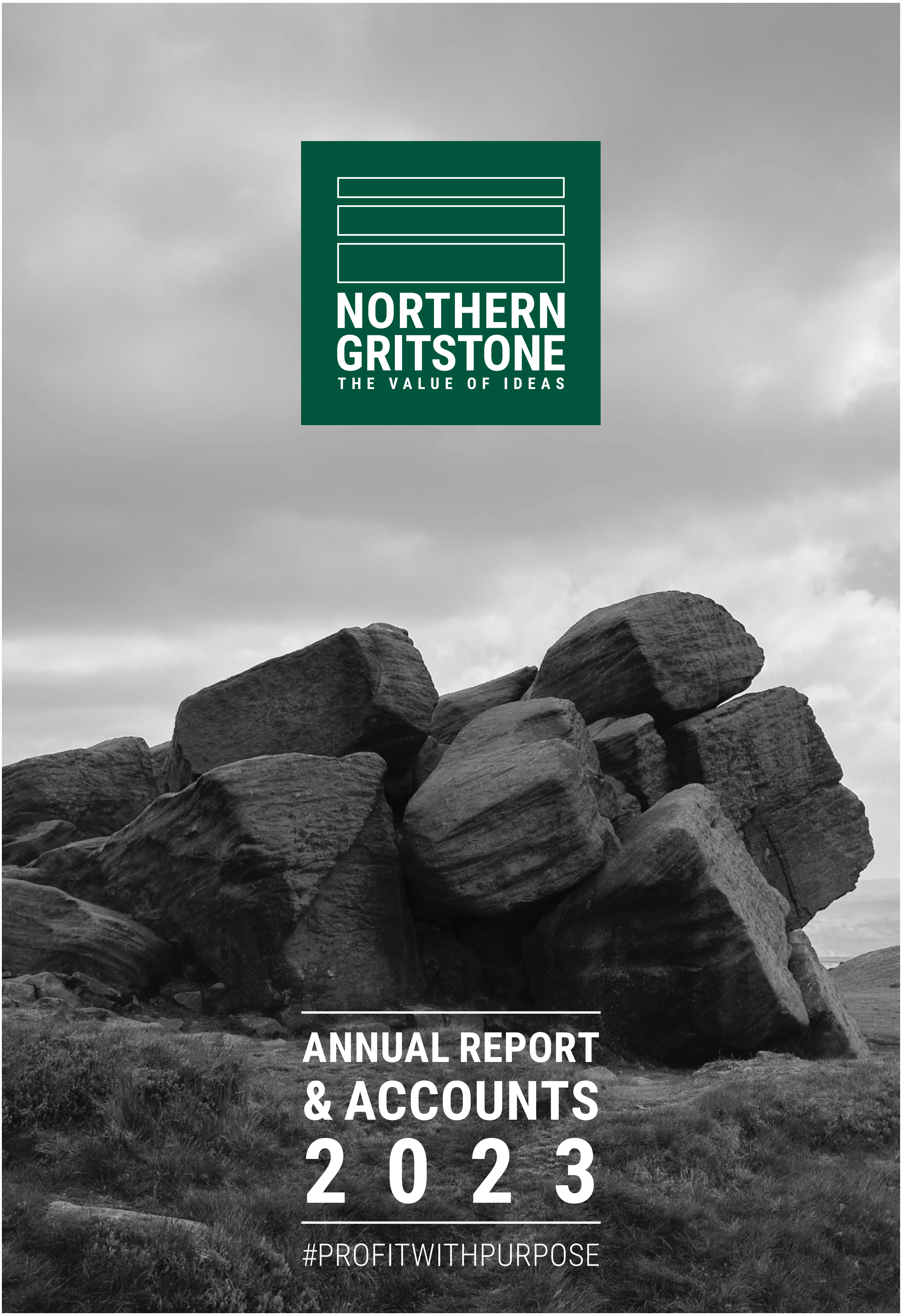


NORTHERN GRITSTONE

THE VALUE OF IDEAS

ANNUAL REPORT & ACCOUNTS 2023

#PROFITWITHPURPOSE

CONTENTS

NORTHERN GRITSTONE
THE VALUE OF IDEAS

#PROFITWITHPURPOSE

OUR VISION – PROFIT WITH PURPOSE

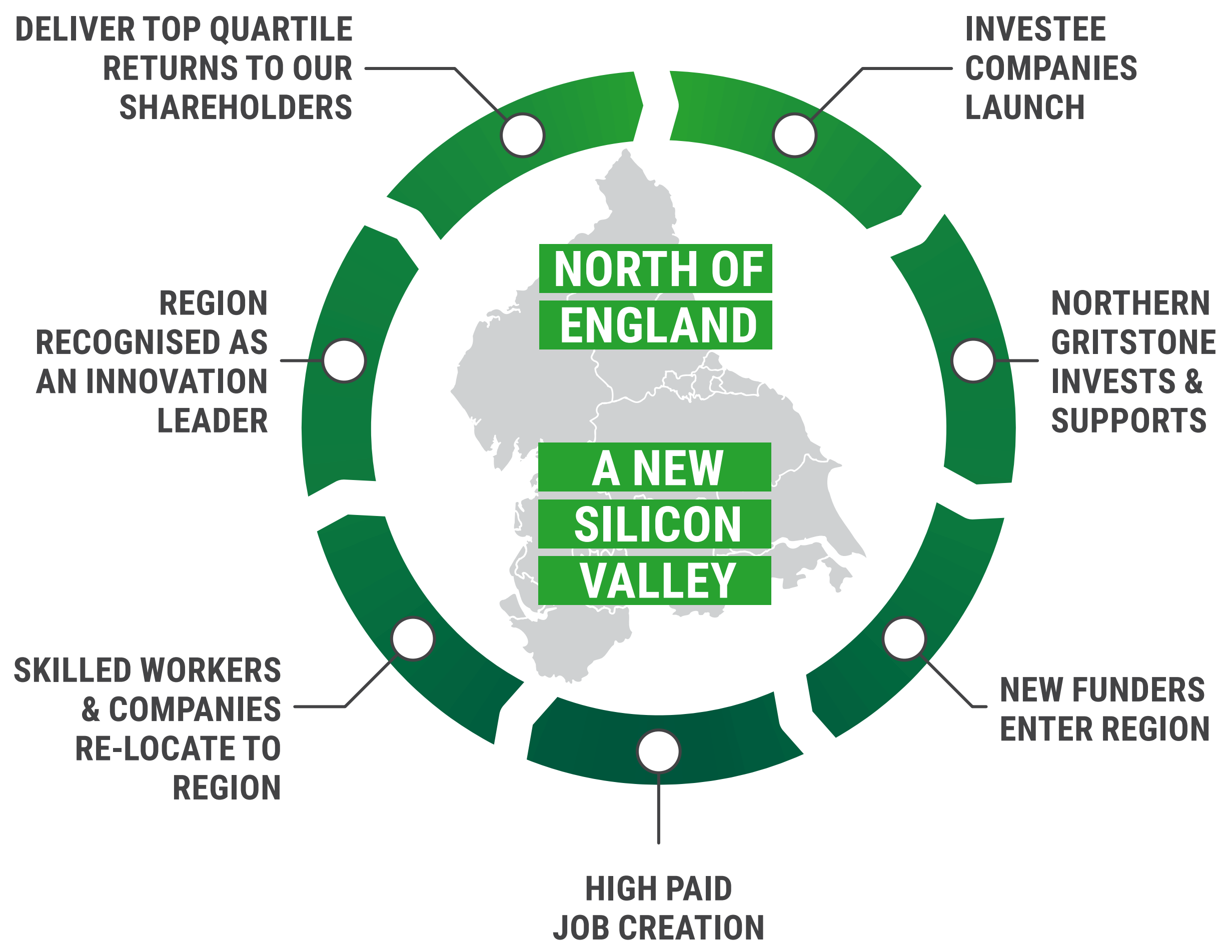
Northern Gritstone aims to help amazing people who are living and working in the North of England to create the world-class businesses of tomorrow based on the world-class science and innovation that exists in the North of England today delivering our core principle and focus of Profit with Purpose.

Northern Gritstone aims to support the commercialisation of science and IP-rich businesses based in the North of England – predominantly originating from the Universities of Leeds, Manchester and Sheffield with which the Company has a fifteen-year Framework Agreement. Many of these opportunities are in the UK's most exciting emerging sectors such as advanced materials, health technology, cognitive computation and artificial intelligence.

Northern Gritstone was founded with the philosophy of Profit with Purpose, combining attractive returns for shareholders with wider positive, societal and economic impact, including supporting Levelling Up and high-skilled job creation in the North of England.

The Company champions the concept that profitable organisations can and should have wider purpose. In fact, the Company believes that it is by combining profit and purpose that Northern Gritstone will be most successful.

By creating a leading ecosystem of support and funding, it is the aim to generate significant wealth from the ideas and inventions that Northern Gritstone's partners have developed which, over time, will flow back into the economy of the North of England thereby creating a virtuous circle from which all can benefit.



Alignments & Memberships

Signatory of:

HIGHLIGHTS AT 31 MAR 2023

Company

Total Capital Available	£146m ordinary share capital £100m preference share capital
Ordinary Share Capital Paid Up	20%
NAV & UOS per share*	£1.04

* Net asset value and uncalled ordinary share capital per ordinary share

Portfolio

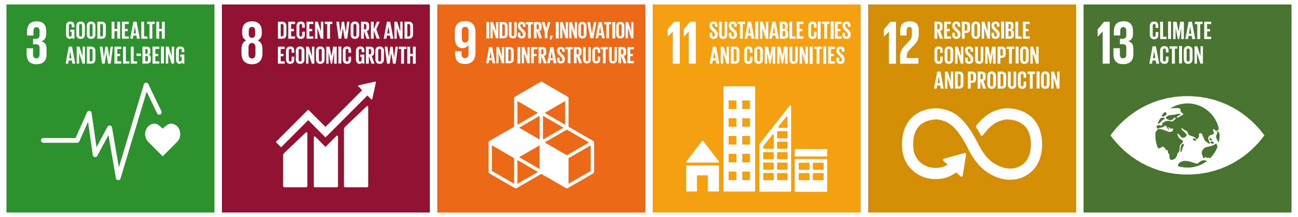
No. of Investee Companies	9
Invested in Portfolio	£13.0m
Portfolio Valuation	£14.6m
Gross Portfolio IRR**	20%
Gross Portfolio MoM	1.1×

** Positive return in the period was a result of recognising the value of the shares in Imperagen and Phlux received by Northern Gritstone at nil cost under the Framework Agreement

Purpose & Impact

Co-investment into North of England	£42.2m
No. of People Employed by Investee Companies	175
No. of Jobs Created	46

Portfolio UN Sustainable Development Goals Alignment



STRATEGIC REPORT

CHAIRPERSON'S STATEMENT

I am pleased to report on the operations of Northern Gritstone from 29 April 2022 to 31 March 2023.

The objectives of the Company are to invest in, and support the growth of, companies based in the North of England seeking to commercialise intellectual property, primarily spinning out from the Universities of Leeds, Manchester and Sheffield. Its ambition sits front and centre in the goals of the Northern Powerhouse, with which I have been associated since its emergence back in 2014. The Company's continual focus on Profit with Purpose is the manifestation of this objective.

This aspiration was given strong endorsement by investors who committed funding to our capital raise, with £246m raised at 31 March 2023, increasing to a total raise of £306m at the time of writing. It was superb to raise capital from a broad and diverse base of investors encompassing local authority pension funds, high net worth individuals, institutional investors and real estate investors active in the tech and science ecosystem of the region.

This funding has allowed the Company to deploy capital and to build out its operations. As at the year-end Northern Gritstone has invested in nine hugely promising companies, all based in the North of England and seeking to be drivers of future economic growth for the region. During the period reported the Company expanded the investment team, attracting high quality and experienced investment professionals. Offices were also opened in Manchester and Leeds.

The support from the Founding Universities of Leeds, Manchester and Sheffield has continued to be exceptional and I am particularly grateful to the Non-Executive Directors from these Universities (Jane Madeley, Luke Georghiou and Sue Hartley) for their commitment and passion for Northern Gritstone's aims.

I look forward to Northern Gritstone continuing to work closely with the Founding Universities as the Company establishes itself as a nexus for innovation in the North of England and continues to deliver on its mission.

Lord O'Neill *Chairperson*
30 June 2023

CHIEF EXECUTIVE'S STATEMENT

Writing this statement creates a moment in time to reflect on just how far Northern Gritstone has travelled in such a short period of time. The progress we have made from our inception just 18 months' ago seems even more amazing when it is viewed against a background where what the Company does has moved from not quite the periphery of the national conversation to now abut the centre stage. Our activities are now viewed as a key component of creating the UK's economy of tomorrow enjoying cross-party political and economic support.

With this expectation upon us and the need to deliver our focus of Profit with Purpose, I am delighted to report the strong progress the Company has made over the past 11 months. In the period the Company raised capital commitments of £246 million of which £146 million were ordinary share commitments and £100 million preference share commitments. Post the period end, additional capital has been committed to the business resulting in the Company having raised £306 million of commitments in total at the time of writing. Our initial fund-raising activities have now largely ceased as we look to build out our business and deploy our capital.

I am pleased to report a net asset value per share at the period end of 104 pence, a small uplift over the subscription price of ordinary shares of 100p. The operating activities of the Company have been managed within the annual cap of 2.0% of ordinary share capital commitments with operating costs amounting to 1.9% of ordinary share commitments. Shareholders' costs amounted to 0.1% and lifetime establishment costs to 2.9% of ordinary share commitments.

The Company began deploying capital immediately after the initial close in May 2022 and subsequently has made nine new investments in the period. Three of these investments are spin-outs from our Founding University partners and are fantastic examples of the science and innovation that exists within these institutions as well as the very attractive investment opportunities that result from commercialising that science. Our other six investments are all in science and innovation-based businesses located in the North of England, two of which are previous Founding University spin-outs raising additional capital as part of subsequent fundraising rounds. All our investee companies are linked to the ecosystem which Northern Gritstone is aiming to help catalyse.

In total the Company invested £13 million over the period.

Whenever the Company invests, the Purpose & Impact of each investment is central to the investment decision alongside the profit potential of the opportunity. I am delighted to report that the Company's investments have been levered 3x by capital that has been raised alongside Northern Gritstone amounting to a total of £55 million of capital invested. Businesses in which the Company is invested employ 175 people.

The permanent Northern Gritstone team has been steadily expanded over the period. Whilst it has been tempting to accelerate the team expansion at moments, especially given the deal flow the Company enjoys, it has been a conscious decision to build our activities in a measured manner.

