

British Smaller Companies VCT plc

Annual Financial Report

for the year ended 31 March 2025

British Smaller Companies VCT plc (the "Company") today announces its audited results for the year ended 31 March 2025.

HIGHLIGHTS

- 2.5 per cent annualised return on opening net assets, driven by both underlying revenue growth in portfolio companies and positive realisations.
- Total Return increased by 2.20 pence; net asset value at 31 March 2025 of 80.55 pence per share (2024: 83.60 pence per share).
- Realisations generated total proceeds of £9.1 million in the year, a gain of £1.0 million over the opening carrying value and £7.2 million over cost.
- Five new investments and 12 follow-on investments totalling £29.3 million completed during the year. Post-year-end, one new investment and one follow-on investment totalling £2.8 million completed.
- Total dividends paid during the year ended 31 March 2025 of 5.25 pence per share (2024: 4.00 pence per share), bringing total cumulative dividends paid since inception to 184.15 pence per share at 31 March 2025 (2024: 178.90 pence per share).
- £50.5 million raised in the year. £35.7 million raised in 2023/24 and allotted in April 2024, £14.8 million raised in 2024/25 and allotted in January 2025. An additional £29.5 million raised in 2024/25 and allotted post-year-end, in April 2025.
- The Board is declaring an interim dividend of 2.00 pence per share in respect of the year ending 31 March 2026. The dividend will be paid on 25 July 2025 to shareholders on the register on 27 June 2025.

Chairman's Statement

I am pleased to present the 2025 annual report and financial statements of British Smaller Companies VCT plc. The Company is successfully navigating the evolving market dynamics and has continued to achieve positive performance in investing in and supporting early-stage UK businesses.

During the financial year, the UK saw a change of government, with Labour returning to power and promising a focus on growth. The political stability, combined with inflation coming under control and a reduction in interest rates, should be seen as positive indicators for the UK economy and long-term investment, although annual GDP growth rates remain subdued.

At a global level, there continue to be changes in the geopolitical landscape. A significant number of countries held elections in 2024, with many of these seeing a change in government. Conflicts in Ukraine and the Middle East have continued to impact the global agenda, as has the commencement of President Trump's second term in office. Announcements and opinions relating to the US's tariff policies are extensive and well-documented and there remains ongoing market uncertainty as we move into the Company's new financial year.

Developments in Artificial Intelligence ("AI") are coming through at significant speed. AI is increasingly pervasive, with businesses finding a growing number of ways to use AI applications to improve their operations and, where relevant, incorporating it into the products and services they offer. This wave of technological advancement will continue to build momentum in the years ahead: understanding and managing the associated risks and opportunities presented by AI for the Company and its portfolio businesses will be an important factor in the future delivery of the Company's objectives.

Despite this combination of varying degrees of domestic and global volatility and technological change, the Company has performed positively, generating an annualised 2.5 per cent return on its opening net asset value in the year.

There are several factors contributing to this performance: 23 out of the 26 portfolio companies valued on a revenue basis have shown positive revenue growth over the last 12 months, with eight of these delivering growth of over 40 per cent. Nevertheless there have been a small number of portfolio businesses where performance issues have affected the valuation. As you would expect, the Company's Manager, YFM Private Equity Limited, is heavily involved with the investee businesses, supporting them to face challenges and pursue growth opportunities.

The Company had a busy year for investment activity, with £29.3 million deployed in the year. Five new companies were added to the portfolio, while the Company provided follow-on funding to 12 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 the current market conditions making it challenging to deliver the realisation of portfolio assets, the Company has benefited from the successful exit of two investee businesses in the period.

Financial Performance

In 2025, the Company delivered a 2.2 pence per ordinary share increase in Total Return which, as noted above, is equivalent to an annualised 2.5 per cent of the opening net asset value at 31 March 2024. Total Return is now 264.7 pence per ordinary share. The portfolio drove the positive performance, generating a return of £6.6 million, 5.2 per cent over its opening value: £1.0 million of the return arose from realised investments and £5.6 million from unrealised investments.

Realisations in the Year

There were two realisations in the year: ACC Aviation and Traveltek. These exits generated proceeds of £9.1 million, and delivered a £1.0 million gain over the year's opening carrying value and £7.2 million over the original cost.

In October 2024, the Company realised its investment in Traveltek, receiving £2.6 million in initial proceeds, with additional deferred consideration of £0.6 million anticipated to be received over the next year. Including the deferred consideration, the Traveltek investment has generated an overall return of £4.3 million, a 2.5x return on the original cost of £1.7 million. £0.6 million of deferred proceeds have been recognised at the year-end.

In February 2025, the Company sold its investment in ACC Aviation for initial cash consideration of £4.7 million, plus potential deferred consideration of £2.3 million, of which £1.7 million has been recognised at the end of the year. The ACC investment has generated an overall return of £10.0 million to date, a 4.8x return on the original cost of £2.1 million. Including deferred consideration, proceeds have the potential to rise to £12.3 million, and the return to 5.9x.

In the year the Company also recognised a net loss of £0.5 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 realising a £0.1 million gain and another realising a £0.6 million loss against the previous holding value.

Investment Activity

The Company invested £29.3 million in the year into the portfolio. £10.7 million was deployed into five new investments.

The new investments are:

Investment	Sector
Fuuse	Electric vehicle charge point management system
Spotless Water	Ultra-pure water distribution network
Ohalo	Unstructured data governance platform
Integrum ESG	A specialist ESG ratings and analytics platform
Stormharvester	An AI platform for wastewater utilities

In our continued support of the portfolio, 12 companies received follow-on funding, totalling £18.6 million in aggregate. Further details are given in the Investment Review below.

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 2024	83.60	219,600
Increase in value	1.80	5,656
Gain on disposal of investments	0.30	965
Net underlying change in investment portfolio	2.10	6,621
Net operating income	0.05	148
Total Return in period	2.15	6,769
Issue/buy-back of new shares	0.05	46,591
NAV before the payment of dividends	85.80	272,960
Dividends paid	(5.25)	(15,849)
NAV at 31 March 2025	80.55	257,111
Cumulative dividends paid	184.15	
Total Return:		
at 31 March 2025	264.70	
at 31 March 2024	262.50	

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 £126.6 million, delivered a return over the year of £7.1 million.

The current portfolio's net valuation increased by £5.6 million. Within this there were gains of £17.8 million, offset by £12.2 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 has taken an active approach to generating a good 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 £4.8 million on its liquid assets, and at year-end was generating a weighted run-rate return on these assets of around 4.2 per cent per annum.

Dividends

Dividends paid in the year totalled 5.25 pence per ordinary share. These comprised interim dividends of 4.0 pence per ordinary share and a special dividend of 1.25 pence per ordinary share. Cumulative dividends paid as at 31 March 2025 were 184.15 pence per ordinary share.

An interim dividend for the year ending 31 March 2026 of 2.0 pence per ordinary share will be paid on 25 July 2025, to shareholders on the register at 27 June 2025.

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 30 per cent.

For the financial year ended 31 March 2025, £2.9 million was re-invested by way of the DRIS, from overall dividends paid of £15.8 million.

