

**NORTHERN
GRITSTONE**
THE VALUE OF IDEAS

Interim Report

– For the six months ended
30 September 2023



[northern-gritstone.com](https://www.northern-gritstone.com)

PROFIT WITH PURPOSE



PROFIT WITH PURPOSE

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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 leading 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.





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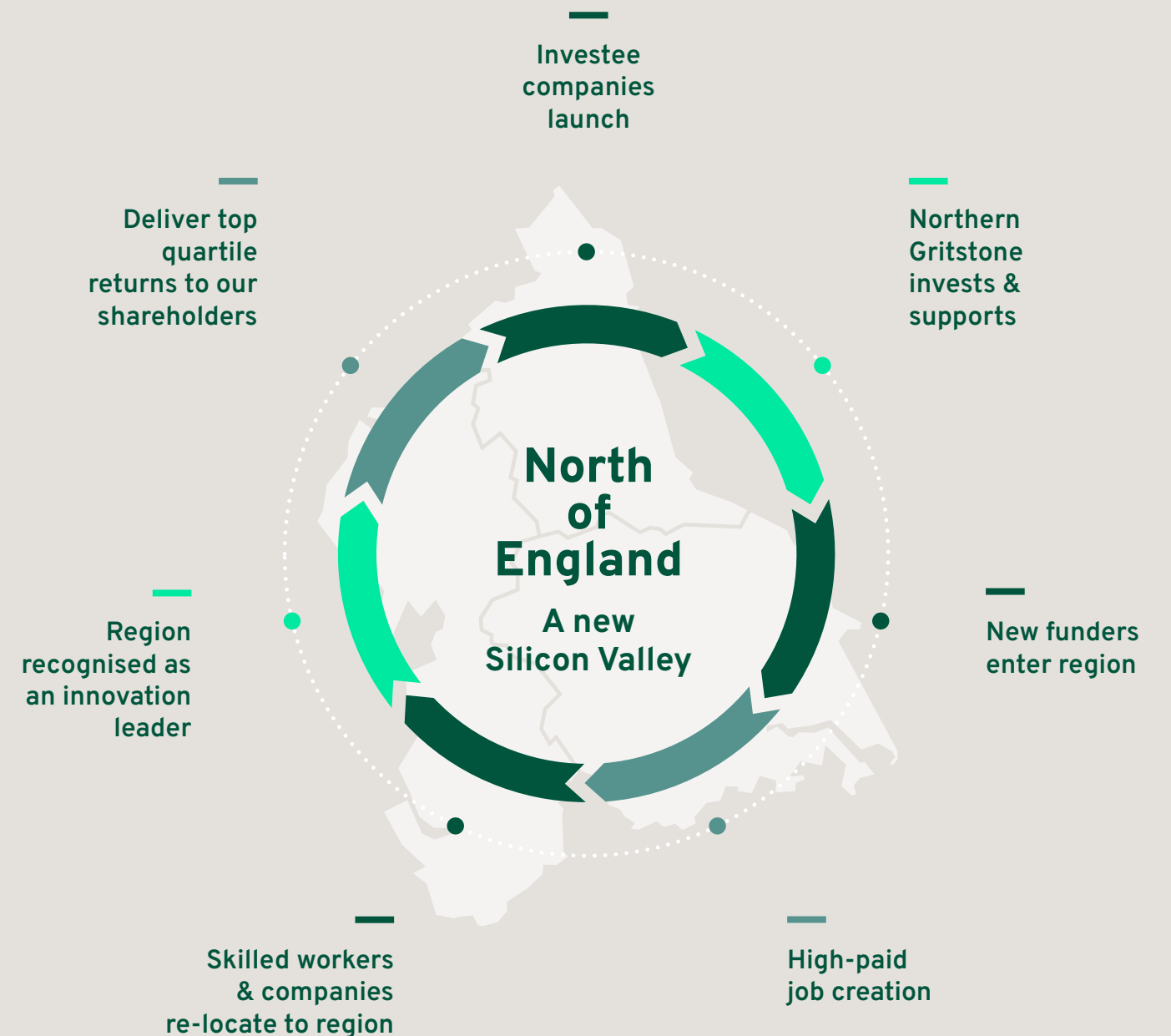
Northern Gritstone was founded with the philosophy of Profit with Purpose, combining attractive returns for shareholders with wider positive, societal and economic impact, including supporting Levelling Up and high-skilled job creation in the North of England.

Northern Gritstone champions the concept that profitable organisations can and should have a wider purpose. We believe that it is by combining profit and purpose that Northern Gritstone will be most successful.

By creating a leading ecosystem of support and funding, our aim is 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.

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PROFIT WITH PURPOSE



Highlights



COMPANY

Total committed capital

£212m

ordinary share capital

£100m

preference share capital

Ordinary share capital paid up



NAV & UOS per share*

£1.00

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

PURPOSE & IMPACT

Co-investment into North of England

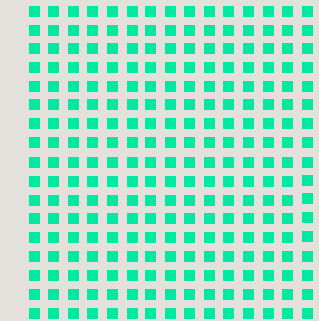
£68.9m

No. of jobs created

57

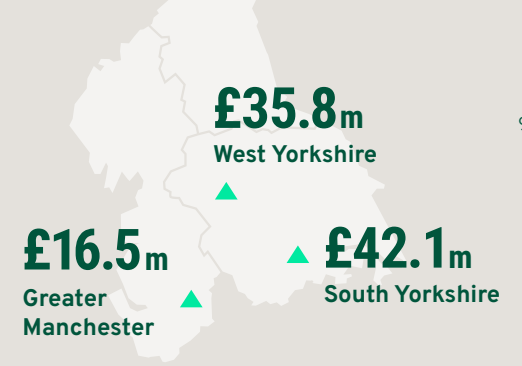
No. of people employed by investee companies

268



Northern Gritstone and co-investor funding by location

£94.4m



PORTFOLIO

No. of investee companies

15

Portfolio valuation

£26.8m

Invested in portfolio

£25.5m

Gross portfolio MoM

1.0x

Gross portfolio IRR

7%

PRIMARY PORTFOLIO UN SUSTAINABLE DEVELOPMENT GOALS ALIGNMENT



Chief Executive's statement

I am pleased to report another busy half year for Northern Gritstone that has included the final close on the Company's initial fundraise, building out the Company's capabilities as well as making six new investments in some amazing businesses based in the North of England.

The final close of the Company's initial raise occurred in September, 2023 with the Company having raised and now deploying £312 million of capital commitments. The size of the raise along with the quality of our investors is an indication of the opportunity that Northern Gritstone represents on both of its axes of focus: profit; and purpose. In particular, I am delighted by the support from our five local authority pension fund shareholders which have supported our vision so strongly. The Venture Banking Team at Lazard under Garri Jones' leadership has

provided support and advice to the Company during this process.

It is pleasing to report that at the half year, the Company's NAV & UOS per share is £1.00. One focus has been to mitigate the J-curve often experienced in businesses such as ours and to date the mechanisms we have put in place have helped dampen this phenomenon.

Of course, the challenge is now to deploy the capital that has been committed by our

shareholders into the amazing opportunities that exist and to start the journey of building the world-class businesses of tomorrow. I am confident that the team we have built to date and continue to build has the skills and appetite for this challenge. Since 1 April, 2023 we have completed a further six investments in a combination of life science, health tech and deep tech businesses, deploying £12.5 million alongside £26.8 million from our co-investment partners. As at 30 September, 2023 the Company has invested £25.5 million into 15 businesses leveraging an additional £68.9 million from co-investors supporting 268 jobs.

