

British Smaller Companies VCT plc

Annual Financial Report Announcement

for the year ended 31 March 2026

British Smaller Companies VCT plc (the “Company”) today announces its audited results for the year ended 31 March 2026.

HIGHLIGHTS

- | 0.4 per cent return on opening net assets, driven by both underlying revenue growth in portfolio companies and positive realisations
- | Total Return increased by 0.35 pence; net asset value at 31 March 2026 of 76.90 pence per share (2025: 80.55 pence per share)
- | Realisations generated total proceeds of £18.5 million in the year, a gain of £1.6 million over the opening carrying value and £8.9 million over cost
- | Five new investments and ten follow-on investments totalling £22.7 million completed during the year. Two new and two follow-on investments totalling £10.4 million made subsequent to the year end.
- | Total dividends paid during the year ended 31 March 2026 of 4.00 pence per share (2025: 5.25 pence per share), bringing total cumulative dividends paid since inception to 188.15 pence per share at 31 March 2026 (2025: 184.15 pence per share)
- | £44.7 million raised in the year. £29.5 million raised in 2024/25 and allotted in April 2025, £15.2 million raised in 2025/26 and allotted in January 2026. An additional £36.1 million raised in 2025/26 and allotted post-year-end, in April 2026.
- | The Board is declaring an interim dividend of 2.00 pence per share in respect of the year ending 31 March 2027. The dividend will be paid on 17 July 2026 to shareholders on the register on 19 June 2026.

CHAIRMAN’S STATEMENT

I am pleased to present the 2026 annual report and financial statements of British Smaller Companies VCT plc (the “Company”). The Company has seen notable progress from several of its portfolio holdings, during a 12-month period in which it has delivered a positive overall return.

Volatility continues to be the key theme in the macroeconomic environment, as countries react to a variety of challenges. These have included global tariffs and concerns over trade wars, geopolitical tensions that included the start of the conflict in Iran at the end of the reporting period, and concerns over the impact of Artificial Intelligence (“AI”) on jobs and the valuation of technology companies.

Nevertheless, the Company’s strategy of investing in early-stage companies that are delivering differentiated products and services to help their customers solve some of their biggest problems, has helped to offset these external market dynamics.

Given this context, it is a reflection of the resilience of the portfolio and the benefits of the Manager’s proactive approach to working with investee businesses, that the Company has performed positively, generating an annualised 0.4 per cent return on its opening net asset value in the year.

19 of the 24 portfolio companies valued on a revenue basis have shown positive revenue growth over the last 12 months, with nine of these delivering growth of over 40 per cent. However, market concerns that AI will replace existing software solutions has led to a reduction in the revenue multiples used to value software-led technology businesses. As a result, some portfolio companies have seen their valuations remaining static or falling back, despite the underlying revenue growth. The performance of the strongest holdings has helped to compensate for those whose valuations have been impacted by the reduction in multiples.

Over the long term, companies that utilise proprietary data or operate in regulated or complex markets are likely to be well placed to benefit from the advancement of AI, rather than being at risk of AI undermining their business model. However, in the short term, as seen during recent months, the reductions in valuation multiples have affected all such technology businesses regardless of their defensibility or their market opportunity.

The Company continues to benefit from the Manager's access to a healthy pipeline of new investment opportunities, which it generates through its large investment team, its regional office network and its in-house Direct Origination function. It was another strong year for investment activity, with £22.7 million deployed in the year. Five new companies were added to the portfolio, while the Company provided follow-on funding to ten existing holdings. It remains the Company's strategy to "back its winners" and shareholders should expect to see this approach of investing follow-on capital to help to accelerate future growth continuing in future years.

Despite a more difficult market environment, the Company has continued its trend of delivering steady realisations of portfolio assets, with four investee businesses exited in the period, generating £18.3 million of proceeds. This includes a strong 8.1x return on cost from Teraview, following the company's listing on the Korean Stock Exchange.

Financial Performance

The Company delivered a 0.35 pence per ordinary share increase in Total Return which, as noted above, is equivalent to an annualised 0.4 per cent of the opening net asset value at 1 April 2025. Total Return is now 265.05 pence per ordinary share.

Portfolio

There has been strong sales growth across a number of portfolio companies, which has helped to drive a £1.5 million net increase in the portfolio's valuation and support the uplift in Total Return during the period. Within the top ten largest holdings, there have been material value uplifts from Xapien, Summize and Unbiased in particular.

The Company's holding in Xapien increased by £5.9 million during the period. Xapien had a strong year, with turnover increasing by 142 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 in December 2025, which will enable Xapien to maintain its momentum.

The Company's investment in Summize increased in value by £4.2 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.

The Company's investment in Unbiased increased by £2.9 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 maintain its current trajectory in 2026.

Other notable positive valuation movements in the period include a £2.0 million realised gain following the exit of the Company's holding in Teraview, a £1.2 million realised gain from strategic planning software business SharpCloud and a valuation uplift of £1.1 million in data validation business Vypr.

As noted elsewhere in the report, the reduction in valuation multiples for technology businesses has impacted the portfolio, limiting the valuation growth of those that have delivered revenue uplifts and causing falls in holding value of other investees, including some where there has been an increase in the company's underlying revenues.

The portfolio companies where this most impacted valuation were Matillion, which decreased by £3.8 million, Quality Clouds (£2.2 million) and Force24 (£2.0 million).

Separately, the valuation of visual effects firm Outpost reduced by £2.1 million, as the business navigated industry challenges, albeit it is now emerging positively from the worst of the industry disruption.

Realisations in the Year

Realisations of portfolio investments generated proceeds of £18.5 million in the year. These investments have returned a net gain of £8.9 million over the original cost, which includes £1.6 million over the opening carrying value at the start of the financial year.

In October 2025, the Company realised its investment in Elucidat, receiving £5.5 million in initial proceeds (including income due), with additional deferred consideration of £0.7 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 £4.3 million. Including deferred consideration, proceeds have the potential to rise to £6.2 million, and the return to 1.45x.

In December 2025, the Company realised its investment in SharpCloud receiving £8.7 million in initial proceeds, with additional deferred consideration of £0.9 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 £4.4 million. Including deferred consideration, proceeds have the potential to rise to £9.6 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 its holding prior to the year-end, receiving proceeds of £3.0 million. The Teraview investment has generated an 8.1x return on the original cost of £0.4 million.

In January 2026, the Company realised its remaining holding in Vuealta, receiving proceeds of £0.7 million. Overall, the Vuealta investment has generated total proceeds of £5.6 million, a 1.5x return on the original cost of £3.6 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.

The Company's investment Sipsynergy also realised its trading subsidiary in February 2026, with total expected proceeds of c.£0.9 million for the Company over the next two years. This represents a 0.3x return on the original cost of £2.8 million.

In the year the Company also recognised a net gain of £0.2 million relating to deferred consideration previously recognised from investments realised in prior years. These deferred consideration proceeds were contingent rather than guaranteed with one holding recognising a £0.5 million gain and another recognising a £0.3 million loss against the previous holding value.