Regulatory Developments

During the period, the process of extending the Venture Capital Trust regime to 2035 was completed by the Government, with the underlying regulations brought into force. As part of the Budget on 30 October 2024, Chancellor Rachel Reeves noted this extension as a sign of the Government's commitment to supporting growth and entrepreneurship. Most new portfolio investments are now self-assured as VCT qualifying on a case-by-case basis and always with confirmation from professional advisers that they are Qualifying Investments. Advance assurance is sought from HMRC where there is an element of uncertainty over the application of the rules.

Fundraising

During the year the Company received net proceeds of £35.7 million from the second allotment of its 2023/24 fundraising, allotted in April 2024; and £14.8 million from the first allotment of its 2024/25 fundraising, allotted in January 2025.

Shareholder Relations

Investor Workshop

The annual shareholder workshop held on 20 June 2024 was well attended. Attendees heard from Steve Frost, CEO of Workbuzz, and Scott Morris, Managing Director of Displayplan.

We are pleased to confirm that the next in-person shareholder workshop will be held jointly with British Smaller Companies VCT2 plc on 19 June 2025 at 30 Euston Square, London NW1 2FB.

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 12:00 pm on 9 September 2025 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 92 of the annual report.

Events after the Balance Sheet Date

On 1 April 2025 the Company allotted the final shares from its fully subscribed 2024/25 share offer. Gross proceeds of £30.5 million were raised, resulting in the issue of 36,799,582 ordinary shares. This increased the number of ordinary shares in issue to 355,978,239.

Subsequent to the year end, the Company has invested £2.4 million into new portfolio company S4labour, and £0.4 million into existing portfolio company Force24.

Outlook

The economic conditions noted at the start of my statement have contributed to a greater sense of uncertainty in the broader market. Nevertheless, as the Company moves into its new financial year, shareholders should be comforted by the positive trends within many of the underlying portfolio companies.

Indeed, it can often be the case at this point in the economic cycle that technology-led companies with a differentiated product or service, such as many of those in the Company's portfolio, are able to disrupt existing third-party customer-supplier relationships and succeed in growing their market share in a way that can be harder to achieve in more stable and potentially prosperous economic times. Building solid foundations in their markets in this environment will leave these companies well-positioned for further growth when the economic outlook is more positive.

The Company's investee businesses typically target sales into national and international enterprises and, despite macroeconomic conditions prompting some existing or potential customers to review costs and tighten expenditure, the

Company has seen positive growth rates from its performing holdings, often reflecting the strength of the investee's underlying proposition and their own market opportunity. It is our hope and expectation that this will continue in the new financial year, with a number of businesses in the portfolio showing meaningful progress and significant potential.

Accelerating the success of the performing investments held in the portfolio, through a combination of providing access to follow-on growth capital and to the Manager's long-standing expertise in portfolio management, is at the heart of what the Company strives to do. It remains the Company's mission to support the development of young British businesses, which can deliver positive outcomes to their shareholders, employees and customers and also to wider society. Venture Capital Trusts were created with this purpose at their core and the Company and its shareholders can be proud of the contribution that has been made over many years.

The strong fundraising seen over this period will enable the Company to continue to add new businesses to the portfolio, whilst also providing further investment into the existing holdings. On behalf of the Board, I would like to thank shareholders for their support and we look ahead to the new year with optimism.

Rupert Cook
Chairman

13 June 2025

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

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

Investment Policy

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

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

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

Borrowing

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

Co-investment

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc (together "the VCTs") typically co-invest in investments, allocating such investments 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 52 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 below.

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 experienced members of the Manager regularly attend the Company's Board meetings. Monitoring reports on compliance with VCT regulations are also received at each Board meeting so that the Board can monitor that the Venture Capital Trust status of the Company is maintained and take corrective action if appropriate. Monitoring reports carrying out an independent review of this compliance are received twice a year.

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

YFM Private Equity Limited has performed investment advisory or management, administrative and secretarial services for the Company since its inception on 28 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' above.

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

The evaluation of comparative success of the Company's Total Return is by way of reference to the Share Price Total Return for an index of VCTs that are members of the AIC (based on figures provided by Morningstar). This is the Company's stated benchmark index. A comparison and explanation of the calculation of this return is shown in the Directors' Remuneration Report on page 54 of the annual report.

The table "Shareholder Returns" below illustrates the Total Return (excluding tax reliefs received by shareholders) for investors who subscribed to the first fundraising in 1996 who have re-invested their dividends.

Shareholder Returns

The Board considers Total Return to be the primary measure of shareholder value. The Internal Rate of Return (the "IRR") from the offers over the last ten years are set out below. IRR, which is an Alternative Performance Measure, is a key metric used to assess the potential profitability of an investment, a higher IRR indicates a more profitable investment. More specifically, IRR is the annual rate of return that equates the cost at the date of the original investment, with the value of subsequent dividends plus the audited 31 March 2025 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 2025. Note, as VCTs are long term investments it is too soon to give meaningful returns for the fundraisings in 2023 and 2024.

Shareholder Returns excluding all tax reliefs

2015	8.3%
2016	7.2%
2017	7.9%
2019	9.2%
2021	11.6%
2022	4.7%

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

Annualised Return over 10, 5, 3 and 1 years to 31 March 2025

10 years	8.4%
5 years	14.0%
3 years	5.6%
1 year	2.5%

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, expressed as a percentage of the average net asset value. 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 2025 (%)	Year to 31 March 2024 (%)
Ongoing Charges figure*	1.75	1.85

* Alternative Performance Measure

Shareholders benefit from the Company's agreement with the Manager to pay a lower level of management fee of 1 per cent on surplus cash. The Company's ongoing charges ratio is one of the lowest in the VCT industry.

Expenses Cap

The total costs incurred by the Company in the year (excluding any performance related fees, trail commission payable to financial intermediaries and VAT) 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 below. There was no breach of the expenses cap in the current or prior year.

Compliance with VCT Legislative Tests

A principal risk facing the Company is the retention of its VCT qualifying status. The Board receives regular reports on compliance with the VCT legislative tests from the Manager. In addition, the Board receives formal reports from its VCT 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 £5 million of state aided investment (including from VCTs) in the 12 months ending on the date of each investment (£10 million for Knowledge Intensive Companies).

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

Maximum Single Investment Test

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

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

Further restrictions placed on VCTs are:

Dividends from Cancelled Share Premium

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

In October 2022 the Company cancelled the balance of its share premium account, £63.6 million, of which £62.1 million is now distributable. The remaining £1.5 million will become distributable from 1 April 2026, as set out under the heading "Reserves Available for Distribution" below.

The Company is recommending resolutions at the forthcoming 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. If approved, the resolutions will create c.£169.9 million of additional distributable reserves over the next four years, as set out on under the heading "Reserves Available for Distribution" below. There is no dilution to shareholders interest from the resolutions.

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:

- The business has previously received an investment from a source that has received state aid; or
- 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 42 per cent of the portfolio valuation being held for more than five years, while 97 per cent is valued at cost or above. 4 per cent of the portfolio value is held in loans and preference shares, and loans account for only 2 per cent of the value.

