

Product

## **Northern VCTs**

Tax Status

## **Venture Capital Trust**

Fund Group

## **Mercia Fund Management (previously NVM Private Equity)**

**Risk Warning**

This communication is provided for informational purposes only. This information does not constitute advice on investments within the meaning of Article 53 of the Financial Services and Markets Act (Regulated Activities) Order 2001. Should investment advice be required this should be sought from a FCA authorised person.

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## Table of Contents

RISK WARNINGS AND DISCLAIMERS .....	4
GENERAL RISK WARNINGS .....	4
ADDITIONAL RISK WARNINGS .....	4
Factsheet.....	5
Summary .....	5
Disclaimer .....	5
TER classification .....	6
Review based upon .....	6
Changes since the last review.....	6
The Offer.....	7
Track record .....	9
Manager .....	12
Costs .....	14
Conclusion .....	15

## RISK WARNINGS AND DISCLAIMERS

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## GENERAL RISK WARNINGS

Your attention is drawn to the following risk warnings which identify some of the risks associated with the investments which are mentioned in the Review:

### Fluctuations in value of investments

The value of investments and the income from them can go down as well as up and you may not get back the amount invested.

### Suitability

The investments may not be suitable for all investors and you should only invest if you understand the nature of and risks inherent in such investments and, if in doubt, you should seek professional advice before effecting any such investment.

### Past performance

Past performance is not a guide to future performance.

### Legislation

Changes in legislation may adversely affect the value of the investments.

### Taxation

The levels and the bases of the reliefs from taxation may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

## ADDITIONAL RISK WARNINGS

### Venture capital trusts

1. An investment in a VCT carries a higher risk than many other forms of investment.
2. A VCT's shares, although listed, are likely to be difficult to realise.
3. You should regard an investment in a VCT as a long term investment, particularly as regards a VCT's investment objectives and policy and the five year period for which shareholders must hold their ordinary shares to retain their initial income tax reliefs.
4. The investments made by VCTs will normally be in companies whose securities are not publicly traded or freely marketable and may therefore be difficult to realise and investments in such companies are substantially riskier than those in larger companies.
5. If a VCT loses its Inland Revenue approval tax reliefs previously obtained may be lost.
6. No investment can be made by the VCT in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous State Aid Risk Finance was received by the company within 7 years (10 years for a 'knowledge intensive' company) or where a turnover test is satisfied; and
7. No funds received from an investment by the VCT into a company can be used to acquire another existing business or trade.

## Factsheet

### Northern VCTS

<b>Type</b>	Generalist VCT with track record
<b>Size</b>	£36 million combined fundraise across the three VCTs (£15 million for each of Northern Venture Trust and Northern 2 VCT, with £6m for Northern 3 VCT). Prior to the fund raise, the Total Funds under Management for the Northern VCTS is £377m
<b>Manager</b>	Mercia Fund Management
<b>Sponsor</b>	Howard Kennedy Corporate Services LLP
<b>Registrars</b>	The City Partnership (UK) Limited
<b>Focus</b>	To generate tax free capital gains and regular dividend income for its shareholders through a diversified portfolio of VCT qualifying unquoted investments across a broad range of sectors
<b>Promoter</b>	Mercia Fund Management
<b>Funds initially invested</b>	Cash deposits and quoted investments
<b>Minimum investment</b>	£6,000 per tax year, excluding initial adviser charges
<b>Initial Closing Date</b>	31 March 2025 or when each individual offer becomes fully subscribed
<b>Issue costs</b>	2.5% of amount subscribed for direct investment and via advisory IFA's 5.0% of amount subscribed for investment via execution only discount brokers
<b>Loyalty discount</b>	A discount of 0.5% for existing Northern VCT shareholders
<b>Annual costs</b>	2.06% (payable by the VCTs, with a reduced rate of 1% above £20 million liquid assets in each VCT)
<b>Initial advisor charges</b>	If charged, these may be facilitated by the VCT on subscription.

