

British Smaller Companies VCT2 plc

Annual Financial Report Announcement

for the year ended 31 December 2025

British Smaller Companies VCT2 plc (the “Company”) today announces its audited results for the year ended 31 December 2025.

HIGHLIGHTS

- | 2.4 per cent return on opening net assets, driven by underlying revenue growth in portfolio companies
- | Total Return increased by 1.30 pence; net asset value at 31 December 2025 of 54.40 pence per share (2024: 57.10 pence per share)
- | Realisations generated total 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
- | Four new investments and 13 follow-on investments totalling £16.1 million completed during the year. One follow-on investment of £2.0 million made subsequent to the year end.
- | Total dividends paid during the year ended 31 December 2025 of 4.00 pence per share (2024: 3.00 pence per share), bringing total cumulative dividends paid since inception to 93.25 pence per share at 31 December 2025 (2024: 89.25 pence per share)
- | £29.2 million of allotted funds in the year from the 2024/25 fundraising. Gross applications of c. £31.9 million received in relation to the 2025/26 offer, with £9.4 million allotted in January 2026 and the remaining funds to be allotted between 1 and 2 April 2026

CHAIR’S STATEMENT

I am pleased to present the 2025 annual report and financial statements of British Smaller Companies VCT2 plc. 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	Cyber 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.

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.

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 of the annual report 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 fundraise 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 of the annual report.

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.bsconfunds.com rather than by post, saving on printing costs, as well as being more environmentally friendly.

The Company's website, www.bsconfunds.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. This 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.

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 above.

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.

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 fundraise 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 of the annual report.

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 of the annual report. In addition to these the Company's anti-bribery and environmental and social responsibilities policies can be found on page 34 of the annual report.

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 of the Annual Report.

The chart on page 12 of the annual report shows how the Total Return of the Company has developed over the last ten years.

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 (defined on page 3 of the annual report), 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 table 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.

Year	Internal Rate of Return (IRR)
2014	5.8%
2015	6.3%
2016	6.4%
2017	6.6%
2018	7.7%
2019	7.8%
2021	9.3%
2022	3.5%
2023	2.1%

Note: excluding all tax reliefs

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.

Period	Annualised Return p.a.
10 years	6.4%
5 years	8.8%
3 years	3.0%
1 year	2.4%

Note: excluding all tax reliefs

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 of the annual report, 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, 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. 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 buyouts 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.

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.

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%
Total	100%	100%

VALUE COMPARED TO COST (%)	2025	2024
Value above cost	85%	88%
At cost	3%	6%
Value below cost	12%	6%
Total	100%	100%

INVESTMENT INSTRUMENT (%)	2025	2024
Equity	97%	95%
Loans and preference shares	3%	5%
Total	100%	100%

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%
Total	100%	100%

INVESTMENT REVIEW

The Portfolio

£112.3 million	Fair value of the portfolio	(2024: £105.5 million)
£0.3 million	Income from the portfolio	(2024: £0.6 million)
£16.1 million	Level of investment in the year	(2024: £15.1 million)
£6.1 million	Return from the portfolio in the year	(2024: £2.9 million)

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.

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.

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.

Table C - Investments

Company	Description	Investments made		
		New £million	Follow-on £million	Total £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.

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.

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.

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).

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

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

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.

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

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

<https://yfmeq.com/wp-content/uploads/2025/04/YFM-Responsible-Investment-Policy-Final.pdf>

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

- Grow our economy;
- Improve our society;
- Value their people; and
- Protect the environment

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.
- **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.

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

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

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 were given to employees across the portfolio

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

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

PORTFOLIO SUMMARY

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
Matillion Limited	Nov-16	Manchester	Data	1,778	16,572	5,946	22,518
Unbiased EC1 Limited	Dec-19	London	Tech-enabled Services	3,731	11,057	-	11,057
Xapien (via Digital Insight Technologies Limited)	Mar-23	London	Application Software	5,072	9,503	-	9,503
Vypr Validation Technologies Limited	Jan-21	Manchester	Tech-enabled Services	3,798	7,543	-	7,543
Summize Limited	Oct-22	Manchester	Application Software	1,700	6,649	-	6,649
AutomatePro Limited	Dec-22	London	Cloud & DevOps	3,923	6,507	-	6,507
DrDoctor (via ICNH Ltd)	Feb-23	London	Application Software	3,570	4,184	-	4,184
Workbuzz Analytics Limited	Jun-23	Milton Keynes	Application Software	3,135	3,974	-	3,974
Plandek Limited	Oct-22	London	Cloud & DevOps	3,414	3,935	-	3,935
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

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.

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.

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.

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.

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.

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

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.

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, cybersecurity 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 of the annual report).

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.

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 (page 47 of the annual 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 of the annual report. Its Responsible Investment Policy can be found at www.yfmep.com/who-we-are/our_impact/.

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 of the annual report is included in the Strategic Report by reference.