Investment Activity

The Company invested £22.7 million in the year into the portfolio. £11.1 million was deployed into five new investments.

The new investments are:

Investment	Sector
Aura Life	A digital platform for funeral plans and at-need services
DynaRisk	Cyber risk solutions
S4labour	Workforce management
TeamFeePay	Payment platform for grassroots football
TiPJAR	A digital platform for fair and transparent tip and service charge distribution

In our continued support of the portfolio, ten companies received follow-on funding, totalling £11.6 million in aggregate. Further details are given in the Investment Review.

Financial Results

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

	Pence per ordinary share	£000
NAV at 31 March 2025	80.55	257,111
Decrease in value	-	(101)
Gain on disposal of investments	0.40	1,612
Net underlying change in investment portfolio	0.40	1,511
Net operating costs	(0.15)	(572)
Total Return in the year	0.25	939
Issue/buy-back of new shares	0.10	41,664
NAV before the payment of dividends	80.90	299,714
Dividends paid	(4.00)	(14,183)
NAV at 31 March 2026	76.90	285,531
Cumulative dividends paid	188.15	
Total Return: at 31 March 2026	265.05	
at 31 March 2025	264.70	

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 portfolio investments held at the beginning of the financial year, amounting to £153.4 million, delivered a return over the year of £1.3 million.

The current portfolio's net valuation decreased by £0.1 million. Within this there were gains of £16.4 million, offset by £16.5 million of downward movements.

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 £4.5 million on its liquid assets, and at year end was generating a weighted run-rate return on these assets of c.3.5 per cent per annum.

Dividends

Dividends paid in the year totalled 4.00 pence per ordinary share. Cumulative dividends paid as at 31 March 2026 were 188.15 pence per ordinary share.

An interim dividend for the year ending 31 March 2027 of 2.00 pence per ordinary share will be paid on 17 July 2026, to shareholders on the register at 19 June 2026.

Dividend Re-investment Scheme ("DRIS")

The Company operates a DRIS, which gives shareholders the opportunity to re-invest any cash dividends received; 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 20 per cent (30 per cent prior to 6 April 2026).

For the financial year ended 31 March 2026, £2.4 million was re-invested by way of the DRIS, from overall dividends paid of £14.2 million.

Budget

The November 2025 Budget included increases to the annual and lifetime VCT investment limits into businesses, as detailed on pages 14 and 15 of the annual report. 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.

Fundraising

During the year the Company received net proceeds of £29.5 million from the second allotment of its 2024/25 fundraising, allotted in April 2025; and £15.2 million from the first allotment of its 2025/26 fundraising, allotted in January 2026.

Shareholder Relations

Investor Workshop

The annual shareholder workshop held on 19 June 2025 was well attended. Attendees heard from the CEOs of Xapien and AutomatePro.

We are pleased to confirm that the next in-person shareholder workshop will be held jointly with British Smaller Companies VCT2 plc on 18 June 2026 at The Royal Institution, 21 Albemarle Street, London W1S 4BS.

The electronic communications policy continues to be a success, with 82 per cent of shareholders now receiving communications in this way. Documents such as the annual report are published on the website www.bscfunds.com rather than by post, saving on printing costs, as well as being more environmentally friendly.

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

Annual General Meeting

The Annual General Meeting of the Company will be held at 9:30 am on 10 September 2026 at 8-10 Hill Street, London W1J 5NG. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 90 of the annual report.

Events after the Balance Sheet Date

On 1 April 2026 the Company allotted the final shares from its fully subscribed 2025/26 share offer. Gross proceeds of £37.3 million were raised, resulting in the issue of 45,900,519 ordinary shares. This increased the number of ordinary shares in issue to 417,251,444.

Subsequent to the year end, the Company has invested £3.9 million into new portfolio companies Inploi and StudentCrowd, and £6.5 million into existing portfolio companies GEEIQ and Spotless Water.

Outlook

It has once again been a year filled with encouraging progress from the Company's underlying portfolio businesses, set against broader market challenges. Venture Capital Trusts were created over 30 years ago to stimulate the growth of early-stage British companies and despite the inevitable ebb and flow of economic cycles, the Company's primary objective remains aligned with this goal.

There will always be both opportunities to progress and challenges to face for VCTs, which is why the quality of their Manager is paramount. Whilst Government policy on the VCT tax reliefs and valuation multiples for SaaS businesses are out of its control, the Manager is able to use its long-standing experience, regional network of offices and large investment team to support investee companies as they scale and we are optimistic about the prospects for the Company's portfolio of investments.

Noting my earlier comments about the impact of AI, shareholders should take comfort from the Manager's approach: it actively reviews the portfolio on an ongoing basis, working with portfolio companies to assess their specific AI risks and opportunities and ensure an appropriate strategy is being pursued. Its assessment of the AI threat / opportunity is also a key consideration when deploying capital into new investment opportunities. The Manager has built a network of AI experts who can assist in a variety of ways, from providing investment due diligence through to giving hands-on support to portfolio companies; this expert resource will continue to evolve in the years to come and is another example of how the Manager helps to drive value creation in the portfolio.

Following another strong fundraise in the period, the Company is well-placed to continue deploying capital into new and follow-on investments. We are excited about the opportunities ahead of the Company and would like to thank shareholders for their continued support.

Rupert Cook

Chairman

11 June 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 return, as well as ensuring compliance with VCT Regulations.

The Company predominantly invests in unquoted smaller companies and expects that these 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 typically expected to be 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 60 per cent to the Company and 40 per cent to British Smaller Companies VCT2 plc. However, the Board of the Company has discretion as to whether or not to take up its allocation; where British Smaller Companies VCT2 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 50 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, details of the Company's anti-bribery and environmental and social responsibilities policies can be found on page 35 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 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 February 1996. 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.

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

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

The evaluation of comparative success of the Company's Total Return is by way of reference to the Share Price Total Return for an index of VCTs that are members of the AIC. This is the Company's stated benchmark index. A comparison and explanation of the calculation of this return is shown in the Directors' Remuneration Report on page 52 of the annual report.

Shareholder Returns

The Board considers Total Return to be the primary measure of shareholder value. The Internal Rate of Return (the "IRR") from the offers over the last ten years are set out below. IRR, which is an Alternative Performance Measure, is a key metric used to assess the potential profitability of an investment, with a higher IRR indicating 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 March 2026 Net Asset value ("NAV"). 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 March 2026. Note, as VCTs are long term investments it is too soon to give meaningful returns for the fundraisings in 2025 and 2026.

Shareholder Returns excluding all tax reliefs	
2015	7.8%
2016	6.7%
2017	7.3%
2019	8.2%
2021	9.6%
2022	3.7%
2023	2.1%
2024	0.9%

Set out below is the annualised return over 10, 5, 3 and 1 years to 31 March 2026. The annualised return is calculated with reference to the cumulative dividends paid in the period plus the audited NAV at 31 March 2026, compared to the NAV at the beginning of the relevant period.