This approach has allowed us to manage our business and investment risk more effectively alongside building a Northern Gritstone culture which will be the foundation of our future success. We will continue to build front, middle and back-office capabilities over the next year as well as turning our attention to building the business' investee company support ecosystem.

Market conditions remain muted with inflationary pressures, geo-political instability, the banking failure of Silicon Valley Bank along with a general appetite switch from risk-on to risk-off assets dampening activity in the venture space. Given the newness of our business, our well-funded balance sheet along with the timing of our investments, the Company remains less impacted than many others but we will want to see activity revert to mean to encourage revenue generation within our portfolio companies as well as de-risking future fundraising rounds for those businesses.

We are thankful for the support the Company receives, not just from our shareholders but the wider early-stage venture community and our Founding University partners. The Company is well placed to build on the foundations we have and continue to put in place and deliver the profit with purpose that is central to our mission.

Duncan Johnson *Chief Executive Officer*
30 June 2023

PORTFOLIO UPDATE

The Company made nine investments in the period, investing a total of £13.0m.

The carrying value of investments at 31 March 2023 was £14.6m, which represents a £1.6m uplift for the period. This increase was due to recognising the value of the shares in Imperagen and Phlux received by Northern Gritstone at nil cost under the Framework Agreement.

	Cost of Investment £m	Change in value during the 11 months ended 31 March 2023 £m	Carrying Value at 31 March 2023 £m	Return to date – Internal Rate of Return %	Return to date – Multiple of Money
Opteran	3.4	–	3.4	–	1.0×
Iceotope	5.0	–	5.0	–	1.0×
Imperagen	1.0	1.0	2.0	187%	2.0×
Phlux	0.5	0.6	1.1	641%	2.0×
QV Bioelectronics	0.7	–	0.7	–	1.0×
Re:course	0.5	–	0.5	–	1.0×
Slingshot	1.5	–	1.5	–	1.0×
Silveray	0.3	–	0.3	–	1.0×
LC Auxetec	0.2	–	0.2	–	1.0×
	13.0	**1.6**	**14.6**	**20%**	**1.1×**

All nine investments have commenced their life with the Company well and are executing their respective strategies as set out at the time of investment. It is clearly early days, but we are pleased with the companies in which we have invested and their potential to deliver both profit and purpose.

Key Information

- Spun-out in 2020, Opteran is based in Sheffield and employs 42 people
- Opteran captures biological systems as software, teaching machines to solve specific intelligent tasks autonomously primarily relying on visual systems, without deep learning
- Systems equipped with this software enable machines to navigate and solve tasks, just like insects in nature, without data or training of deep learning neural networks

Investment Details

- Northern Gritstone holds 5.1% equity through preferred ordinary shares
- Current valuation £3.4m
- Return to date:
  - 1.0× Multiple of money invested
  - 0% Internal rate of return

Investment Highlights

Market & Scaling Opportunity

- Growth in demand for autonomous machines is significant across a range of sectors
- Market potential is estimated to be \$250bn+

IP & Barriers to Entry

- £6m of grant funding and ten years of academic research
- Several patented algorithms are in place

Productisation & Pipeline

- Multiple pilots are underway with clear success criteria for the technology with significant revenue potential

Management Team

- Opteran team led by David Rajan, Dr. Alex Cope and Prof James Marshall. Opteran board and advisory group includes Sean Mitchell (ex Movidius, sold to Intel), Gur Kimchi (Amazon Prime Air) and Rafferty Jackson (Xona Space Systems)

Purpose & Impact

Sustainable Cities & Communities

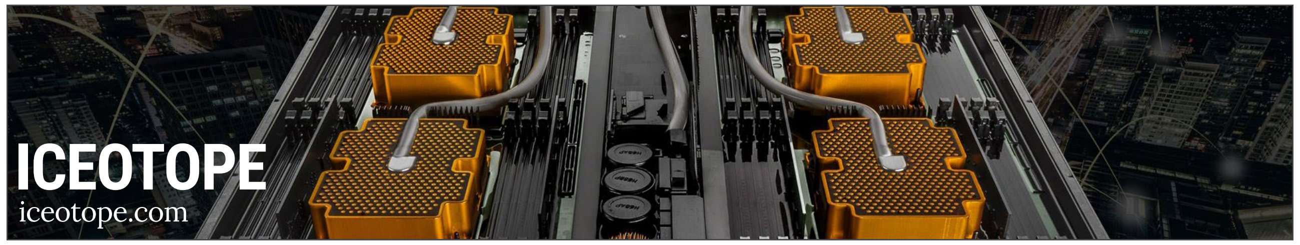
Smarter autonomous products will benefit society as a whole, for example by making large scale drone delivery a reality

Job Creation

Management team is keen to work with Northern Gritstone to build a wider ecosystem, specifically in the Sheffield region

Job Creation

A high number of new skilled jobs based in the North of England to be generated through this investment



Key Information

- Founded in 2005, Iceotope is based in the AMRC (Sheffield) and employs 71 people
- Iceotope has developed a range of precision liquid cooling products for data processing IT equipment across all latencies – from edge to central datacentre infrastructure
- Iceotope differentiates itself by its materially enhanced efficiency due to its ability to cool specific components where competitors offer only full-immersion solutions

Investment Details

- Northern Gritstone holds 5.2% equity through preferred ordinary shares
- Current valuation £5.0m
- Return to date:
  - 1.0× Multiple of money invested
  - 0% Internal rate of return

Investment Highlights

Market & Scaling Opportunity

- Growth in demand for data is a clear and persistent trend
- Cooling technologies are considered one of the industry's key challenges
- Market potential estimated at \$37bn+

IP & Barriers to Entry

- No other company has developed precision, chassis-level, cooling where coolant is pumped precisely to its targets
- 27 patents granted, each relating to technical elements of the cooling architecture

Productisation & Pipeline

- Licensing model allows for rapid EBITDA profitability
- Solid relationship with blue-chip pipeline clients in the near to medium term

Management Team

- CEO David Craig (ex-COO of McLaren Software), CCO Nathan Blom (ex Lenovo) and CFO Simon Jesenko (ex-CFO Senseye)

Purpose & Impact

CO_2 Reduction

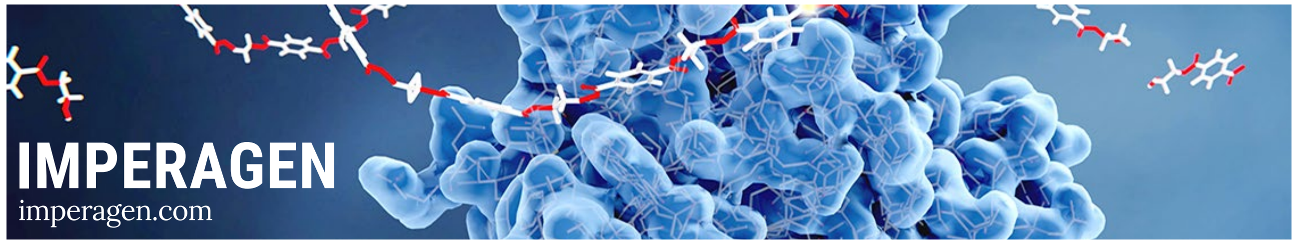
40% reduction in power usage can be achieved by implementing the Iceotope precision cooling technology

Water Reduction

Up to 95% water reduction can be achieved alleviating challenges in water stressed countries such as India

Job Creation

A high number of new skilled jobs based in the North of England to be generated through this investment



Key Information

- Spun out of the University of Manchester, Imperagen is aiming to develop the world's fastest enzyme discovery and engineering platform using a proprietary AI-driven enzyme database
- Bringing together cutting-edge computational design (Radius) with experimental molecular biology (GeneORator), Imperagen can accelerate the design, optimisation and validation of novel enzymes
- Unique and high-performance enzymes are identified with shorter development times, less toxic by-products and greater efficiency than those provided by competitors

Investment Details

- Northern Gritstone holds 17.7% equity through ordinary and preferred ordinary shares
- Current valuation £2.0m
- Return to date:
  - 2.0× Multiple of money invested
  - 187% Internal rate of return

Investment Highlights

Market & Scaling Opportunity

- Developing effective enzymes in a more rapid and less toxic manner is an increasingly critical unmet need
- The market potential is estimated at £10bn+, 80% of which is comprised of microbiology, where the company intends to focus

IP & Barriers to Entry

- The company has robust IP around the proprietary nature of their platform, specifically the two core technologies underpinning the discovery engine

Productisation & Pipeline

- Imperagen aims to integrate, automate and validate the core platform, demonstrated through a data package and through the development of a single MVP enzyme

Management Team

- Dr Andrew Almond (CEO) ex co-founder at C4X Discovery, Andrew Curran (CSO) an expert in enzyme engineering & synthetic biology and Tim Eyes (COO) an experienced protein engineer

Purpose & Impact

Carbon Neutrality

Imperagen is developing more sustainable, climate friendly processes for manufacturing chemicals for industrial applications

Job Creation

Seed funds will be used to engage with contract research organisations and other service providers based in the North, to become a source of further job creation in the North of England

Job Creation

A high number of new skilled jobs based in the North of England to be generated through this investment

Good Health & Wellbeing

Imperagen's enzyme engineering platform should enable less costly and faster design and development of novel synthetic enzymes for use in the pharmaceutical sector

PHLUX

phluxtechnology.com

Key Information

- Spun out of the University of Sheffield, Phlux develops and supplies high-sensitivity infrared ("IR") detection devices for the LIDAR (Light Detection and Ranging) market, with patented technology that delivers 4x greater resolution and 50% further range
- The company's sensor material can achieve single photon sensitivity while using mass-manufactured components, making Phlux's sensor products cost-effective and economic for widespread adoption
- Main application is in autonomous vehicles, where existing LIDAR technologies are insufficiently accurate and expensive. Other uses include surveying, sensing (e.g. temperature, gas) and defence

Investment Details

- Northern Gritstone holds 10.7% equity through ordinary and preferred ordinary shares
- Current valuation £1.1m
- Return to date:
  - 2.0× Multiple of money invested
  - 641% Internal rate of return

Investment Highlights

Market & Scaling Opportunity

- Significant market opportunity with broad industrial use cases, from autonomous vehicles to defence
- Growing need for imaging systems which can more precisely process 3D environments

IP & Barriers to Entry

- Phlux's technology (through extensive testing) outperforms competitors and performs close to the theoretical limits of accuracy
- Relevant patents filed in the UK, with blocking patents filed in the US and EU

Productisation & Pipeline

- Strong business plan underpinned by attractive gross margins
- Good initial traction with customers

Management Team

- Leadership team, led by Dr Ben White (CEO) and David Crisp (Chair), is well balanced both technically and commercially

Purpose & Impact

Development

IR sensors play an important role in enabling infrastructure development across residential and civil projects, such as wind farms. Better quality sensors also significantly improve the safety of autonomous vehicles

Job Creation

A high number of new skilled jobs based in the North of England to be generated through this investment

RE: COURSE

recourseai.com

Key Information

- Founded in 2018, Re:course AI is an e-learning SaaS platform and no-code AI human creator for interactive medical teaching and assessment within healthcare systems, medical schools and the life-sciences industry
- The platform employs conversational AI which enables an engaging educational experience and is cheaper than in-person learning, providing direct feedback on users' clinical and interpersonal skills
- It provides a rapid way to upskill healthcare professionals and benchmark clinical competency levels for safer patient care; a University of Southern California 2021 report found that clinicians who trained with Re:course AI outperformed their peers in patient encounters

Investment Details

- Northern Gritstone holds 3.8% equity through ordinary shares
- Current valuation £0.5m
- Return to date:
  - 1.0× Multiple of money invested
  - 0% Internal rate of return

Investment Highlights

Market & Scaling Opportunity

- £6bn opportunity in Pharma and Life Sciences SaaS market
- £94bn Global Medical Education market by 2027
- Customer references indicate Re:course AI services are unable to be found elsewhere

IP & Barriers to Entry

- Curating a data lake of clinical insights
- Hold copyrights on the graphical user interface and source code; may file patents in the future
- Hold relevant trademarks in the US and UK

Productisation & Pipeline

- Four contracts secured to date, including two from the NHS
- Sales pipeline predominantly focused on pharmaceutical companies

Management Team

- Scott Martin, MBChB (CEO) was previously an NHS Clinical Entrepreneur and Dr Makism Belousov (CTO), holds a PhD in Natural Language Processing and Machine Learning and is the ex-CTO of Deep Cognito

Purpose & Impact

Quality Education

Provides a scalable solution which delivers better outcomes from educational programs

Good Health & Wellbeing

Better trained healthcare providers will lead to better treatment for patients. Development of a clinical decision support tool could significantly impact patient wellbeing

Job Creation

A high number of new skilled jobs based in the North of England to be generated through this investment

QV BIOELECTRONICS

qvbio.co.uk

Key Information

- QV Bioelectronics is developing the first of its kind implantable electric field therapy (EFT) device for the treatment of fatal brain cancer, glioblastoma
- The device is implanted into the patient's brain during routine 'resection' surgery (tumour removal). By delivering continuous currents to the surrounding tissue, the device aims to improve patient life expectancy compared to those using external EFT devices
- The technology does not rely on patient compliance with a prescribed dosing regime, which currently entails 24/7 electrode therapy to the brain
- In the long-term QV Bioelectronics aims to treat currently unserved brain malignancies

Investment Details

- Northern Gritstone holds 7.4% equity through preferred ordinary shares
- Current valuation £0.7m
- Return to date:
  - 1.0× Multiple of money invested
  - 0% Internal rate of return

Investment Highlights

Market & Scaling Opportunity

- $4.5bn+ addressable market
- Single product could lead to multiple indication expansion in other brain malignancies which is a $36bn annual market

IP & Barriers to Entry

- Protected IP in two applications
- Strong IP and initial safety data – expect humanitarian device exemption and initial clinical Phase I data in 2025

Productisation & Pipeline

- Prepare for pre-market approval application to the FDA and initiation of Phase I Clinical Trial by 2025
- Complete Phase II trial and obtain FDA approval of the product and launch in the US market by 2029

Management Team

- Dr Chris Bullock (CEO) is a biomedical engineer with expertise in medical device design, biomaterials and bioelectronics. Dr Richard Fu (CSO) is a specialty registrar in neurosurgery in the Northwest of England

Purpose & Impact

Good Health & Wellbeing

If successfully developed, QV's device will have a profound impact on both life expectancy and quality of life for glioblastoma patients worldwide

Development

The medical device product and its future development creates an opportunity for multi-stakeholder engagement and wide-ranging industrial activity in EFT

