) took place on 7 January 2026. The second and final allotment will take place between 1 and 2 April 2026.

As part of the 7 January 2026 allotment, the Company issued 16,978,814 shares. Following this allotment, the Company's issued share capital consists of 344,956,241 ordinary shares with voting rights and 36,211,546 shares held in treasury.

Subsequent to the year end, the Company invested £2.0 million into portfolio company Summize. The Company also completed the realisations of Teraview, Vuealta and Sipsynergy, as detailed on page 7.

16. Financial Instruments

The Company has no derivative financial instruments and has no financial asset or liability for which hedge accounting has been used in either year. The Company classifies its financial assets as either fair value through profit or loss or at amortised cost, and its financial liabilities, primarily accrued expenses, at amortised cost.

It is the directors' opinion that the carrying value of financial assets and liabilities approximates their fair value. Therefore, the directors consider all assets and liabilities to be carried at a valuation which equates to fair value.

Investments are made in a combination of equity, fixed rate and variable rate financial instruments so as to comply with VCT legislation and provide potential future capital growth. Surplus funds are held in bank deposits until suitable qualifying investment opportunities arise.

The Company has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain criteria set out in the standard. No embedded derivatives have been identified by the Company.

The accounting policies for financial instruments have been applied to the items below:

	2025		2024	
	Other assets £000	Assets at fair value through profit or loss £000	Other assets £000	Assets at fair value through profit or loss £000
Non-current assets at fair value through profit or loss				
Financial assets	-	112,785	-	106,767
Other assets	-	1,916	-	-
Current assets				
Cash and cash equivalents	25,840	38,000	17,627	35,500
Other assets	-	370	-	1,170
Accrued income on cash and cash equivalents	306	-	369	-
	26,146	153,071	17,996	143,437
Other assets – not financial instruments	140	-	112	-
	26,286	153,071	18,108	143,437

Liabilities as per balance sheet

	2025 Other financial liabilities £000	2024 Other financial liabilities £000
Trade and other payables	(335)	(276)
Performance incentive fee	(623)	(818)
	(958)	(1,094)

Assets classified as fair value through profit or loss were designated as such upon initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Financial Instruments (continued)

The Company's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Company is exposed are market risk, credit risk and liquidity risk. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below. There have been no changes since last year in the objectives, policies, and processes for managing and measuring risks facing the Company.

16a Market Risk

Market Price Risk

The Company invests in new and expanding businesses, the shares of which may not be traded on the stock market. Consequently, exposure to market factors, in relation to many investments, stems from market-based measures that may be used to value unlisted investments.

The market also defines the value at which investments may be sold. Returns are therefore maximised when investments are bought or sold at appropriate times in the economic cycle.

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements. In addition, the ability of the Company to purchase or sell investments is also constrained by requirements set down for VCTs.

99 per cent of the Company's financial assets through profit or loss are in unquoted companies held at fair value. The valuation methodology for these investments includes the application of externally produced revenue and earnings multiples. Therefore, the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Investments have been valued in line with the IPEV Guidelines described within note 1. Those using revenue and earnings multiple methodologies include judgements regarding the level of discount applied to that multiple. The effect of changing the level of discounts applied to the multiples is considered in note 7 on page 74.

The largest single concentration of risk relates to the Company's investment in Matillion Limited which constitutes 9.3 per cent (2024: 12.2 per cent) of the net assets attributable to the Company's shareholders. The Board seeks to mitigate this risk by diversifying the portfolio and monitors the status of all investments on an ongoing basis. The average investment (excluding those whose value has been reduced to nil) is 1.6 per cent (2024: 1.8 per cent) of the value of net assets.

Comparison of Realised Proceeds to Unrealised Valuations

The table below shows a comparison of the realised proceeds to the unrealised valuations one year prior to sale, for all disposals of unquoted investments over the last ten years.

	Date of disposal	Sale proceeds to date £000	Valuation one year earlier £000	Increase (decrease) £000
Callstream Group Limited	Mar-16	785	773	12
Cambrian Park & Leisure Homes Limited	Mar-17	-	1,251	(1,251)
Ness (Holdings) Limited	Mar-17	152	509	(357)
Selima Holding Company Ltd	May-17	1,406	462	944
Harvey Jones Holdings Limited	Aug-17	559	617	(58)
PowerOasis Limited	Sep-18	-	365	(365)
GTK (Holdco) Limited	Dec-18	2,465	1,801	664
Mangar Health Limited	Dec-18	3,675	2,641	1,034
Gill Marine Holdings Limited	Dec-18	2,844	1,922	922