One of the areas in which we have identified to grow and develop our proprietary tool kit is in the innovation ecosystem. In July, we announced the launch of Northern Gritstone Innovation Services ('NGIS') as our in-house vehicle to provide the every-day resource our spin-out investee companies require as well as support in finding the best talent for those businesses. As part of NGIS, we are looking to provide venture building skills to our portfolio alongside best-of-class operators which we anticipate commencing in Q1 2024. As part of this initiative, we have continued our support of Manchester Angels.

Market conditions have remained muted as markets continue to correct for the re-pricing of risk after the protracted period of low interest rates resulting from the Global Financial Crisis some 15 years' ago. This has had a direct impact not just on the risk appetite of investors but also in the corporate world where in many cases it has resulted in both a reduction in liquidity



available to venture backed businesses along with a material lengthening in the duration of buying cycles for disruptive technologies. Whilst building Northern Gritstone's portfolio, this represents an attractive initial investment environment for our Company. However, as our portfolio matures we would want to see a reversion to more favourable conditions.

Against this background our portfolio has evolved in line with expectations. Where we have revised valuations, Slingshot Simulations and QV Bioelectronics, this reflects changes in the risk profile of those investments but not the potential outcome from the successful development of these businesses.

The Company has a strong pipeline of new investment opportunities for the next period and beyond and we are well set to continue to build on the foundations put in place over the last two years.

Duncan Johnson
CHIEF EXECUTIVE OFFICER

22 November 2023

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Portfolio update

The Company made six new investments and one follow-on investment in the period, deploying a total of:

£12.5m

The fair value of the portfolio at 30 September 2023 was:

£26.8m

During the period there was a change in the fair value of investments of:

£(0.3)m

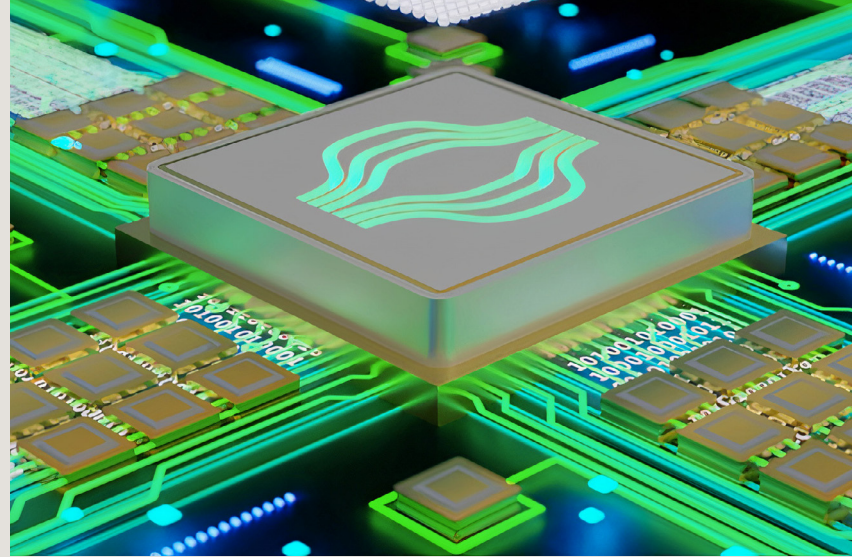
This movement reflects a £0.4m uplift in the fair value of Crucible due to recognising the fair value of the shares received by Northern Gritstone at nil cost under the Framework Agreement, more than offset by a reduction in fair value of Northern Gritstone's holdings in Slingshot (£0.4m) and QV Bioelectronics (£0.3m), reflecting changes in the risk profile of those investments but not the potential outcome from the successful development of these businesses.

All other investments are executing their respective strategies as set out at the time of investment. We remain pleased with the Companies in which we have invested and their potential to deliver both profit and purpose.

Profiles of new investments made during the period appear on pages 14 to 19.



	£M					
	Fair value at 31 Mar 2023	Investment cost during the period	Change in fair value during the period	Fair value at 30 Sep 2023	Return to date – Internal Rate of Return %	Return to date – Multiple of Money
Iceotope	5.0	-	-	5.0	-	1.0x
Optalysys	-	5.0	-	5.0	-	1.0x
Opteran	3.4	-	-	3.4	-	1.0x
Imperagen	2.0	-	-	2.0	83.0%	2.0x
Pencil	-	2.0	-	2.0	-	1.0x
C-Capture	-	1.7	-	1.7	-	1.0x
Mimetrik	-	1.3	-	1.3	-	1.0x
Asset Cool	-	1.2	-	1.2	-	1.0x
Slingshot	1.5	-	(0.4)	1.1	(35.2)%	0.7x
Phlux	1.1	-	-	1.1	126.2%	2.0x
LC Auxetec	0.2	0.8	-	1.0	-	1.0x
Crucible	-	0.5	0.4	0.9	>1,000%	1.8x
Recourse	0.5	-	-	0.5	-	1.0x
QV Bioelectronics	0.7	-	(0.3)	0.3	(55.1)%	0.5x
Silveray	0.3	-	-	0.3	-	1.0x
	14.6	12.5	(0.3)	26.8	7.3%	1.0x



- Optalysys has developed a hardware solution that enables processing of encrypted data to be performed at speeds equivalent to that of unencrypted data (c.1 million times faster), allowing companies to maintain data security whilst sharing and collaborating with confidential data. This process is known as Fully Homomorphic Encryption (FHE).
- The market-creating technology is based on Optical Fourier Transforms in which founder Dr Nick New has >20 years commercial experience.
- The business model is to develop a server mounted unit that can be sold to cloud providers to enable secure cloud base analysis of data using FHE.

→ optalysys.com

INVESTMENT DETAILS

12.3%
Northern Gritstone equity held through preferred ordinary shares

£5.0m
Current valuation

Return to date:

1.0x
Multiple of money invested

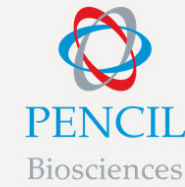
0%
Internal rate of return

KEY INVESTMENT HIGHLIGHTS

- Marketing & scaling opportunity**
 - FHE is potentially a multi-billion-dollar market and has longevity through being quantum-secure.
 - Optalysys is working with software developers to fully enable the market.
- IP & barriers to entry**
 - Optalysys' optical solution is the only method that delivers performance & low-power consumption.
 - 10 relevant patent families registered, with the 4 core patent areas at late patent approval stage.
- Productisation & pipeline**
 - Revenue model is still being defined but will likely be a blend of infrastructure-as-a-service, hardware sales and license models.
- Management team**
 - Dr Nick New (CEO) – PhD from Cambridge University in Optical Pattern Recognition.
 - Robert Todd (CTO) – 30 years experience in the optical industry. Previous company supplied precision optical systems to CERN.

PURPOSE AND IMPACT

- Health & Well-Being**
Potential in the healthcare industry to improve diagnostics and treatment.
- Peace, Justice & Institutions**
Protecting sensitive intelligence data preserves peace. Technology can be used to prevent financial fraud and identity theft.
- Job Creation**
A high number of new skilled jobs based in the North of England to be generated through this investment.



- Founded in 2018 and based in Manchester, Pencil Biosciences is developing a next generation gene editing platform technology, that will enable new therapeutic options for patients with rare diseases and cancer.
- The technology offers an alternative to standard gene editing technology and has many advantages, including reduced size and a modular design.
- Multiple use cases include therapeutic applications in oncology, infectious and rare disease, agriculture, diagnostics and cell line engineering.