## Summary

Table 1: Tax Efficient Review summary of offering Pros and Cons

PROs	CONs
<p>The exits which were generated in 2023 from Evotix and Lineup have been followed in 2024 by exits from portfolio companies Gentrionix and a full exit from Music Magpie</p> <p>Gentrionix was one of the largest holdings within the Northern VCTs and resulted in a 4.5x return for investors, showing the consistency of returns the Northern VCTs have displayed</p> <p>The Northern VCTs are a part of the Mercia Group which have £1.8 billion in funds under management and eleven regional offices around the UK to help generate dealflow</p>	<p>There are relatively high cash weightings in Northern VCT 2 and Northern VCT 3 which may affect the performance if deployment rates do not pick up</p> <p>On the flip side of the profitable exits made in the past year, there have also been losses occurring with a partial loss on Climbing Hangar and a write-off of website developer Nutshell</p> <p>Many of the holdings within the portfolio are still valued at cost, which Northern say reflects their conservative valuation policy, but this does drag down performance against their peers</p>

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## TER classification

TER classifies this VCT as a “Generalist VCT with track record” and Mercia are experienced fund managers within the VCT market. The Northern VCTs were managed by NVM Private Equity until

they were acquired by Mercia Fund Management in December 2019.

## Review based upon

TER always meet with fund managers prior to a review. This review is based on those meetings, the brochure for the Offer (dated 10 January

2025) and data provided by Mercia Fund Management.

## Changes since the last review

Peter Dines, Managing Director Mercia Ventures, continues to lead the VCT team.

A further experienced Portfolio Director has been appointed to work alongside Martijn Kleibergen and Nigel Owens who have joined the VCT team as Portfolio Directors over the last couple of years. Victoria Wiesener joined the VCT team in January 2024 from a similar role at ScaleUp Capital in London. Prior to this, Victoria has worked in Investment Banking at Morgan Stanley and then Private Equity with Apax Partners and has also been the CFO at several venture-backed busi-

nesses.

The VCT team itself now consists of 16 investment professionals (including Peter, Martijn, Nigel and Victoria). There are 14 Investment Executives within the VCT investment team, supported by Lisa Ward, Head of Portfolio Resourcing, as well as a VCT-dedicated Research Manager. There are also a further 13 members of the Mercia team supporting the VCT investment team, including Julian Viggars (Chief Investment Officer of the Mercia Group), James Sly (VCT Finance Director), Sarah Williams (Company Secretary

Table 2: **Funds under management as at 30 September 2024**

Product Name	Net assets £m	Annual Management fee	Still to be invested £m
<b>VCT FUNDS</b>			
Northern Venture Trust	119	2.15% Note 1	35
Northern 2 VCT	128	2.14% Note 1	50
Northern 3 VCT	130	2.19% Note 1	48
<b>NON VCT FUNDS THAT CAN CO-INVEST WITH VCT FUNDS</b>			
Proprietary Capital	187	0%	46
EIS funds	106	1.75%	27
Regional Funds (equity from BBB)	469	Not disclosed	Not disclosed
<b>NON VCT FUNDS THAT CANNOT CO-INVEST WITH VCT FUNDS</b>			
Private Equity Funds (EV Growth Fund)	26	Not disclosed	Not disclosed
Various debt funds (inc BBB and FDC)	672	Not disclosed	Not disclosed
<b>TOTAL UNDER MANAGEMENT</b>	<b>£1,837m</b>		

Note 1: 2.06%, but 1% on cash balances over £20m per VCT

Source: Mercia

and Group General Counsel), Gina Hood (EIS/VCT Operations Manager and Assistant Company Secretary) and Dr Paul Mattick (Head of Sales and Private Investor Relations).

Two experienced Operating Partners have also been working very closely with the VCT portfolio

companies over the past two years, successfully helping with sales and marketing functions as well as finance operations. With very strong links to the US, they have been invaluable in providing advice to the portfolio companies actually trading overseas or considering doing so.

## The Offer

Northern VCTs are returning to the fund raising market with this new issue seeking £15 million from each of Northern Venture Trust and Northern 2 VCT and £6 million from Northern 3 VCT. Giving a combined total fund raising of £36m across the three VCTs, but there is no over-allotment facility associated with this Offer.

This Offer is opening on 10th January 2025, but application forms are not being accepted until 14th January 2025. The reason for the slight staggering of these dates is simply to ensure fairness for those who elect to receive the Offer literature by post.

The Northern VCTs are all Generalist VCTs with a combined asset base of £377 million with the same investment strategy and similar portfolios. Investors should note that this offer is not linked and the investor can choose to invest in any or all of the Northern VCTs in any combination, subject to a minimum total application of £6,000. But it's important for financial advisers to note that the Offers are open for the current tax year only and will close no later than 31 March 2025, unless one or more Offers are fully subscribed by an earlier date.