Period	Annualised Return p.a.
10 years	7.3%
5 years	9.0%
3 years	2.7%
1 year	0.4%

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 £5,188,000 (2025: £4,394,000) as shown in note 3, expressed as a percentage of the average net asset value during the year of £284,105,000 (2025: £250,491,000). 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 March 2026 (%)	Year to 31 March 2025 (%)
Ongoing Charges figure*	1.83	1.75

* 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 March 2026 would have been c.1.91 per cent had the new fee arrangements, as set out in Note 3 on page 72 of the annual report, been in place for the full year, 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 - staged distribution fees - payable to financial intermediaries and VAT) is capped at 2.9 per cent of the total net asset value as at the relevant year end. The treatment of costs in excess of the cap is described in Note 3 on page 72 of the annual report. 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 the Company's VCT Tax Adviser (Philip Hare & Associates LLP) twice per year. The Board can confirm that during the period, all of the VCT legislative tests have been met.

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

Income Test

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

Retained Income Test

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

Qualifying Investments Test

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

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

Eligible Shares Test

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

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

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

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

Investment Limits

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

There is also a lifetime limit that a business may not raise more than £24 million (£12 million prior to 6 April 2026) of state aided investment (including from VCTs); the limit for Knowledge Intensive Companies is currently £40 million (£20 million prior to 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 by 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 October 2025 the Company cancelled the balance of its Share Premium Account of £132.0 million, which will become distributable over the period to 1 April 2029, as set out on page 64 of the annual report.

Also in October 2025, 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 £39.1 million, which will also become distributable over the period to 1 April 2029, as set out on page 64 of the annual report.

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 44 per cent of the portfolio valuation being held for more than five years, while 91 per cent is valued at cost or above. 3 per cent of the portfolio value is held in loans and preference shares.

AGE OF INVESTMENTS (%)	2026	2025
Less than 1 year	6%	8%
Between 1 and 3 years	15%	32%
Between 3 and 5 years	35%	18%
Greater than 5 years	44%	42%
Total	100%	100%

VALUE COMPARED TO COST (%)	2026	2025
Value above cost	85%	91%
At cost	6%	6%
Value below cost	9%	3%
Total	100%	100%

INVESTMENT INSTRUMENT (%)	2026	2025
Equity	97%	96%
Loans and preference shares	3%	4%
Total	100%	100%

Portfolio Analysis

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

INDUSTRY SECTOR (%)	2026	2025
Application Software	40%	29%
Tech-enabled Services	20%	19%
Data	18%	27%
Cloud & DevOps	12%	12%
Retail & Brands	4%	4%
New Media	3%	5%
Business Services	2%	2%
Other	1%	2%
Total	100%	100%

INVESTMENT REVIEW

The Portfolio

£159.1 million	Fair value of the portfolio	(2025: £153.4 million)
£0.4 million	Income from the portfolio in the year	(2025: £0.7 million)
£22.7 million	Level of investment in the year	(2025: £29.3 million)
£1.3 million	Return from the portfolio in the year	(2025: £7.1 million)

The portfolio added £1.3 million of value on the opening fair value of £153.4 million. The composition of investments continues to evolve, with £22.7 million invested in the period and proceeds of £18.3 million recognised from the opening portfolio.

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

Table A

Investment Portfolio

	Total £million
Opening fair value at 1 April 2025	153.4
Additions	22.7
Disposal proceeds	(18.3)
Valuation movement	1.3
Closing fair value at 31 March 2026	159.1
Accrued income	0.7
Financial assets - investments	159.8

At 31 March 2026 the portfolio was valued at £159.1 million, representing 55.7 per cent of net assets (59.7 per cent at 31 March 2025). Cash and cash equivalents at 31 March 2026 of £122.3 million represented 42.8 per cent of net assets (38.9 per cent at 31 March 2025).

Fair Value Changes

Table B

Gain from Investment Portfolio

	£million
Change in fair value from the portfolio	(0.1)
Gain on disposal over opening value from the portfolio	1.4
Gain arising from the portfolio	1.3
Deferred consideration from prior year realisations	0.2
Gain arising from the investment portfolio	1.5

Of the £1.5 million gain in the year, £1.6 million arose from investments which were realised, including deferred consideration recognised from investments realised in prior years. Further details can be found in the Chairman's Statement and note 7 of the annual report.

The ongoing portfolio delivered a net value loss of £0.1 million in the year. There were strong valuation gains from some of the fastest growing portfolio companies, such as Xapien, Summize and Unbiased. The reduction in valuation multiples used to value software companies has impacted portfolio valuations, with several companies showing a fall in their holding value despite a growth in their underlying revenues during the period.

The Manager continues to take a proactive approach to managing the portfolio and benefits from having one of the largest and most experienced investment teams in the VCT industry. The scale of this expert resource allows the Manager to provide appropriate support to both high-performing and underperforming investments, as it seeks to maximise the returns for the Company's shareholders.

Other Significant Investment Movements

Investments

During the year ended 31 March 2026, the Company invested £22.7 million across 15 companies. Five new companies were added to the portfolio, receiving aggregate investment of £11.1 million; while a further £11.6 million was invested across ten existing portfolio companies. The analysis of these investments is shown in Table C below.

Table C

Investments

Company	Investments made		
	New £million	Follow-on £million	Total £million
Summize	-	3.0	3.0
TeamFeePay	2.7	-	2.7
TiPJAR	2.7	-	2.7
S4labour	2.4	-	2.4
AutomatePro	-	1.8	1.8
DynaRisk	1.8	-	1.8
Fuuse	-	1.8	1.8
Plandek	-	1.6	1.6
Xapien	-	1.5	1.5
Aura Life	1.5	-	1.5
Ohalo	-	0.9	0.9
Force24	-	0.4	0.4
Panintelligence	-	0.3	0.3
Relative Insight	-	0.2	0.2
Sipsynergy	-	0.1	0.1
Total	11.1	11.6	22.7

Since the year end the Company has invested a further £6.5 million into existing portfolio companies GEEIQ and Spotless Water. The case studies on pages 24 and 25 of the annual report give more information on these investments.

Disposal of Investments

As set out in Table D below, during the year ended 31 March 2026 the Company recognised proceeds from disposals of £18.5 million, a net gain of £1.6 million over the opening carrying value at the beginning of the year, and an overall net gain of £8.9 million over cost. This included the successful realisations of SharpCloud, Teraview and Elucidat. Further details are given in the Chairman's Statement on page 6 of the annual report.

Table D

Disposal of Investments

	Net proceeds from sale of investments £million	Opening value 31 March 2025 £million	Gain on opening value £million
Portfolio	18.3	16.9	1.4
Deferred consideration	0.2	-	0.2
Total investment disposals	18.5	16.9	1.6

Further analysis of all investments sold in the year can be found in note 7.