→ pencilbiosciences.com

INVESTMENT DETAILS

15.1%
Northern Gritstone equity held through preferred ordinary shares

£2.0m
Current valuation

Return to date:

1.0x
Multiple of money invested

0%
Internal rate of return

KEY INVESTMENT HIGHLIGHTS

- Marketing & scaling opportunity**
 - Gene editing is the cornerstone of future therapeutic biotechnologies, an estimated \$18.5bn market by 2028.
 - Target market: biotech & pharma companies.
- IP & barriers to entry**
 - Tech has undergone a proof of concept study in bacterial cells.
 - IP is wholly owned by Pencil Biosciences.
- Productisation & pipeline**
 - Strategy is to secure a pharma license deal or collaboration.
- Management team**
 - Led by Amanda Smith - highly experienced in the field of gene editing, including time at Horizon Discovery.

PURPOSE AND IMPACT

- Health & Well-Being**
The technology will extend the lifespan or offer better quality of life for those suffering from certain genetic diseases.
- Gender Equality**
One of the few companies in the sector with a female CEO.
- Job Creation**
A high number of new skilled jobs based in the North of England to be generated through this investment.



- Founded in 2009 and spun out of the University of Leeds, C-Capture has patented a solvent-based technology that offers a non-toxic and low-cost way of removing CO₂ from emissions across a range of industries.
- Amine is typically used in Carbon Capture Utilisation and Storage (CCUS) solutions despite being toxic and requiring high thermal energy (high opex); C-Capture has designed a chemical process for CCUS, which uses an amine-free solvent which also enables significantly lower opex (c.75% of the cost of best amine-based solutions available).
- Plan to license CCUS systems designed for specific customers and sell the solvents required for use.

→ c-capture.co.uk

INVESTMENT DETAILS

5.0%
Northern Gritstone equity held through preferred ordinary shares

£1.7m
Current valuation

Return to date:

1.0x
Multiple of money invested

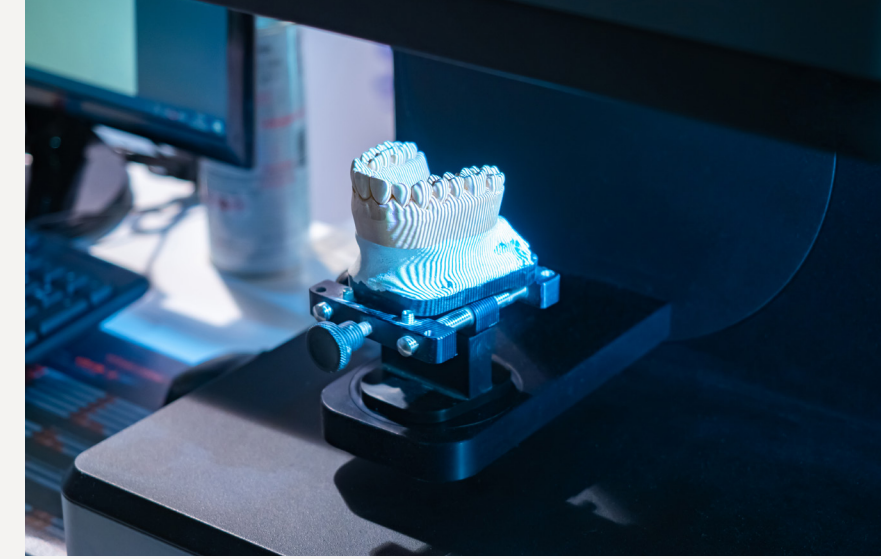
0%
Internal rate of return

KEY INVESTMENT HIGHLIGHTS

- Marketing & scaling opportunity**
 - CCUS market estimated at \$3.5bn, with potential to grow to \$4.0trn by 2050.
 - Initially targeting harsh industries e.g. steel, cement and glass manufacture which amine-based solvents find difficult to address.
- IP & barriers to entry**
 - Technology proven at lab scale and pilot built at Drax power station.
 - Outputs from the Drax plant will enable the design and build of a x100 bigger commercial demonstrator.
- Productisation & pipeline**
 - Revenue grows substantially once commercial roll-out begins.
- Management team**
 - Tom White (CEO) – 20+ years of experience in international engineering businesses.

PURPOSE AND IMPACT

- Climate Action**
C-Capture is expected to be a key contributor to global decarbonisation over the next 25 years by removing carbon dioxide from exhaust flue gasses.
- Sustainable Cities**
C-Capture contributes to a greener environment and more sustainable industrial practices through use of carbon capture utilisation and storage.
- Job Creation**
A high number of new skilled jobs based in the North of England to be generated through this investment.



- Mimetrik spun out of the University of Leeds in 2020, following 10 years of development in the Department of Digital Dentistry. The team has developed 3D scanning technology for intra-oral scanners, based on AI-driven machine learning software.
- There are three products at the prototype stage, which are cheaper, provide images with 10x greater accuracy and are quicker to produce than products currently available in the market.
- A contract is already in place with a global dental product company operating in 100 countries.

→ mimetrik.co.uk

INVESTMENT DETAILS

19.6%
Northern Gritstone equity held through preferred ordinary shares

£1.3m
Current valuation

Return to date:

1.0x
Multiple of money invested

0%
Internal rate of return

KEY INVESTMENT HIGHLIGHTS

- Marketing & scaling opportunity**
 - Global value of dental labs is \$37bn and dental scanners is >\$1bn.
 - >70% of dental labs world-wide are digitised, with scanners acting as the key driver in adoption.
- IP & barriers to entry**
 - Key IP is know-how developed over 10 years.
 - Three patents fully-assigned.
- Productisation & pipeline**
 - Own products made under third party license and sold via existing distributors.
 - Collaborative development and licensing model with a global dental product company.
- Management team**
 - Multi-disciplinary team including leading dental specialists (Dr. Alyn Morgan and Prof. David Wood) and a digital expert (Dr. Andrew Keeling).

PURPOSE AND IMPACT

- Health & Well-Being**
Mimetrik allows for better patient care as the technology allows for improved accuracy in digital imaging and can assist in post-trauma and surgical dental reconstruction.
- Job Creation**
A high number of new skilled jobs based in the North of England to be generated through this investment.



- Founded in 2016 and validated by 4 years of field trial data, AssetCool has developed a patented coating for overhead power transmission lines that has demonstrated a 45% reduction in line temperature improving transmission efficiency and capacity, lowering costs and carbon emissions.
- The coating is comprised of a solvent, optically active pigments and a proprietary resin and has two key properties that facilitate heat reduction; it is reflective in the solar range and emissive in the infrared range.
- The coating can currently be applied to new cables, of which 125,000km are installed each year, with work underway to enable it to be retrofitted to existing conductors via a robotic autonomous application system.

→ assetcool.com

INVESTMENT DETAILS

12.9%	£1.2m
Northern Gritstone equity held through preferred ordinary shares	Current valuation
Return to date:	
1.0x	0%
Multiple of money invested	Internal rate of return

KEY INVESTMENT HIGHLIGHTS



- Marketing & scaling opportunity**
- Tech most beneficial to developing countries.
 - Global push for electrification: world electricity generation to grow 25-45 trillion kWh by 2050.
 - Two initial markets: new lines and retrofit.



- IP & barriers to entry**
- The new cable solution is de-risked technically and commercially (revenue generating).
 - 13 patents have been filed with 3 granted in the USA, EU and India.



- Productisation & pipeline**
- First purchase order received with other agreements in the pipeline including major industry participants.



- Management team**
- Co-founded by power network specialists Barry Johnson and Dr. Niall Coogan.

