

20 November 2025

Northern 2 VCT PLC

Half-yearly management report for the six months ended 30 September 2025

Northern 2 VCT PLC is a Venture Capital Trust (VCT) managed by Mercia Fund Management Limited. It invests mainly in unquoted venture capital holdings and aims to provide long-term tax-free returns to shareholders through a combination of dividend yield and capital growth.

Financial highlights:

	Unaudited six months ended 30 September 2025	Unaudited six months ended 30 September 2024	Audited year ended 31 March 2025
Net assets	£138.4m	£127.5m	£128.1m
Net asset value per share	57.7p	57.2p	58.3p
Return per share			
Revenue	0.2p	0.2p	0.5p
Capital	0.7p	0.8p	3.3p
Total	0.9p	1.0p	3.8p
Dividend per share declared in respect of the period	1.7p	1.7p	3.0p
Cumulative return to shareholders since launch			
Net asset value per share	57.7p	57.2p	58.3p
Dividends paid per share*	143.3p	140.3p	142.0p
Net asset value plus dividends paid per share	201.0p	197.5p	200.3p
Mid-market share price at end of period	54.5p	55.0p	53.5p
Share price discount to net asset value	5.5%	3.8%	8.2%
Annualised tax-free dividend yield (based on net asset value per share)**	5.1%	5.0%	5.2%

* Excluding interim dividend not yet paid.

** The dividend yield is calculated by dividing the dividends declared in the 12 month period ended on each reference date by the net asset value per share at the start of that period.

Chair's statement

I am pleased to present our half-yearly financial report. Over the past six months, the UK economy has lagged behind most of our international peers, with sluggish growth and stubbornly high inflation. Speculation on the upcoming UK government budget, global political tensions and trade wars continue to influence market sentiment. Your Company has maintained its long-term strategy of investing in promising early-stage businesses, supporting its existing portfolio companies, and generating cash from realisations where circumstances permit.

Venture capital investment activity and portfolio update

We are pleased to report an overall increase in the holding value of the unquoted portfolio, with strong performances from a number of portfolio companies increasing valuations by more than some necessary reductions in valuations of companies that have performed less well.

During the period, we made a new investment totalling £2.4 million in Thanks Ben. Thanks Ben is an intelligent digital platform that enables organisations to manage employee benefits, rewards, and allowances through a single system. We also deployed £3.1 million into ten existing portfolio companies. Partial realisations were made in Buoyant Upholstery, Fresh Approach, and Project Glow (trading as The Beauty Tech Group), all at holding value, and in Angle plc, a listed investment, at a price marginally below its last reported holding value at 31 March 2025. In aggregate, realisation proceeds were £0.5 million.

Since the period end, investment activity has continued with £4.2 million invested into seven companies, including a new investment into Space and Time Limited (t/a Tesseract). Tesseract is a cloud-based field service management software company that helps organisations manage assets, scheduling, and mobile workflows for engineers. We were also pleased to announce that on 3 October 2025 our largest portfolio company Project Glow (trading as The Beauty Tech Group) successfully completed its IPO on the London Stock Exchange. As part of the transaction, we realised 30% of our holding, generating proceeds of £2.3 million and delivering a 5.8x return on our original investment cost. The company's IPO was reported upon in the press as an encouraging sign of activity returning to the UK stock market, and is a very positive step for the company, which the Northern VCTs have supported since 2018.

In addition, one further realisation was completed, with Thanksbox Limited (t/a Mo) returning £0.8 million, a £0.5 million uplift on June's holding value. Although the proceeds were above the 30 June 2025 holding value, the exit was below investment cost resulting in an overall 0.5x return on our investment.

Results and dividend

The Company achieved a return of 0.9 pence per share in the period (2024: 1.0p per share), equivalent to 1.5% of the audited net asset value (NAV) per share on 31 March 2025. After deducting the final dividend for the year to 31 March 2025 of 1.3p, paid in September 2025, the NAV per share at 30 September 2025 was 57.7 pence. The performance was driven by an unrealised increase of £2.5 million in the valuation of investments.

It remains our objective to pay a dividend at least equivalent to 5% of the opening NAV in each year. The Board has declared an interim dividend for the year ending 31 March 2026 of 1.7 pence per share, which will be paid on 21 January 2026 to shareholders who are on the register on 19 December 2025.

We continue to operate our dividend investment scheme, which enables shareholders to invest their dividends in new ordinary shares free of dealing costs and with the benefit of the tax reliefs available on new VCT share subscriptions. We have included details of the scheme within the dividend section of our website, which can be found at: www.mercia.co.uk/vcts/n2vct/.

Shareholder matters

As a result of the fully subscribed public share offer launched in January 2025, 25,531,778 shares were issued for gross proceeds of £15.0 million.