Investment Portfolio Composition

As at 31 March 2026, the portfolio was valued at £159.1 million, comprising wholly of unquoted investments. An analysis of the movements in the year is shown on page 77 of the annual report.

The largest investment, Matillion, represents 6.8 per cent of the net asset value.

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

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 (i) the use of a pool of money market funds, which can be converted back to cash with immediate notice; and (ii) cash deposits held with Tier 1 banking institutions. £4.5 million of income was earned from money market funds and bank deposits during the year, equating to a weighted average interest rate of 3.8 per cent across the year. At 31 May 2026, the Company was achieving a weighted average return on liquid assets of 3.5 per cent per annum.

Valuation Policy

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

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

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

The full valuation policy is set out in note 1 on pages 67 to 69 of the annual report.

Table E below shows the value of investments within each valuation category as at 31 March 2026; no investments are valued using discounted cash flow methodologies.

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

Table E

Valuation Policy

	Valuation	2026	2025
	£million	% of	% of
		portfolio	portfolio
		by value	by value
Revenue multiple	142.6	90	91
Earnings multiple	8.2	5	5
Cost or price of recent investment, reviewed for change in fair value	4.2	3	2
Net assets, reviewed for change in fair value	2.4	1	2
Sale proceeds	1.7	1	-
Total	159.1	100	100

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

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

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

Please view the Manager’s policy here:

www.yfmep.com/our-purpose

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

- 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 our 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

Technological change, geopolitical tensions and regulatory developments have been and will continue to be a feature of the broader landscape that the Company and other VCTs operate in. In such an environment, balance sheet strength and investment management experience are critical components in the equation for delivering sustained success for VCT shareholders.

We believe the Company is well-placed on both accounts: firstly, the successful fundraise during the year combined with the future potential of the existing portfolio holdings means the Company is well-capitalised and able to pursue its strategies for investment deployment and shareholder distributions; secondly, the Manager is strategically and commercially aligned with the Company and benefits from one of the largest investment teams in the VCT market, ensuring it has the means, motivation and ability to continue driving value growth.

The Company will continue to seek to deploy funds into new and existing portfolio businesses, which have the potential to deliver strong returns to shareholders and make a positive impact on the wider UK economy. We are grateful for the ongoing opportunity to keep delivering this strategy for shareholders and look ahead with optimism at the Company's prospects.

Jamie Roberts

YFM Private Equity Limited

11 June 2026

PORTFOLIO SUMMARY

Name of company	Date of initial investment	Location	Industry sector	Amount invested £000	Valuation at 31 March 2026 £000	Recognised income/ proceeds to date £000	Realised & unrealised value to date* £000
Matillion Limited	Nov-16	Manchester	Data	2,666	19,398	7,071	26,469
Unbiased EC1 Limited	Dec-19	London	Tech-enabled Services	5,596	16,141	-	16,141
Xapien (via Digital Insight Technologies Ltd)	Mar-23	London	Application Software	7,607	15,339	-	15,339
Summize Limited	Oct-22	Manchester	Application Software	5,552	13,533	-	13,533
Vypr Validation Technologies Limited	Jan-21	Manchester	Tech-enabled Services	5,698	11,750	-	11,750
AutomatePro Limited	Dec-22	London	Cloud & DevOps	5,885	8,172	-	8,172
DrDoctor (via ICNH Ltd)	Feb-23	London	Application Software	5,355	6,351	-	6,351
Plandek Limited	Oct-22	London	Cloud & DevOps	5,121	5,779	-	5,779
Workbuzz Analytics Limited	Jun-23	Milton Keynes	Application Software	4,703	5,312	-	5,312
Outpost VFX Limited	Feb-21	Bournemouth	New Media	5,750	5,062	170	5,232
Fuuse Limited	May-24	Lancaster	Application Software	4,800	4,938	-	4,938
Force24 Ltd	Nov-20	Leeds	Application Software	4,275	4,320	283	4,603
Tonkotsu Limited	Jun-19	London	Retail & Brands	2,388	4,017	-	4,017
Quality Clouds Limited	May-22	London	Cloud & DevOps	5,821	3,625	-	3,625
Spotless Water Limited	Jun-24	Frimley	Business Services	2,183	3,045	-	3,045
S4labour Limited	Apr-25	Banbury	Application Software	2,400	2,881	-	2,881
TeamFeePay (via Concept Apps Ltd)	Dec-25	Belfast	Application Software	2,700	2,700	-	2,700
TiPJAR (via Pocket Change Pioneers Ltd)	Mar-26	London	Application Software	2,700	2,700	-	2,700
Ohalo Limited	Jun-24	London	Data	2,565	2,570	-	2,570
GEEIQ (via Checkpoint GG Limited)	Sep-23	London	Data	2,358	2,541	-	2,541

Stormharvester Holdings Limited	Jan-25	Belfast	Data	2,100	2,507	-	2,507
Frescobol Carioca Ltd	Mar-19	London	Retail & Brands	1,800	2,132	-	2,132
DynaRisk (via Zen Risk Limited)	Jul-25	London	Application Software	1,800	1,871	-	1,871
Arcus Global Limited	May-18	Cambridge	Application Software	3,075	1,830	361	2,191
Biorelate Limited	Nov-22	Manchester	Application Software	2,310	1,620	-	1,620
Aura Life Limited	Mar-26	Godalming	Tech-enabled Services	1,500	1,500	-	1,500
Other investments below £1.5 million				25,504	7,509	11,001	18,510
Total unquoted investments				124,212	159,143	18,886	178,029
Full disposals to date				96,517	-	198,579	198,579
Total portfolio				220,729	159,143	217,465	376,608

* represents income and proceeds recognised to date plus the unrealised valuation at 31 March 2026.