PURPOSE AND IMPACT



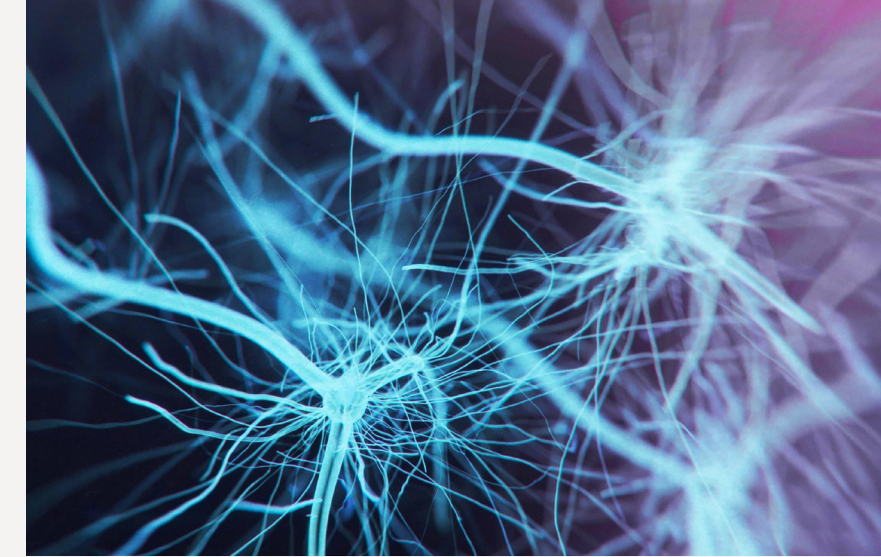
- Climate Action**
- The coating reduces heat loss from overhead power cables, reducing the carbon impact of each kWh of electricity and facilitating energy savings.



- Affordable Energy**
- The technology enables current infrastructure to carry greater capacity, lowering the cost/kWh and making energy more affordable.



- Job Creation**
- A high number of new skilled jobs based in the North of England to be generated through this investment.



- A spinout of the University of Sheffield, Crucible is developing advanced therapies to treat central nervous system conditions with high unmet needs, beginning with Amyotrophic lateral sclerosis (ALS) and Frontotemporal dementia (FTD).
- Crucible has developed CGT-01, a gene therapy administered in a single injection to the cerebrospinal fluid, which uses an adeno-associated virus (AAV) to silence the SRSF1 gene, thought to be an underlying cause of some forms of ALS / FTD.
- CGT-01 aims to prevent neurotoxicity and motor neuron death and early pre-clinical data in mice and human derived neuronal cells shows the technology working – the first of its kind targeting the SRSF1 gene.

INVESTMENT DETAILS

25.0%	£0.9m
Northern Gritstone equity held through preferred ordinary shares and ordinary shares	Current valuation
Return to date:	
1.8x	>1,000%
Multiple of money invested	Internal rate of return

KEY INVESTMENT HIGHLIGHTS



- Marketing & scaling opportunity**
- Large unmet need in ALS / FTD with 2,500 cases annually and a market of £2.5bn.



- IP & barriers to entry**
- Technology is patented and European based clinical trials are being discussed with the UK regulator with plans to host the trials at Sheffield University, where a new gene therapy manufacturing centre has been built.



- Productisation & pipeline**
- Tranched investment with proof of concept, regulatory approvals and clinical trial design the end goals.



- Management team**
- Prof. Dame Pamela Shaw – world leading clinician in ALS and will lead the CGT-01 ALS / FTD trial.
 - Dr Mimoun Azzouz – world renowned for academic work in AAV gene therapy.
 - ArgoBio – therapeutics focussed investment entity, with Neill Moray Mackenzie performing the CEO role until Series A.

PURPOSE AND IMPACT



- Health & Well-Being**
- Crucible aims to save lives or significantly improve the quality and duration of lives in those that would otherwise die from conditions for which no efficacious treatments exist.



- Innovation & Infrastructure**
- All operations are based within Sheffield University, with further industrial activity driven through planned clinical trials within 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.

Purpose & Impact

During the period reported Northern Gritstone has continued to develop its Purpose & Impact ('P&I') strategy. The first P&I focused survey of our investee companies was undertaken with the results of this survey incorporated into this report. This will be used to engage going forward with our investee companies on Northern Gritstone's main P&I focus areas.

Profit with Purpose

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

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

Entities backed

The Company has backed 15 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

Since inception, an additional £68.9m of co-investment has been invested by a series of local, European and other international investors into the North of England alongside the Company's £25.5m of investment. This represents c.2.7x the value Northern Gritstone has invested.

As evidence of the impact the Company's activities have already made, the total investment of £50m made by Northern Gritstone and co-investors in 2022 represented 40% of all venture capital investment in the North of England in that year.* Over time, it is the intention of the Company to see a significant increase in the amount of venture capital investment in the North of England.



PRIMARY PORTFOLIO UN SUSTAINABLE DEVELOPMENT GOALS ALIGNMENT



* BVCA Report on Investment Activity (2022)

EXAMPLES OF INVESTEE COMPANIES WITH HIGH IMPACT AGAINST SPECIFIC UN SDGS INCLUDE:



Currently data centres emit c.1 billion tonnes of CO2e emissions each year globally (3% of total global CO2e emissions). Iceotope’s precision liquid cooling products can reduce energy usage in data centres by up to 40% and water usage by up to 96%. Their technology has already helped their customers avoid c.360 tonnes of CO2e emissions.



Crucible aims to save lives or significantly improve the quality and duration of lives in those that would otherwise die from conditions for which no efficacious treatments exist. The company is initially focused on developing treatments for Amyotrophic Lateral Sclerosis and Frontotemporal Dementia, of which there are a combined 2,500 cases diagnosed annually but with no effective treatments available.



C-Capture has patented a unique, solvent-based technology which offers a safe, low-cost way to remove carbon dioxide from emissions. The company’s technology is particularly relevant to emissions-intensive industries, including power stations, steel factories and cement plants, which account for a significant proportion of global CO2e emissions.

THE COMPANY’S CARBON EMISSIONS AND INTENSITY RATIOS DURING THE PERIOD WERE:

tCO2e	6 months ended 30 Sep 2023	5 months ended 30 Sep 2022 (restated)
Scope 1	-	-
Scope 2	0.6	0.1
Scope 3 – own operations	7.3	6.3
Total emissions from own operations	7.9	6.4
Annualised tCO2e / employee	0.9	1.2
Scope 3 – investee companies	3.0	0.9
Total emissions	10.9	7.3
Annualised tCO2e / invested capital £m	0.9	1.9

Scope 3 – investee companies – Includes the scope 1 and scope 2 emissions of the companies in which Northern Gritstone has invested, pro-rated to reflect Northern Gritstone’s relative share of ownership

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 17 during the period ended 30 September 2023 (2022: 13), as well as an increase in invested capital.

The decrease in annualised tCO2e / employee intensity ratio in the six months ended 30 September 2023 compared with the five months ended 30 September 2022 is driven by a greater proportion of employees opting for greener travel options, including cycling and walking.

The decrease in annualised tCO2e / invested capital £m intensity ratio in the six months ended 30 September 2023 compared with the five months ended 30 September 2022 is driven by a proportional shift to investment in earlier stage companies without manufacturing capabilities and thereby generally lower emissions-intensity.

The Company aims to minimise its carbon footprint in the first instance and then to offset any excess carbon emissions. The Company fully offset carbon emissions from its own operations 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.

As part of the Company’s commitment to the Net Zero Asset Manager’s initiative, during the period reported the Company defined interim targets to achieve net zero across the Company and all of our investments by 2050 or sooner. The interim targets set, under the Net Zero Investment Framework, are:

- 50% of invested capital actively engaged in carbon reduction conversations at Board level by 2030, increasing to 100% by 2040
- 30% of invested capital aligning or aligned with a net zero goal by 2030, increasing to 80% by 2040 and 100% by 2050
- 100% of invested capital to have achieved net zero by 2050, with interim absolute carbon emission reduction targets to be set once Northern Gritstone’s portfolio has been fully established (expected by 2027).