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AGE OF INVESTMENTS (%)

	2025	2024
Less than 1 year	8%	5%
Between 1 and 3 years	32%	18%
Between 3 and 5 years	18%	42%
Greater than 5 years	42%	35%
Total	100%	100%

VALUE COMPARED TO COST (%)

	2025	2024
Value above cost	91%	89%
At cost	6%	4%
Value below cost	3%	7%
Total	100%	100%

INVESTMENT INSTRUMENT (%)

	2025	2024
Loan	2%	3%
Preference shares	2%	6%
	4%	9%
Equity	96%	91%
Total	100%	100%

Portfolio Analysis

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

INDUSTRY SECTOR (%)

	2025	2024
Application Software	29%	24%
Data	27%	29%
Tech-enabled Services	19%	19%
Cloud & DevOps	12%	8%
New Media	5%	11%
Retail & Brands	4%	4%
Business Services	2%	4%
Other	2%	1%
Total	100%	100%

The Portfolio

£153.4 million (Fair value of the portfolio)

(2024: £126.6 million)

29 (Number of portfolio companies with an investment value of more than £1.0 million)

(2024: 25)

£0.7 million (Income from the portfolio in the year)

(2024: £1.1 million)

£29.3 million (Level of investment in the year)

(2024: £9.1 million)

£7.1 million (Return from the portfolio in the year)

(2024: £10.6 million)

The portfolio showed robust performance in the year, adding £7.1 million of value on the opening fair value of £126.6 million. The composition of investments continues to show its dynamism, with £29.3 million invested in the period and proceeds of £9.1 million recognised.

Investment Review

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 2024	126.6
Additions	29.3
Disposal proceeds	(9.6)
Valuation movement	7.1
Closing fair value at 31 March 2025	153.4
Accrued income	1.1
Financial assets - investments	154.5

At 31 March 2025 the portfolio was valued at £153.4 million, representing 59.7 per cent of net assets (57.6 per cent at 31 March 2024). Cash and cash equivalents at 31 March 2025 of £100.0 million represented 38.9 per cent of net assets (40.9 per cent at 31 March 2024).

Fair value changes

Table B: Gain from Investment Portfolio

	£million
Gain in fair value from the portfolio	5.6
Gain on disposal over opening value from the portfolio	1.5
Gain arising from the portfolio	7.1
Deferred consideration from prior year realisations	(0.5)
Gain arising from the investment portfolio	6.6

Of the £6.6 million gain in the year, £1.0 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 to the financial statements.

The ongoing portfolio delivered a net value gain of £5.6 million in the year. It is pleasing to see the fair value increases arising across a range of companies, including tech-focused businesses such as Summize, Vypr, AutomatePro, SharpCloud and Xapien.

Some decreases in value have been seen, notably in Wooshii and Outpost where the Manager continues to work closely with each company's management to navigate their current challenges. In addition, the value of Matillion was reduced due to currency movements and the effect on revenues of migrating the customer base across to the new version of its product.

Other Significant Investment Movements

Investments

During the year ended 31 March 2025, the Company invested £29.3 million across 17 companies.

Five new companies were added to the portfolio, receiving aggregate investment of £10.7 million; while a further £18.6 million was invested across 12 existing portfolio companies. The analysis of these investments is shown in Table C. The case studies on pages 24 and 25 of the annual report give more information on the investments in Summize and Vypr.

Table C: Investments

Company	New £million	Investments made	
		Follow-on £million	Total £million
Xapien	-	4.4	4.4
Fuuse	3.0	-	3.0
Vypr	-	2.4	2.4
Spotless Water	2.2	-	2.2
Workbuzz	-	2.1	2.1
Stormharvester	2.1	-	2.1
Quality Clouds	-	1.9	1.9
AutomatePro	-	1.8	1.8
DrDoctor	-	1.8	1.8
Integrum	1.7	-	1.7
Ohalo	1.7	-	1.7
Plandek	-	1.5	1.5
SharpCloud	-	0.8	0.8
Biorelate	-	0.7	0.7
Summize	-	0.7	0.7
Wooshii	-	0.3	0.3
Relative Insight	-	0.2	0.2
Portfolio	10.7	18.6	29.3

Disposal of Investments

As set out in Table D below, during the year to 31 March 2025 the Company recognised proceeds from disposals of £9.1 million, a net gain of £1.0 million over the opening carrying value at the beginning of the year, and an overall net gain of £7.2 million over cost. This included the successful realisations of ACC Aviation and Traveltek. Further details are given in the Chairman's Statement above.

Table D: Disposal of Investments

	Net proceeds from sale of Investments £million	Opening value 31 March 2024 £million	Gain/ (loss) on opening value £million
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	£million	£million	£million
Portfolio	9.6	8.1	1.5
Deferred consideration	(0.5)	-	(0.5)
Total investment disposals	9.1	8.1	1.0

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

Investment Portfolio Composition

As at 31 March 2025, the portfolio was valued at £153.4 million, comprising wholly of unquoted investments. An analysis of the movements in the year is shown in note 7 below.

The portfolio has 29 investments valued above £1.0 million, with the single largest investment, Matillion, representing 9.0 per cent of the NAV.

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. £4.8 million of income was earned from money market funds and bank deposits during the year. At 31 March 2025, the Company was achieving a weighted average return on liquid assets of 4.2 per cent. This rate had reduced to 4.0 per cent at 31 May 2025, moving commensurately with UK base rates.

Valuation Policy

Unquoted investments are valued in accordance with both IFRS 13 'Fair Value Measurement' and International Private Equity and Venture Capital Guidelines (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 69 and 70 of the annual report.

Table E shows the value of investments within each valuation category as at 31 March 2025; 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 £million	2025 % of portfolio by value	2024 % of portfolio by value
Revenue multiple	140.0	91.0	91.0
Earnings multiple	7.7	5.0	7.0
Cost or price of recent investment, reviewed for change in fair value	3.1	2.0	-
Net assets, reviewed for change in fair value	2.4	2.0	2.0
Sale proceeds	0.2	-	-
Total	153.4	100.0	100.0

Responsible Investment and Environmental, Social and Governance ("ESG") Management

The Company seeks to build a broad portfolio of investments in early-stage companies focused on growth, with the additional aim of building better businesses that are ultimately more sustainable.

In order to deliver more sustainable businesses, and to meet its commitments under the Principles for Responsible Investment (the "PRI"), the Manager has continued to develop its processes in this area.

The Manager's approach is based on the belief that good businesses:

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

These aims are consistent with the Company's financial aims because businesses which improve in these areas also strengthen their resilience and value creation potential through their increased attractiveness to customers, employees, suppliers and eventual future owners and investors.

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 the Manager's portfolio companies and their resilience to possible climate change scenarios;

on the Manager's portfolio companies and their resilience to possible climate change scenarios,

- > To show leadership by managing the Manager's own business' ESG impacts to the best of its ability; and
- > To be a proactive signatory to the PRI and to integrate its principles into the Manager's business practices.

In line with the PRI the Manager has developed processes to help portfolio companies to improve in each of these spheres, 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:

Structured processes at the pre-investment stage to identify areas of potential ESG improvement and risk as part of the due diligence and pre-investment deliberations. Appropriate data is collected and assessed on each business against ESG criteria at the point of investment as a benchmark against which to evaluate future progress.

- > Portfolio Phase:

Based on the data collected at the point of investment, at the start of the portfolio phase bespoke areas for improvement are agreed with each management team, together with consequent objectives and targets. Improvements are then monitored, measured and recorded against a set of ESG criteria using the Manager's bespoke ESG framework. During the portfolio phase, targets are refreshed and increased focus is placed on any new issues as they become more material in the management of the company and in meeting the expectations of its stakeholders.