Job Creation

A high number of new skilled jobs based in the North of England to be generated through this investment

SLINGSHOT

slingshotsimulations.com

Key Information

- Spun out the University of Leeds, Slingshot is a technology business focused on digital twins; an advanced form of simulation software. The software allows companies to build digital replicas of physical assets and to overlay large, complex datasets which are intelligently linked
- The core product, Compass, a no-code data intelligence tool, runs across multiple nodes to support the ingestion of data and easily identify relationships between disparate datasets
- Slingshot provides actionable insights to large enterprises, the main industry use cases are in infrastructure software, such as smart cities, utilities and construction, large scale logistics and energy and manufacturing

Investment Details

- Northern Gritstone holds 17.6% equity through preferred ordinary shares
- Current valuation £1.5m
- Return to date:
  - 1.0× Multiple of money invested
  - 0% Internal rate of return

Investment Highlights

Market & Scaling Opportunity

- Digital twins represent an emerging, high-growth market, estimated to grow from $7bn to $70bn+ by 2026
- Increased demand for data in decision-making and 3D simulation models

IP & Barriers to Entry

- Key technological differentiation is partitioning of areas with large data sets to run simulations faster and more efficiently
- Live patent applications in the UK, EU, US, India, Japan, Canada and Australia

Productisation & Pipeline

- Prospective high-quality, large and well-regarded clients driving recurring revenue and market visibility
- Product offers differentiated functionality leading to opportunities in location intelligence, Internet of Things (IoT) and mobility

Management Team

- Founder (David McKee) is highly regarded and CEO Rob Harwood (ex Ansys) provides excellent leadership

Purpose & Impact

Gender Equality

Leading the IT market with 50:50 male / female ratio across the business, including in the engineering team

Innovation & Infrastructure

Slingshot aids companies in making well informed, data driven solutions, which have a direct environmental impact, e.g., improving supply chain efficiencies

Responsible Production

Work with the Responsible Computing programme and Rainforest Trust; enabling prioritised decisions for the purchase and protection of rainforest sections

Climate Action

Support cities with net zero goals, such as projects with North Northamptonshire Council and Orange Business services

Job Creation

A high number of new skilled jobs based in the North of England to be generated through this investment

Key Information

- Founded in 2018 Silveray has developed a newly patented, direct X-ray detector material which improves X-ray sensitivity up to 1000x compared to existing technologies, at a lower cost
- Benefits for existing applications include higher-resolution images for an equivalent dose in industrial X-ray inspection, lower dose medical X-ray and larger possibilities for automated x-ray inspection
- Due to the sensitivity of the conversion material (a semiconductor ink doped with nanoparticles) Silveray also facilitates new applications such as curved X-ray detectors, as only a thin product layer is necessary
- Silveray relocated to Stockport to access X-ray specialists and resources, becoming a 'spin-in' to the wider University of Manchester deep-tech ecosystem

Investment Details

- Northern Gritstone holds 5.0% equity through ordinary shares
- Current valuation £0.3m
- Return to date:
  - 1.0× Multiple of money invested
  - 0% Internal rate of return

Investment Highlights

Market & Scaling Opportunity

- $4.3bn opportunity in the X-ray imaging market by 2024; vast opportunity in markets where X-ray film is still used
- Initial target market in industrial applications
- Healthcare market largest by volume at 70%

IP & Barriers to Entry

- Initial research validated through extensively cited seminal publications; currently at technology readiness level (TRL) 3, with scope to reach TRL 5 within 12 months
- Broad and defensive patent granted in the US, Korea and Japan already. Plan to scale revenues by targeting adjacent markets

Productisation & Pipeline

- Early recurring revenues to come from sales of high-sensitivity flat X-ray detectors to industrial X-ray equipment manufacturers

Management Team

- Dan Cathie (CEO & co-founder): background in semiconductors, and previously CEO of vivaMOS. Prof Ravi Silva CBE (co-founder, NED): international leading material scientist

Purpose & Impact

Reduced Inequalities

The technology provides significant cost savings allowing for wider usage of X-ray imaging, particularly in lower-income regions and markets

Industry, Innovation & Infrastructure

The technology changes the value proposition of digital X-ray detection, disrupting the way industrial and medical industries utilise X-ray technologies

Job Creation

High-skilled jobs based in the North of England to be generated through this investment, retaining talent from within the region and attracting talent from elsewhere

Key Information

- Founded in 2020 and a spin out of the University of Leeds, LC AuxeTec (LCA) has developed the world's first synthetic auxetic material
- The material is auxetic at the molecular level so becomes stronger under pressure allowing for a wide range of protective use cases
- Having proven the material's properties, the company is working alongside industry partners to create demonstration devices for selected markets.

Investment Details

- Northern Gritstone holds 16.0% equity through ordinary and preferred ordinary shares
- Current valuation £0.2m
- Return to date:
  - 1.0× Multiple of money invested
  - 0% Internal rate of return

Investment Highlights

Market & Scaling Opportunity

- Outstanding customer references demonstrate real market need
- Key uses are those that require robust protection: wind turbines, laminated glass interlayers, etc.
- No similar materials currently in development

IP & Barriers to Entry

- Patents expected to be granted in 2023 in Europe, China, India, Japan, South Korea, US

Productisation & Pipeline

- Near term focus is on developing industrially credible demonstration devices
- First Join Development Agreement (customer) expected to be signed within 12 months, with a total of 6 signed by 2027

Management Team

- Rob Gunn (CEO) and Helen Gleeson (co-founder) – world-leading research scientist with more than 180 publications and 10 patents

Purpose & Impact

Good Health & Wellbeing

Potential for use in personal protective equipment, with wide applications in construction, sport and defence

Affordable & Clean Energy

Expected to improve the efficiency and lifespan of wind turbines by protecting the leading edge of the turbine

Innovation & Infrastructure

The strength of the material and resistance to delamination allows it to be used in intelligent glazing, e.g., tinted windows

Sustainable Cities & Communities

Significant environmental benefits can be derived from improved energy efficiency of real estate when using intelligent glazing

Job Creation

A high number of new skilled jobs based in the North of England to be generated through this investment

THE FOUNDING UNIVERSITIES

Together and individually, the Founding Universities have an impressive research footprint, history, and funding record. On a combined basis, they:

- produce 1 in 14 of all patents[2] filed by, and 1 in 10 of every spin-out[2] from, Higher Education institutes in the UK;
- are #2 ranked by research income[2] and #2 by IP income[2] in the UK; and
- comprise over 60 leading academic institutes and have a talent pool of over 12,000 research & academic staff[2] and 36,000 postgraduate students[2]

This is summarised in the table below:

	UNIVERSITY OF LEEDS	MANCHESTER 1824 The University of Manchester	University of Sheffield	NORTHERN GRITSTONE
% OF RESEARCH 'WORLD LEADING / INTERNATIONALLY EXCELLENT'[3]	90%	93%	92%	92%
# OF NOBEL PRIZES[1]	6	25	6	37
ANNUAL RESEARCH INCOME £m[2]	177	271	205	653
ANNUAL IP INCOME £m[2]	1	5	41	47
# OF ANNUAL PATENTS FILED[2]	55	37	58	150
# OF ANNUAL SPIN-OUTS[2]	4	11	3	18
# RESEARCH & ACADEMIC STAFF[2]	3,760	5,280	3,610	12,650

Notes:

All data from 2021/22 unless stated otherwise. Sources: Universities[1], HESA[2] and Research Excellence Framework[3]

Leading research institutes at the Founding Universities include:

LIDA – University of Leeds

University of Sheffield | Energy Institute

The Bateson Centre – Innovative Disease Models

Manchester Cancer Research Centre

SITraN – Sheffield Institute for Translational Neuroscience

University of Leeds – Leeds Institute of Cardiovascular and Metabolic Medicine

Henry Royce Institute

University of Leeds – Leeds Institute for Fluid Dynamics

Inspired by Bragg – University of Leeds

INSIGNEO – Institute for *in silico* Medicine

mcisb

SInFoNiA – Sheffield Institute For Nucleic Acids

ShARL – Sheffield Autism Research Lab

Astbury Centre – University of Leeds

NIHR | Sheffield Clinical Research Facility

National Graphene Institute

SYNBIOCHEM

AMRC – Advanced Manufacturing Research Centre

University of Leeds – Priestley International Centre for Climate

Manchester 1824 – The University of Manchester Dalton Nuclear Institute

water@leeds – University of Leeds

PURPOSE & IMPACT

PURPOSE & IMPACT

During the period reported Northern Gritstone has continued to develop its Purpose & Impact ("P&I") strategy, as well as taking the first steps in implementing that strategy.

PROFIT WITH PURPOSE

The Company has defined a number of short-term P&I goals and measures which include, inter alia:

- Number of entities backed;
- Amount of capital leveraged alongside the Company's investments;
- Number of jobs created in the region;
- Alignment with UN Sustainable Development Goals;
- Carbon neutrality;
- Equality and diversity;
- High standards of corporate governance; and
- Wider regional impact.

ENTITIES BACKED

The Company backed nine science and innovation based businesses in the North of England all enjoying strong Intellectual Property underpinned by world class science and an ability if successful to become world leading businesses.

CAPITAL LEVERAGED

An additional £42.2m of co-investment was invested from a series of local, European and other international investors into the North of England alongside the Company's £13.0m of investment. This represented c.3.2× the value Northern Gritstone has invested.

As evidence of the impact the Company's activities have already made, the total investment made by Northern Gritstone and co-investors into Sheffield based early stage businesses in the period (Opteran, Iceotope and Phlux) was equivalent to the total value of venture capital invested throughout the whole of Yorkshire and The Humber in the previous two years, being £45m across 2020 and 2021.*

JOB CREATION

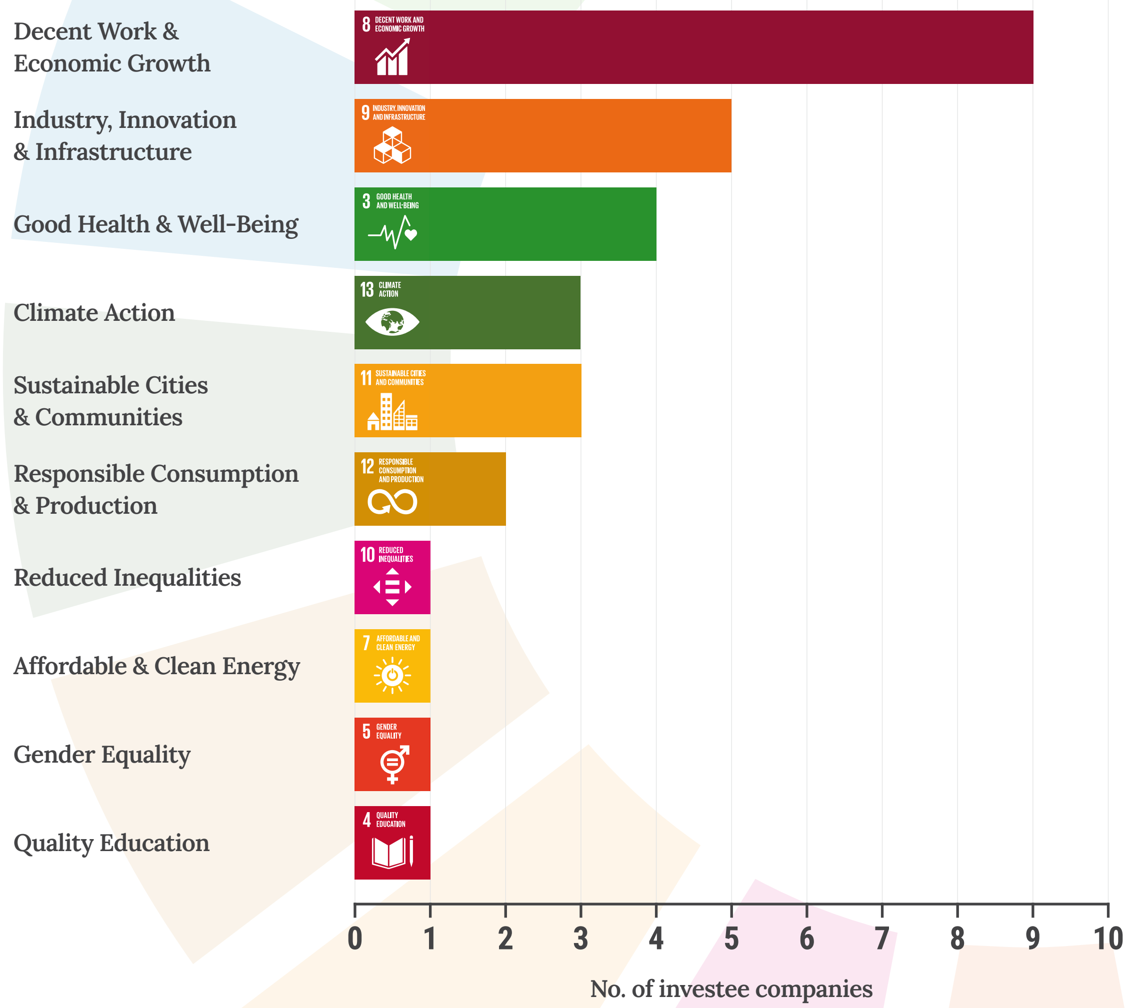
The nine investments Northern Gritstone made in the period generated 46 additional jobs, with significantly more to follow as the monies invested are fully deployed by the investee companies. At 31 March 2023 Northern Gritstone's investee companies employed 175 people in total.

*BVCA Report on Investment Activity 2021 p.74

SUSTAINABLE DEVELOPMENT GOALS

The portfolio companies are well aligned to the UN Sustainable Development Goals ("UN SDGs"), with the following being the main areas of focus at this stage:

Number of investee companies aligned to each UN SDG



CLIMATE

The Company's carbon emissions and annualised employee intensity ratio during the period were:

tCO_2e	11 months ended 31 March 2023	18 months ended 28 April 2022
Scope 1	–	–
Scope 2	0.7	–
Scope 3*	23.5	4.0
Total tCO_2e	**24.2**	**4.0**
Annualised tCO_2e / Employee	**1.8**	**0.9**

*Management estimate based on material activities.

Note that these carbon emission figures cover the Company only and do not include those of the companies in which Northern Gritstone has invested due to a lack of available data. The Company intends to capture and report this data in the future.

The total level of carbon emissions increased in the period driven by the increase in the Company's average headcount (including Directors) which rose to 15 during the period ended 31 March 2023 (2022: 3).