Given the early stage of Northern Gritstone’s business, the Company adopted a cautious approach in setting these interim targets, but will keep this area under continual review with an ambition to move forward at faster pace in the future.

Job creation

The 15 investments Northern Gritstone has made to date funded 57 additional jobs, with significantly more to follow as the monies invested are fully deployed by the investee companies. At 30 September 2023 Northern Gritstone’s investee companies employed 268 people in total.

100% of investee companies pay all employees and contractors at least the Real Living Wage. This is consistent with the high-skill, high-wage jobs which Northern Gritstone intends to generate.

Climate

The methodology used for the calculation of Greenhouse Gas emissions is the GHG Protocol Corporate Accounting and Reporting Standard. Carbon conversion factors have been taken from the UK Government’s GHG Conversion Factors for Company Reporting. Emissions are reported as tCO2e. Scope 2 emissions are reported as location based. Scope 3 emissions related to the company’s own operations cover material areas only, which are employee commuting, business travel and working from home. Greenhouse Gas Emissions related to the companies in which Northern Gritstone has invested include the scope 1 and scope 2 emissions of those companies only. A financial control approach has been adopted and consequently these emissions are reported within scope 3 and reflect Northern Gritstone’s relative share of ownership. Prior period data has been restated to take account of improvements in data collection and changes in the emissions calculation methodology.

Equality, diversity and inclusion

The gender and diversity measures reported by the Company are:

	AT 30 SEP 2023				AT 30 SEP 2022			
	Total no. people	%			Total no. people	%		
		Male	Female	Ethnic minority background		Male	Female	Ethnic minority background
Board	9	78%	22%	11%	8	88%	13%	13%
Investment Committee	4	50%	50%	25%	3	67%	33%	-
Senior Leadership Team	3	67%	33%	-	3	67%	33%	-
All employees	11	55%	45%	18%	7	43%	57%	14%

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. The Company ultimately aims, across all levels of the business, for a 50:50 gender balance and for at least 14% of people to come from an ethnic minority background. These percentages are consistent with the populations of Leeds, Greater Manchester and Sheffield.

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.

The portfolio P&I survey provides an insight into the backgrounds of those leading and employed by

investee companies. 20% of all people employed by Northern Gritstone portfolio companies come from an ethnic minority background, which is above the average of 14% of the populations of Leeds, Greater Manchester and Sheffield. However, only 21% of people employed by portfolio companies identified as female. This level is consistent with UK-wide surveys of people employed in STEM ('Science, Technology, Engineering and Maths') industries, but is an area that the Company will continue to engage on with investee companies as they build out their operations.

79% of investee companies have provided equality, diversity and inclusion training to their employees in the last 12 months or intend to do so in the next 12 months. The Company will support investee companies to help them achieve this ambition.

The Company is 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. During the period reported, the Company has taken the following specific actions to promote female entrepreneurship:

- Established an investment committee that is 50:50 male / female;
- Established an investment team which is 50:50 male / female;

- Attended and presented at events focused on promoting female entrepreneurs;
- Backed female led companies (e.g. Pencil Biosciences) and companies with leading female academic founders (e.g. LC Auxetec); and

- Analysed diversity and inclusion data for the Company and the portfolio at Executive and Board level.



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	■ ■ ■ ■ ■	■ ■			
Sue Hartley	■ ■ ■ ■ ■			■ ■	
Niranjan Sirdeshpande	■ ■ ■ ■ ■	■ ■			
Keith Breslauer				■ ■	
Marion Bernard				■ ■	■

■ In attendance ■ Not in attendance □ Not a member at the time of meeting

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. It is the Company’s belief that if investee companies adopt a strong approach to governance, which is appropriate for their stage of development, they are more likely to progress

well in other areas of P&I and as a business more generally.

Given this focus it was pleasing that, of the topics covered in the portfolio P&I survey undertaken in the period, governance emerged as the strongest area for investee companies. No governance, tax, cyber security, health & safety, data privacy or legal incidents / breaches were reported by investee companies in the last 6 months and the vast majority of portfolio companies have policies in place covering anti-corruption, anti-bribery

and whistleblowing. Areas for improvement are cyber security training and a greater proportion of independent Board members. The Company intends to engage with investee companies on these topics.

Wider purpose and 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. Having recently been admitted to Innovate UK’s Future Economy Investor Partnership programme, which aims to work with investor partners to deploy grant funding to support early stage companies which have the potential to drive the UK’s future economy, Northern Gritstone was pleased to help Mimetrik benefit from the programme, with a grant for £0.3m secured to assist the development of its clinical dental diagnostic software.

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 continued to actively engage with Manchester Angels, of which Northern Gritstone is a founding investment partner.

The Company actively seeks to partner with suppliers which have a presence in the North of England. At 30 September 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 a member of the British Venture Capital Association. The Company has input to a series of industry wide activities in the period, including: The UK Government spin-out review; The Mansion House Compact; Innovate Cambridge’s 10 year innovation plans; supported the Henry Royce Institute’s bid for the Greater Manchester Innovation Accelerator Programme; supported the Northern Triangle Talent project; and supported two Place Based Impact Acceleration bids submitted to the Engineering and Physical Sciences Research Council.

During the period the Company began its outreach programme, initially with the business schools of each of the Founding Universities, with an intention to expand student interaction to local schools in the future.



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.



Directors' report

on interim financial statements

GENERAL INFORMATION

These interim financial statements are prepared for the six months ended 30 September 2023. Following a change of accounting reference date, the Company's last financial statements were prepared for the eleven months ended 31 March 2023 and the comparative interim financial statements presented are for the five months ended 30 September 2022.

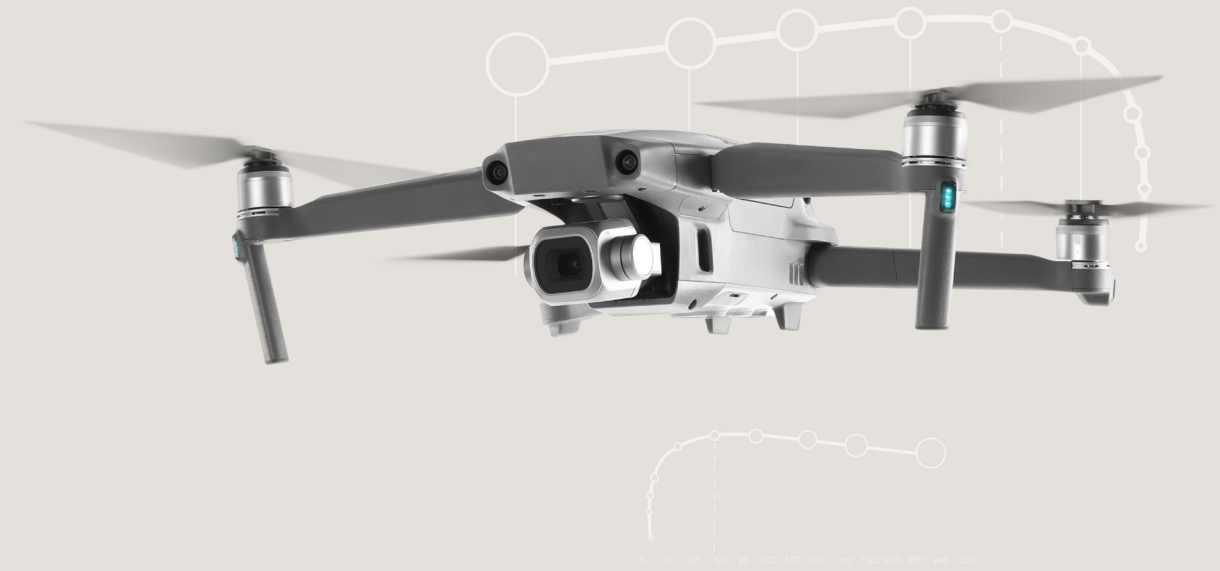
The comparative financial information presented herein for the period ended 31 March 2023 does not constitute full statutory accounts within the meaning of the Companies Act 2006. The Company's Annual Report and Accounts for the period ended 31 March 2023 have been delivered to the Registrar of Companies. The Company's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without

qualifying their report and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

BASIS OF PREPARATION

This condensed set of interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.