The Northern VCTs are some of the longest standing VCTs in the market. Prior to 2015 the Northern VCTs focused on Management Buy Out (MBO) based investments, but (along with several other managers) changed their investment strategy in 2015 when the VCT rules were changed to exclude new MBO style investments.

In 2019 the Northern VCTs were acquired by Mercia Fund Management, who were well known in the regional early-stage investor (including EIS). This acquisition gave Mercia a significant boost in the VCT world and also provided a means of providing replacement capital via Mercia Asset Management PLC, and to provide follow on in-

vestments to investee companies.

An interesting feature of the Northern VCTs is that Mercia are the investment manager of the Northern 2 and Northern 3 VCTs, but not the original Northern Venture Trust, where the board themselves are the investment manager and Mercia are consultants to the manager. This is good from a corporate governance point of view.

When it comes to splitting potential investment companies between the Mercia EIS and the Northern VCTs, Mercia say that if an investee company requires more than £3 million of funding, then this could typically be funded from the VCTs rather than from the EIS, due to the size of the investment. We deal with this in more detail in the Track Record section of this review.

Each VCT offer is a further issue to invest into a mature portfolio with the potential for an immediate dividend stream and capital appreciation. The three VCTs have developed over much the same periods and 99% of the portfolio by cost relates to investments in common over all three VCTs (including all 55 unquoted companies). As a result, investors can buy into virtually identical portfolios in each of these three VCTs. However, Northern 3 VCT has a slightly higher proportion of investments in AIM-quoted companies with 5.7% of its current funds invested in AIM compared to 3.1% for Northern Venture Trust and 0.4% for Northern 2 VCT.

The funds still have seven MBO based, unquoted investments which were made prior to rule changes in 2015 and provide income from dividends and the potential of capital gain on exit to support the dividend payments over the next few years. These are currently valued at £24.7 million, plus a further 10 AIM-quoted investments valued at £7.5 million,



Since Mercia acquired the Northern VCT management contracts in 2019, the Northern VCTs have had a strong run of cash exits from realising 25 unquoted investments (including two partial exits) since January 2020. These 25 sales have realised significant cash returns of £250 million against their cost of investment, making an average 2.2x money multiple on these exits which has contributed to the Northern VCT dividends paid. In addition, there have been a further five quoted investments completely realised, providing proceeds of £9 million.

Recent exits in 2024 include the sale of the remaining holding of Music Magpie which generated a total 6.5x return on the cost of investment. There was also the exit of one of their largest holdings (in terms of percentage of AUM) of Gen-tronix, which generated a 4.5x return on cost.

### Investment Strategy

All of the Northern VCTs are generalist VCTs and have the same investment remit. The previous manager of this VCT, Northern Venture Managers (NVM) did have to adapt its approach to making qualifying investments in response to the new VCT rules introduced in November 2015. The new rules introduced in November 2015 required new investments by all the VCT industry to be made in younger and smaller companies for growth and development purposes.

However, the acquisition of the Northern VCTs by Mercia has not resulted in many changes, as the Mercia investment process is similar to that of NVM; so there has been little variation in the investment strategy since 2019. In fact, Mercia is a far more experienced early stage investor than NVM, and the current team is bigger and more experienced than when the VCT was managed by NVM.

Before qualifying investments are identified, the net proceeds from the offer will be invested by the VCTs in accordance with their respective published investment policies, initially in a portfolio of cash and a range of quoted securities.

Unquoted investments will be spread geographically over the United Kingdom and will not concentrate on any one specific industry sector. The Northern VCTs play to the strengths of Mercia's national network of offices in Newcastle upon Tyne, Hull, Leeds, Preston, Manchester, Sheffield, Nottingham, Henley-in-Arden, Birmingham, Bristol and London.

Over the last 29 years, the Northern VCTs have invested more than £580 million in 193 unquoted companies and more than £75 million in 84 quoted companies. Following the change in investment strategy in 2015, the VCTs have focused on providing scale-up capital for earlier stage businesses with growth potential. This involves an initial investment of £3 million - £6 million with the potential to rise up to £12 million in some companies. Since the VCT rule changes in 2015, the Northern VCTs have invested over £185 million initial investment in 64 new companies under the new rules, plus over £115 million follow-on in 41 of these 64 new VCT portfolio companies.