The increase in annualised tCO2e / employee intensity ratio in the eleven months ended 31 March 2023 compared with the period ended 28 April 2022 is driven by licensing serviced offices in Manchester and Leeds plus the additional travel as the Company's activity levels have grown.

The Company aims to minimise its carbon footprint in the first instance and then to offset any excess carbon emissions. The Company fully offset its carbon emissions for the period ended 31 March 2023 and for the period ended 28 April 2022. The carbon offset for both periods was performed through Carbon Footprint Limited, which runs a unique tree buddying scheme. As part of this scheme, Northern Gritstone funded the planting of trees in schools in the North of England and also supported projects reducing deforestation in the Amazon and Africa. These projects have been validated and verified against the Verified Carbon Standard.

The Company became a signatory to the Net Zero Asset Manager's initiative in the period fully endorsing the scheme's commitment to achieve net zero across the Company and all our investments by 2050 or sooner.

RACE TO ZERO

EQUALITY AND DIVERSITY

The gender and diversity measures reported by the Company, being those recommended by the Sustainability Accounting Standards Board on which to report, are:

	At 31 March 2023				At 28 April 2022			
		%				%		
	Total No. People	Male	Female	Ethnic Minority Background	Total No. People	Male	Female	Ethnic Minority Background
Board	9	78%	22%	11%	7	86%	14%	–
Senior Leadership Team	3	67%	33%	–	3	67%	33%	–
All Employees	10	60%	40%	10%	4	50%	50%	25%

In the long-term, the Company aims to reflect the communities in which it operates across all levels of the business and will continue to focus on developing a diverse and inclusive team as it builds out its operations. We are committed to removing barriers that may hold people back because we know that when people come together with different views, approaches and insights it can lead to a richer, more creative and innovative environment for creating the world-leading businesses of tomorrow.

Northern Gritstone's focus on Purpose & Impact and doing business in the right way underpins the business' culture. Good businesses are diverse businesses by thought, experience, background and outlook as well as by gender, race, sexuality and other characteristics. The Company recognises that true diversity is 3D and incorporates a broad range of measures including socio-economic background, neurodiversity and education. Creating a diverse and inclusive working environment is central to our culture at Northern Gritstone and the Company has adopted and published on the Company's website a statement on its commitment to equality, diversity and inclusion.

In October 2022 the Company became a signatory to the Investing in Women Code, with a commitment to improve the potential for female entrepreneurs to access successfully the tools, resources, investment and finance they need to build and grow their businesses. This reflects the Company's commitment to gender equality across both Northern Gritstone itself and its existing and future investee companies.

INVESTING IN WOMEN CODE

GOVERNANCE

No governance or legal issues arose during the period. The Company's Board and governance committees met per the table below:

	Board	Remuneration Committee	Audit & Risk Committee	Purpose & Impact Committee	Valuation Committee
Jim O'Neill	●●●●●●●●				
Duncan Johnson	●●●●●●●●			●●●	●●
James Hadley	○●●●●●●●			●●●	●●
Andrew Graham	◍●●●●●●◍	●●●	●●●●		
Alex Macpherson	●●●●●●●◍				●●
Jane Madeley	●●●◍●●●◍		●●●●		
Luke Georghiou	●●●●●●●●	○○○		●●●	
Dave Petley	●●●○○○○○	●○○			
Sue Hartley	○○○○○◍●◍			○○○	
Niranjan Sirdeshpande	○○◍●●◍●◍	◍●●			
Keith Breslauer				●●●	
Marion Bernard				●●●	●●

● in attendance ◍ not in attendance ○ not a member at the time of meeting

Dave Petley resigned from the Board on 1 September 2022 and Sue Hartley was appointed to the Board on 24 November 2022. Sue Hartley was subsequently appointed to the Purpose & Impact Committee, with Luke Georghiou moving from that committee to serve on the Remuneration Committee.

The Company focuses on working closely with its investee companies and has a Director appointed on each investee company board. Through this involvement, as well as bringing to bear the Company's growing operational and supporting resources where appropriate, the Company takes an active role in developing, assisting, supporting and monitoring the strategic development of our investee companies.

THE COMPANY'S WIDER PURPOSE & IMPACT

The Company is focused on ensuring that it works closely with other businesses in the North of England along with supporting the local communities in which we operate. This is alongside being a strong advocate for the Northern tech economy and supporting this with commercial initiatives wherever possible. During the period the Company was admitted to Innovate UK's Future Economy Investor Partnership programme, which aims to work with investor partners to deploy £80 million of grant funding to support early stage companies which have the potential to drive the UK's future economy. Northern Gritstone intends to work with Innovate UK to ensure the businesses it backs can benefit from the programme where relevant.

A vibrant Angel community is vital to support early-stage investment. In order to support the development of Angel networking across the region, the Company became a founder investment partner of Manchester Angels in the period.

The Company actively seeks to partner with suppliers which have a presence in the North of England. At 31 March 2023 over 50% of the Company's suppliers were either headquartered in the North of England or service the Company from a team based in the North of England.

Northern Gritstone is delighted to be a member of the British Venture Capital Association.

During the period the Company welcomed two graduate students from Alliance Manchester Business School to participate in taster days. Northern Gritstone will extend this programme with the business schools of each of the Founding Universities to expand student interaction during 2023.

Members of the Northern Gritstone team volunteered to help repair dry stone walls in the Peak District, supporting a sustainable construction method which encourages wildlife.

bvca Member Firm

MANCHESTER ANGELS

UKRI Innovate UK

INTERNATIONAL STANDARDS AND GUIDANCE

Northern Gritstone is a signatory to the United Nations Principles for Responsible Investment.

The Company utilises the Sustainability Accounting Standards Board ("SASB") materiality guidelines when assessing the Purpose & Impact factors most likely to impact materially the financial condition or operating performance of both the Company and its investee companies.

As part of the investment appraisal process for potential investee companies, Northern Gritstone maps each company's impact against the UN's Sustainable Development Goals and utilises the Impact Management Project framework for measuring and assessing impacts. The Company tracks and reports on progress against the impacts identified.

The Company has in place an investment exclusion list, detailing businesses or activities in which it does not and will not invest. This covers a broad range of activities which are harmful to people or the planet. A full copy of Northern Gritstone's investment exclusion list is available to download from the Company's website.

SASB Sustainability Accounting Standards Board

Signatory of: PRI Principles for Responsible Investment

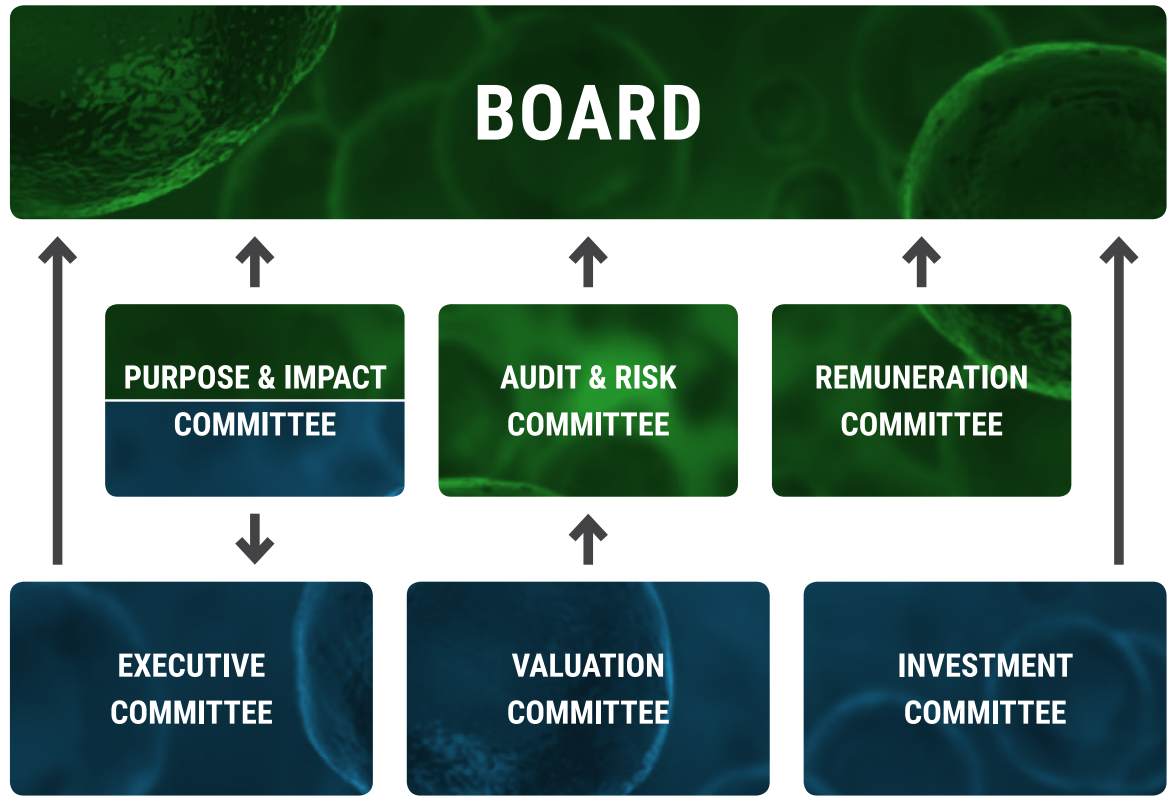
GOVERNANCE

GOVERNANCE STRUCTURE

The Company recognises the importance of sound corporate governance and looks to take into consideration the main provisions of the UK Corporate Governance Code 2018 as published insofar as they are appropriate given the Company's size and stage of development.

The Board is responsible for formulating, reviewing, and approving the Company's strategy, budget, and corporate actions. The Company holds regular Board meetings as required and not less than quarterly.

In order to provide effective governance, the Board and Executive have established a number of committees with formally delegated duties and responsibilities. These are set out below:



Key: Governance Function Executive Function

Committees	Remuneration	Audit & Risk	Executive	Investment	Purpose & Impact	Valuation
Duncan Johnson			Chair	Chair	Chair	Chair
James Hadley			Member		Member	Member
Andrew Graham	Chair	Member				
Alex Macpherson				Independent Member		Independent Member
Jane Madeley		Chair				
Luke Georghiou	Member					
Sue Hartley					Member	
Niranjan Sirdeshpande	Member					
Marion Bernard			Member	Member	Member	Member
Keith Breslauer					Independent Member	

REMUNERATION COMMITTEE

Key responsibilities: determining, within the agreed terms of reference, the Company's policy on the remuneration packages (including share schemes and other long term incentive plans) of the Company's Chairperson, Executive Directors and such other members of the executive management as it is designated to consider.

AUDIT & RISK COMMITTEE

Key responsibilities: ensuring that the financial performance of the Company is appropriately reported and reviewed, including: monitoring the integrity of the financial statements of the Company; reviewing internal control and risk management systems; reviewing any changes to accounting policies; and advising on the appointment of external auditors.

EXECUTIVE COMMITTEE

Responsible for the day-to-day running of the Company and the execution of its strategy.

INVESTMENT COMMITTEE

The Board has delegated authority for making all, normal course, investment, divestment and follow-on investment decisions in companies on behalf of the Company to the Investment Committee. Investment decisions, which are outside the normal course, will be reviewed and, if appropriate, recommended to the Board by the Investment Committee but require Board approval.

PURPOSE & IMPACT COMMITTEE

Key Responsibilities: to design and provide oversight of the Company's Purpose & Impact strategy, providing specialist input and review as required. The Committee is both an Executive and Governance Committee and reports at each Board meeting.

VALUATION COMMITTEE

Key responsibilities: to prepare and review the valuations of the Company's investments on a half yearly basis (and otherwise on an exceptional basis). The Committee is an Executive Committee and reports into the Audit & Risk Committee.

KEY POLICIES

The Company has adopted a number of key policies since inception and will look to develop these and others over the coming year as the Company grows to ensure that the Company's governance remains both appropriate and effective. Key policies adopted as of June 2023 include:

- Board Governance policy
- Capital Allocation Policy
- Purpose & Impact Policy
- Whistleblowing Policy
- Anti-bribery Policy
- Equal Opportunities Policy
- IT and Cyber Security Policy
- Conflicts of Interest Policy
- Valuation Policy

COMMITTEE REPORTS

Since 28 April 2022, the activities of the committees shown on the previous page have focused on:

REMUNERATION COMMITTEE

The Committee fulfilled its duties under its terms of reference, with the main areas covered being review and approval of the Company's short-term and long-term incentive plans (including assessing performance against the targets set for each), as well as review and approval of the remuneration packages of the Executive directors, Board Chair and senior managers.

AUDIT AND RISK COMMITTEE

The Committee had a busy year, undertaking a thorough review of the development of the Company's internal control environment and risk methodology and processes, which included recommending a risk appetite statement to the Board, which was approved.

In addition, the Committee fulfilled its duties under its terms of reference, with the main areas covered being review of the interim and full year accounts (including review of investment valuations in each), review of the Company's IT and cyber security arrangements and an assessment of the performance of the external auditor.

Next year the Committee will review the Company's policies and controls around data assurance and compliance as both of these areas increase in scope as the Company continues to develop.

EXECUTIVE COMMITTEE

The Committee met on a monthly basis with topics addressed covering the full range of areas required to support the day-to-day running of the business, including an on-going assessment of financial plans, recruitment, risk assessment, internal controls review, health & safety and equality, diversity & inclusion.

INVESTMENT COMMITTEE

The Committee met 29 times during the year, with the principal business being the assessment of potential investment opportunities and evaluating the performance of investee companies.

PURPOSE & IMPACT COMMITTEE

In a rapidly evolving area, the Committee provided valuable insight and review as the Company developed its Purpose & Impact ("P&I") strategy. Particular areas of focus were reviewing the Company's policies and procedures around P&I (including a deep-dive of the integration of P&I considerations into the investment process), developing long-term P&I goals and establishing a roadmap for the development of P&I reporting.

VALUATION COMMITTEE

The Committee fulfilled its duties under its terms of reference, which principally focus on a detailed review of investment valuations at the interim and full year.

RISK MANAGEMENT

Effective management of risk is necessary for Northern Gritstone to achieve its strategic objectives and is part of good management and effective governance. The Company has a holistic approach to risk management embedded into its structures and processes through governance and risk appetite frameworks, and an underlying policy and control environment that integrates risk management into planning and decision-making.

GOVERNANCE

The Company operates a systematic process of risk identification which is both bottom up and top down, as well as aligned to its strategic aims. The approach is deliberately multi-faceted, to maximise the chances of successfully identifying risks and to ensure so far as possible that risks feature at the front of management thinking at all levels within the Company.