The annual financial statements of the Company for the year ended 31 March 2024 will be prepared in accordance with UK-adopted international accounting standards. This condensed set of interim financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published financial statements for the period ended 31 March 2023.



ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. 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. In preparing these interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited financial statements for the period ended 31 March 2023.

GOING CONCERN

The Directors are required to satisfy themselves that it is reasonable to presume that the Company is a going concern. 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 interim 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 interim financial statements.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm to the best of their knowledge that the interim financial statements have been prepared in accordance with IAS 34 as adopted for use in the UK.

On behalf of the Board

Lord Jim O'Neill
CHAIRPERSON

22 November 2023

Independent review report

to Northern Gritstone Limited

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34: Interim Financial Reporting.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Notes to the Financial Statements.

BASIS FOR CONCLUSION

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial

Information Performed by the Independent Auditor of the Entity' ('ISRE (UK) 2410'). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in the directors' report, the annual financial statements of the company are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34: Interim Financial Reporting.

CONCLUSIONS RELATING TO GOING CONCERN

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the company to cease to continue as a going concern.

RESPONSIBILITIES OF DIRECTORS

The directors are responsible for preparing the half-yearly financial report in accordance with UK adopted International Accounting Standard 34: Interim Financial Reporting. In preparing the half-yearly financial report, 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 REVIEW OF THE FINANCIAL INFORMATION

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report.



Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

USE OF OUR REPORT

Our report has been prepared in accordance with the terms of our engagement to assist the Company and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Paul Davies Paul Davies
BDO LLP

Chartered Accountants, Leeds, UK
23 November 2023

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

Independent Auditors' disclaimer letter

To the Directors of Northern Gritstone Limited

Request for access to our independent review report dated 23 November 2023

You have asked us to agree to you providing online access to external recipients (the 'recipient') to a copy of our report dated on 23 November 2023 (the 'Report') prepared in connection with the review of your interim financial statements for the period ended 30 September 2023.

To ensure that the recipient has a clear understanding of the terms under which the Report is being provided to them, a copy of this letter should be attached to the Report.

We confirm that we give our consent to you doing so on the clear understanding that the Report was addressed to you and was prepared on your instructions as set out in our engagement letter dated 29 August 2023 and therefore the Report will not address or reflect the interests or circumstances of the recipient or any other third party. Furthermore, we accept no duty or responsibility and deny any liability to the recipient and to any other third party, whether or not the Report influences the decision or action of the recipient or any other party.

If our Report is given to the recipient, it should be made clear that receipt of the Report should not be a substitute for enquiries the recipient should undertake for its own purposes and any independent advice it should obtain. You should also point out to the recipient that it will be bound by a duty of confidentiality to BDO LLP, as well as to you, and that in respect of any Personal Data in the Report, they are required to comply with the UK General Data Protection Regulation. Consequently, the Report, and information obtained from it, must not be made available or copied, in whole or in part to any other person without our prior written permission which we may, at our discretion, grant, withhold or grant subject to conditions (including conditions as to legal responsibility or absence thereof).

Where disclosure of the Report or information contained in the Report is required by law or regulation, the recipient should i) ensure that a copy of this letter is disclosed with such information so that the other party receiving the information is on written notice of the terms on which the recipient itself had access to it; and ii) where legally permissible inform us promptly of the specific requirement to disclose and before making any disclosure.

Notwithstanding our consent to the release of the Report to the recipient, the Report remains addressed to you and it is a matter for you to decide whether the release of the Report is appropriate in the circumstances.

In consideration for BDO LLP consenting to you providing the Report to the recipient, you agree that you will not hold BDO LLP responsible for the consequences of us doing so; accordingly BDO LLP, its members, partners, staff and agents shall have no liability to you, whether in contract or in tort (including without limitation negligence or breach of statutory duty) or in any way whatsoever, for any loss, damage, cost or expense suffered by you as a result of the provision of the Report to the recipient. Without conferring any greater rights than you would otherwise have at law, we accept that this does not exclude any liability we may have for death or personal injury or for the consequences of our own fraud.

This letter shall be governed and construed in accordance with the laws of England. The Courts of England and Wales will have exclusive jurisdiction to settle any claim, dispute or difference which may arise out of or in connection with this letter.

Yours faithfully

BDO LLP

BDO



Financial statements and notes

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 Sep 2023

	Notes	6 months ended 30 Sep 2023 £'000	5 months ended 30 Sep 2022 £'000	11 months ended 31 Mar 2023 £'000
PORTFOLIO RETURN AND REVENUE				
Revenue from services and other income		184	9	84
Change in fair value of equity investments	2	(716)	-	(40)
Change in fair value of financial instruments	3	1,058	888	6,443
Total Portfolio Return and Revenue		526	897	6,487
ADMINISTRATIVE EXPENSES				
Share-based payment charge		(413)	(137)	(348)
Other administrative expenses		(2,062)	(1,415)	(3,952)
Total Administrative Expenses		(2,475)	(1,552)	(4,300)
Operating Profit / (Loss)		(1,949)	(655)	2,187
Finance income / (costs)		303	(14)	99
Profit / (Loss) before taxation		(1,646)	(669)	2,286
Taxation		-	-	-
Profit / (Loss) for the period and total comprehensive income / (loss) for the period attributable to shareholders		(1,646)	(669)	2,286

The financial statements on pages 34-43 were approved by the Board of Directors and were signed on its behalf by:



James Hadley
CHIEF FINANCIAL OFFICER
22 November 2023

STATEMENT OF FINANCIAL POSITION

As at 30 Sep 2023

	Notes	At 30 Sep 2023 £'000	At 30 Sep 2022 £'000	At 31 Mar 2023 £'000
ASSETS				
Non-Current Assets				
Property, plant and equipment		15	14	19
Equity investments	2	26,774	10,387	14,618
Equity rights	3	23,805	18,145	23,122
Total Non-Current Assets		50,594	28,546	37,759
Current Assets				
Trade and other receivables		22,051	13	159
Cash and cash equivalents		9,808	10,816	11,802
Total Current Assets		31,859	10,829	11,961
Total Assets		82,453	39,375	49,720
LIABILITIES				
Non-Current Liabilities				
Provision for liabilities and charges	4	1,547	1,046	1,452
Total Non-Current Liabilities		1,547	1,046	1,452
Current Liabilities				
Trade and other payables		1,477	357	1,498
Total Current Liabilities		1,477	357	1,498
Total Liabilities		3,024	1,403	2,950
EQUITY				
Called up share capital	5	-	-	-
Share premium account		80,043	40,519	46,151
Share based payment reserve		761	137	348
Retained earnings / (Accumulated deficit)		(1,375)	(2,684)	271
Total Equity		79,429	37,972	46,770

STATEMENT OF CASHFLOWS

For the six months ended 30 Sep 2023

	Notes	6 months ended 30 Sep 2023 £'000	5 months ended 30 Sep 2022 £'000	11 months ended 31 Mar 2023 £'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from services		209	28	187
Cash paid to suppliers and employees		(2,561)	(1,838)	(3,415)
Net cash inflow / (outflow) from operating activities		(2,352)	(1,810)	(3,228)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(1)	(13)	(19)
Purchase of equity investments	2	(12,497)	(9,352)	(13,045)
Net cash inflow / (outflow) from investing activities		(12,498)	(9,365)	(13,064)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the issue of share capital		12,553	23,120	29,130
Fees paid directly attributable to the issue of share capital		-	(182)	(202)
Receipt / (repayment) of loans		-	(1,275)	(1,275)
Finance income / (costs)		303	(70)	43
Net cash inflow / (outflow) from financing activities		12,856	21,593	27,696
Net increase / (decrease) in cash				
Cash and cash equivalents at the beginning of the period		11,802	398	398
Cash and cash equivalents at the end of the period		9,808	10,816	11,802