	Date of Disposal	Sale proceeds to date £000	Valuation one year earlier £000	Increase (decrease) £000
Leengate Holdings Limited	Apr-19	1,291	1,179	112
The Heritage Window Company Holdco Limited	Jun-19	-	280	(280)
Eikon Holdco Limited (partial realisation)	Oct-19	4,209	1,500	2,709
Business Collaborator Limited	Mar-20	5,390	2,441	2,949
RMS Group Holdings Limited	Jun-20	562	353	209
Bagel Nash Group Limited	Oct-20	100	405	(305)
Deep-Secure Ltd	Jul-21	3,279	1,479	1,800
Tissuemed Limited	Dec-21	926	65	861
Arraco Global Markets Limited	Sep-22	-	924	(924)
Intelligent Office UK (via IO Outsourcing Limited)	Sep-22	4,080	3,069	1,011
Springboard Research Holdings Limited	Sep-22	5,782	4,124	1,658
Vuealta Group Limited (partial realisation)	Dec-22	3,067	1,969	1,098
Wakefield Acoustics (via Malvar Engineering Limited)	Jan-23	712	186	526
Ncam Technologies Limited	Apr-23	1,209	1,475	(266)
E2E Engineering Limited	Nov-23	1,305	762	543
MacroArt Holdings Limited	Nov-23	990	153	837
Displayplan Holdings Limited	Jan-24	4,821	4,109	712
Traveltek Group Holdings Limited	Oct-24	2,763	2,138	625
ACC Aviation Group Limited	Feb-25	4,368	2,905	1,463
Elucidat Ltd	Oct-25	3,589	4,040	(451)
SharpCloud Software Limited	Dec-25	6,254	4,441	1,813
		66,583	48,338	18,245

Interest Rate Risk

The Company's venture capital investments include £1,971,000 (2024: £2,054,000) of loan stock in unquoted companies. The majority of this loan stock at 31 December 2025 is at fixed rates to guard against fluctuations in interest rates. As a result the Company is only exposed to cash flow interest rate risk on £750,000 (2024: £750,000) of its loan stock portfolio.

The Company has some exposure to interest rates as a result of interest earned on bank deposits. Other financial assets (being accrued income) and other financial liabilities (being accrued expenses) attract no interest.

A sensitivity analysis has not been performed as the amounts involved are not considered to be significant.

	2025			2024		
	£000	Weighted average interest rate %	Weighted average time for which rate is fixed Months	£000	Weighted average interest rate %	Weighted average time for which rate is fixed Months
Fixed rate loan stock and preference shares	2,344	10.7%	42	4,662	11.8%	54

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Financial Instruments (continued)

Exchange Rate Risk

Of the Company's financial assets measured at fair value through profit or loss, 15 per cent (2024: 18 per cent) are denominated in US dollars. A 5 per cent increase in the £:\$ exchange rate at 31 December 2025 would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by £789,000 (2024: £934,000). An equal change in the opposite direction would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £872,000 (2024: £1,033,000).

16b Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets excluding equity investments total £69,692,000 (2024: £60,149,000) which best represents the maximum credit risk exposure at the balance sheet date.

The Company does not invest in floating rate instruments other than, on occasion, unquoted loan stock. Credit risk on unquoted loan stock held within unlisted investments is considered to be part of market risk as disclosed above.

The fair value of other assets is not regarded as having changed due to the changes in credit risk in either year.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The Board monitors the quality of service provided by the brokers used to further mitigate this risk. Bankruptcy or insolvency of the broker may cause the Company's rights with respect to securities held by the broker to be delayed or limited. The Manager monitors the Company's risk by reviewing the broker's internal control reports on a regular basis.

The only significant assets not held at fair value are cash and money market funds. The funds held by the Company are held across a number of financial institutions to spread the risk. Bankruptcy or insolvency of these financial institutions may cause the Company's rights with respect to the cash held by the financial institutions to be delayed or limited. The financial institutions used by the Company are large and reputable. Should the credit quality or the financial position of the financial institutions deteriorate significantly the Manager will move the cash holdings to another financial institution.

The maturities of the loan stock portfolio are as follows:

	<1 year	2025 £000 1-2 years	2-5 years	<1 year	2024 £000 1-2 years	2-5 years
Unquoted loan investments	100	667	1,204	-	250	1,804

An aged analysis of the unquoted loan investments included above, which are past due but not individually impaired, is set out below. For this purpose these loans are considered to be past due when any payment due date under the loan's contractual terms (such as payment of interest) is received late or missed. The full value of the loan is given even though, in some cases, the only default is in respect of interest.

	2025 £000	2024 £000
Loans to investee companies past due	1,023	356

16c Liquidity Risk

The risk to the Company relates to liabilities which fall due within one year. These liabilities are deemed immaterial and as such the risk associated with them is minimal.

The Company needs to retain enough liquid resources to support the financing needs of its investment businesses. To meet this aim the Company places its surplus funds in bank interest deposit accounts and money market funds. Investments in liquid funds are held for the purpose of liquidity whilst waiting for suitable qualifying investment opportunities to arise.