We continue to observe a sustained demand for long-term growth capital for smaller companies in the UK. In order to continue to support our existing portfolio and invest in new early-stage opportunities, in September 2025, we published our fund raising prospectus, together with the other two Northern VCTs. The Company sought to raise £7million with an over-allotment facility of £3 million, and we are pleased to report that it has successfully received subscriptions totalling £10 million. The allotment is scheduled to take place on 25 November 2025.

We have maintained our policy of being willing to buy back the Company's shares in the market to maintain liquidity, at a 5% discount to NAV. During the period a total of 6,396,825 shares were purchased by the Company for cancellation, representing around 2.9% of the opening ordinary share capital.

VCT legislation and qualifying status

The Company has continued to meet the stringent and complex qualifying conditions laid down by HM Revenue & Customs for maintaining its approval as a VCT. The Investment Manager monitors the position closely and reports regularly to the Board. Philip Hare & Associates LLP has continued to act as independent adviser to the Company on VCT taxation matters.

Outlook

Despite ongoing macroeconomic headwinds, the portfolio continues to demonstrate resilience and growth potential. We remain confident in the strength and quality of the portfolio, many of which are well positioned to benefit from long-term structural trends. The Company will continue to invest selectively, supporting high-growth businesses with strong fundamentals, while also seeking to deliver timely realisations where opportunities arise. With a diversified portfolio and a clear strategy for growth, we believe the Company is well placed to continue to create shareholder value in the years ahead.

The board very much appreciates the continuing support of shareholders.

On behalf of the Board

Thomas Chambers

Chair

Responsibility statement

In accordance with Disclosure and Transparency Rule (DTR) 4.2.10, Thomas Chambers (Chair), Ranjan Ramparia (Chair of the Audit Committee), Simon Devonshire and David Gravells, being the Directors of the Company, confirm that to the best of their knowledge:

- (a) The condensed set of financial statements, which has been prepared in accordance with Financial Reporting Standard 104 “Interim Financial Reporting” gives a true and fair view of the assets, liabilities, financial position and profit of the Company as required by DTR 4.2.10;
- (b) the half-yearly management report includes a fair review of the information required by DTR 4.2.7, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- (c) a description of the principal risks and uncertainties facing the Company for the remaining six months of the financial year are set out under the summary of principal risks and uncertainties below, in accordance with DTR 4.2.7; and
- (d) there were no related party transactions in the first six months of the current financial year that are required to be disclosed, in accordance with DTR 4.2.8.

Principal risks and uncertainties

In accordance with DTR 4.2.7, the Board confirms that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Financial Statements for the year ended 31 March 2025 (“the Annual Report”). The Board considers that the present processes for mitigating those risks remain appropriate. Following the admission of the Company’s largest investment on the London Stock Exchange in October 2025, the Board has included stock market risk as an additional principal risk to those included in the Annual Report. Stock market risk is the risk of adverse price movements on the Company’s listed portfolio holdings as a result of macroeconomic or other factors resulting in the decline of the overall market.

The principal risks faced by the Company are:

- Availability of qualifying investments risk
- Credit risk
- Economic and geopolitical risk
- Financial risk

- Investment and liquidity risk
- Legislative and regulatory risk
- Operational risk
- Performance of the Investment Manager risk
- Stock market risk
- VCT qualifying status risk

A detailed explanation of the principal risks facing the Company can be found in the Annual Report and Financial Statements for the year ended 31 March 2025 on pages 21 to 22, as well as in Note 18 on Financial Instruments on pages 67 to 70 of that report. Copies can be viewed or downloaded from the Company's website: www.mercia.co.uk/vcts.

Environmental, Social and Governance considerations

The Company is committed to conducting its affairs responsibly and considers environmental, social and governance (ESG) issues as part of its operations. More details of the Company's considerations can be found in the Responsible Investment section in the Annual Report and Financial Statements for the year ended 31 March 2025 on pages 33 to 34.

Going concern

The Board has assessed the Company's operation as a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out earlier in the half-yearly management report. The Directors have satisfied themselves that the Company's cash position is adequate to enable the Company to continue as a going concern under downside scenarios. The portfolio remains well funded and the Manager's investment team are ensuring that management teams undertake adequate cost control and cashflow planning. The major cash outflows of the Company (namely investments, share buy-backs and dividends) are within the Company's control. The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in Note 18 of the Annual Report and Financial Statements for the year ended 31 March 2025 on pages 67 to 70. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the half-yearly report and financial statements.

Cautionary statement

This report may contain forward looking statements with regard to the financial condition and results of the Company, which are made in the light of current economic and business circumstances. Nothing in this report should be construed as a profit forecast.