- > Reporting:

Annual reports are produced using the Manager's ESG framework, recording the ESG KPI performance of each company and providing an overview of progress across the Manager's portfolios.

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 regulations.

- > Oversight and Support:

To ensure effective oversight and support, the Manager has established an ESG Committee that meets quarterly to oversee its responsible investment strategy ESG approach. Additionally, in 2024 the Manager has recruited an ESG & Sustainability Manager who works across its portfolio companies to implement ESG initiatives and encourage and share ESG best practice. The support offered includes operating a programme of events and webinars and providing ESG resources to the portfolio focused on key ESG themes, such as environmental management, diversity and inclusion, company culture, and cyber security.

ESG Performance Data and Reporting

ESG KPI data analysis

The Manager has developed its own ESG KPI data collation process, allowing it to monitor year-on-year performance and benchmark across its portfolio. This includes providing its portfolio companies with a bespoke annual Healthcheck report showing their performance across a range of ESG areas.

2024 ESG KPI Report for Investments held in the British Smaller Companies VCT funds

Grow our economy

- > £56 million of R&D investment during 2024
- > £108 million of export sales achieved in 2024
- > c.600 new jobs were created from date of investment to 2024, representing a 41 per cent increase

Improve our society

- > 84 per cent of the portfolio provided employees with cyber-security training
- > 66 per cent of portfolio companies had a cyber accreditation or management system in place
- > on average 75 per cent of our portfolio companies rate their employees good or above
- > 84 per cent of companies were independently chaired in 2024

Valuing our people

- > 53 per cent of portfolio companies had mental well-being programmes in place and 66 per cent held regular employee engagement surveys
- > 44 per cent of the portfolio are measuring DE&I metrics and have a policy in place
- > 44 per cent of companies had female representation at board-level, with 13 per cent having a female CEO/MD
- > 53 per cent of businesses had a designated board member with responsibility for improving ESG issues
- > 34,000 hours of non-statutory training was given to employees across the portfolio

Protecting our environment

- > 44 per cent had environmental policies in place
- > 16 per cent formally measure their carbon footprint with 13 per cent formally setting a target and strategy for achieving net zero carbon emissions
- > 9 per cent offset all or a defined portion of their carbon emissions

Summary and Outlook

Despite increased geopolitical uncertainty and tariff threats from a change in government in the US, and subdued business confidence in the UK, there has been promising growth from portfolio companies in the year, driven by increases in underlying revenue and market multiples.

Navigating the macroeconomic headwinds, we have been encouraged by the progress made by the portfolio, with strong rates of revenue growth seen from many companies this year. Where companies are performing strongly, we have taken the

opportunity to provide further funding to allow them to continue their positive progress.

Thanks to the support of shareholders the Company remains well funded to both continue to support the portfolio in this way, as well as to invest in exciting fast growing UK businesses.

Jamie Roberts

YFM Private Equity Limited

Portfolio Summary at 31 March 2025

Name of company	Date of initial investment	Location	Industry Sector	Amount invested £000	Valuation at 31 March 2025 £000	Recognised Income/proceeds to date £000	Realised & unrealised value to date* £000
Matillion Limited	Nov-16	Manchester	Data	2,666	23,238	7,071	30,309
Unbiased ECI Limited	Dec-19	London	Tech-enabled Services	5,596	13,253	-	13,253
Vypr Validation Technologies Limited	Jan-21	Manchester	Tech-enabled Services	5,698	10,638	-	10,638
Xapien (via Digital Insight Technologies Ltd)	Mar-23	London	Application Software	6,095	7,964	-	7,964
SharpCloud Software Limited	Oct-19	London	Data	4,380	7,952	-	7,952
AutomatePro Limited	Dec-22	London	Cloud & DevOps	4,025	7,222	-	7,222
Outpost VFX Limited	Feb-21	Bournemouth	New Media	5,750	7,123	148	7,271
Summize Limited	Oct-22	Manchester	Application Software	2,550	6,366	-	6,366
DrDoctor (via ICNH Ltd)	Feb-23	London	Application Software	5,355	6,345	-	6,345
Workbuzz Analytics Limited	Jun-23	Milton Keynes	Application Software	4,703	6,119	-	6,119
Force24 Ltd	Nov-20	Leeds	Application Software	3,900	5,934	136	6,070
Elucidat Ltd	May-19	Brighton	Application Software	4,260	5,869	647	6,516
Quality Clouds Limited	May-22	London	Cloud & DevOps	5,821	5,867	-	5,867
Plandek Limited	Oct-22	London	Cloud & DevOps	3,540	4,218	-	4,218
Tonkotsu Limited	Jun-19	London	Retail & Brands	2,388	3,812	-	3,812
Other investments £1.0 million and below				15,271	3,294	7,522	10,816
Fuuse Limited	May-24	Lancaster	Application Software	3,000	3,000	-	3,000
GEEIQ (via Checkpoint GG Limited)	Sep-23	London	Data	2,358	2,965	-	2,965
Spotless Water Limited	Jun-24	Frimley	Business Services	2,183	2,588	-	2,588
Biorelate Limited	Nov-22	Manchester	Application Software	2,310	2,351	-	2,351
Stomiharvester Holdings Limited	Jan-25	Belfast	Data	2,100	2,100	-	2,100
Relative Insight Limited	Mar-22	Lancaster	Tech-enabled Services	4,380	2,065	13	2,078
Vuealta Holdings Limited	Sep-21	London	Tech-enabled Services	3,580	2,045	4,672	6,717
Ohalo Limited	Jun-24	London	Data	1,665	2,040	-	2,040
Frescobol Carioca Ltd	Mar-19	London	Retail & Brands	1,800	2,033	-	2,033
IntegrumESG Limited	Sep-24	London	Data	1,740	1,740	-	1,740
Panintelligence (via Paninsight Limited)	Nov-19	Leeds	Data	1,500	1,500	-	1,500
Arcus Global Limited	May-18	Cambridge	Application Software	3,075	1,410	346	1,756
KeTech Technology Holdings Limited	Nov-15	Nottingham	Tech-enabled Services	2,000	1,315	4,059	5,374
Teraview Limited	Apr-17	Cambridge	Advanced Manufacturing	377	1,044	-	1,044
Total unquoted investments				114,066	153,410	24,614	178,024
Full disposals to date				83,919	-	173,936	173,936
Total portfolio				197,985	153,410	198,550	351,960

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

Summary of Portfolio Movement

Name of company	Investment valuation at 31 March 2024 £000	Disposal proceeds £000	Additions £000	Valuation gains/(losses) including profits/(losses) on disposal £000	Investment valuation at 31 March 2025 £000
Summize Limited	2,421	-	750	3,195	6,366
Vypr Validation Technologies Limited	5,317	-	2,398	2,923	10,638
AutomatePro Limited	3,229	-	1,800	2,193	7,222
SharpCloud Software Limited	5,375	-	803	1,774	7,952
ACC Aviation Group Limited	4,725	(6,421)	-	1,696	-
Xapien (via Digital Insight Technologies Ltd)	2,014	-	4,356	1,594	7,964
DrDoctor (via ICNH Ltd)	3,565	-	1,790	990	6,345
Tonkotsu Limited	3,090	-	-	722	3,812
Teraview Limited	338	-	-	706	1,044
Plandek Limited	2,070	-	1,470	678	4,218
Workbuzz Analytics Limited	3,447	-	2,126	546	6,119
Arcus Global Limited	952	-	-	458	1,410
Unbiased ECI Limited	12,829	-	-	424	13,253
Spotless Water Limited	-	-	2,183	405	2,588
Ohalo Limited	-	-	1,665	375	2,040
Relative Insight Limited	1,598	-	180	287	2,065
GEEIQ (via Checkpoint GG Limited)	2,827	-	-	138	2,965