Overall responsibility for risk management rests with the Board, but Northern Gritstone recognises that it is important for all stakeholders across the Company to engage actively in risk management in order to ensure that a positive risk management culture is developed and maintained.

Northern Gritstone's Risk Management Methodology and Framework and its implementation is led by the Chief Financial Officer, with oversight from the Investment Committee, Audit and Risk Committee and Board.

The Investment Committee oversees risks associated with the investment strategy and that the investee portfolio is managed appropriately.

The Audit and Risk Committee oversees and reviews the annual risk management cycle. It reviews the Company's risk appetite, reviews the principal risks affecting the business, and ongoing mitigating actions. The Audit and Risk Committee also liaises with the external auditor regarding their assessment of the risks facing the business. The Audit and Risk Committee reports its findings to the Board.

RISK MANAGEMENT METHODOLOGY AND FRAMEWORK

Northern Gritstone operates an on-going risk management cycle in accordance with its Risk Management Methodology and Framework. This includes: identifying and evaluating the material risks affecting the business; reviewing the Company's risk appetite; gathering input from the Company's auditors; determining mitigating actions then monitoring their implementation.

RISK APPETITE

Northern Gritstone's risk appetite was reviewed in early 2023. It is reviewed annually as part of the Company's governance cycle, with oversight and input from both the Audit and Risk Committee and the Board.

Northern Gritstone has a high appetite for investment risk, which is inherent to investing at an early stage in innovative technology and life science businesses. It intends to mitigate this risk by ensuring that the portfolio is diverse and that exposure is spread across a large number of investments. This risk is further mitigated by active involvement through Northern Gritstone representation on investee Boards, investee access to Northern Gritstone support and a focus on future funding options.

Northern Gritstone has a low appetite for risks relating to its: reputation; compliance; legal and regulatory; ethics; and financial integrity. The Company operates governance and control systems to ensure that risks across these areas are appropriately managed.

PRINCIPAL RISKS

The Company's Risk Register is formally reviewed and updated annually by the Audit and Risk Committee and approved by the Board. Highlighted below are risks that are deemed key to the effective delivery of Northern Gritstone's strategy, and the Company's responses to them.

INVESTMENT STRATEGY RISKS

RISK	MITIGATION
Investment performance Early-stage companies typically face a range of risks. A significant number of investee companies could perform poorly, leading to material losses for the Company.	• Northern Gritstone's employees have significant experience in sourcing, developing, and growing early-stage companies to significant value. • Support is offered to all investee companies and members of Northern Gritstone's investment team serve as Non-Executive Directors to investee companies to help identify and remedy critical issues promptly. • Capital is deployed gradually across a large range of companies, at different stages of growth and across different sectors. • Northern Gritstone seeks to employ a capital efficient process deploying low levels of initial capital to enable identification and mitigation of potential failures at the earliest possible stage.
Investee forward funding The inability of Northern Gritstone's investee companies to access sufficient capital at the right time could lead otherwise successful companies to fail.	• Northern Gritstone's investee portfolio is young and will not have a significant cash need for up to two years. In the lead up to this, the Company will regularly forecast the cash requirements of investee companies along with identifying additional potential funding sources for future fundraising rounds. • A strategy of working with co-investors is being pursued to reduce forward funding risk.
Key person The Company has a high level of dependence upon the Chief Executive Officer and Chief Investment Officer, particularly at this early stage of the Company's development.	• Short-term succession plans have been developed for the roles of Chief Executive Officer and Chief Investment Officer. • The Company offers a balanced incentive package which is designed to reward loyalty and retain the Chief Executive Officer and Chief Investment Officer.
Investment pipeline Insufficient volume or quality of spin-out companies emerging from the Founding Universities may limit Northern Gritstone's long-term growth prospects.	• The strong reputation and long history of the Founding Universities supports a healthy research funding environment. • Current government policies are supportive of innovation and the Levelling-Up agenda should drive innovation funding to the region in which Northern Gritstone operates. • The Company engages with government and policy makers to support a healthy funding environment for universities and early-stage innovation. • Northern Gritstone is developing a good working relationship across the Founding Universities with departments from which spin-outs are likely to emerge.

OTHER PRINCIPAL RISKS

RISK	MITIGATION
Capital raise No further capital may be raised, which would limit the company's ability to build out its planned operating model.	• Subsequent to the year-end, Northern Gritstone raised an additional £60m ordinary share capital, which is deemed sufficient to pursue the Company's medium-term capital deployment strategy.
Personnel risk Failure to attract or retain suitable staff (who are largely highly skilled and specialist) would have a significant impact on the ability to execute Northern Gritstone's strategy.	• The Company carries out regular market comparisons for staff and executive remuneration and seeks to offer a balanced incentive package comprising a mix of salary, benefits, short-term and long-term incentives which are designed to reward loyalty and attract and retain key talent. • The Company operates a rigorous hiring process and encourages employee development and inclusion through training and carries out annual objective setting and appraisals. • The Company retains specialist recruitment firms to help fill open roles.
Culture The Company is at an early stage of development and the culture adopted will have a significant impact on future performance.	• The Company aims to create an open and inclusive culture which embraces challenge and value-add feedback. • Diversity of thought and experience is actively encouraged and the Company has made available publicly its commitment to Equality, Diversity and Inclusion. • The Company places strong emphasis on developing the right culture and operates a zero-tolerance approach to inappropriate behaviours.
Cyber & IT Security The Company may be subjected to phishing and ransomware attacks, data leakage and hacking.	• Northern Gritstone has in place a cyber & IT security policy and reviews its data and cyber-security processes with its external outsourced IT provider. • The Company has a regular IT management reporting framework in place. • There is an ongoing focus on IT security and staff training, including simulated cyber attacks.

RISK	MITIGATION
Reputational damage The Company has committed to be an example for other businesses to follow. Failure to do so could cause significant reputational damage.	• The Company's governance is of a high standard and the strong ethical values the Company embraces guide how we do business in every aspect. • The Company utilises the services of an external partner which specialises in financial services sector public relations.
Compliance The Company must comply with a broad range of regulatory and legal requirements. Failure to adhere to these rules could result in a fine, legal proceedings against Directors or the failure of the Company to continue to operate.	• The Company maintains a continual review of its compliance in key areas, including commissioning third party reviews where required. No material issues have been identified to date. • The Company maintains D&O and professional indemnity insurance policies.
Relationship with Founding Universities Northern Gritstone is reliant on the Founding Universities for a large volume of its potential investments. Were the Framework Agreement to be terminated it would have a significant impact on the strategy of the Company.	• The Founding Universities are shareholders in Northern Gritstone, which creates a mutually beneficial partnership. In addition, each Founding University appoints a Non-Executive Director to the Company's Board and is an active member of at least one sub-committee of the Board. • Northern Gritstone is collaborating well with the Founding Universities and the relationships with the Technology Transfer Offices are strong. Should an issue arise, the Framework Agreement contains mechanisms for managing these. • The Company has the ability to invest outside of the Framework Agreement.
Operations Failure of key third-party suppliers or service level agreement failure affecting Northern Gritstone's ability to maintain operational viability. In addition, failure in internal controls and procedures could have the same impact.	• The Company is in regular contact with third party suppliers and monitors for any impending issues. • All third-party suppliers provide functions which could be switched to another supplier if required. • The Company has established internal controls and procedures appropriate for its stage of development.

BOARD OF DIRECTORS

LORD JIM O'NEILL

Chairperson

Lord O'Neill was created a life peer in 2015, serves as a crossbench member of the House of Lords and is Chair of the Northern Powerhouse Partnership. He was previously, inter alia: Goldman Sachs' chief economist and chairperson of its asset management division; chair of the City Growth Commission; chair of the Review on Antimicrobial Resistance; Commercial Secretary to the Treasury; and chair of Chatham House. He is also a board member, and one of the founding trustees of the educational charity SHINE.

DUNCAN JOHNSON

Chief Executive Officer

From 2011-2021 Duncan was the Head of Caledonia Private Capital, the private capital arm of Caledonia Investments plc, a FTSE 250 listed investment trust. Prior to leading Caledonia Private Capital, Duncan was a founding partner at RJD Partners having started his investment career at Royal Bank Development Capital. He initially trained as a chartered accountant with the insolvency arm of PwC. Duncan is also a non-executive director of Northern Trust (Guernsey) Limited, the Channel Islands banking subsidiary of the Northern Trust Corporation.

JAMES HADLEY

Chief Financial Officer

James is a Fellow of the Institute of Chartered Accountants in England & Wales and trained with KPMG. He has c.20 years' experience in the financial services sector gained working for a variety of companies, including Santander and RSA. Most recently he served as Chief Financial & Operating Officer at Savannah, a tech-focused VC fund manager.

ANDREW GRAHAM

Independent Non-Executive Director

Andrew has over 30 years in senior management roles across financial services and technology businesses. Andrew was previously COO of Blippar, having developed the business from a start up to a global business of over 300 people with offices in New York, Chicago, Los Angeles, and San Francisco. Andrew is currently chairperson and non-executive director of a number of fast-growing businesses in the financial services, gaming, technology and healthcare sectors.

ALEX MACPHERSON

Independent Non-Executive Director

Alex is a venture capitalist with over 25 years experience of investing in technology businesses. He is a venture partner at Isomer Capital accessing European technology investments through limited partner investments in funds as well as direct company investments. He is also a member of the investment committee at DeepTech Labs, a deep tech accelerator based in Cambridge. Previously, Alex co-founded the venture capital business that became Octopus Ventures in 2007. He led the business as CEO until 2017 and subsequently as chairperson until 2019.

JANE MADELEY

University appointed Non-Executive Director

Jane is the CFO of the University of Leeds, having joined as Finance Director in 2009. Prior to joining the University, Jane worked for 15 years in senior finance roles within international retail and consumer goods businesses, including: ASDA Walmart; Campbell Soup Company; and PPR. Jane held and currently holds a range of non-executive roles which include: being a member of the Audit and Risk Committee of UK Research and Innovation (2018-22); chairperson of the CBI Council for Yorkshire and the Humber; non-Executive Director of Global Health Education Group and board member and chair of the Audit Committee of West Yorkshire Integrated Care Board.

LUKE GEORGHIOU

University appointed Non-Executive Director

Professor Luke Georghiou is the University of Manchester's Deputy President and Deputy Vice-Chancellor where his role includes responsibility for business engagement and commercialisation activities. Luke is also currently a non-executive director of Manchester Science Partnerships and the Manchester University NHS Foundation Trust.

SUE HARTLEY

University appointed Non-Executive Director

Sue joined the University of Sheffield in January 2020 as Vice-President for Research. She leads on the University's research activity, including research excellence, the flagship institutes, the Research Excellence Framework (REF), research income and impact. Sue is also the Institutional lead for sustainability. She currently oversees the University's innovation, partnerships, and commercialisation activities.

NIRANJAN SIRDESHPANDE

Non-Executive Director

Niranjan is Global Head of M&G's Catalyst team and sits on the Investment Committee. Previously he led the European team at Catalyst responsible for originating and executing early-stage equity and private debt transactions. Niranjan has led transactions in diverse sectors including biotech, fintech, clean energy and micro finance, and sits on the board of several of Catalyst's portfolio companies. Prior to joining Catalyst, Niranjan served in a number of varied roles at M&G and Prudential, including Associate Director at PruCap and executive business manager to the CEO of Prudential plc.

Committee: Purpose & Impact, Audit & Risk, Remuneration, Executive, Valuation, Investment

Membership: Chair, Member

DIRECTORS' REPORT

The Directors present the annual report and audited financial statements for Northern Gritstone Limited for the period ended 31 March 2023.

RESULTS AND DIVIDENDS

The Company made an overall profit after taxation for the period ended 31 March 2023 of £2,286,000. The profit in the period was principally driven by an increase in the fair value of the equity rights asset, which is a non-trading item. Further explanation for the increase is provided in note 13 to the financial statements. Excluding the change in fair value of the equity rights asset, the Company made a loss in the period of £4,157,000. The Directors do not recommend the payment of a dividend.

Following the first accounting period of the Company, which was 18 months in length and ended on 28 April 2022, the Company has elected to amend its year-end to 31 March in order to align with a calendar quarter-end. Consequently, the period presented in these financial statements is 11 months in length.

DIRECTORS

The names of Directors who currently hold office or did so during the reported period are as follows:

A Graham	
G Georghiou	
J Hadley	(appointed 6 May 2022)
S Hartley	(appointed 24 November 2022)
D Johnson	
A Macpherson	
J Madeley	
T O'Neill	
D Petley	(resigned 1 September 2022)
N Sirdeshpande	(appointed 19 May 2022)

ACTIVITIES OF THE BOARD

Since 28 April 2022, the activities of the Board have focused on supporting the build out of the business following the successful first capital raise in May 2022. This has included reviewing and monitoring the implementation of the Company's corporate and investment strategy, monitoring the operating partnerships with the Founding Universities, reviewing the strategic risk register and risk appetite statement, reviewing key policies and the reports of sub-committees, reviewing the Company's Purpose & Impact targets, establishing Executive succession plans, reviewing the performance of the CEO and approving the interim and full year accounts.

DIRECTORS' REMUNERATION AND BENEFICIAL INTERESTS

Directors' remuneration and beneficial interests in the Company are disclosed in note 8 to the financial statements.

INTERNAL CONTROL

The Board takes into consideration the main provisions of the UK Corporate Governance Code 2018 as published insofar as they are appropriate given the Company's size and stage of development. The Company will continue to evolve internal controls as the business develops.

The Board is responsible for establishing and monitoring internal control systems and for reviewing the effectiveness of these systems. The Board views the effective operation of a rigorous system of internal controls as critical to the success of the Company.

It recognises that such systems can provide only reasonable and not absolute assurance against material misstatement or loss. The key elements of the Company's internal control system, all of which have been in place during the financial year and up to the date these financial statements were approved, are as follows:

Control environment and procedures

The Company has a clear organisational structure with defined responsibilities and accountabilities. It adopts the highest values surrounding quality, integrity and ethics. These values are documented and communicated clearly throughout the Company. The Board considers that the controls have been effective for the period ended 31 March 2023.

There is a formal whistleblowing policy which has been communicated to employees. This policy provides information on the process to follow in the event that any employee feels it is appropriate to make a disclosure.

Identification and evaluation of principal risks and uncertainties

The operations of the Company and the implementation of its objectives and strategy are subject to a number of key risks and uncertainties. Appropriate controls and procedures were in place during the reported period to monitor and, where possible, mitigate these risks. The key risks and uncertainties faced by the Company are set out on pages 27 to 30.

Information and financial reporting systems

The Company has systems and controls in place to ensure adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with UK-adopted international accounting standards. The Board approves the annual operating budget and receives regular details of actual performance measured against the budget.