SUMMARY OF PORTFOLIO MOVEMENT

Name of company	Investment Valuation at 31 March 2025 £000	Disposal proceeds £000	Additions £000	Valuation gains/(losses) including profits/(losses) on disposal £000	Investment valuation at 31 March 2026 £000
Xapien (via Digital Insight Technologies Ltd)	7,964	-	1,512	5,863	15,339
Summize Limited	6,366	-	3,002	4,165	13,533
Unbiased EC1 Limited	13,253	-	-	2,888	16,141
Teraview Limited	1,044	(3,041)	-	1,997	-
SharpCloud Software Limited	7,952	(9,105)	-	1,153	-
Vypr Validation Technologies Limited	10,638	-	-	1,112	11,750
S4labour Limited	-	-	2,400	481	2,881
Spotless Water Limited	2,588	-	-	457	3,045
Arcus Global Limited	1,410	-	-	420	1,830
Stormharvester Holdings Limited	2,100	-	-	407	2,507
Tonkotsu Limited	3,812	-	-	205	4,017
Fuuse Limited	3,000	-	1,800	138	4,938
Frescobol Carioca Ltd	2,033	-	-	99	2,132
DynaRisk (via Zen Risk Limited)	-	-	1,800	71	1,871
DrDoctor (via ICNH Ltd)	6,345	-	-	6	6,351
Other investments below £1.5 million	3,294	-	127	4	3,425
TeamFeePay (via Concept Apps Ltd)	-	-	2,700	-	2,700
TiPJAR (via Pocket Change Pioneers Ltd)	-	-	2,700	-	2,700
Aura Life Limited	-	-	1,500	-	1,500
Plandek Limited	4,218	-	1,581	(20)	5,779
KeTech Technology Holdings Limited	1,315	-	-	(144)	1,171
Ohalo Limited	2,040	-	900	(370)	2,570
GEEIQ (via Checkpoint GG Limited)	2,965	-	-	(424)	2,541
Elucidat Ltd	5,869	(5,397)	-	(472)	-
Biorelate Limited	2,351	-	-	(731)	1,620
Workbuzz Analytics Limited	6,119	-	-	(807)	5,312
Relative Insight Limited	2,065	-	206	(873)	1,398
AutomatePro Limited	7,222	-	1,860	(910)	8,172
Integrum ESG Limited	1,740	-	-	(978)	762
Panintelligence (via Paninsight Limited)	1,500	-	281	(1,028)	753
Vuealta Holdings Limited	2,045	(724)	-	(1,321)	-
Force24 Ltd	5,934	-	375	(1,989)	4,320
Outpost VFX Limited	7,123	-	-	(2,061)	5,062
Quality Clouds Limited	5,867	-	-	(2,242)	3,625
Matillion Limited	23,238	-	-	(3,840)	19,398
Total portfolio	153,410	(18,267)	22,744	1,256	159,143
Deferred consideration	-	(255)	-	255	-

Total	153,410	(18,522)	22,744	1,511	159,143
Accrued income	1,136				723
Total	154,546				159,866

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 performance 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 and 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 unquoted companies.

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

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

Legislative and Regulatory

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

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

Operational

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

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

IT & Cyber Security

The Company is reliant on information technology systems operated by the Manager, the registrar 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 35 of the annual report.

Section 172 of the Companies Act 2006 requires that a director must act in a 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 VCT2 plc, the Company holds an annual Investor Workshop. The most recent event on 19 June 2025 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 VCT2 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. Normal dividends totalling 4.00 pence per ordinary share were paid in the year ended 31 March 2026.

To ensure the Company has sufficient distributable reserves to facilitate the above arrangements, the Company recommended resolutions at the 2025 Annual General Meeting relating to the cancellation of the Company's share premium account, and the reduction in the nominal value of the Company's issued share capital. The approved resolutions have created £171.1 million of additional distributable reserves over the next four years, as set out on page 64 of the annual report. There is no dilution to shareholders' interests from the resolutions.

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 VCT2 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 the portfolio companies with the challenges that 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 four non-executive directors. For a review of the policies used when appointing directors to the Board of the Company, please refer to the Directors' Remuneration Report.

Environment and Community

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment. The management and administration of the Company is undertaken by the Manager, YFM Private Equity Limited, which recognises the importance of its environmental 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/our-purpose.

Business Conduct

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

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

Statement on Long-term Viability

The statement on long-term viability on page 38 of the annual report is included in the Strategic Report by reference.

The Strategic Report on pages 6 to 35 of the annual report is approved by order of the Board.

Rupert Cook

Chairman

11 June 2026

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2026

	Notes	2026			2025		
		Revenue	Capital	Total	Revenue	Capital	Total
		£000	£000	£000	£000	£000	£000
(Loss) gain on investments held at fair value	7	-	(101)	(101)	-	5,656	5,656
Gain on disposal of investments	7	-	1,612	1,612	-	965	965
Gain arising from the investment portfolio		-	1,511	1,511	-	6,621	6,621
Income	2	4,920	-	4,920	5,463	-	5,463
Total income		4,920	1,511	6,431	5,463	6,621	12,084
Administrative expenses:							
Manager's fee		(1,122)	(3,367)	(4,489)	(943)	(2,830)	(3,773)
Other expenses		(1,003)	-	(1,003)	(1,542)	-	(1,542)
	3	(2,125)	(3,367)	(5,492)	(2,485)	(2,830)	(5,315)
Profit (loss) before taxation		2,795	(1,856)	939	2,978	3,791	6,769
Taxation	4	(355)	355	-	(517)	517	-
Profit (loss) for the year		2,440	(1,501)	939	2,461	4,308	6,769
Total comprehensive income (expense) for the year		2,440	(1,501)	939	2,461	4,308	6,769
Basic and diluted earnings (loss) per ordinary share	6	0.68p	(0.42p)	0.26p	0.80p	1.41p	2.21p

The accompanying notes on pages 66 to 89 of the annual report are an integral part of these financial statements.

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

BALANCE SHEET

At 31 March 2026

		2026	2025
	Notes	£000	£000
Assets			
Non-current assets at fair value through profit or loss			
Financial assets at fair value through profit or loss	7	159,866	154,546
Other assets		2,169	1,714
		162,035	156,260
Current assets			
Accrued income and other assets		1,403	1,224
Current asset investments		82,500	69,000
Cash at bank and other cash equivalents		39,819	30,971
		123,722	101,195
Liabilities			
Current liabilities			
Trade and other payables		226	344
Net current assets		123,496	100,851
Net assets		285,531	257,111
Shareholders' equity			
Share capital		41	35,338
Share premium account		16,351	105,086
Capital reserve		218,660	65,203
Investment holding gains and losses reserve	7	48,023	48,673
Revenue reserve		2,456	2,811
Total shareholders' equity		285,531	257,111
Net asset value per ordinary share	8	76.90p	80.55p

The accompanying notes on pages 66 to 89 of the annual report are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 11 June 2026.

Rupert Cook

Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2026

	Share capital	Share premium account	Capital reserve	Investment holding gains and losses reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2024	28,830	58,293	79,171	49,207	4,099	219,600
Revenue return for the year	-	-	-	-	2,978	2,978
Expenses charged to capital	-	-	(2,830)	-	-	(2,830)
Investment holding gain on investments held at fair value	-	-	-	5,656	-	5,656
Realisation of investments in the year	-	-	965	-	-	965
Taxation	-	-	517	-	(517)	-
Total comprehensive (expense) income for the year	-	-	(1,348)	5,656	2,461	6,769
Issue of share capital	6,147	45,932	-	-	-	52,079
Issue of shares – DRIS	361	2,533	-	-	-	2,894
Issue costs*	-	(1,672)	-	-	-	(1,672)
Purchase of own shares	-	-	(6,710)	-	-	(6,710)
Dividends	-	-	(12,100)	-	(3,749)	(15,849)
Total transactions with owners	6,508	46,793	(18,810)	-	(3,749)	30,742
Realisation of prior year investment holding gains	-	-	6,190	(6,190)	-	-
Balance at 31 March 2025	35,338	105,086	65,203	48,673	2,811	257,111
Revenue return for the year	-	-	-	-	2,795	2,795
Expenses charged to capital	-	-	(3,367)	-	-	(3,367)
Investment holding loss on investments held at fair value	-	-	-	(101)	-	(101)
Realisation of investments in the year	-	-	1,612	-	-	1,612
Taxation	-	-	355	-	(355)	-
Total comprehensive (expense) income for the year	-	-	(1,400)	(101)	2,440	939
Issue of share capital	3,682	42,453	-	-	-	46,135
Issue of shares – DRIS	151	2,208	-	-	-	2,359
Issue costs*	-	(1,419)	-	-	-	(1,419)
Reduction in nominal value	(39,130)	-	39,130	-	-	-