KeTech Technology Holdings Limited	1,176	-	-	139	1,315
Force24 Ltd	5,835	-	-	99	5,934
IntegrumESG Limited	-	-	1,740	-	1,740
Fuuse Limited	-	-	3,000	-	3,000
Stomharvester Holdings Limited	-	-	2,100	-	2,100
Frescobol Carioca Ltd	2,072	-	-	(39)	2,033
Quality Clouds Limited	4,019	-	1,905	(57)	5,867
Elucidat Ltd	5,933	-	-	(64)	5,869
Biorelate Limited	1,691	-	750	(90)	2,351
Panintelligence (via Paninsight Limited)	1,606	-	-	(106)	1,500
Traveltek Group Holdings Limited	3,401	(3,222)	-	(179)	-
Other investments £1.0 million and below	3,519	-	-	(361)	3,158
Vucalta Holdings Limited	2,459	-	-	(414)	2,045
Outpost VFX Limited	9,518	-	-	(2,395)	7,123
Matillion Limited	27,415	-	-	(4,177)	23,238
Wooshii Limited	4,151	-	272	(4,287)	136
Total portfolio	126,592	(9,643)	29,288	7,173	153,410
Deferred consideration	-	552	-	(552)	-
Total	126,592	(9,091)	29,288	6,621	153,410

Portfolio

The top 10 investments had a combined value of £96.2 million, 62.7 per cent of the total portfolio.

Risk Factors

The Board carries out a regular review of the risk environment in which the Company operates. The emerging and principal risks and uncertainties identified by the Board and techniques used to mitigate these risks are set out in this section.

The Board seeks to mitigate its emerging and principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board rigorously applies the principles detailed in section 8: "Audit, Risk and Internal Control" of the AIC Code. Details of the Company's internal controls are contained in the Corporate Governance Internal Control section on pages 47 and 48 of the annual report and further information on exposure to risks, including those associated with financial instruments, can be found in note 16 of the financial statements.

The Board carries out a regular review of the risk environment in which the Company operates, together with changes to the operational environment. The Board also seeks to identify emerging risks which might impact on the Company.

The principal and emerging risks identified by the Board, and how the Board manages the risks are set out below.

Risk	Commentary	Mitigation
Macroeconomic: Macroeconomic risk refers to the potential for losses or adverse effects on an investment or business due to broad economic factors such as inflation, interest rates, economic growth, and political stability.	Up. Events such as the conflicts in the Middle East and Ukraine, elections and the uncertainty of US trade tariffs continue to present risks to trading conditions. These risks can impact entire markets and economies, influencing the performance of investments and the overall business environment. The crystallisation of these risks could adversely affect smaller companies' valuations, as they may be more vulnerable to changes in trading conditions or the sectors in which they operate. This could lead to a reduction in the Company's share price, resulting in capital losses for Shareholders.	The Board, in conjunction with the Manager, regularly assesses the resilience of the portfolio. The Company has a clear Investment Policy (summarised above) and invests in a diverse portfolio of companies across a range of sectors, which helps to mitigate against the impact on any one sector. The Manager also seeks to maintain adequate liquidity to ensure it can provide follow-on investment to those portfolio companies which require funding when supported by the individual investment case
Portfolio: Portfolio risk refers to the potential for losses within an investment portfolio due to various factors, including market volatility, economic changes, and specific risks associated with individual assets. It encompasses both systematic risk, which affects the entire market, and idiosyncratic risk, which is unique to specific investments.	Unchanged. The Company invests in small and medium-sized VCT qualifying companies, which, by their nature, entail a higher level of risk and shorter cash runway than investments in larger quoted companies. Poor performance could reduce returns for shareholders through downward valuations. A current emerging risk that we are actively monitoring is the impact of the rapid advancement of AI and machine learning technology and its potential to disrupt a range of industries and sectors.	The Board comprises individuals experienced in assessing suitable investment opportunities. The Manager has significant experience, expertise and a strong track record of investing in early-stage unquoted companies. The Manager has a rigorous and robust formal process in selecting new companies which includes appropriate due diligence and approval by an Investment Committee made up of senior members of the Manager's investment team.

	A failure to implement effective portfolio risk management such as diversification, regular monitoring and strategic adjustments to mitigate these risks could result in poor investment outcomes.	
ESG: ESG risk refers to ESG factors that can affect portfolio companies and the Manager. These risks include exposure to regulatory non-compliance, reputational damage, climate related vulnerabilities, and workforce or supply chain issues.	<p>Unchanged</p> <p>Investors are increasingly focusing on ESG-related challenges such as climate transition, biodiversity, and regulatory changes. Should the Company fail to properly manage the risk of regulatory non-compliance it could suffer financial penalties, reputational damage or erode investor trust.</p>	<p>The Manager has implemented a robust governance framework designed to ensure compliance with regulatory initiatives. This framework also aims to support and educate portfolio companies. Additionally, the Manager actively conducts horizon scanning to anticipate and respond to emerging ESG trends.</p>
Strategic: Strategic risk involves the potential for losses due to poor strategic decisions, such as market positioning, misjudging market trends, or failing to adapt to regulatory changes. This risk can impact our ability to achieve the investment objectives and deliver returns to investors.	<p>Unchanged.</p> <p>The Board sets appropriate strategic objectives and monitors the Company's implementation of the strategy.</p> <p>The key strategy being to maintain VCT qualifying status, a loss of this status could lead to investors losing the various tax benefits associated with VCT investments.</p>	<p>The Board reviews strategy annually. At each of the Board meetings, the directors review the appropriateness of the Company's objectives and stated strategy in response to changes in the operating environment and peer group activity. It also reviews compliance of the Manager with the stated investment strategy.</p> <p>The Manager also tracks the Company's VCT qualifying status on an ongoing and continual basis. Furthermore, external independent experts have been retained and report on the VCT qualifying status twice per year.</p> <p>The Manager reports to the Board on a quarterly basis.</p> <p>Further information on these requirements can be found under the heading "Compliance with VCT Legislative Tests" on pages 14 and 15 of the annual report.</p>
Legislative & Regulatory: Legislative and regulatory risk refers to the potential for losses or adverse outcomes due to changes in laws, regulations, or non-compliance with existing rules. This risk can impact an organisation's operations, financial performance, and reputation.	<p>Unchanged.</p> <p>Should the Company fail to comply with applicable laws and regulations, or adapt to new legal requirements, it could suffer financial loss, reputational damage or regulatory intervention, including the loss of VCT status.</p> <p>Key relevant legislation and regulation includes VCT rules, UK Listing Authority Rules, AIC Code on Corporate Governance, Stewardship Code, Companies Act, Bribery Act, Market Abuse Regulations, data protection rules, Criminal Finances Act and relevant Taxes Acts</p> <p>Changes to the UK legislation, in particular relating to the VCT rules, could have an adverse effect on the Company's ability to achieve investment returns.</p> <p>Failure to adapt to new legal requirements, maintain compliance with current regulations, and manage the consequences of any legal or regulatory breaches could result in regulatory action.</p>	<p>The Manager ensures that it has suitably qualified members of staff who are experienced with regulatory requirements and relevant accounting standards. The Manager and the Company Secretary have procedures in place to ensure recurring Listing Rules requirements are met.</p> <p>The Board and Manager review corporate governance, regulatory legislative change and political developments on a continual basis and seek additional advice as and when required.</p> <p>The Manager is a member of the Venture Capital Trust Association which engages with the Government to help shape future legislation.</p>
Operational: Operational risk refers to the potential for losses resulting from inadequate or failed internal processes, systems, human errors, or external events. This includes risks such as fraud, system failures, data breaches, and natural disasters.	<p>Unchanged.</p> <p>Effective management of operational risk involves implementing robust internal controls, regular monitoring and contingency planning to minimise the impact of these risks on the operations and financial stability of the Company.</p> <p>Failure of key service providers, such as the Manager, to have adequate procedures for the identification, evaluation and</p>	<p>The Board regularly reviews the system of internal controls, both financial and non-financial, operated by the Company and the Manager. These include controls designed to ensure that the Company's assets are safeguarded and proper accounting records are maintained.</p>