For and on behalf of the Board:

Thomas Chambers
Chair
20 November 2025

Investment portfolio

As at 30 September 2025 (unaudited)

Description	Cost £000	Valuation £000	% of net assets by value
Fifteen largest venture capital investments			

	Description	Cost £000	Valuation £000	% of net assets by value
Project Glow Topco (t/a The Beauty Tech Group)	Online marketplace for home-use beauty products	1,322	7,481	5.4%
Pure Pet Food	Production of organic pet food	1,516	6,253	4.5%
Rockar	E-commerce and fulfilment platform for new car sales	1,766	3,293	2.4%
Pimberly	Product information management software	1,876	3,283	2.4%
Tutora (t/a Tutorful)	Website to help parents and students find private tutors	3,023	3,023	2.2%
Risk Ledger	Cyber security focused on supply chain risk	1,509	2,631	1.9%
Semble	Practice management software for healthcare clinicians/clinics	2,072	2,583	1.9%
Netacea	AI-powered cyber security consultancy	2,486	2,486	1.8%
Forensic Analytics	Call data communications analytics software	2,475	2,475	1.8%
Broker Insights	Platform connecting insurers and brokers	2,282	2,401	1.7%
Send Technology Solutions	Platform for insurers, reinsurers, and managing general agents	2,046	2,397	1.7%
Thanks Ben	Employee benefits orchestration platform	2,392	2,392	1.7%
Ridge Pharma	Sale of pharmaceuticals (branded, generics, specials)	1,387	2,385	1.7%
Biological Preparations Group	Environmental biotechnology products	2,166	2,325	1.7%
Administrate	SAAS training management and LMS platform	3,117	2,233	1.6%
Fifteen largest venture capital investments		31,435	47,641	34.4%
Other venture capital investments		56,462	47,739	34.5%
Total venture capital investments		87,897	95,380	68.9%
Net current assets			43,026	31.1%
Net assets			138,406	100.0%

Extracts from the unaudited half-yearly financial statements for the six months ended 30 September 2025 are set out below:

Condensed income statement

For the six months ended 30 September 2025 (unaudited)

	Unaudited six months ended 30 September 2025			Unaudited six months ended 30 September 2024			Audited year ended 31 March 2025		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(Loss)/gain on disposal of investments	-	(2)	(2)	-	1,469	1,469	-	3,148	3,148
Movements in fair value of investments	-	2,491	2,491	-	884	884	-	5,338	5,338

	-	2,489	2,489	-	2,353	2,353	-	8,486	8,486
Dividend and interest income	1,145	-	1,145	1,349	-	1,349	3,144	-	3,144
Investment management fee	(306)	(918)	(1,224)	(277)	(832)	(1,109)	(567)	(2,022)	(2,589)
Other expenses	(289)	-	(289)	(332)		(332)	(675)	-	(675)
Return before tax	550	1,571	2,121	740	1,521	2,261	1,902	6,464	8,366
Tax on return	(116)	116	-	(187)	187	-	(852)	852	-
Return after tax	434	1,687	2,121	553	1,708	2,261	1,050	7,316	8,366
Return per share	0.2p	0.7p	0.9p	0.2p	0.8p	1.0p	0.5p	3.3p	3.8p

Condensed balance sheet

As at 30 September 2025 (unaudited)

	Unaudited 30 September 2025 £000	Unaudited 30 September 2024 £000	Audited 31 March 2025 £000
Fixed assets			
Investments	95,380	78,056	87,889
Current assets			
Debtors	159	640	2,670
Cash and cash equivalents	43,052	49,023	38,062
	43,211	49,663	40,732
Creditors (amounts falling due within one year)	(185)	(174)	(543)
Net current assets	43,026	49,489	40,189
Net assets	138,406	127,545	128,078
Capital and reserves			
Called-up equity share capital	11,985	11,159	10,993
Share premium	76,195	62,193	62,633

Capital redemption reserve	1,788	1,256	1,468
Capital reserve	40,379	54,405	47,177
Revaluation reserve	7,483	(2,281)	4,939
Revenue reserve	576	813	868
Total equity shareholders' funds	138,406	127,545	128,078
Net asset value per share	57.7p	57.2p	58.3p

Condensed statement of changes in equity

	Non-distributable reserves				Distributable reserves		Total
	Called up share capital	Share premium	Capital redemption reserve	Revaluation reserve	Capital reserve	Revenue reserve	
	£000	£000	£000	£000	£000	£000	£000
Six months ended 30 September 2025 (unaudited)							
At 1 April 2025	10,993	62,633	1,468	4,939	47,177	868	128,078
Return after tax	-	-	-	2,544	(857)	434	2,121
Dividends paid	-	-	-	-	(2,419)	(726)	(3,145)
Net proceeds of share issues	1,312	13,562	-	-	-	-	14,874
Shares purchased for cancellation	(320)	-	320	-	(3,522)	-	(3,522)
At 30 September 2025	11,985	76,195	1,788	7,483	40,379	576	138,406