Across the existing portfolio there are 10 quoted companies with an unaudited valuation of £7.5 million, plus 55 unquoted companies with an unaudited valuation of £236.6 million of which £24.7 million relates to the Pre 2015 buyout portfolio. The legacy buyout investments only comprise 10% of the VCTs' unquoted investment portfolio (by value), and this percentage will reduce over time as further growth capital investments are made and as sales of investments under the previous strategy occur.

### Investment Structuring

Frequently, funds from the VCTs will be the first institutional investment in the business, where previously the business has been self-funded and/or supported by Angel investors. Investments will be made using a range of financial structures and instruments including:

Equity instruments which provide investor controls and protections, allowing the VCT manager significant influence over the company's plans and development.

Debt instruments, which may provide for priority repayment when the company exits thereby reducing the downside risk of the investment; and

Instruments which develop as the company matures, for example involving increased interest and dividend payments only once the company matures and has the capacity to pay.

In order to protect the downside risk of their investments the Northern VCTs have put in place either a 'sale preference' by which the VCTs recoup their investment in a priority position or have the protection of loan notes, or a combination of both sale preference and loan notes. Only four of the unquoted companies have no protection at all, meaning the VCTs rank *pari passu* with



other shareholders in these companies.

**Dividend Policy**

The three Northern VCTs have each paid dividends in the last year (see Table below),

All three VCTs have stated that future dividends may fluctuate because dividends from the new VCT portfolio will be more dependent on capital gains on exit. As a result, dividends have been set at a level which has regard to the company’s changing asset base and its recurring income which avoids, as far as possible, erosion of net asset value per share. The yield targets are subject to review, however they are currently set at 5% of opening NAV for Northern Venture Trust and Northern 2 VCT and 4.5% of opening NAV for Northern 3 VCT.

As can be seen from the table in the next column there have been a consistent level of dividends over the years with higher dividends driven from successful realisations.

Dividends in 12-month period			
	NVCT	N2VCT	N3VCT
2017	11.0p	10.5p	10.5p
2018	4.0p	5.5p	5.5p
2019	4.0p	4.0p	4.0p
2020	4.0p	3.5p	4.0p
2021	10.0p	7.5p	9.0p
2022	-	3.6p	5.0p
2023*	6.0p	3.3p	4.5p
2024	3.2p	3.0p	4.2p
<b>Total</b>	<b>42.2p</b>	<b>40.9p</b>	<b>46.7p</b>

Source: Mercia \*NVT 18-month period

**Share Buyback Policy**

The Northern VCTs, managed by Mercia, have a policy of buying back their shares in the market for cancellation or which are held in treasury (and hence available for re-issue). It is the VCTs’ aim that the discount to net asset value at which shares are bought back by the Company is around 5%.

At the time of this report, Northern Venture Trust and Northern 2 VCT were trading at just under a 5% discount to their respective NAV’s per share. Northern 3 VCT was trading at a discount of just over 5%. It is encouraging to see that the share buy-back policy is being effectively implemented for shareholders.

**Tax Efficient Review Strategy rating: 29] out of 30**

**Track record**

Our approach to comparing track records between providers is to use 3, 5 & 10-year measures of the annual increase in total return (calculated as closing net asset value less opening net asset value plus dividends paid during the period).

The results are in Table 3 and consist of results for each provider currently fund raising and their VCTs over a 3, 5 and 10-year period. Table 3 shows the Northern VCTs delivering a remarkably consistent level of returns over these three time-frames. They may not top any of the league tables in these time frames, but they have certainly provided consistent returns.

When looking at the breakdown of the performance over 3, 5 and 10 years, they have been consistent performers, but this is also reflected in the exits which they have managed to generate for shareholders. The details of these exits are contained in Table 7 in the appendix, and it shows that even in the difficult trading years of 2022 and 2023, when profitable exits from VCT backed companies were rare, the Northern VCTs still managed to deliver some.

The sum of the positions of the track records in years 3, 5 and 10 are seen in Table 4. Northern (seen here as Mercia, their parent company) are mid-table in comparison with their peer group.