	management of risks could put the Company's assets and data at risk.	
Liquidity: Liquidity risk refers to the potential difficulty a fund may face in meeting its short-term financial obligations due to an inability to quickly convert assets into cash without significant loss in value.	Unchanged. Should the Company fail to manage its liquidity risk it may result in financial losses owing to discounted sales, reputational damage and potential regulatory action.	The Company's overall liquidity risks and cashflow forecasts are monitored on an ongoing basis by the Manager and on a quarterly basis by the Board. The Company's valuation methodology takes account of potential liquidity restrictions in the markets in which it invests. The Manager regularly reviews its exit plans for portfolio companies to aim to identify what it believes to be the optimal point at which to seek a sale. As part of a planned exit, the assistance of a third party adviser will normally be sought, with a view to identifying the most appropriate number of possible purchasers.
Emerging Risk - Cyber Security & Information Technology: Cybersecurity & information technology risk refers to the potential for financial loss, operational disruption, or reputational damage due to cyber threats and IT system failures. This includes risks such as data breaches, hacking, malware attacks, and system outages.	Up. A failure to implement effective management involving robust security measures, regular system updates, employee training, and incident response plans to protect sensitive information and ensure the resilience of IT infrastructure could result in data loss, operational disruptions, financial losses, reputational damage and regulatory fines.	The Manager has in place significant cybersecurity controls, including multifactor authentication, email protection software, monitored firewalls and regularly updated electronic devices. Staff at the Manager regularly receive training in relation to their cybersecurity obligations. The Manager is Cyber Essentials Plus certified. Due diligence is conducted on other service providers, including a review on their controls for information security.

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 37 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 VCT plc, the Company held an Investor Workshop on 24 June 2024 which was well attended. A further event is scheduled for June 2025.

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 17 October 2024 the Company issued a prospectus, alongside British Smaller Companies VCT2 plc, to raise up to £75 million in aggregate for the 2024/25 tax year.

During the year the Board kept its arrangements for dividends, share buy-backs and the dividend re-investment scheme under constant review. Along with normal dividends totalling 4.00 pence per ordinary share in the year ended 31 March 2025, a special dividend of 1.25 pence per ordinary share was paid in January 2025, following the realisation of the Company's investment in Traveltek.

To ensure the Company has sufficient distributable reserves to facilitate the above arrangements, the Company is recommending resolutions at the forthcoming Annual General Meeting relating to the cancellation of the Company's share

recommending resolutions at the forthcoming 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. If approved, the cancellation and reduction will create c.£169.9 million of additional distributable reserves over the next four years, as set out under the heading "Reserves Available for Distribution" below. There is no dilution to shareholders' interest 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 on pages 52 to 54 of the annual report.

Environment and Community

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment. The management and administration of the Company is undertaken by the Manager, YFM Private Equity Limited, which recognises the importance of its 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. Its Responsible Investment Policy can be found at www.yfmep.com/who-we-are/our_impact/.

Business Conduct

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

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

Statement on Long-term Viability

The statement on long-term viability on page 40 of the annual report is included in the Strategic Report by reference.

The Strategic Report on pages 6 to 37 of the annual report is approved by order of the Board.

Rupert Cook

Chairman

FINANCIAL STATEMENTS

Statement of Comprehensive Income

For the year ended 31 March 2025

	Notes	2025			2024		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on investments held at fair value	7	-	5,656	5,656	-	6,045	6,045
Gain on disposal of investments	7	-	965	965	-	4,475	4,475
Gain arising from the investment portfolio		-	6,621	6,621	-	10,520	10,520
Income	2	5,463	-	5,463	4,045	-	4,045
Total income		5,463	6,621	12,084	4,045	10,520	14,565

		2025	2024	2023	2022	2021
Administrative expenses:						
Manager's fee		(943)	(2,830)	(3,773)	(795)	(2,384)
Other expenses		(1,542)	-	(1,542)	(768)	-
	3	(2,485)	(2,830)	(5,315)	(1,563)	(2,384)
Profit before taxation		2,978	3,791	6,769	2,482	8,136
Taxation	4	(517)	517	-	-	-
Profit for the year		2,461	4,308	6,769	2,482	8,136
Total comprehensive income for the year		2,461	4,308	6,769	2,482	8,136
Basic and diluted earnings per ordinary share	6	0.80p	1.41p	2.21p	1.01p	3.33p

The notes on pages 68 to 91 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 July 2022 - "SORP") published by the AIC.

Balance Sheet

At 31 March 2025

	Notes	2025 £000	2024 £000
ASSETS			
Non-current assets at fair value through profit or loss			
Financial assets at fair value through profit or loss	7	154,546	128,662
Other assets		1,714	-
		156,260	128,662
Current assets			
Accrued income and other assets		1,224	1,382
Current asset investments		69,000	53,500
Cash at bank and other cash equivalents		30,971	36,304
		101,195	91,186
LIABILITIES			
Current liabilities			
Trade and other payables		(344)	(248)
Net current assets		100,851	90,938
Net assets		257,111	219,600
Shareholders' equity			
Share capital		35,338	28,830
Share premium account		105,086	58,293
Capital reserve		65,203	79,171
Investment holding gains and losses reserve		48,673	49,207
Revenue reserve		2,811	4,099
Total shareholders' equity		257,111	219,600
Net asset value per ordinary share	8	80.55p	83.6p

The notes on pages 68 to 91 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 13 June 2025.