POLITICAL DONATIONS

The Company did not make any political donations during the reported period.

On behalf of the Board

J O'Neill

LORD JIM O'NEILL *Chairperson*
30 June 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards ("UK-adopted IAS").

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Disclosure of Information to Auditors

The Directors of the Company who held office at the date of approval of this annual report confirm that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going Concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

Following the successful raise of share capital during the period, the Directors have prepared a medium-term financial plan, including cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for a period of 12 months from the date of approval of the financial statements.

The Directors therefore continue to adopt the going concern basis in preparing the annual financial statements.

Small Company Rules

This report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

On behalf of the Board

LORD JIM O'NEILL *Chairperson*
30 June 2023

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHERN GRITSTONE LIMITED

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Northern Gritstone Limited ("the Company") for the 11 month period ended 31 March 2023 which comprise the statement of comprehensive income, the statement of financial position , the statement of cash flows, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

BASIS FOR OPINION

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OTHER COMPANIES ACT 2006 REPORTING

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

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report.

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company's financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the period and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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

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

USE OF OUR REPORT

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

Paul Davies

Paul Davies
Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor | Leeds, UK
3 July 2023

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

FINANCIAL STATEMENTS AND NOTES

STATEMENT OF COMPREHENSIVE INCOME

For the eleven months ended 31 March 2023

	Notes	11 months ended 31 March 2023 £'000	18 months ended 28 April 2022 £'000
Portfolio Return and Revenue			
Revenue from services and other income	4	**84**	–
Change in fair value of equity investments	12	**(40)**	–
Change in fair value of financial instruments	13	**6,443**	–
		6,487	–
Administrative Expenses			
Share-based payment charge	18	**(348)**	–
Other administrative expenses	7	**(3,952)**	(1,952)
		(4,300)	**(1,952)**
Operating Profit / (Loss)		**2,187**	**(1,952)**
Finance income / (costs)	9	**99**	(63)
Profit / (Loss) before taxation		**2,286**	**(2,015)**
Taxation	10	–	–
Profit / (Loss) for the period and total comprehensive income / (loss) for the period attributable to shareholders		**2,286**	**(2,015)**

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	At 31 March 2023 £'000	At 28 April 2022 £'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	**19**	5
Equity investments	12	**14,618**	–
Equity rights	13	**23,122**	–
Total Non-Current Assets		**37,759**	5
Current Assets			
Trade and other receivables	14	**159**	–
Cash and cash equivalents		**11,802**	398
Total Current Assets		**11,961**	**398**
Total Assets		**49,720**	**403**
LIABILITIES			
Non-Current Liabilities			
Provision for liabilities and charges	17	**1,452**	–
Total Non-Current Liabilities		**1,452**	–
Current Liabilities			
Loans payable	15	–	1,654
Trade and other payables	16	**1,498**	764
Total Current Liabilities		**1,498**	**2,418**
Total Liabilities		**2,950**	**2,418**
EQUITY			
Called up share capital	19	–	–
Share premium account		**46,151**	–
Share based payment reserve		**348**	–
Retained earnings / (Accumulated deficit)		**271**	(2,015)
Total Equity		**46,770**	**(2,015)**

The financial statements on pages 39 to 53 were approved by the Board of Directors and were signed on its behalf by

JAMES HADLEY *Chief Financial Officer*
30 June 2023

STATEMENT OF CASHFLOWS

For the eleven months ended 31 March 2023

	Notes	11 months ended 31 March 2023 £'000	18 months ended 28 April 2022 £'000
Cash flows from operating activities			
Cash receipts from services		187	–
Cash paid to suppliers and employees		(3,415)	(1,120)
Net cash inflow / (outflow) from operating activities		(3,228)	(1,120)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(19)	(5)
Purchase of equity investments	12	(13,045)	–
Net cash inflow / (outflow) from investing activities		(13,064)	(5)
Cash flows from financing activities			
Proceeds from the issue of share capital		29,130	–
Fees paid directly attributable to the issue of share capital		(202)	–
Receipt / (repayment) of loans		(1,275)	1,523
Finance costs		43	–
Net cash inflow / (outflow) from financing activities		27,696	1,523
Net increase / (decrease) in cash		11,404	398
Cash and cash equivalents at the beginning of the period		398	–
Cash and cash equivalents at the end of the period		11,802	398

STATEMENT OF CHANGES IN EQUITY

For the eleven months ended 31 March 2023

	Called Up Share Capital (i) £'000	Share Premium (ii) £'000	Share Based Payment Reserve £'000	Retained earnings / (Accumulated deficit) (iii) £'000	Total £'000
At 29 October 2020	–	–	–	–	–
Comprehensive income / (loss)	–	–	–	(2,015)	**(2,015)**
Issue of equity	–	–	–	–	–
At 28 April 2022	–	–	–	**(2,015)**	**(2,015)**
Comprehensive income / (loss)	–	–	–	2,286	**2,286**
Issue of equity	–	27,859	–	–	**27,859**
Equity-settled share-based payments	–	–	348	–	**348**
Equity rights value (iv)	–	18,292	–	–	**18,292**
At 31 March 2023	–	**46,151**	**348**	**271**	**46,770**

i) Called up share capital – The nominal value of subscribed capital which has been called by the Company. See note 17 for additional information

ii) Share premium – The amount of subscribed share capital which has been called in excess of nominal value net of directly attributable issue costs

iii) Retained earnings / (Accumulated deficit) – Cumulative net gains and losses recognised in the statement of comprehensive income

iv) Equity rights value – Arises from the valuation of equity granted by the Universities of Leeds, Manchester and Sheffield in their future spin-outs, as consideration for their equity holding in Northern Gritstone Limited

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 Basis of preparation

The financial statements of Northern Gritstone Limited ("NG") are for the eleven months ended 31 March 2023.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented. The financial statements have been prepared and approved by the Directors in accordance with UK–adopted international accounting standards ("UK–adopted IAS").

The preparation of financial statements in compliance with UK-adopted IAS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in the most appropriate selection of the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

1.2 Going concern

The financial statements are prepared on a going concern basis. The Directors have prepared a medium-term financial plan, including cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for a period of 12 months from the date of approval of the financial statements.

1.3 Changes in accounting policies

(i) First time adoption of UK-adopted IAS

The Company transitioned to report in accordance with UK-adopted IAS on 29 April 2022. Prior to this date the Company reported in accordance with FRS 102 under United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). There was no change to the financial position, financial performance or cashflows of the Company as a result of this transition and no transition adjustments have been required in the restatement of prior periods. The period previously reported in accordance with UK GAAP is presented under UK-adopted IAS as a comparative throughout these financial statements.

(ii) New standards, interpretations and amendments effective from 29 April 2022

No new standards, interpretations and amendments effective in the period have had a material effect on the Company's financial statements.

(iii) New standards, interpretations and amendments not yet effective

No new standards, interpretations and amendments not yet effective are expected to have a material effect on the Company's future financial statements.

1.4 Basis of non-consolidation

The Company does not control any subsidiaries.

All of the Company's equity investments are deemed to be associates, as the Company has significant influence but not control over these entities.

As permitted under IAS 27, the Company elects to hold investments in associates at fair value through profit or loss in accordance with IFRS 9. Changes in the fair value of investments in associates are presented in profit or loss in the statement of comprehensive income in the period in which they arise.

1.5 Revenue

Revenue from services and other income is earned from the provision of business support services. All revenue from services is generated within the United Kingdom and is stated exclusive of value added tax. Revenue is recognised when the Company satisfies its performance obligations, in line with IFRS 15.

1.6 Property, plant and equipment

All property, plant and equipment are shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is attributable to the acquisition of the items. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Computer equipment	Over 3 years

1.7 Financial assets

The Company recognises or derecognises financial assets based on trade date accounting, being the date on which the Company becomes legally bound by the transaction.

The Company classifies its financial assets into one of the categories listed below, depending on the purpose for which the asset was acquired.

(i) At fair value through profit or loss

Financial assets are recognised at fair value through profit or loss. This category includes investments in associates and equity rights. None of the Company's financial assets are categorised as held for trading.

Financial assets at fair value through profit or loss are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period in which they arise.

Fair value hierarchy

The Company classifies financial assets using a fair value hierarchy that reflects the significance of the inputs used in making the related fair value measurements. The level in the fair value hierarchy, within which a financial asset is classified, is determined on the basis of the lowest level input that is significant to that asset's fair value measurement. The fair value hierarchy has the following levels:

Level 1 – Quoted prices in active markets.

Level 2 – Inputs other than quoted prices that are observable, such as prices from market transactions.

Level 3 – One or more inputs that are not based on observable market data.

Equity investments in associates

Fair value is the underlying principle and is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (IFRS 13.9).

Where the equity structure of an associate company involves different class rights in a sale or liquidity event, the Company takes these different rights into account when forming a view on the value of its investment.

Valuation techniques used

The fair value of unlisted securities is established using appropriate valuation techniques in line with International Private Equity and Venture Capital Valuation guidelines. The selection of appropriate valuation techniques is considered on an individual basis in light of the nature, facts and circumstances of the investment and in the expected view of market participants. The Company selects valuation techniques which make maximum use of market-based inputs. Techniques are applied consistently from period to period, except where a change would result in better estimates of fair value. Several valuation techniques may be used so that the results of one technique may be used as a cross check/corroboration of an alternative technique.

Valuation techniques used include:

- Quoted investments: the fair values of quoted investments are based on bid prices in an active market at the reporting date.
- Milestone approach: an assessment is made as to whether there is an indication of change in fair value based on a consideration of the relevant milestones typically agreed at the time of making the investment decision.
- Scenario analysis: a forward-looking method that considers one or more possible future scenarios. These methods include simplified scenario analysis and relative value scenario analysis, which tie to the fully diluted equity value, as well as full scenario analysis via the use of the probability-weighted expected return method.
- Discounted cash flows: deriving the value of a business by calculating the present value of expected future cash flows.
- Multiples: the application of an appropriate multiple to a performance measure (such as earnings or revenue) of the investee company in order to derive a value for the business.

The fair value indicated by a recent transaction is used to calibrate inputs used with valuation techniques including those noted above. At each measurement date, an assessment is made as to whether changes or events subsequent to the relevant transaction would imply a change in the investment's fair value. The price of a recent investment is not considered a standalone valuation technique (see further considerations below).

Price of recent investment as an input in assessing fair value

The Company considers that fair value estimates which are based primarily on observable market data will be of greater reliability than those based on assumptions. Given the nature of the Company's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. Consequently, in many cases the most appropriate approach to fair value is a valuation technique which is based on market data such as the price of a recent investment, and market participant assumptions as to potential outcomes.

Calibrating such scenarios or milestones may result in a fair value equal to price of recent investment for a limited period of time. Often qualitative milestones provide a directional indication of the movement of fair value.

In applying a calibrated scenario or milestone approach to determine fair value, consideration is given to performance against milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment. Factors that the Company considers include, inter alia, technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction.

Where the Company considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment.

Where a deterioration in value has occurred, the Company reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation the Company may consider increasing the carrying value of the investment.

Equity rights

The equity rights' asset represents the present value of the founders' equity of spinout companies that the Company will receive, at no cost, from the Universities of Leeds, Manchester and Sheffield, under the Framework Agreement signed with these universities on 20 April 2021. The Company has received these rights for the period to 20 April 2036 in return for the Universities of Leeds, Manchester and Sheffield receiving a shareholding in Northern Gritstone Limited. The equity rights' asset is considered to be a derivative financial asset and is designated as at fair value through profit or loss. Further details on the treatment of this asset are included in note 13.

(ii) At amortised cost

These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade receivables) and are carried at cost less provision for impairment.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand and short-term deposits held with financial institutions with an original maturity of three months or less.

1.9 Financial liabilities

Current financial liabilities are composed of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Convertible loan notes issued by the Company can be converted to ordinary share capital at the option of the Company. These instruments are non-derivative as the return to the noteholder is fixed, based on a known amount of positive interest accruing on the loan principal. These instruments are accounted for as a basic financial liability measured at amortised cost, using the effective interest rate method.

The Company employed the services of a placement agent to assist with the raising of capital. Fees are payable to this agent as ordinary share capital is paid up. The Company estimates that all of the ordinary share capital will be paid up in the future and recognises a provision for the fees payable to the placement agent in relation to the uncalled share capital.

1.10 Share Capital

Financial instruments issued by the Company are treated as equity to the extent they have been called up. Where shares are nil paid and there are no arrangements for any future payments such shares are not reflected in the Company's accounts as called-up share capital until such time as the company makes calls on the shares or there is subsequently an agreed date for payment.

1.11 Employee Benefits

(i) Pension obligations

The Company operates a defined contribution pension scheme for which all employees are eligible. The assets of the scheme are held separately from those of the Company in independently administered funds. The Company currently makes contributions on behalf of employees to this scheme. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(ii) Share-based payments

The Company engages in equity-settled share-based payment transactions in respect of services receivable from employees, by granting employees conditional awards of ordinary shares subject to certain vesting conditions. The fair value of the shares is estimated at the date of grant, taking into account the terms and conditions of the award, including market-based performance conditions.

The fair value at the date of grant is recognised as an expense over the period that the employee provides services, generally the period between the start of the performance period and the vesting date of the shares. The corresponding credit is recognised in the share-based payments reserve within total equity. The fair value of services is calculated using the market value on the date of award and is adjusted for expected and actual levels of vesting.

Where conditional awards of shares lapse, the expense recognised to date is credited to the statement of comprehensive income in the year in which they lapse. Where the terms for an equity-settled award are modified, and the modification increases the total fair value of the share-based payment, or is otherwise beneficial to the employee at the date of modification, the incremental fair value is amortised over the vesting period.

(iii) Long-term incentive plan

The Company operates a cash based long-term incentive plan ("LTIP") for certain employees. Before any payment to a participant becomes due, the Company's investments made within a specific time period (currently 01 April 2022 to 31 March 2024 for the first vintage) must have achieved a compounded hurdle rate of 7% per annum based on both realised and unrealised returns. Each vintage vests seven years after its start date and no amounts are payable to participants before this date. At the point at which the hurdle rate has been exceeded, a provision is included for the unrealised gain potentially due to participants. The provision is measured by reference to the fair value estimates for the relevant portfolio investments, with movements in the provision charged/credited to the statement of comprehensive income.