Table 3: Generalist VCT provider 3,5 &amp; 10 year performance comparison

VCT manager (alphabetical order)	VCT name	Data as at	Annual return over last 3 years	Annual return over last 5 years	Annual return over last 10 years
ALBION	Albion VCT	30/06/2024	0.7%	1.3%	5.3%
	Albion Technology & General VCT	30/06/2024	3.6%	4.2%	5.2%
	Albion KAY VCT	30/06/2024	4.7%	6.4%	7.5%
	Albion Development VCT	30/06/2024	6.2%	7.7%	9.2%
	Albion Crown VCT	30/06/2024	3.7%	5.1%	7.2%
	Albion Enterprise VCT	30/06/2024	7.0%	8.1%	9.8%
BARONSMEAD	Baronsmead Second Venture Trust	31/07/2024	-4.3%	2.5%	2.7%
	Baronsmead Venture Trust	31/07/2024	-3.7%	2.3%	2.8%
BERINGEA	ProVen Growth & Income New	31/05/2024	1.1%	1.5%	2.5%
	ProVen VCT	31/05/2024	0.7%	1.2%	3.9%
BLACKFINCH	Blackfinch Spring VCT	30/09/2024	6.3%		
CALCULUS	Calculus VCT plc New Ord share	30/06/2024	1.9%	0.4%	
FORESIGHT	Foresight VCT	30/06/2024	11.1%	10.3%	5.9%
	Foresight Enterprise VCT	30/06/2024	8.5%	6.7%	1.9%
MAVEN	Maven Income & Growth VCT	31/08/2024	1.2%	2.0%	3.5%
	Maven Income & Growth VCT 4	30/06/2024	0.3%	2.4%	2.7%
	Maven Income & Growth VCT 3	31/08/2024	0.4%	2.9%	3.5%
	Maven Income & Growth VCT 5	31/08/2024	0.9%	3.7%	4.5%
MERCIA	Northern Venture Trust VCT	30/06/2024	-1.6%	4.6%	4.6%
	Northern 3 VCT	30/06/2024	-0.6%	4.8%	4.8%
	Northern 2 VCT	30/06/2024	-0.5%	4.7%	4.5%
MOBEUS	Income & Growth VCT	30/06/2024	0.4%	10.5%	5.9%
	Mobeus Income & Growth VCT	30/06/2024	0.5%	9.5%	6.1%
MOLTEN	Molten Ventures VCT	31/03/2024	3.8%	1.6%	3.0%
OCTOPUS	Octopus Apollo VCT	31/07/2024	6.3%	9.1%	3.0%
	Octopus Titan VCT	30/06/2024	-11.9%	-1.9%	2.2%
PEMBROKE	Pembroke VCT B share	30/06/2024	-0.4%	3.7%	
PUMA	Puma Alpha VCT	31/05/2024	-0.1%		
	Puma VCT 13	31/05/2024	4.9%	12.3%	
SENECA	Seneca Growth Capital VCT B shares	30/06/2024	-12.3%	-5.5%	
TRIPLE POINT	Triple Point Venture VCT Venture shares	31/05/2024	1.8%	1.9%	
YFM	British Smaller Companies VCT	30/06/2024	6.3%	11.6%	6.8%
	British Smaller Companies VCT 2	30/06/2024	5.4%	10.1%	6.4%

Source: Tax Efficient Review calculation based on dividend and Net Asset Value data from public accounts

Calculation: (Closing period NAV less Opening period NAV plus dividends paid in the period) divided by number of years in the period

Figures do not include tax relief

Report produced 21/12/2024

Table 4: **Provider results comparison**

PROVIDER	AVERAGE SCORE BASED ON PLACE IN PEER GROUP (lower is better)
<b>YFM</b>	5
<b>FORESIGHT</b>	8
<b>ALBION</b>	10
<b>OCTOPUS APOLLO</b>	10
<b>MOBEUS</b>	11
<b>MERCIA</b>	18
<b>MOLTEN</b>	19
<b>OCTOPUS TITAN</b>	18
<b>MAVEN</b>	20
<b>BERINGEA</b>	22
<b>BARONSMEAD</b>	24

Calculation as at 21/12/2024 and based on results in Table 3 for providers with ten year performance. In order to reduce the data down to one figure, each VCTs' position in the Table 3 results is scored from 1 (first in the year) to the total number of VCTs in the analysis for the period (lower numbers are better), added together and then averaged over the three periods being measured

But this reflects that a lot of the investments seen in table 8 in the appendix are valued at or near cost. Northern say reflects their conservative valuation policy, but this does drag down performance against their peers

Valuing unquoted venture capital backed companies can be a nightmare of interpretation and analysis. The way the Northern VCTs structure their investments is with a high degree of reliance upon preference shares (which confer some form of "liquidation preference") within the structure of the investment. To be clear, this is not a debt structure, but as the name suggests, it does give the investor in the preference shares a preference (or priority) on returns in the event of a sale.