Share premium cancellation	-	(131,977)	131,977	-	-	-
Purchase of own shares	-	-	(5,411)	-	-	(5,411)
Dividends	-	-	(11,388)	-	(2,795)	(14,183)
Total transactions with owners	(35,297)	(88,735)	154,308	-	(2,795)	27,481
Transfer between reserves	-	-	(6,718)	6,718	-	-
Realisation of prior year investment holding gains	-	-	7,267	(7,267)	-	-
Balance at 31 March 2026	41	16,351	218,660	48,023	2,456	285,531

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

The accompanying notes on pages 66 to 89 of the annual report are an integral part of these 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	218,660	2,456	221,116
Income/proceeds not yet distributable	(2,916)	(723)	(3,639)
Cancelled share premium not yet distributable	(171,107)	-	(171,107)
Reserves available for distribution*	44,637	1,733	46,370

* Following the circulation of the Annual Report to shareholders.

The capital reserve and revenue reserve are both distributable reserves. The reserves total £221,116,000, representing an increase of £153,102,000 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 £221,116,000 shown above, £3,639,000 relates to income and proceeds not yet distributable and £171,107,000 relates to cancelled share premium and the reduction in the nominal value of the share capital, which will become distributable from July 2026 onwards, as set out below.

	Reserves arising from cancelled share premium £000	Reserves arising from reduction in share capital £000	Total £000
Available for distribution	£000	£000	£000
July 2026	1,700	20,948	22,648
1 April 2027	56,593	7,853	64,446
1 April 2028	46,793	6,501	53,294
1 April 2029	26,891	3,828	30,719
Total	131,977	39,130	171,107

STATEMENT OF CASH FLOWS

For the year ended 31 March 2026

		2026	2025
	Notes	£000	£000
Net cash (outflow) inflow from operating activities		(379)	1,003
Cash flows generated from (used in) investing activities			
Purchase of financial assets at fair value through profit or loss	7	(22,744)	(29,288)
Proceeds from sale of financial assets at fair value through profit or loss	7	17,207	7,259
Deferred consideration	7	783	451
Net cash outflow from investing activities		(4,754)	(21,578)
Cash flows from (used in) financing activities			
Issue of ordinary shares		46,135	52,079
Costs of ordinary share issues*		(1,419)	(1,672)
Purchase of own ordinary shares		(5,411)	(6,710)
Dividends paid	5	(11,824)	(12,955)
Net cash inflow from financing activities		27,481	30,742
Net increase in cash and cash equivalents		22,348	10,167
Cash and cash equivalents at the beginning of the year		99,971	89,804
Cash and cash equivalents at the end of the year		122,319	99,971
* Issue costs include both fundraising costs and expenses incurred from the Company's DRIS.			
Cash and cash equivalents comprise			
Money market funds		82,500	69,000
Cash at bank and other cash equivalents		39,819	30,971
Cash and cash equivalents at the end of the year		122,319	99,971

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

	2026	2025
	£000	£000
Profit before taxation*	939	6,769
(Decrease) increase in trade and other payables	(118)	96
Decrease in accrued income and other assets	311	759
Gain on disposal of investments	(1,612)	(965)
Loss (gain) on investments held at fair value	101	(5,656)
Net cash (outflow) inflow from operating activities	(379)	1,003

* Includes cash inflows from

Dividends	722	372
Interest	4,593	5,346

The accompanying notes on pages 66 to 89 of the annual report are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Material Accounting Policy Information

Basis of Preparation

The accounts have been prepared on a going concern basis as set out in the Directors Report on page 37 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 was enhanced by the final allotment of the 2025/26 fundraising post-year-end, in April 2026. 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.

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 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.

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 (December 2025) ("the IPEV Guidelines"). Quoted investments are valued at market bid prices. 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, six of the most widely used valuation methodologies for unquoted investments are detailed below. The 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, a performance incentive fee is payable to the Manager subject to the Company achieving both a target level of Total Return (the "Total Return Hurdle") and dividends ("Dividend Hurdle"). Subject to meeting the Total Return Hurdle, the Manager will receive an amount equivalent to 20 per cent of the amount by which dividends paid per share exceeds the Dividend Hurdle, multiplied by the number of shares in issue at the year end. The incentive fee in any financial year will be subject to a cap if the excess of dividends paid over the Dividend Hurdle is greater than the sum of the excess of the Total Return over the Total Return Hurdle divided by 1.2. At the end of each reporting period, an accrual is recognised based upon the dividends paid during the financial year to date and the Total Return at the end of the reporting period. 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 comprise short-term deposits and highly liquid investments that are readily convertible into known amounts of cash and subject to insignificant risk of change 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 or 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;
- Purchase and holding of the Company's own shares; and
- Credits arising from the cancellation of any share premium account or changes in the nominal value of the share capital.

Investment Holding Gains and Losses Reserve

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

Revenue Reserve

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

Taxation

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

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

Dividends Payable

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

Segmental Reporting

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

Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with generally accepted accounting practice requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine the fair value of investments at fair value through profit or loss, as disclosed in note 7 to the financial statements.

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

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

2. Income

	2026	2025
	£000	£000
Dividends from unquoted companies	272	443
Interest on loans to unquoted companies	121	243
Income from unquoted portfolio	393	686
Income from money market funds	3,260	3,262
Income from investments held at fair value through profit or loss	3,653	3,948
Income from bank deposits	1,267	1,515
	4,920	5,463

3. Administrative Expenses

	2026	2025
	£000	£000
Manager's fee	4,489	3,773
Administration fee	92	89
Total payable	4,581	3,862
Other expenses:		
Directors' remuneration	165	154
General expenses	153	116
Listing and registrar fees	106	90
Auditor's remuneration - audit of the financial statements (excluding irrecoverable VAT)	67	67
Printing	62	53
Irrecoverable VAT	54	52
Ongoing charges	5,188	4,394
Trail commission (staged distribution fees)	304	238
	5,492	4,632
Fair value movement related to credit risk	-	683
	5,492	5,315
Ongoing charges figure	1.83%	1.75%

Directors' remuneration comprises only short-term benefits and includes national insurance contributions of £19,000 (2025: £14,000).

The Company does not have any employees (2025: nil).