1.12 Contingent Liabilities

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

2. Significant accounting estimates and judgements

The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions, which have a significant effect on the carrying amounts of the assets and liabilities in the financial statements, are in respect of:

(i) Valuation of unquoted equity investments

The Company's accounting policy in respect of the valuation of unquoted equity investments in associates is set out in note 1. In applying this policy, the key areas over which judgement are exercised include:

- Consideration of whether a funding round is at arm's length and therefore representative of fair value.
- The relevance of the price of recent investment as an input to fair value, which typically becomes more subjective as the time elapsed between the recent investment date and the balance sheet date increases.
- In the case of companies with complex capital structures, the appropriate methodology for assigning value to different classes of equity based on their differing economic rights.
- Where using valuation methods such as discounted cash flows or revenue multiples, the assumptions around inputs including the probability of achieving milestones and the discount rate used, and the choice of comparable companies used within revenue multiple analysis.
- When determining the fair value of founder equity received, consideration is given to the presence of sophisticated third-party co-investors investing on similar terms.

Valuations are based on management's judgement after consideration of the above and upon available information believed to be reliable, which may be affected by conditions in the financial markets. Due to the inherent uncertainty of the investment valuations, the estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

(ii) Valuation of Equity Rights

The judgements required to determine the valuation of Equity Rights have a significant risk of causing a material adjustment to the carrying amounts of the assets. The judgements include assessing the likelihood of exit methods and proceeds of investments sold, the discount rate and the number of spin-outs invested in per year.

(iii) Equity-settled share-based payments

Determining the fair value of equity-settled share-based payments at the measurement date represents a significant accounting estimate. There is inherent judgement in the key inputs into the valuation.

(iv) Future capital raise

In preparing these financial statements, the Directors made a judgement that as at 31 March 2023 the likelihood of successfully raising additional capital beyond that raised to date was possible, but not probable. This led to certain liabilities being treated as contingent and not recognised in the balance sheet. See note 22 for details of the financial impact. The Directors arrived at this assessment after careful consideration of the circumstances surrounding the capital raise, noting in particular that as at 31 March 2023 no additional investors beyond those who were already shareholders had made a formal commitment to subscribe for shares in the Company.

3. Financial risk management

As set out in the principal risks and uncertainties section on pages 27 to 30, the Company is exposed, through its normal operations, to a number of financial risks, the most significant of which are market, liquidity and credit risks.

Risk management is carried out under policies approved by the Board of Directors.

(a) Market risk

(i) Price risk

The Company is exposed to equity securities price risk as a result of its investments, categorised as at fair value through profit or loss.

The Company mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

The Company holds investments which are not traded on an active market.

(ii) Interest rate risk

As the Company has no borrowings, it has only a limited interest rate risk. The primary impact to the Company is the impact on income and operating cash flow as a result of the interest-bearing deposits and cash and cash equivalents held by the Company.

(b) Liquidity risk

The Company seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Accordingly, the Company only invests working capital in instruments issued by highly rated counterparties. The Company continually monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements.

(c) Credit risk

The Company's credit risk is primarily attributable to its deposits, cash and cash equivalents. The Company seeks to mitigate its credit risk on cash and cash equivalents by making deposits with highly rated institutions.

4. Revenue from services

Revenue represents the invoiced value of services supplied to investee companies excluding value added tax. Revenues are accrued in accordance with the right to consideration and there are no material contract assets or liabilities.

5. Operating segments

The Company's operations are wholly within the UK. For management reporting the Company is organised into one operating segment being the commercialisation of intellectual property developed by businesses based in the North of England.

6. Auditor's remuneration

Details of the auditor's remuneration are set out below:

	11 months ended 31 March 2023 £'000	18 months ended 28 April 2022 £'000
Audit fees	**39**	15
Interim review	**33**	—
Taxation services	—	171
	72	**186**

7. Other administrative expenses

Other administrative expenses comprise:

	11 months ended 31 March 2023 £'000	18 months ended 28 April 2022 £'000
Employee costs (see note 8)	**2,723**	1,060
Professional services	**709**	639
Depreciation of tangible assets (see note 11)	**5**	—
Other expenses	**515**	253
	3,952	**1,952**

8. Employee Costs

Employee costs (including Directors) comprise:

	11 months ended 31 March 2023 £'000	18 months ended 28 April 2022 £'000
Wages and salaries	**2,215**	886
Social security costs	**309**	99
Pension and other benefit costs	**94**	75
LTIP charge (see note 17)	**105**	—
	2,723	**1,060**
Share-based payment charge (see note 18)	**348**	—
	3,071	**1,060**

The average number of persons (including the Executive Directors and Non-Executive Directors) employed by the Company during the eleven months ended 31 March 2023 was 15 (2022: 3).

The total emoluments paid to Directors in the eleven months ended 31 March 2023 was £1,454,000 (2022: £452,000) and the highest-paid Director received emoluments of £1,054,000 (2022: £267,000).

At 31 March 2023 one Director (2022: none) was a member of a defined contribution pension scheme to which the Company contributed.

The Directors who held office during the period ended 31 March 2023 had the following beneficial interests in the shares of the Company:

	At 31 March 2023		At 28 April 2022	
	Number of ordinary shares	**% of voting share capital**	**Number of ordinary shares**	**% of voting share capital**
T O'Neill	**833,333**	**0.53%**	—	—
D Johnson	**833,333**	**0.53%**	—	—
J Hadley	**166,667**	**0.11%**	—	—
A Macpherson	**50,000**	**0.03%**	—	—

The Directors who held office during the period ended 31 March 2023 had the following beneficial interests in options over the ordinary shares of the Company:

	At 28 April 2022	Granted during the period	Exercised during the period	Lapsed during the period	**At 31 March 2023**	Exercise price (pence)
T O'Neill	—	448,719	—	—	448,719	0.00001
D Johnson	—	448,719	—	—	448,719	0.00001
J Hadley	—	89,744	—	—	89,744	0.00001

There are two Directors that participate in the LTIP scheme. Amounts in relation to the LTIP become payable once certain performance criteria and the vesting period conditions have been met. No amounts have been paid or have become payable during the eleven months ended 31 March 2023 as these criteria have not yet been met. See note 17 for details of amounts provided in relation to the LTIP.

9. Finance Income / (Costs)

	11 months ended 31 March 2023 £'000	18 months ended 28 April 2022 £'000
Interest Income	**113**	—
Convertible Loans	**(1)**	(6)
Other Loans	**(13)**	(57)
	99	**(63)**

10. Taxation

	11 months ended 31 March 2023 £'000	18 months ended 28 April 2022 £'000
UK Corporation Tax at a rate of 19% (2022: 19%)	—	—
Tax on profit / (loss) on ordinary activities	—	—

Reconciliation of Tax Charge	**11 months ended 31 March 2023 £'000**	18 months ended 28 April 2022 £'000
Profit / (loss) before tax	**2,286**	**(2,015)**
Breakdown of Tax Charge:		
Tax on profit / (loss) at a rate of 19% (2022: 19%)	**434**	(383)
Fixed asset differences	**(1)**	—
Expenses not deductible for tax purposes	**192**	113
Income not taxable for tax purposes	**(1,224)**	—
Deferred tax not recognised on tax losses carried forward	**599**	270
Tax on profit on ordinary activities	—	—

There were no deferred tax assets or liabilities recognised by the Company during the period reported (2022: £nil). A deferred tax asset would be recognised only when sufficient taxable profits are expected to be generated to relieve the trading losses. An analysis is shown below:

	At 31 March 2023		**At 28 April 2022**	
	Gross amount £'000	**Deferred tax balance £'000**	**Gross amount £'000**	**Deferred tax balance £'000**
Unused tax losses	**4,634**	**1,158**	1,480	370
Deferred tax amounts not provided for	**(4,634)**	**(1,158)**	(1,480)	(370)
	—	—	—	—

The UK corporation tax rate was 19% in the period to 31 March 2023 and this rate has been used for the purposes of preparing the tax charge disclosures. An increase in the UK Corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantially enacted at the balance sheet date and, as such, the deferred tax disclosures have been calculated at a UK Corporation tax rate of 25%.

11. Fixed Assets

	Computer Equipment £'000
Cost:	
At 29 October 2020	–
Additions	5
At 28 April 2022	5
Additions	19
At 31 March 2023	**24**
Accumulated depreciation:	
At 29 October 2020	–
Charge for the period	–
At 28 April 2022	–
Charge for the period	(5)
At 31 March 2023	**(5)**
Carrying value:	
At 28 April 2022	5
At 31 March 2023	**19**

12. Investments in associates

Equity Investments £'000	Level 2	Level 3	Total
At 29 October 2020	–	–	–
At 28 April 2022	–	–	–
Investments during the period	12,844	201	**13,045**
Investments during the period – founder equity received	1,613	–	**1,613**
Change in fair value during the period	(40)	–	**(40)**
At 31 March 2023	**14,417**	**201**	**14,618**

The fair values of the level 2 investments are supported by recent market transactions that have occurred within 12 months of the reporting date. In addition, the fair value of all investments have been corroborated by the valuation techniques described in note 1.

The founder equity received during the period relates to the receipt of university equity in Imperagen Limited and Phlux Technology Limited under the Framework agreement at nil cost.

Details of investee companies:

Percentages show proportion of fully diluted nominal value held.

Iceotope Group Limited
Amp Technology Centre, Brunel Way, Rotherham, S60 5WG, UK
Series B shares **17%** | All share classes **5%**

Imperagen Limited
Unit 11, Williams House Lloyd Street North, Manchester Science Park, Manchester, M15 6SE, UK
Ordinary shares **13%** | A1 shares **35%** | All share classes **18%**

LC Auxetec Limited
Nexus, Discovery Way, University of Leeds, Leeds, LS2 3AA, UK
Ordinary shares **11%** | A shares **100%** | All share classes **16%**

Opteran Technologies Limited
The Innovation Centre, 217 Portobello, Sheffield, South Yorkshire, S1 4DP, UK
A2 shares **34%** | All share classes **5%**

Phlux Technology Limited
The Innovation Centre, 217 Portobello, Sheffield, South Yorkshire, S1 4DP, UK
Ordinary shares **9%** | Seed Preferred shares **14%**
All share classes **11%**

QV Bioelectronics Limited
1F70 Mereside, Alderley Park, Nether Alderley, Cheshire, SK10 4TG, UK
A Ordinary shares **17%** | All share classes **7%**

Recourse AI Limited
8 Hewitt Street, Manchester, M15 4GB, UK
Ordinary shares **4%** | All share classes **4%**

Silverray Limited
New Cambridge House, Bassingbourn Road, Litlington, Royston, SG8 0SS, UK
Ordinary shares **5%** | All share classes **5%**

Slingshot Simulations Limited
Nexus, Discovery Way, University of Leeds, Leeds, LS2 3AA, UK
C shares **29%** | All share classes **18%**

13. Equity rights

	Financial asset £'000
At 29 October 2020	–
At 28 April 2022	–
Equity rights recognised as a financial asset during the period	18,292
Founder equity received during the period	(1,613)
Change in fair value during the period	6,443
At 31 March 2023	**23,122**

Equity rights represent the present value of the founders' equity of spinout companies that the Company will receive, at no cost, from the Universities of Leeds, Manchester and Sheffield, under the Framework Agreement signed with these universities on 20 April 2021 subject to the Company investing a minimum of £200,000. The Company has received these rights for the period to 20 April 2036 in return for each of the Universities of Leeds, Manchester and Sheffield receiving a 2% non-dilutable shareholding in Northern Gritstone Limited.

The financial asset recognised during the period is due to the Company raising capital in May 2022, which was a condition of the equity rights transfer described above.

The founder equity received during the period is recognised within investments in associates.

The change in fair value during the period relates to the need to assess the present value as at 31 March 2023 of the founders' equity of spinout companies that the Company will receive. Increases in capital subsequent to May 2022 have resulted in the potential to finance a higher number of spinout companies. The impact of increasing this variable from 7 to 9 companies financed per annum is reflected as a change in fair value during the period.

The key variables which the Directors consider are relevant in determining a fair value for this financial asset are set out below. These variables are informed by market data.

Number of spinout companies financed per annum	9
Average equity stake acquired by the Company	15%
Proportion of spinout companies failing	70%
Discount rate	20%

Exit timing	Number of years until exit event	Proportion of spinout companies which exit	Dilution rate prior to exit	Valuation at exit £m
Prior to Series A funding	2.0	21.3%	54%	20.6
Prior to Series B funding	2.0	2.0%	62%	105.8
Prior to Series C funding	2.0	0.9%	69%	211.7
At IPO	2.0	5.8%	75%	385.9

The fair value of this financial asset is most sensitive to a change in the discount rate, which has been determined by reference to the return required by the Company's shareholders. Were this reduced to 15%, the fair value of the financial asset at 31 March 2023 would be £34.1m. Were the discount rate increased to 25%, the fair value of the financial asset at 31 March 2023 would be £16.4m.

14. Trade and other receivables

	At 31 March 2023 £'000	At 28 April 2022 £'000
Trade debtors	–	–
Accrued income	–	–
Prepayments	**36**	–
VAT debtor	**23**	–
Other receivables	**100**	–
	159	–

The Directors consider the carrying amount of trade and other receivables to approximate their fair value. All receivables are interest-free, repayable on demand and unsecured. None of the trade debtors balance is overdue.

15. Loans payable

	At 31 March 2023 £'000	At 28 April 2022 £'000
Convertible Loans	–	331
Other Loans	–	1.323
	–	**1,654**

Convertible Loans:

On 21 May 2021, the University of Manchester provided the company with a £175,000 convertible loan accruing interest at 2% above the Bank of England's base rate compounded on a monthly basis.

On 26 August 2021, the University of Manchester provided the company with a £150,000 convertible loan accruing interest at 2% above the Bank of England's base rate compounded on a monthly basis.

On 19 May 2022 both of these loans converted into 110,596 ordinary shares to each of the Universities of Leeds, Manchester and Sheffield.

Until conversion, the convertible loan notes were treated as a non-derivative instrument and were accounted for as a financial liability measured at amortised cost.

Loans:

On 9 September 2021, the University of Manchester, the University of Sheffield and the University of Leeds each provided the company with a £166,666 loan. On the 2 February 2022, each University provided a further loan of £150,000. All loans accruing interest at fixed 10% per annum compounded on a monthly basis.

On 9 September 2021, D Johnson (a Director of Northern Gritstone Limited) provided the company with a £43,859 loan. On the 2 February 2022, a further loan facility was provided, which at 30 May 2022 totalled £47,813 principal. Both loans accruing interest at fixed 10% per annum compounded on a monthly basis.

On 9 September 2021, an employee of Northern Gritstone Limited provided the company with a £35,089 loan. On the 2 February 2022, a further loan facility was provided, which at 30 May 2022 totalled £29,813 principal. Both loans accruing interest at fixed 10% per annum compounded on a monthly basis.