Rupert Cook
Chairman

Statement of Changes in Equity

For the year ended 31 March 2025

	Share capital	Share premium account	Capital reserve	Investment holding gains and losses reserve	Revenue
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	£000	£000	£000	£000
Balance at 31 March 2023	20,969	1,700	82,893	49,215
Revenue return for the year	-	-	-	-
Expenses charged to capital	-	-	(2,384)	-
Investment holding gain on investments held at fair value	-	-	-	6,045
Realisation of investments in the year	-	-	4,475	-
Total comprehensive income for the year	-	-	2,091	6,045
Issue of share capital	7,612	57,237	-	-
Issue of shares - DRIS	249	1,769	-	-
Issue costs *	-	(2,413)	-	-
Purchase of own shares	-	-	(2,869)	-
Dividends	-	-	(8,997)	-
Total transactions with owners	7,861	56,593	(11,866)	-
Realisation of prior year investment holding gains	-	-	6,053	(6,053)
Balance at 31 March 2024	28,830	58,293	79,171	49,207
Revenue return for the year	-	-	-	-
Expenses charged to capital	-	-	(2,830)	-
Investment holding gain on investments held at fair value	-	-	-	5,656
Realisation of investments in the year	-	-	965	-
Taxation	-	-	517	-
Total comprehensive (expense) income for the year	-	-	(1,348)	5,656
Issue of share capital	6,147	45,932	-	-
Issue of shares - DRIS	361	2,533	-	-
Issue costs*	-	(1,672)	-	-
Purchase of own shares	-	-	(6,710)	-
Dividends	-	-	(12,100)	-
Total transactions with owners	6,508	46,793	(18,810)	-
Realisation of prior year investment holding gains	-	-	6,190	(6,190)

Balance at 31 March 2025	35,338	105,086	65,203	48,673
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* Issue costs include both fundraising costs and costs incurred from the Company's DRIS

The notes on pages 68 to 91 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 on previous page	65,203	2,811	68,014
Income/proceeds not yet distributable	(2,384)	(1,196)	(3,580)
Cancelled share premium not yet distributable	(1,484)	-	(1,484)
Reserves available for distribution*	61,335	1,615	62,950

* Following the circulation of the Annual Report to shareholders.

The capital reserve and revenue reserve are both distributable reserves. The reserves total £68,014,000, representing a decrease of £15,256,000 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 £68,014,000 shown above, £3,580,000 relates to income and proceeds not yet distributable and £1,484,000 relates to cancelled share premium which will become distributable from 1 April 2026.

The Company is recommending resolutions at the forthcoming 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. If approved, the resolutions will create at least £169.9 million of additional distributable reserves over the next four years, as set out below.

	Reserves arising from cancelled share premium £000	Reserves arising from reduction in share capital £000	Total £000
Available for distribution			
July 2026, once the 2026 annual report has been circulated	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	25,867	3,676	29,543
Total	130,953	38,978	169,931

Statement of Cash Flows

For the year ended 31 March 2025

	Notes	2025 £000	2024 £000
Net cash inflow (outflow) from operating activities		1,003	(744)
Cash flows generated from (used in) investing activities			
Purchase of financial assets at fair value through profit or loss	7	(29,288)	(9,390)
Proceeds from sale of financial assets at fair value through profit or loss	7	7,259	19,625
Deferred consideration		451	96
Net cash (outflow) inflow from investing activities		(21,578)	10,331
Cash flows from (used in) financing activities			
Issue of ordinary shares		52,079	64,849
Costs of ordinary share issues*		(1,672)	(2,413)
Purchase of own ordinary shares		(6,710)	(2,869)
Dividends paid	5	(12,955)	(7,617)
Net cash inflow from financing activities		30,742	51,950
Net increase in cash and cash equivalents		10,167	61,537
Cash and cash equivalents at the beginning of the year		89,804	28,267
Cash and cash equivalents at the end of the year		99,971	89,804

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

Cash and cash equivalents comprise

Money market funds	69,000	53,500
Cash at bank and other cash equivalents	30,971	36,304
Cash and cash equivalents at the end of the year	99,971	89,804

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

	2025	2024
	£000	£000
Profit before taxation*	6,769	10,618
Increase (decrease) in trade and other payables	96	(110)
Decrease (increase) in accrued income and other assets	759	(732)
Gain on disposal of investments	(965)	(4,475)
Gains on investments held at fair value	(5,656)	(6,045)
Net cash inflow (outflow) from operating activities	1,003	(744)

*Includes cash inflow from dividends of £372,000 (2024: £341,000) and interest of 5,346,000 (2024: £2,899,000).

The notes on pages 68 to 91 of the annual report are an integral part of these financial statements.

Notes to the Financial Statements

1. Principal Accounting Policies

Basis of Preparation

The accounts have been prepared on a going concern basis as set out in the Directors Report on pages 39 and 40 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 2024/25 fundraising post-year-end, in April 2025. 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 and other assets 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 July 2022 - "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. Other 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 IASB 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 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 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 ("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 we have identified six of the most widely used valuation methodologies for unquoted investments. 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 comprises short-term deposits and highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

Current asset investments comprise money market funds.

Cash and cash equivalents include cash at hand, money market funds and demand 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

	2025	2024
	£000	£000
Dividends from unquoted companies	443	907
Interest on loans to unquoted companies	243	218
Income from unquoted portfolio	686	1,125

Income from listed investment funds	-	97
Income from investments held at fair value through profit or loss	686	1,222
Income from bank deposits/money market funds	4,777	2,823
	5,463	4,045

3. Administrative Expenses

	2025	2024
	£000	£000
Manager's fee	3,773	3,179
Administration fee	89	85
Total payable	3,862	3,264
Other expenses:		
Trail commission paid to financial intermediaries	238	142
Directors' remuneration	154	138
General expenses	116	136
Listing and registrar fees	90	89
Auditor's remuneration - audit of the financial statements (excluding irrecoverable VAT)	67	66
Printing	53	60
Irrecoverable VAT	52	52
	4,632	3,947
Fair value movement related to credit risk	683	-
	5,315	3,947
Ongoing charges figure	1.75%	1.85%

Directors' remuneration comprises only short-term benefits including national insurance contributions of £14,000 (2024: £12,000).

The Company does not have employees (2024: nil).

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

YFM Private Equity Limited provides management services to 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. The agreement may be terminated by not less than 12 months' notice given by either party at any time. No notice has been issued to or by YFM Private Equity Limited terminating the contract as at the date of this Report.

The key features of the IA are:

- > YFM Private Equity Limited receives a Manager's fee, 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 fee is payable quarterly in advance;
- > The annual fee payable to the Manager is (i) 1.0 per cent on all surplus cash, defined as all cash above £7.5 million; and (ii) 2.0 per cent per annum of all other net assets. Based on the Company's net assets at 31 March 2025 of £257,111,000, including cash and cash equivalents of £99,971,000 at that date, this equates to approximately £4,218,000 per annum;
- > Under the IA, YFM Private Equity Limited also provides administrative and secretarial services to the Company. The original fee for these services at 28 February 1996 was £35,000 per annum. This is adjusted annually to reflect movements in the Retail Prices Index. For the year ended 31 March 2025 the fee totalled £89,000 (2024: £85,000); and
- > YFM Private Equity Limited shall bear the annual operating costs of the Company to the extent that those costs exceed 2.9 per cent of the net asset value of the Company. This includes the fees set out above but excludes any payment of the performance incentive fee (details of which are set out below), VAT and trail commissions payable to financial intermediaries. Operating costs in the year totalled 1.69 per cent of the Company's net asset value (2024: 1.71 per cent); therefore no excess expenses were payable to the Company from YFM Private Equity Limited in the year (2024: £nil).

When the Company makes investments into its unquoted portfolio the Manager typically charges that investee an advisory fee or arrangement fee, calculated by applying a percentage to the investment amount. The Company and the Manager have agreed that, 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 2025, the Company was due a rebate from the Manager of £34,000 (2024: £nil).

The total remuneration payable to YFM Private Equity Limited under the IA in the period was £3,862,000 (2024: £3,264,000).