No fees are payable to the auditor in respect of other services (2025: £nil).

YFM Private Equity Limited previously acted as Manager and provided administrative and secretarial duties for the Company under an investment agreement (IA) dated 28 February 1996 as varied by agreements dated 1 July 2009, 16 November 2012, 17 October 2014, 24 August 2015 and 18 November 2019. 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 was 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 and supersede all previous IAs and AIFMA. The AIFMA agreement may be terminated by not less than 12 months' notice given by either party at any time.

The key features of the agreement are:

- YFM Private Equity Limited receives a Manager's fee, payable quarterly in advance, calculated at half-yearly intervals as at 31 March and 30 September. The fee is allocated between capital and revenue as described in note 1;
- The annual fee payable to the Manager is (i) 1.25 per cent (1.00 per cent prior to 1 January 2026) on all surplus cash, defined as all cash and cash equivalents above £20 million (£7.5 million prior to 1 January 2026); and (ii) 2.00 per cent per annum of all other net assets. Based on the Company's net assets at 31 March 2026 of £285,531,000, including cash and cash equivalents of £122,319,000 at that date, this equates to approximately £4,943,000 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 (staged distribution fees), 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 (2025: £nil);
- From the 2025/26 fundraise onwards, YFM Private Equity Limited will bear the costs of any trail commissions - staged distribution fees - payable in relation to fundraising allotments; and
- Under the AIFMA, YFM Private Equity Limited also provides administrative and secretarial services to the Company. The fee for the year ended 31 March 2026 totalled £91,669 (2025: £89,000). The fee is subject to annual adjustment to reflect movements in the Consumer Prices Index. 100 per cent of this fee is charged to revenue.

When the Company makes investments into its unquoted portfolio the Manager charges that investee an advisory fee or arrangement fee. If the average of the relevant fees during the Company's financial year exceeds 3.0 per cent of the total invested into new portfolio companies, and 2.0 per cent into follow-on holdings, this excess will be rebated to the Company. As at 31 March 2026, the Company was due a rebate from the Manager of £69,000 (2025: £34,000).

The total remuneration payable to YFM Private Equity Limited under the AIFMA in the year was £4,581,000 (2025: £3,862,000).

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. The maximum balance is subject to annual adjustment to reflect movements in the Consumer Prices Index.

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 March 2026 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and director and monitoring fees attributable to the Company amounted to £1,410,000 (2025: £1,440,000).

A performance incentive fee is payable to the Manager subject to the Company achieving both a target level of Total Return (the “Total Return Hurdle”) and dividends (“Dividend Hurdle”). Subject to meeting the Total Return Hurdle, the Manager will receive an amount equivalent to 20 per cent of the amount by which dividends paid per share exceeds the Dividend Hurdle, multiplied by the number of shares in issue at the year end. The incentive fee in any financial year will be subject to a cap if the excess of dividends paid over the Dividend Hurdle is greater than the sum of the excess of the Total Return over the Total Return Hurdle divided by 1.2. With effect from 31 March 2019 the Total Return Hurdle was 228.6 pence per share and the annual increase is equivalent to 4.0 pence per share, as increased or decreased by the percentage increase or decrease (if any) in RPI from 1 April 2009. For the year ended 31 March 2026 the annual increase in the Total Return Hurdle was 7.50 pence per share.

The Dividend Hurdle was 4.0 pence per share (increasing in line with RPI) from 1 April 2009. For the year ended 31 March 2026 the Dividend Hurdle was 7.50 pence per share.

There were no incentive fees payable for the years ended 31 March 2026 and 31 March 2025, as calculated below:

	2026	2025
Total Return Hurdle (p)	280.25	272.75
Actual Total Return per Share before incentive fee (p)	265.05	264.70
Shortfall over Total Return Hurdle (p)	(15.20)	(8.05)
Dividend Hurdle (p)	7.50	7.25
Actual Dividends per share (p)	4.00	5.25
Shortfall over Dividend Hurdle (p)	(3.50)	(2.00)
Lower excess of the two hurdles (p)	-	-
Fee impact reduction (divide by 1.2) (p)	-	-
Performance fee per share at 20% of adjusted excess (p)	-	-
Number of shares in issue ('000)	371,351	319,179
Incentive fee payable (£'000)	-	-

The Total Return Hurdle for the year ending 31 March 2027 is 288.05 pence per share. The Dividend Hurdle is 7.80 pence per share.

If the annual incentive fee exceeds £5.0 million then the excess is deferred until following the next year’s Annual General Meeting. Payment of the remainder is made five Business Days after the relevant Annual General Meeting at which the audited accounts are presented to shareholders.

The amount of the incentive payment paid to the Manager for any one year shall, when taken with all other relevant costs, ensure that the Company’s total costs in a single year do not exceed 5 per cent of net assets. Any excess over the 5 per cent is carried forward to be included in the calculation of the amount that can be paid in future years. Except with shareholder approval, the maximum fee payable in any 12 month period will not exceed £7.5 million.

There are also provisions for a compensatory fee in circumstances where the Company is taken over or the Incentive Agreement is terminated, which is calculated as a percentage of the fee that would otherwise be payable under the Incentive Agreement by reference to the accounting period following its termination. In this instance 80 per cent is payable in the first accounting period after such an event, 55 per cent in the second, 35 per cent in the third and nothing is payable thereafter.

Under the terms of the offer launched with British Smaller Companies VCT2 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 £1,370,000.

Under the terms of the offer launched with British Smaller Companies VCT2 plc on 25 September 2025, 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 £1,591,000.

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 51 of the annual report under the heading "Directors' Remuneration for the year ended 31 March 2026 (audited)".

4. Taxation

	2026			2025		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Profit (loss) before taxation	2,795	(1,856)	939	2,978	3,791	6,769
Profit (loss) before taxation multiplied by standard rate of corporation tax in UK of 19% (2025: 19%)	531	(353)	178	566	720	1,286
Effect of:						
UK dividends received	(176)	-	(176)	(79)	-	(79)
Non-taxable profits on investments	-	(286)	(286)	-	(1,258)	(1,258)
Deferred tax not recognised	-	284	284	30	21	51
Tax charge (credit)	355	(355)	-	517	(517)	-

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

Deferred tax assets of £4.20 million (2025: £3.91 million) calculated at 19% (2025: 19%) in respect of unrelieved management expenses (£22.08 million as at 31 March 2026 and £20.58 million as at 31 March 2025) 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 is exempt from corporation tax on chargeable gains and 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 March:

	2026			2025		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Interim dividend for the year ended 31 March 2026 of 2.0p (2025: 2.0p) per ordinary share	1,615	5,475	7,090	1,969	4,077	6,046
Second interim dividend for the year ended 31 March 2026 of 2.0p (2025: 2.0p) per ordinary share	1,180	5,913	7,093	1,780	4,257	6,037
Special dividend for the year ended 31 March 2025 of 1.25p per ordinary share	-	-	-	-	3,766	3,766
	2,795	11,388	14,183	3,749	12,100	15,849
Shares allotted under DRIS			(2,359)			(2,894)
Dividends paid in Statement of Cash Flows			11,824			12,955

The first interim dividend of 2.0 pence per ordinary share was paid on 25 July 2025 to shareholders on the register as at 27 June 2025.