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

Barbara Anderson

Chair

18 March 2026

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025			2024		
		Revenue £000	Capital £000	Total £000	Revenue £000	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:							
<i>Manager's fee</i>		<i>(711)</i>	<i>(2,134)</i>	<i>(2,845)</i>	<i>(624)</i>	<i>(1,872)</i>	<i>(2,496)</i>
<i>Incentive fee</i>		<i>-</i>	<i>(623)</i>	<i>(623)</i>	<i>-</i>	<i>(818)</i>	<i>(818)</i>
<i>Other expenses</i>		<i>(796)</i>	<i>-</i>	<i>(796)</i>	<i>(751)</i>	<i>-</i>	<i>(751)</i>
	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 notes on pages 63 to 85 of the annual report are an integral part of the 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		1,916	-
		114,701	106,767
Current assets			
Accrued income and other assets		816	1,651
Current asset investments		38,000	35,500
Cash at bank and other cash equivalents		25,840	17,627
		64,656	54,778
LIABILITIES			
Current liabilities			
Trade and other payables		(958)	(1,094)
Net current assets		63,698	53,684
Net assets		178,399	160,451
Shareholders' equity			
Share capital		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	8	54.40p	57.10p

The notes on pages 63 to 85 of the annual report are an integral part of the 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
<i>Revenue return for the year</i>	-	-	-	-	-	1,961	1,961
<i>Expenses charged to capital</i>	-	-	-	(2,690)	-	-	(2,690)
<i>Investment holding gains on investments held at fair value</i>	-	-	-	-	3,105	-	3,105
<i>Realisation of investments in the year</i>	-	-	-	234	-	-	234
<i>Taxation</i>	-	-	-	12	-	(12)	-
Total comprehensive (expense) income for the year	-	-	-	(2,444)	3,105	1,949	2,610
<i>Issue of share capital</i>	5,720	28,822	-	-	-	-	34,542
<i>Issue of shares – DRIS</i>	246	1,153	-	-	-	-	1,399
<i>Issue costs **</i>	-	(1,131)	-	-	-	-	(1,131)
<i>Reduction in nominal value</i>	(30,949)	-	-	30,949	-	-	-
<i>Share premium cancellation</i>	-	(54,230)	(88)	54,318	-	-	-
<i>Purchase of own shares</i>	-	-	-	(4,086)	-	-	(4,086)
<i>Dividends</i>	-	-	-	(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
<i>Revenue return for the year</i>	-	-	-	-	-	797	797
<i>Expenses charged to capital</i>	-	-	-	(2,757)	-	-	(2,757)
<i>Investment holding gains on investments held at fair value</i>	-	-	-	-	4,176	-	4,176
<i>Realisation of investments in the year</i>	-	-	-	2,206	-	-	2,206
<i>Taxation</i>	-	-	-	146	-	(146)	-
Total comprehensive (expense) income for the year	-	-	-	(405)	4,176	651	4,422
<i>Issue of share capital</i>	5	29,165	-	-	-	-	29,170
<i>Issue of shares – DRIS</i>	-	1,961	-	-	-	-	1,961
<i>Issue costs **</i>	-	(961)	-	-	-	-	(961)
<i>Purchase of own shares</i>	-	-	-	(3,933)	-	-	(3,933)
<i>Dividends</i>	-	-	-	(11,019)	-	(1,692)	(12,711)

<i>Total transactions with owners</i>	<i>5</i>	<i>30,165</i>	<i>- (14,952)</i>	<i>- (1,692)</i>	<i>13,526</i>
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 notes on pages 63 to 85 of the annual report are an integral part of the financial statements.

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 above	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		63,840	53,127
<i>* Issue costs include both fundraising costs and expenses incurred from the Company's DRIS</i>			
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		63,840	53,127

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

	2025	2024
	£000	£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)
<i>* Includes cash inflows from</i>		
<i>Dividends</i>	<i>483</i>	<i>248</i>
<i>Interest</i>	<i>2,590</i>	<i>3,083</i>

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

The notes on pages 63 to 85 of the annual report are an integral part of the 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 of the annual report) 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.

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.

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 annual report.

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	2024
	£000	£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

3. Administrative Expenses

	2025	2024
	£000	£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 Depositary Limited were appointed as the Depositary 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 AIFMA 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 fundraise 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.

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 of the annual report under the heading “Directors’ Remuneration for the year ended 31 December 2025 (audited)”.

4. Taxation

	2025			2024		
	Revenue £000	Capital £000	Total £000	Revenue £000	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:

	2025			2024		
	Revenue £000	Capital £000	Total £000	Revenue £000	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.

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

	2025	2024
	£000	£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.

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	Level 1	Total
	Unquoted	Quoted	
	Investments	Investment	
	£000	£000	£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 £4,176,000. 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 74 of the annual report 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).

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
<i>Unquoted investments unless stated:</i>				
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.*

8. 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.

9. 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 8.