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STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 Sep 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 28 Apr 2022	-	-	-	(2,015)	(2,015)
Comprehensive income / (loss)	-	-	-	(669)	(669)
Issue of equity	-	22,227	-	-	22,227
Equity-settled share-based payments	-	-	137	-	137
Equity rights value (iv)	-	18,292	-	-	18,292
At 30 Sep 2022	-	40,519	137	(2,684)	37,972
Comprehensive income / (loss)	-	-	-	2,955	2,955
Issue of equity	-	5,632	-	-	5,632
Equity-settled share-based payments	-	-	211	-	211
At 31 Mar 2023	-	46,151	348	271	46,770
Comprehensive income / (loss)	-	-	-	(1,646)	(1,646)
Issue of equity	-	33,892	-	-	33,892
Equity-settled share-based payments	-	-	413	-	413
At 30 Sep 2023	-	80,043	761	(1,375)	79,429

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- i) **Called up share capital** – The nominal value of subscribed capital which has been called by the Company. See note 5 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) **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

Note 1

Basis of preparation

This condensed set of interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK. The annual financial statements of the Company for the year ended 31 March 2024 will be prepared in accordance with UK-adopted international accounting standards.

This condensed set of interim financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published financial statements for the period ended 31 March 2023.

Note 2

Equity investments

EQUITY INVESTMENTS £'000	Level 2	Level 3	Total
At 28 Apr 2022	-	-	-
Investments during the period	9,352	-	9,352
Investments during the period – founder equity received	1,035	-	1,035
Transfers between hierarchy levels	-	-	-
Change in fair value during the period	-	-	-
At 30 Sep 2022	10,387	-	10,387
Investments during the period	3,492	201	3,693
Investments during the period – founder equity received	578	-	578
Transfers between hierarchy levels	-	-	-
Change in fair value during the period	(40)	-	(40)
At 31 Mar 2023	14,417	201	14,618
Investments during the period	10,417	2,080	12,497
Investments during the period – founder equity received	375	-	375
Transfers between hierarchy levels	(11,502)	11,502	-
Change in fair value during the period	-	(716)	(716)
At 30 Sep 2023	13,707	13,067	26,774

The fair value of the level 2 investments are supported by recent market transactions that have occurred within 12 months of the reporting date. The fair value of all investments is established using appropriate valuation techniques in line with International Private Equity and Venture Capital Valuation guidelines and the Company's policy on financial asset valuation detailed in note 2 to the financial statements for the period ended 31 March 2023.

The founder equity received during the period relates to the receipt of equity from the University of Sheffield in Crucible Therapeutics Limited under the Framework agreement at nil cost.

The reasons for the change in fair value during the period are detailed in the Portfolio update which appears on page 12 of this interim report.

Note 3

Equity rights

	6 months ended 30 Sep 2023 £'000	5 months ended 30 Sep 2022 £'000	11 months ended 31 Mar 2023 £'000
Equity rights financial asset at the beginning of the period	23,122	-	-
Equity rights recognised as a financial asset during the period	-	18,292	18,292
Founder equity received during the period	(375)	(1,035)	(1,613)
Change in fair value during the period	1,058	888	6,443
Equity rights financial asset at the end of the period	23,805	18,145	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 ended 31 March 2023 was 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 equity investments.

The change in fair value during the period relates to the need to assess the present value as at 30 September 2023 of the founders' equity of spinout companies that the Company will receive. This assessment of fair value includes updating assumptions for the latest market data.

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.

	At 30 Sep 2023	At 30 Sep 2022	At 31 Mar 2023
Long-term number of spinout companies financed per annum	9	7	9
Average equity stake acquired by the Company	15%	15%	15%
Proportion of spinout companies failing	70%	70%	70%
Discount rate	20%	20%	20%

EXIT TIMING	Number of years until exit event	Proportion of spinout companies which exit	Dilution rate prior to exit	Valuation at exit £m
As at 30 Sep 2023				
Prior to Series A funding	2.0	21.2%	53%	22.6
Prior to Series B funding	2.0	2.2%	61%	108.6
Prior to Series C funding	2.0	1.2%	68%	217.3
At IPO	2.0	5.4%	74%	385.9
As at 30 Sep 2022				
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
As at 31 Mar 2023				
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 30 September 2023 would be £34.9m. Were the discount rate increased to 25%, the fair value of the financial asset at 30 September 2023 would be £17.0m.

Other significant sensitivities are:

- The long-term number of spinout companies financed per annum. Were this reduced to 8, the fair value of the financial asset at 30 September 2023 would be

£22.0m. Were this increased to 10, the fair value of the financial asset at 30 September 2023 would be £25.6m.

- The average equity stake acquired by the Company. Were this reduced to 10%, the fair value of the financial asset at 30 September 2023 would be £15.9m. Were this increased to 20%, the fair value of the financial asset at 30 September 2023 would be £31.7m.
- The proportion of spin-out companies failing. Were this reduced to 60%, the fair value of the financial asset at 30 September 2023 would be £28.8m. Were this increased to 80%, the fair value of the financial asset at 30 September 2023 would be £18.8m.

Note 4

Provision for liabilities and charges

	At 30 Sep 2023 £'000	At 30 Sep 2022 £'000	At 31 Mar 2023 £'000
Long-term incentive plan liability	19	63	105
Provision for other liabilities and charges	1,528	983	1,347
Total provision for liabilities and charges	1,547	1,046	1,452

Long-term incentive plan liability:

The only long-term incentive plan vintage in operation at 30 September 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 30 September 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.

Note 5

Share capital

	AT 30 SEP 2023		AT 30 SEP 2022		AT 31 MAR 2023	
	Number	£	Number	£	Number	£
ALLOTTED, CALLED UP AND FULLY PAID						
Ordinary shares of 0.00001 pence	55,851,024	6	31,067,927	3	39,036,754	4
Special shares of 0.00001 pence	1,493,809,044	150	1,499,971,278	150	1,498,019,148	150
Total share capital	1,549,660,068	156	1,531,039,205	153	1,537,055,902	154
ALLOTTED, CALLED UP BUT NOT PAID						
Ordinary shares of 0.00001 pence	21,991,667	2	-	-	100,000	-
ALLOTTED BUT NOT CALLED UP						
Ordinary shares of 0.00001 pence	149,129,168	15	93,200,030	9	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.

- Entitle the holder to the nominal value of the special shares on a return of capital on liquidation or otherwise; and
- Are not transferable.

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;

During the six months ended 30 September 2023 the Company:

- Issued 65,875,000 ordinary shares at a subscription price of £1.00. Of these ordinary shares, 12,325,000 had been called up and fully paid as at 30 September 2023 and 7,437,500 had been called up but were not fully paid as at 30 September 2023;
- Issued 83,334 ordinary shares at a subscription price of £0.60. Of these ordinary shares, 20,833 had been called up and fully paid as at 30 September 2023 and 4,167 had been called up but were not fully paid as at

- 30 September 2023;
- Called up an additional 10% of share capital from all other ordinary shareholders. Of these 14,708,333 ordinary shares called up in the period, 158,333 had been called up and fully paid as at 30 September 2023 and 14,550,000 had been called up but was not fully paid as at 30 September 2023;
 - Converted 4,210,104 special shares into ordinary shares at nil cost.