Monitoring and directors' fees the Manager receives from the investee companies are limited to a maximum of £40,000 (excluding VAT) per annum per company.

Under the IA, 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 2025 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 £1,440,000 (2024: £932,000).

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 2025 the annual increase in

the Total Return Hurdle was 7.25 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 2025 the Dividend Hurdle was 7.25 pence per share.

There were no incentive fees payable for the years ended 31 March 2025 and 31 March 2024, as calculated below:

	2025	2024
Total Return Hurdle (p)	272.75	265.50
Actual Total Return per Share before incentive fee (p)	264.70	262.50
Shortfall over Total Return Hurdle (p)	(8.05)	(3.00)
Dividend Hurdle (p)	7.25	7.00
Actual Dividends per share (p)	5.25	4.00
Shortfall over Dividend Hurdle (p)	(2.00)	(3.00)
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)	319,179	262,659
Incentive fee payable (£'000)	-	-

The Total Return Hurdle for the year ending 31 March 2026 is 280.25 pence per share. The Dividend Hurdle is 7.50 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 20 September 2023, 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 £1,645,000.

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.

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 53 of the annual report under the heading "Directors' Remuneration for the year ended 31 March 2025 (audited)".

4. Taxation

	2025			2024		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Profit before taxation	2,978	3,791	6,769	2,482	8,136	10,618
Profit before taxation multiplied by standard rate of corporation tax in UK of 19% (2024: 19%)	566	720	1,286	471	1,546	2,017
Effect of:						
UK dividends received	(79)	-	(79)	(172)	-	(172)
Non-taxable profits on investments	-	(1,258)	(1,258)	-	(1,999)	(1,999)
Deferred tax not recognised	30	21	51	(299)	453	154
Tax charge (credit)	517	(517)	-	-	-	-

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

Deferred tax assets of £3.91 million (2024: £4.98 million) calculated at 19% (2024: 25%) in respect of unrelieved management expenses (£20.58 million as at 31 March 2025 and £19.93 million as at 31 March 2024) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which assets can be recovered.

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

5. Dividends

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

	2025			2024		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Interim dividend for the year ended 31 March 2025 of 2.0p (2024: 2.0p) per ordinary share	1,969	4,077	6,046	638	4,178	4,816
Second interim dividend for the year ended 31 March 2025 of 2.0p (2024: 2.0p) per ordinary share	1,780	4,257	6,037	-	4,819	4,819
Special dividend for the year ended 31 March 2025 of 1.25p per ordinary share	-	3,766	3,766	-	-	-
	3,749	12,100	15,849	638	8,997	9,635
Shares allotted under DRIS			(2,894)			(2,018)
Dividends paid in Statement of Cash Flows			12,955			7,617

The first interim dividend of 2.0 pence per ordinary share was paid on 26 July 2024 to shareholders on the register as at 28 June 2024.

The second interim dividend of 2.0 pence per ordinary share was paid on 20 December 2024 to shareholders on the register as at 22 November 2024.

The special dividend of 1.25 pence per ordinary share was paid on 27 January 2025 to shareholders on the register as at 27 December 2024.

An interim dividend of 2.0 pence per ordinary share, in respect of the year ending 31 March 2026, will be paid on 25 July 2025 to shareholders on the register on 27 June 2025. This dividend was not recognised in the year ended 31 March 2025 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 £6,769,000 (2024: £10,618,000) and 305,699,410 (2024: 244,463,235) 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 £2,461,000 (2024: £2,482,000) and 305,699,410 (2024: 244,463,235) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital earnings per ordinary share is based on the capital profit for the year attributable to shareholders of £4,308,000 (2024: £8,136,000) and 305,699,410 (2024: 244,463,235) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 3,609,790 new ordinary shares in respect of its DRIS and 61,470,081 new ordinary shares from its fundraising.

The Company has also repurchased 8,560,575 of its own shares in the year, and these shares are held in the capital reserve. The total of 34,198,996 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 2025 and 31 March 2024.

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

	2025 £000	2024 £000
Investment portfolio	153,410	126,592
Accrued income on the investment portfolio	1,136	2,070
Financial assets at fair value through profit and loss	154,546	128,662

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 2025 and 31 March 2024.

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 2025 and 31 March 2024.

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

There have been no transfers between these classifications in either period.

There have been no transfers between these classifications in either period.

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

Valuation of Investments

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

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

	Level 3 Unquoted Investments £000
IFRS 13 measurement classification	
Opening cost	77,385
Opening investment holding gain	49,207
Opening fair value at 1 April 2024	126,592
Additions at cost	29,288
Disposal proceeds	(9,643)
Net profit on disposal*	1,517
Change in fair value	6,317
Foreign exchange loss	(661)
Closing fair value at 31 March 2025	153,410
Closing cost	104,737
Closing investment holding gain	48,673
Closing fair value at 31 March 2025	153,410

* The net profit on disposal in the table above is £1,517,000 whereas that shown in the Statement of Comprehensive Income is £965,000. The difference comprises the change in the value of deferred proceeds totalling a loss of £552,000 in respect of assets which have been disposed of and are not included within the investment portfolio at 1 April 2024.

The following disposals took place in the year:

	Net proceeds from sale £000	Cost £000	Opening carrying value as at 1 April 2024 £000	Realised gain (loss) on disposal £000
Unquoted investments:				
ACC Aviation Group Limited	6,421	220	4,725	1,696
Traveltek Group Holdings Limited	3,222	1,716	3,401	(179)
Total from portfolio	9,643	1,936	8,126	1,517
Ncam Technologies Limited	131	-	-	131
Displayplan Holdings Limited	(683)	-	-	(683)
Deferred consideration	(552)	-	-	(552)
Total from investment portfolio*	9,091	1,936	8,126	965

* The total from disposals in the year in the table above is £9,643,000 whereas that shown in the Statement of Cash flows is £7,259,000. The difference comprises deferred proceeds of £2,384,000 which will be received in subsequent years.

8. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £257,111,000 (2024: £219,600,000) and 319,178,657 (2024: 262,659,361) 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 2025.

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

9. Total Return per Ordinary Share

The Total Return per ordinary share is calculated on cumulative dividends paid of 184.15 pence per ordinary share (2024: 178.9 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 2025 or 31 March 2024.

11. Events after the Balance Sheet Date

On 1 April 2025 the Company allotted the final shares from its fully subscribed 2024/25 share offer. Gross proceeds of £30.5 million were raised, resulting in the issue of 36,799,582 ordinary shares. This increased the number of ordinary shares in issue to 355,978,239.

Subsequent to the year end, the Company has invested £2.4 million into new portfolio company S4labour, and £0.4 million

into existing portfolio company Force24.

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 53 of the annual report. There were no amounts outstanding and due to the directors at 31 March 2025 (2024: £nil).

13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 March 2025 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 2025 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 12:00 pm on 9 September 2025 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 92 of the annual report.

16. Interim Dividend for the Year Ending 31 March 2026

The directors are pleased to announce the payment of an interim dividend for the year ending 31 March 2026 of 2.00 pence per ordinary share ("Interim Dividend").

The Interim Dividend will be paid on 25 July 2025 to those shareholders on the Company's register at the close of business on 27 June 2025. The ex-dividend date will be 26 June 2025.

The directors are not proposing a final dividend for the year ended 31 March 2025.

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 11 July 2025.

16. 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:

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