Six months ended 30 September 2024 (unaudited)

	-	-	-	-	-	-	-
At 1 April 2024	10,434	52,737	1,079	(853)	54,973	1,156	119,526
Return after tax	-	-	-	(1,428)	3,136	553	2,261
Dividends paid	-	-	-	-	(1,791)	(896)	(2,687)
Net proceeds of share issues	902	9,456	-	-	-	-	10,358
Shares purchased for cancellation	(177)	-	177	-	(1,913)	-	(1,913)
At 30 September 2024	11,159	62,193	1,256	(2,281)	54,405	813	127,545

Year ended 31 March 2025

	-	-	-	-	-	-	-
At 1 April 2024	10,434	52,737	1,079	(853)	54,973	1,156	119,526
Return after tax	-	-	-	5,792	1,524	1,050	8,366
Dividends paid	-	-	-	-	(5,109)	(1,338)	(6,447)
Net proceeds of share issues	948	9,896	-	-	-	-	10,844
Shares purchased for cancellation	(389)	-	389	-	(4,211)	-	(4,211)
At 31 March 2025	10,993	62,633	1,468	4,939	47,177	868	128,078

Condensed statement of cash flows
For the six months ended 30 September 2025 (unaudited)

	Unaudited six months ended 30 September 2025 £000	Unaudited six months ended 30 September 2024 £000	Audited year ended 31 March 2025 £000
Cash flows from operating activities			
Return before tax	2,121	2,261	8,366
Adjustments for:			
(Gain)/loss on disposal of investments	2	(1,469)	(3,148)
Movements in fair value of investments	(2,491)	(884)	(5,338)
Decrease in debtors	2,511	271	38
(Decrease)/increase in creditors	(358)	11	380
Net cash inflow from operating activities	1,785	190	298

Cash flows from investing activities			
Purchase of investments	(5,473)	(5,940)	(14,605)
Proceeds on disposal of investments	471	6,016	9,184
Net cash inflow/(outflow) from investing activities	(5,002)	76	(5,421)
Cash flows from financing activities			
Issue of ordinary shares	15,409	10,802	11,309
Share issue expenses	(535)	(444)	(465)
Purchase of ordinary shares for cancellation	(3,522)	(1,913)	(4,211)
Equity dividends paid	(3,145)	(2,687)	(6,447)
Net cash inflow from financing activities	8,207	5,758	186
Net (decrease)/increase in cash and cash equivalents	4,990	6,024	(4,937)
Cash and cash equivalents at beginning of period	38,062	42,999	42,999
Cash and cash equivalents at end of period	43,052	49,023	38,062

Other matters

The unaudited financial statements are prepared in accordance with accounting policies consistent with Financial Reporting Standard 102 (“FRS102”), Financial Reporting Standard 104 (“FRS104”) - Interim Financial Reporting, with the Companies Act 2006 and the 2014 Statement of Recommended practice, ‘Financial Statements of Investment Trust Companies and Venture Capital Trusts’ (“the SORP”) (updated in July 2022) issued by the Association of Investment Companies (“AIC”). The condensed financial statements comply with FRS 104, applying the recognition and measurement principles of FRS 102. The financial statements have been prepared on a going concern basis.

The preparation of the financial statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The most critical estimates and judgements relate to the determination of carrying value of investments at fair value through profit and loss (“FVTPL”) in accordance with FRS 102 sections 11 and 12. The Company values investments by following the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines as updated in 2022.

The accounting policies have been applied consistently throughout the period. Full details of principal accounting policies are disclosed in Note 1 on page 57 of the Annual Report and Financial Statements for the year ended 31 March 2025. The significant accounting estimates and judgements applied are consistent with those disclosed in the Annual Report for the year ended 31 March 2025.

The interim dividend of 1.7 pence per share for the year ending 31 March 2026 will be paid on 21 January 2026 to shareholders on the register on 19 December 2025.

The calculation of the return per share is based on the return after tax for the six months ended 30 September 2025 and on 242,946,704 (30 September 2024: 224,542,017) ordinary shares, being the weighted average number of shares in issue during the period.

The calculation of net asset value per share is based on the net assets at 30 September 2025 divided by the 239,707,349 (30 September 2024: 223,175,719) ordinary shares in issue at that date.

The half-yearly financial report is being sent to shareholders and copies will be made available to the public at the registered office of the Company, Companies House, the National Storage Mechanism and also electronically at www.mercia.co.uk/vcts.