In the period ended 31 March 2023 the Company 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 30 September 2023 these preference shares were not allotted.

Note 6 Related party transactions

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	6 months ended 30 Sep 2023 £'000	5 months ended 30 Sep 2022 £'000	11 months ended 31 Mar 2023 £'000
Revenue from services and other income	184	9	84

STATEMENT OF FINANCIAL POSITION	At 30 Sep 2023 £'000	At 30 Sep 2022 £'000	At 31 Mar 2023 £'000
Trade debtors	31	-	-

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	6 months ended 30 Sep 2023 £'000	5 months ended 30 Sep 2022 £'000	11 months ended 31 Mar 2023 £'000
Net portfolio return and revenue	(532)	9	44

STATEMENT OF FINANCIAL POSITION	At 30 Sep 2023 £'000	At 30 Sep 2022 £'000	At 31 Mar 2023 £'000
Equity investments	26,774	10,387	14,618

Vero HR Limited, where Andrew Graham serves as Chairperson, charged the Company with fees of £2.5k during the six months ended 30 September 2023 in relation to HR services, all at arm's length (five months

ended 30 September 2023: £1.8k, eleven months ended 31 March 2023: £4.8k). As at 30 September 2023 £0.4k was outstanding, but not overdue.

SUEL Limited, which is a wholly-owned subsidiary of the University of Sheffield, charged the Company with fees of £6.0k during the six months ended 30 September 2023 in relation to accounting services, all at arm's length (five months ended 30 September 2023: £2.8k, eleven months ended 31 March 2023: £9.8k). As at 30 September 2023 £3.0k 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 £25.9k during the six months ended 30 September 2023 in relation to property services, all at arm's length (five months ended 30 September 2023: £8.8k, eleven months ended 31 March 2023: £53.7k). As at 30 September 2023 £2.5k was outstanding, but not overdue.

Nexus Limited, which is a wholly-owned subsidiary of the University of Leeds, charged the Company with fees of £15.7k during the six months ended 30 September 2023 in relation to property services, all at arm's length (five months ended 30 September 2023: £0.0k, eleven months ended 31 March 2023: £9.6k). As at 30 September 2023 no amounts were outstanding or overdue.

Compensation to key management comprises costs relating 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:

	6 months ended 30 Sep 2023 £'000	5 months ended 30 Sep 2022 £'000	11 months ended 31 Mar 2023 £'000
Wages and salaries	839	468	2,060
Social security costs	112	65	275
Pension and other benefit costs	25	17	44
LTIP charge	(61)	45	74
Share-based payment charge	399	137	347
	1,314	732	2,800

Note 7 Contingent liabilities

During the period reported, the Company entered into an agreement with Lazard & Co. Limited ('Lazard'), which reduced the placement fees due to Lazard in respect of the recent capital raise by £488k. However, this amount will become payable to Lazard if the Company raises additional capital of at least £75 million in the future. The Company currently has no plans to raise additional capital and, as such, this amount is disclosed as a contingent liability and has not been recognised in the financial statements.

Note 8 Post-balance sheet events

All ordinary share capital called up, but not fully paid as at 30 September 2023 was fully paid in October 2023.

On 3 October 2023, Northern Gritstone Innovation Services Limited was incorporated and is a wholly owned subsidiary of Northern Gritstone Limited.

On 4 October 2023, Northern Gritstone Investment Manager Limited was incorporated and is a wholly owned subsidiary of Northern Gritstone Limited.

On 11 October 2023, the Company invested £470k into Mimetrik Solutions Limited.

On 17 November 2023, the Company invested £2.0m into Floreon Technology Limited.

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 interim report and accounts are set out below.

Metric	Definition	6 months ended 30 Sep 2023	5 months ended 30 Sep 2022	11 months ended 31 Mar 2023
Co-investment	Since the inception of Northern Gritstone to the reporting date, the value of capital invested by third party investors in funding rounds in which Northern Gritstone has participated and subsequently	£68.9m	£34.0m	£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 reporting date	7%	46%	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 reporting date	1.0x	1.1x	1.1x
Lifetime Establishment Costs	Cash costs incurred since inception to the reporting date which relate to the establishment of the Company, plus placement fees not yet paid / Total ordinary share capital subscriptions	2.4%	3.0%	2.9%
NAV & UOS per share	Net asset value and uncalled ordinary share capital / Total number of ordinary shares issued at the reporting date	£1.00	£1.05	£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 the reporting date	57	12	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 other accruals / Total ordinary share capital subscriptions	1.5%	1.6%	1.9%
Portfolio Valuation	The total value of equity investments at the reporting period date	£26.8m	£10.4m	£14.6m
Scope 1	Direct carbon dioxide equivalent emissions produced by the Company during the period reported	-	-	-
Scope 2	Indirect carbon dioxide equivalent emissions from the Company's consumption of purchased energy during the period reported	0.6 tCO ₂ e	0.1 tCO ₂ e	0.7 tCO ₂ e
Scope 3	Indirect carbon dioxide equivalent emissions that are linked to the Company's operations during the period reported	10.3 tCO ₂ e	7.2 tCO ₂ e	23.5 tCO ₂ e
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%	0.3%	0.1%

TABLE A

Net asset value and uncalled share capital per share

	At 31 Mar 2023 £	Additional capital called £	Additional share issue £	Movement in comprehensive income £	Other movement in equity £	At 30 Sep 2023 £
Net Asset Value ('NAV')	46,770,000	14,615,000	19,778,000	(1,646,000)	(88,000)	79,429,000
Uncalled ordinary share capital ('UOS')	116,920,000	(14,615,000)	46,147,000	-	-	148,452,000
Total ('NAV & UOS')	163,690,000	-	65,925,000	(1,646,000)	(88,000)	227,881,000
No. of ordinary shares	156,803,421	-	70,168,438	-	-	226,971,859
NAV & UOS per share (£)	1.04	n/a	n/a	n/a	n/a	1.00

TABLE B

Cashflow split by cost centre

6 months ended 30 Sep 2023 £'000	Establishment	Shareholder	Management	Investments / Capital	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from services	-	-	209	-	209
Cash paid to suppliers and employees	(354)	(161)	(2,046)	-	(2,561)
Net cash inflow / (outflow) from operating activities	(354)	(161)	(1,837)	-	(2,352)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	-	-	(1)	-	(1)
Purchase of equity investments	-	-	-	(12,497)	(12,497)
Net cash inflow / (outflow) from investing activities	-	-	(1)	(12,497)	(12,498)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of share capital	-	-	-	12,553	12,553
Fees paid directly attributable to the issue of share capital	-	-	-	-	-
Receipt / (repayment) of loans	-	-	-	-	-
Finance income / (costs)	-	303	-	-	303
Net cash inflow / (outflow) from financing activities	-	303	-	12,553	12,856
Net increase / (decrease) in cash	(354)	142	(1,838)	56	(1,994)

TABLE C

Adjusted cash costs as a % of ordinary share commitments

6 months ended 30 Sep 2023 £'000	Establishment	Shareholder	Management
Net increase / (decrease) in cash (see table B)	(354)	142	(1,838)
Adjustments:			
Payments relating to the 11 months ended 31 Mar 2023	-	-	664
Establishment costs incurred in prior periods	(2,658)	-	-
Placement fees not yet paid	(2,065)	-	-
Other accruals	-	-	(433)
Total adjustments	(4,723)	-	231
Adjusted net increase / (decrease) in cash ("Adjusted cash costs")	(5,077)	142	(1,607)
Annualised adjusted cash costs	n/a	284	(3,214)
Total ordinary share commitments	212,075	212,075	212,075
Adjusted cash costs / total ordinary share commitments	2.4%	n/a	n/a
Annualised adjusted cash costs / total ordinary share commitments	n/a	-0.1%	1.5%

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