On 9 September 2021, T O'Neill (a Director of Northern Gritstone Limited) provided the company with a £87,718 loan. On the 2 February 2022, a further loan of £81,000 was provided. Both loans accruing interest at fixed 10% per annum compounded on a monthly basis.

All of the loans above were fully repaid on 30 May 2022.

16. Trade and other payables

	At 31 March 2023 £'000	At 28 April 2022 £'000
Trade creditors	**79**	405
Social security and other taxation	**302**	55
Accruals and deferred income	**1,117**	304
	1,498	**764**

The Directors consider the carrying amount of trade and other payables to approximate their fair value. All payables are interest-free, payable on demand and unsecured. None of the trade creditors balance is overdue.

17. Provision for liabilities and charges

	At 31 March 2023 £'000	At 28 April 2022 £'000
Long-term incentive plan liability	**105**	–
Provision for other liabilities and charges	**1,347**	–
	1,452	–

Long-term incentive plan liability:

The only long-term incentive plan vintage in operation at 31 March 2023 relates to the period 01 April 2022 to 31 March 2024 and vests on 31 March 2029. Based on the current fair value estimates for the relevant portfolio investments, the hurdle rate has been exceeded as at 31 March 2023. Consequently, the potential unrealised gain due to participants has been discounted to its present value and recognised as a liability. Upon maturity, the LTIP will be wholly cash settled.

Provision for other liabilities and charges:

The Company employed the services of a placement agent to assist with the raising of capital. Fees are payable to this agent as ordinary share capital is paid up. The Company estimates that all of the ordinary share capital will be paid up in the future and recognises a provision for the fees payable to the placement agent in relation to the uncalled share capital.

18. Share-based payments

Share Option Plan:

The Company operates an equity settled share option plan for certain employees. The terms of the plan provide that shares may be acquired at a fixed price five years after the grant date (the vesting period). The plan is subject to good leaver / bad leaver provisions. The first options under the plan were granted on 19th May 2022.

	At 28 April 2022	Granted during the period	Exercised during the period	Lapsed during the period	At 31 March 2023
Number of Options	–	1,256,411	–	–	**1,256,411**
Exercisable	–	–	–	–	–
Weighted average exercise price (pence)	n/a	0.00001	n/a	n/a	**0.00001**
Weighted average remaining contractual life (years)	n/a	9.2	n/a	n/a	**9.2**

The fair value of the options over shares held by participants in the share option plan has been calculated based on the fair value of the shares at the date of grant less the nominal exercise price. During the eleven months ended 31 March 2023 a charge of £192,000 (2022: £0) has been recorded in relation to options over shares held by participants in the share option plan.

Management Shares:

Certain employees have subscribed for ordinary shares at a discount ("management shares"). The first date at which any of these shares were issued was 19th May 2022. The management shares vest over a five year period from the date of issue and are subject to good leaver / bad leaver provisions.

The difference between the fair value of the management shares issued and the price payable has been recorded as a charge in the income statement, spread over the vesting period. During the eleven months ended 31 March 2023 this charge totalled £156,000 (2022: £0).

19. Share capital

	At 31 March 2023 Number	At 31 March 2023 £	At 28 April 2022 Number	At 28 April 2022 £
Allotted, called up and fully paid				
Ordinary shares of 0.00001 pence	**39,036,754**	4	100	–
Special shares of 0.00001 pence	**1,498,019,148**	150	–	–
Total share capital	**1,537,055,902**	**154**	**100**	–
Allotted, called up but not paid				
Ordinary shares of 0.00001 pence	**100,000**	–	–	–
Allotted but not called up				
Ordinary shares of 0.00001 pence	**117,666,667**	12	–	–

The Company is limited by shares. The ordinary shares carry equal voting rights, equal rights to income and distributions of assets on liquidation, or otherwise, and no right to fixed income.

The special shares are held by the Universities of Leeds, Manchester and Sheffield. These special shares:

- Entitle each of the Universities of Leeds, Manchester and Sheffield to be issued ordinary shares for no consideration if, on the issue of ordinary shares to third parties, their individual shareholding falls below 2.0% of the then in issue ordinary shares;
- Carry no right to participate in the income of the Company;
- Carry no right to attend, speak or vote at, any general meeting of the Company;
- Entitle the holder to the nominal value of the special shares on a return of capital on liquidation or otherwise; and
- Are not transferable.

During the eleven months ended 31 March 2023 the Company:

- Issued 144,750,000 ordinary shares at a subscription price of £1.00. Of these ordinary shares, 28,850,000 had been called up and fully paid as at 31 March 2023 and 100,000 had been called up but were not fully paid as at 31 March 2023;
- Issued 2,333,334 ordinary shares at a subscription price of £0.60. Of these ordinary shares, 466,667 had been called up and fully paid as at 31 March 2023;
- Issued 2,469,149 ordinary shares to each of the Universities of Leeds, Manchester and Sheffield at a subscription price of 0.00001 pence each. These ordinary shares had all been called up and fully paid as at 31 March 2023;
- Issued 500,000,000 special shares to each of the Universities of Leeds, Manchester and Sheffield at a subscription price of 0.00001 pence each. These special shares had all been called up and fully paid as at 31 March 2023;
- Converted 1,980,852 special shares into ordinary shares at nil cost;
- Converted the convertible loan notes held by the University of Manchester into 110,596 ordinary shares to each of the Universities of Leeds, Manchester and Sheffield at nil cost;
- Bought back 100 ordinary shares of 0.00001 pence each at nominal value; and
- Received a commitment to subscribe for up to 100,000,000 preference shares of £1.00 each at a subscription price of £1.00. As at 31 March 2023 these preference shares were not allotted.

20. Categorisation of financial instruments

	Category	At 31 March 2023 £'000	At 28 April 2022 £'000
Financial Assets			
Equity investments	At fair value through profit or loss	**14,618**	–
Equity rights	At fair value through profit or loss	**23,122**	–
Trade and other receivables	Amortised cost	**159**	–
Cash and cash equivalents	Amortised cost	**11,802**	398
Total Financial Assets		**49,701**	**398**
Financial Liabilities			
Long-term incentive plan liability	At fair value through profit or loss	**105**	–
Provision for other liabilities and charges	Amortised cost	**1,347**	–
Loans payable	Amortised cost	–	1,654
Trade and other payables	Amortised cost	**1,498**	764
Total Financial Liabilities		**2,950**	**2,418**

21. Related party transactions

A number of related party transactions are detailed within note 15. In addition, the Company provided business support services to its associates in the period, chargeable on an arm's length basis. The following amounts have been included in respect of these fees:

Statement of comprehensive income	**11 months ended 31 March 2023 £'000**	18 months ended 28 April 2022 £'000
Revenue from services and other income	**84**	–

Statement of financial position	**11 months ended 31 March 2023 £'000**	18 months ended 28 April 2022 £'000
Trade debtors	–	–

The Company makes investments in the equity of unquoted investments in which it is possible to exert significant influence. As permitted under IAS 27, the Company elects to hold investments in associates at fair value through profit or loss in accordance with IFRS 9, but they are related parties. The total amounts included for investments where the Company has significant influence are as follows:

Statement of comprehensive income	**11 months ended 31 March 2023 £'000**	18 months ended 28 April 2022 £'000
Net portfolio return and revenue	**44**	–

Statement of financial position	**At 31 March 2023 £'000**	At 28 April 2022 £'000
Equity investments	**14,618**	–

Vero HR Limited, where Andrew Graham serves as Chairperson, charged the Company with fees of £4,800 during the eleven months ended 31 March 2023 in relation to HR services, all at arm's length (2022: £6,045). As at 31 March 2023 £460 was outstanding, but not overdue.

SUEL Limited, which is a wholly-owned subsidiary of the University of Sheffield, charged the Company with fees of £9,820 during the eleven months ended 31 March 2023 in relation to accounting services, all at arm's length (2022: £4,320). As at 31 March 2023 £1,000 was outstanding, but not overdue.

Bruntwood Circle Square 4 Limited, which is a wholly-owned subsidiary of the Bruntwood Group Limited (a shareholder of the Company), charged the Company with fees of £53,714 during the eleven months ended 31 March 2023 in relation to property services, all at arm's length (2022: £nil). As at 31 March 2023 £4,080 was outstanding, but not overdue.

Nexus Limited, which is a wholly-owned subsidiary of the University of Leeds, charged the Company with fees of £9,625 during the eleven months ended 31 March 2023 in relation to property services, all at arm's length (2022: £nil). As at 31 March 2023 £2,750 was outstanding, but not overdue.

Compensation to key management comprises payments to Executive Directors, Non-Executive Directors and the Senior Leadership Team of the Company that held positions during the period. Compensation to key management comprise:

	11 months ended 31 March 2023 £'000	18 months ended 28 April 2022 £'000
Wages and salaries	**2,060**	881
Social security costs	**275**	98
Pension and other benefit costs	**44**	75
LTIP charge	**74**	—
Share-based payment charge	**347**	—
	2,800	**1,054**

22. Contingent Liabilities

The Company has entered into an agreement with Lazard & Co. Limited ("Lazard") relating to support in the capital raise process, with payment to Lazard dependent upon the amount of capital raised by the Company. At the balance sheet date the outstanding amount payable to Lazard in relation to services provided to support the capital raised to date is recognised as a liability. The outcome of any future capital raise was uncertain at the balance sheet date. Consequently, these potential payments have been classified as contingent liabilities and not recognised in the balance sheet. In addition, should the Company raise further capital in the future, additional liabilities will become due. Should the Company raise £300m ordinary capital in total, an additional £2,473,000 will become payable.

23. Post-balance sheet events

Between 12 May 2023 and 30 June 2023 the Company allotted 59,958,334 ordinary shares at a price of £59,925,000. Of this amount, £9,420,000 was called up and paid at 30 June 2023 and £2,565,000 was called up and unpaid but not overdue at 30 June 2023.

On 12 May 2023 the Company granted 44,870 options over ordinary shares of the Company to Directors and employees of the Company.

APPENDIX

ALTERNATIVE PERFORMANCE MEASURES

The Company assesses performance using Alternative Performance Measures ("APMs") which are not defined under IFRS. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Company. Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive-setting purposes.

Definitions of the measures presented in the annual report and accounts are set out below.

Metric	Definition	Period ended 31 Mar 2023	Period ended 28 Apr 2022
Co-investment	The value of capital invested by third party investors in funding rounds in which Northern Gritstone has participated and subsequently	£42.2m	–
Gross Portfolio IRR	The internal rate of return calculated using total equity investment valuations and realisations compared to the total capital invested into the portfolio companies, over the period from inception to date	20%	–
Gross Portfolio MoM	The multiple of money calculated using total equity investment valuations and realisations compared to the total capital invested into the portfolio companies, over the period from inception to date	1.1×	–
Lifetime Establishment Costs	Cash costs incurred since inception which relate to the establishment of the Company, plus placement fees not yet paid / Total ordinary share capital subscriptions	2.9%	–
NAV & UOS per share	Net asset value and uncalled ordinary share capital / Total number of ordinary shares issued	£1.04	–
No. of Jobs Created	The change in the number of people employed by companies in which Northern Gritstone has invested from the point of Northern Gritstone's first investment to date	46	–
Operating Costs	Annualised cash costs for the period reported which relate to the management of the Company and its investments, plus revenue received from investee companies and bonus accrual / Total ordinary share capital subscriptions	1.9%	–
Portfolio Valuation	The total value of equity investments at the reporting period date	£14.6m	–
Scope 1	Direct carbon dioxide equivalent emissions produced by the Company	–	–
Scope 2	Indirect carbon dioxide equivalent emissions from the Company's consumption of purchased energy	0.7 tCO_2e	–
Scope 3	Indirect carbon dioxide equivalent emissions that are linked to the Company's operations	23.5 tCO_2e	4.0 tCO_2e
Shareholder Costs	Annualised cash costs for the period reported which relate to servicing the Company's governance regime, plus interest receivable / Total ordinary share capital subscriptions	0.1%	–

TABLE A Net asset value and uncalled share capital per share

	At 31 March 2023 £
Net Asset Value ("NAV")	46,770,000
Uncalled ordinary share capital ("UOS")	116,920,000
Total ("NAV & UOS")	**163,690,000**
No. of ordinary shares	156,803,421
NAV & UOS per share (£)	**1.04**

TABLE B Cashflow split by cost centre

11 months ended 31 March 2023 £'000	Establishment	Shareholder	Management	Investments / Capital	Total
Cash flows from operating activities					
Cash receipts from services	–	–	187	–	**187**
Cash paid to suppliers and employees	(1,111)	(309)	(1,995)	–	**(3,415)**
Net cash inflow / (outflow) from operating activities	**(1,111)**	**(309)**	**(1,808)**	–	**(3,228)**
Cash flows from investing activities					
Purchase of property, plant and equipment	–	–	(19)	–	**(19)**
Purchase of equity investments	–	–	–	(13,045)	**(13,045)**
Net cash inflow / (outflow) from investing activities	–	–	**(19)**	**(13,045)**	**(13,064)**
Cash flows from financing activities					
Proceeds from the issue of share capital	–	–	–	29,130	**29,130**
Fees paid directly attributable to the issue of share capital	(202)	–	–	–	**(202)**
Receipt / (repayment) of loans	(1,275)	–	–	–	**(1,275)**
Finance costs	(70)	113	–	–	**43**
Net cash inflow / (outflow) from financing activities	**(1,547)**	**113**	–	**29,130**	**27,696**
Net increase / (decrease) in cash	**(2,658)**	**(196)**	**(1,827)**	**16,085**	**11,404**

TABLE C Adjusted cash costs as a % of ordinary share commitments

11 months ended 31 March 2023 £'000	Establishment	Shareholder	Management
Net increase / (decrease) in cash (see table B)	(2,658)	(196)	(1,827)
Adjustments			
Placement fees not yet paid	(1,576)	–	–
Bonus accrual	–	–	(664)
Total adjustments	**(1,576)**	**–**	**(664)**
Adjusted net increase / (decrease) in cash ("Adjusted cash costs")	**(4,234)**	**(196)**	**(2,491)**
Annualised adjusted cash costs	**n/a**	**(214)**	**(2,717)**
Total ordinary share capital	**146,150**	**146,150**	**146,150**
Adjusted cash costs / total ordinary share capital	**2.9%**	**n/a**	**n/a**
Annualised adjusted cash costs / total ordinary share capital	**n/a**	**0.1%**	**1.9%**

COMPANY INFORMATION & ADVISERS

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