The Company's liquidity risk is managed on an ongoing basis by the Manager in accordance with policies and procedures in place. The cash requirements of the Company in respect of each investment are assessed at monthly portfolio meetings.

The Company's overall liquidity risks are monitored on a quarterly basis by the Board. The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. Of the Company's assets 35.8 per cent (2024: 33.1 per cent) are in the form of liquid cash/money market funds. There are no undrawn committed borrowing facilities at either year end. The Company does not have a material amount of liabilities at the year end.

17. Capital Management

The Company's objectives when managing capital are:

- > To safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- > To ensure sufficient liquid resources are available to meet the funding requirements of its investments and to fund new investments where identified.

The Company has no external debt; consequently all capital is represented by the value of share capital, distributable and other reserves. Total shareholder equity at 31 December 2025 was £178,399,000 (2024: £160,451,000).

In order to maintain or adjust its capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

There have been no changes in capital management objectives or the capital structure of the business from the previous year. The Company is not subject to any externally imposed capital requirements.

18. Related Party Transactions

Fees payable during the year to the directors and their interests in the shares of the Company are disclosed within the Directors' Remuneration Report on page 48. There were no amounts outstanding and due to the directors at 31 December 2025 (2024: £nil).

NOTICE OF THE ANNUAL GENERAL MEETING

No: 04084003

BRITISH SMALLER COMPANIES VCT2 PLC

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at Thomas House, 84 Eccleston Square, London SW1V 1PX on 9 June 2026 at 1:30 pm for the following purposes:

To consider and, if thought fit, pass the following resolutions:

Ordinary Resolutions

- (1) That the annual report and accounts for the year ended 31 December 2025 be received.
- (2) That the Directors' Remuneration Report for the year ended 31 December 2025 be approved other than the part of such report containing the Directors' Remuneration Policy.
- (3) That the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the year ended 31 December 2025 be approved.
- (4) That Ms B L Anderson be re-elected as a director.
- (5) That Mr A Ahmed be re-elected as a director
- (6) That Mr R S McDowell be re-elected as a director.
- (7) That BDO LLP be re-appointed as auditor to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that the directors be authorised to fix the auditor's remuneration.
- (8) 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 up to an aggregate nominal amount of £12,000 (representing approximately 35 per cent of the ordinary share capital in issue as at the date of this notice, excluding treasury shares), during the period commencing on the passing of this Resolution and expiring on the later of 15 months from the passing of this Resolution or the conclusion of 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 in the Company to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and the directors may allot shares in the Company in pursuance of any such offer or agreement notwithstanding the expiry of such authority, and that all previous authorities given to the directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect.
- (9) That, in addition to existing authorities, 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 up to an aggregate nominal amount of £2,000 in connection with the Company's dividend reinvestment scheme (representing approximately 6 per cent of the ordinary share capital in issue as at the date of this Notice, excluding treasury shares) during the period commencing on the passing of this Resolution and expiring on the later of 15 months from the passing of this Resolution or the conclusion of 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, any offers or agreements which would or might require shares in the Company to be allotted after such expiry and the directors may allot shares in the Company in pursuance of any such offer or agreement notwithstanding the expiry of such authority.

Special Resolutions

- (10) 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 this 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 8 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 the allotment for cash of equity

securities up to an aggregate nominal amount of £12,000, but so that this authority shall allow the Company to make offers or agreements before the expiry and the directors may allot 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(3) of the Act as if in the first sentence of this Resolution the words “pursuant to the general authority conferred upon the directors in Resolution 8 above” were omitted.

- (11) That conditional upon the passing of Resolution 9 above and in addition to existing authorities, the directors of the Company be and hereby are empowered pursuant to Section 571 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority granted by Resolution 9 above, as if Section 561 of the Act did not apply to any such allotment and so that:
- (a) reference to allotment of equity securities in this Resolution shall be construed in accordance with Section 560(2) of the Act; and
 - (b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding the expiry of such power.

The power provided by this Resolution shall expire on the later of 15 months from the passing of this Resolution or on the conclusion of the Company’s next Annual General Meeting (unless previously revoked, varied or extended by the Company in general meeting)

By order of the Board

The City Partnership (UK) Limited

Company Secretary

18 March 2026

Registered office:

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

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

NOTICE OF THE ANNUAL GENERAL MEETING (CONTINUED)

Notes:

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. Any such appointment can only be made using the procedures set out in these notes and the notes of the Form of Proxy. A member may appoint more than one proxy in relation to the Annual 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 Annual General Meeting in order to represent their appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chair or another person as their proxy although the Chair will not speak for the member. A member who wishes their proxy to speak for them should appoint their own choice of proxy (not the Chair) 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 (k) 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 Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual 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 Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy must be completed and signed and 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 The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield, HD4 7BH not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual 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 (and prior to the commencement of) the meeting at which the demand is made. If no voting indication is given in the Form of Proxy, your proxy will vote (or abstain from voting) as they think fit in relation to any matter put to the Annual General Meeting.
- (c) To be valid, any Form of Proxy or other instrument appointing a proxy, must be returned so as to be received no later than 48 hours before the time the Annual General Meeting is scheduled to begin, through any one of the following methods:
- i) by post, courier or (during normal business hours only) hand to the Company's UK registrar at:

The City Partnership (UK) Limited
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH;
 - ii) electronically through the website of the Company's UK registrar at <https://bsc2-agm.city-proxyvoting.uk/>; or
 - iii) in the case of shares held through CREST, via the CREST system (see note (p) below);
- (d) If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
- (e) The return of a completed Form of Proxy, electronic filing or any CREST Proxy Instruction (as described in note (p) below) will not prevent a shareholder from attending the meeting and voting in person if they wish to do so.

- (f) 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 The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield, HD4 7BH. 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 The City Partnership before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke their proxy appointment but the revocation is received after the time specified then, subject to note (g) directly below, the proxy appointment will remain valid.
- (g) 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 Annual General Meeting in person, the proxy appointment will automatically be terminated.
- (h) Copies of the directors' Letters of Appointment, the Register of Directors' Interests in the ordinary shares of the Company, and a copy of the current 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 (weekends and public holidays excluded) from the date of this Notice, until the end of the Annual General Meeting and at the Annual General Meeting venue itself for at least 15 minutes prior to and during the meeting.
- (i) 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 5 June 2026 or, in the event that the Annual General Meeting is adjourned, on the Register of Members at close of business on the day two days before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual 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 5 June 2026 or, in the event that the Annual 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 Annual General Meeting.
- (j) As at 18 March 2026 the Company's issued share capital comprised 344,956,241 ordinary shares of 0.01 pence each with a further 36,211,546 shares held in treasury. Those treasury shares represented 9.5 per cent of the total issued share capital (including treasury shares) at the aforementioned date. Each ordinary share carries one voting right at the Annual General Meeting of the Company and so the total number of voting rights in the Company as at 18 March 2026 was 344,956,241. The website referred to above will include information on the number of ordinary shares and voting rights.
- (k) 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 Annual 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.
- (l) A company 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.

NOTICE OF THE ANNUAL GENERAL MEETING (CONTINUED)

- (m) In the case of joint members, any one of them may sign the Form of Proxy. The vote of the person whose name stands first in the register of members of the Company will be accepted to the exclusion of the votes of the other joint holders.
- (n) 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 on the Form of Proxy, the proxy will vote or abstain from voting at their discretion. The proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the Annual General Meeting.
- (o) Members may not use any electronic address provided either in this Notice of Annual General Meeting, or any related documents (including the Chair's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.
- (p) 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 (8RA57) not less than 48 hours (excluding weekends and public holidays) before the time of the Annual General 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.

REGISTERED OFFICES OF SIGNIFICANT HOLDINGS

Investment Companies

EL Support Services Limited
NB Technology Services Limited
OC Engineering Services Limited
SH Healthcare Services Limited
SP Manufacturing Services Limited

4th Floor
2 Bond Court
Leeds
LS1 2JZ

Immunobiology Limited

Babraham Research Campus
Babraham
Cambridge
CB22 3AT

Sipsynergy (via Hosted Network Services Limited)

Sipsynergy Spaces
4500 Parkway
Fareham
PO15 7AZ

ADVISERS TO THE COMPANY

Manager

YFM Private Equity Limited

4th Floor
2 Bond Court
Leeds
LS1 2JZ

Registrar

The City Partnership (UK) Limited

The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

Solicitor

Howard Kennedy LLP

No.1 London Bridge
London
SE1 9BG

Stockbroker

Panmure Liberum

One New Change
London
EC4M 9AF

Promoter

RAM Capital Partners LLP

18 Soho Square
London
W1D 3QL

Independent Auditor

BDO LLP

55 Baker Street
London
W1U 7EU

VCT Status Adviser

Philip Hare & Associates LLP

Bridge House
181 Queen Victoria Street
London
EC4V 4EG

Banker

Santander UK plc

8th Floor
Landmark
Oxford Street
Manchester
M2 1PB

Company Secretary

The City Partnership (UK) Limited

The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

Depository

Thompson Taraz Depository Limited

4th Floor, Stanhope House
47 Park Lane
London
W1K 1PR



YFM Equity
Partners

BRITISH SMALLER COMPANIES VCT2 PLC

4th Floor

2 Bond Court

Leeds LS1 2JZ

Tel 0113 244 1000

Email bscfunds@yfmep.com

bscfunds.com

Transforming small businesses