The second interim dividend of 2.0 pence per ordinary share was paid on 19 December 2025 to shareholders on the register as at 21 November 2025.

An interim dividend of 2.0 pence per ordinary share, in respect of the year ending 31 March 2027, will be paid on 17 July 2026 to shareholders on the register on 19 June 2026. This dividend was not recognised in the year ended 31 March 2026 as the obligation did not exist at the balance sheet date.

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 £939,000 (2025: £6,769,000) and 359,268,665 (2025: 305,699,410) 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 £2,440,000 (2025: £2,461,000) and 359,268,665 (2025: 305,699,410) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital (loss) earnings per ordinary share is based on the capital loss for the year attributable to shareholders of £1,501,000 (2025: profit of £4,308,000) and 359,268,665 (2025: 305,699,410) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 3,013,943 new ordinary shares in respect of its DRIS and 56,283,871 new ordinary shares from its fundraising.

The Company has also repurchased 7,125,546 of its own shares in the year, and these shares are held in the capital reserve. The total of 41,324,542 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 March 2026 and 31 March 2025.

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

	2026	2025
	£000	£000
Investment portfolio	159,143	153,410
Accrued income on the investment portfolio	723	1,136
Financial assets at fair value through profit and loss	159,866	154,546

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 fixed income securities classified as held at fair value through profit or loss. The Company's current asset investments fall into this category at 31 March 2026 and 31 March 2025. During the year the Company held one portfolio investment classed as a financial asset at fair value through profit and loss which transferred into this category; this was subsequently realised by 31 March 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 instruments 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. All of the Company's investments classed as financial assets at fair value through profit and loss fall into this category at 31 March 2026 and 31 March 2025.

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 (2025: none), which was subsequently realised prior to 31 March 2026.

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 March 2026 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1	Total
	Unquoted	Quoted	
	Investments	Investments	
	£000	£000	£000
Opening cost	104,737	-	104,737
Opening investment holding gain	48,673	-	48,673
Opening fair value at 1 April 2025	153,410	-	153,410
Additions at cost	22,744	-	22,744
Transfer between levels	(1,961)	1,961	-
Disposal proceeds	(15,226)	(3,041)	(18,267)
Net profit on disposal*	277	1,080	1,357
Change in fair value	393	-	393
Foreign exchange loss	(494)	-	(494)
Closing fair value at 31 March 2026	159,143	-	159,143
Closing cost	117,838	-	117,838
Closing investment holding gain**	41,305	-	41,305
Closing fair value at 31 March 2026	159,143	-	159,143

* The net profit on disposal in the table above is £1,357,000 whereas that shown in the Statement of Comprehensive Income is £1,612,000. The difference comprises the change in the value of deferred proceeds totalling £255,000 in respect of assets which have been disposed of and are not included within the investment portfolio at 1 April 2025.

** A permanent diminution in value of investments totalling £6,718,000 (2025: £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 (2025: £nil).

The following disposals took place in the year:

	Net proceeds from sale £000	Cost £000	Opening carrying value as at 1 April 2025 £000	Realised gain (loss) on disposal £000
Unquoted investments:				
SharpCloud Software Limited	9,105	4,380	7,952	1,153
Elucidat Ltd	5,397	4,260	5,869	(472)
Teraview Limited	3,041	377	1,044	1,997
Vuealta Holdings Limited	724	626	2,045	(1,321)
Total from portfolio*	18,267	9,643	16,910	1,357
Traveltek Group Holdings Limited	555	-	-	555
ACC Aviation Group Limited	(300)	-	-	(300)
Deferred consideration	255	-	-	255
Total from investment portfolio**	18,522	9,643	16,910	1,612

*The investments in Wooshii Limited and Sipsynergy (via Hosted Network Services Limited) are still held within the portfolio at 31 March 2026, although their trading entities were realised during the year as detailed on page 7 of the annual report.

**The total from disposals in the year in the table above is £18,522,000 whereas that shown in the Statement of Cash flows is £17,990,000. The difference of £532,000 relates to deferred consideration, both received in the year and to 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 £285,531,000 (2025: £257,111,000) and 371,350,925 (2025: 319,178,657) 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 March 2026.

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 March 2026 and 31 March 2025.

9. Total Return per Ordinary Share

The Total Return per ordinary share is calculated on cumulative dividends paid of 188.15 pence per ordinary share (2025: 184.15 pence per ordinary share) plus the net asset value as calculated per note 8.

10. Financial Commitments

There are no financial commitments at 31 March 2026 or 31 March 2025.

11. Events after the Balance Sheet Date

On 1 April 2026 the Company allotted the final shares from its fully subscribed 2025/26 share offer. Gross proceeds of £37.3 million were raised, resulting in the issue of 45,900,519 ordinary shares. This increased the number of ordinary shares in issue to 417,251,444.

Subsequent to the year end, the Company has invested £3.9 million into new portfolio companies Inploi and StudentCrowd, and £6.5 million into existing portfolio companies GEEIQ and Spotless Water.

12. Related Party Transactions

Fees payable during the year to the directors and their interests in the shares of the Company are disclosed within the Directors' Remuneration Report on page 51 of the annual report. There were no amounts outstanding and due to the directors at 31 March 2026 (2025: £nil).

13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 March 2026 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>. They can also shortly be viewed on the Company's website at www.bscfunds.com. Hard copies of the statutory accounts for the year to 31 March 2026 will be distributed by post or electronically to shareholders and will thereafter be available to members of the public from the Company's registered office.

14. Directors

The directors of the Company are Mr R Cook, Mr A C N Bastin, Mr J H Cartwright and Ms P Sapre.

15. Annual General Meeting

The Annual General Meeting of the Company will be held at 9:30am on 10 September 2026 at 8-10 Hill Street, London W1J 5NG. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 90 of the annual report.

16. Interim Dividend for the Year Ending 31 March 2027

The directors are pleased to announce the payment of an interim dividend for the year ending 31 March 2027 of 2.0 pence per ordinary share ("Interim Dividend").

The Interim Dividend will be paid on 17 July 2026 to shareholders on the register on 19 June 2026. The ex-dividend date will be 18 June 2026.

The directors are not proposing a final dividend for the year ended 31 March 2026.

17. Dividend Re-investment Scheme

The Company operates a dividend re-investment scheme ("DRIS"). The latest date for receipt of new or updated DRIS elections in respect of the Interim Dividend is the close of business on 3 July 2026.

18. Inside Information

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

For further information, please contact:

Marcus Karia	YFM Equity Partners	Tel: 0113 244 1000
Alex Collins	Panmure Liberum	Tel: 0207 886 2767