Preference shares can be Participating (known as "hard" preference) or non-Participating (known as "soft" preference). Participating refers to whether after recouping any funds in preference to other shares, the shares continue to share in any funds still available.

For example, a Venture Capital investor may invest £5 million into a company as non-participating preference shares with a 1x liquidation preference which have a priority on the first £5 million (driven by the 1x preference) in the event of the sale of that company to a trade purchaser.

So (assuming no other share class has a priority position) if the company is sold for only £5 million, the investor will get their investment back but the other equity holders will get nothing. But if the company were sold for, say £15 million, then the preference shareholder would receive their £5 million preference first and then the remaining £10 million would be split across the remaining shareholder(s) as a normal equity participation.

Clearly, there are many, many ways in which preference shares can be structured in terms of the rights and return profile they give the investor/shareholder, and it's part of the negotiation of an investor when they come to put money into a Venture Capital/Private Equity company.

But TER would like to point out that these preference share structures do not provide any form of safety net or guarantees. If a company with preference shares in its equity structure folds with a nil value, then there is no recourse to take any preference on any remaining value.

Why is this important for the performance of comparing Northern VCTs to other VCTs which might not use preference shares? Well, the preference shares mean that the Northern VCTs performance would be more "static" compared to

others which do not use preference shares.

Whilst preference shares typically help to give a priority recoupment on a sale of a company, they also can have a reduced upside in exchange for this priority return. Tables 8,9 and 10 include a column indicating the type of shares held: of the 55 holdings over all three VCTs, 8 were plain equity, 9 were participating preference ordinary shares and the majority (38) were on-participating ordinary shares.

The three Northern VCTs have a high level of commonality across their performance profiles which reflects the similarity of the underlying investment portfolios across these VCTs.

As can be seen in Table 3, they have performed well over the 3-year time scale but are behind the levels achieved by some of the other generalist VCTs.

In order to reduce the data down to one figure we score each VCTs' position in the results from 1 to the total number of VCTs in the analysis (lower positions are better), add them together and take an average over the three periods being measured. The results are in Table 4.

This analysis shows Northern VCT performance over 3, 5 and 10 years has put it in mid-way of our table based on our approach to calculating performance.

Overall, whilst the unlisted venture portfolio has remained largely resilient to macroeconomic pressures, there has been a significant downturn in the quoted markets, most notably in technology stocks, which provide benchmark pricing for much of the unquoted portfolio. The down-valuation of the marked-to-market listed assets, in particular of the AIM stocks, has counteracted good returns from several unquoted realisations.

Table 5 shows the sector split of the Northern VCT portfolio, with software & computer services

and pharmaceutical & biotechnology companies making up the majority of the investee companies. Which is in line with many of their generalist VCT peers

Table 6 shows the split of the investment portfolio by the stage of the investment, with the majority being in later stage, pre-profitable companies.

Table 7 is a key table as it shows the recent exits (including write-offs) achieved in the past three years. There have been notable positive exits from companies such as Evotix, Lineup, Gentronix, Knowledgemotion and Intechnica, as well as the long standing investment in Weldex which was originally in 1996, refinanced in 2010 and then fully exited in September 2023.

There has also been the realisation of the remaining investment in Music Magpie, which was delisted off the AIM market when it was acquired by AO World.

As would be expected in a portfolio of this size, there have also been some losses and write-offs. The company Climbing Hangar generated a 0.7x return on investment, which Northern say is unfortunate as the company was trading well, but the VCT rules on the timing of investments essentially meant that the Northern VCTs were unable to provide follow-on capital. So in the end they were faced with exiting rather than a potential slow dilution of their holding over time. Nutshell was an on-line website development company which was written off.

Overall the track record, and in particular the consistency of the profitable exits which have been delivered, is something which the team at Northern should be proud of delivering to shareholders.

**Tax Efficient Review Track Record rating: 33 out of 40**

## Manager

Mercia took over management of the Northern VCTs in December 2019. Mercia is an AIM-quoted asset management group with over 15 years' experience providing capital to high-growth SMEs in the UK regions.

They are focused on making early-stage investments from both managed funds and also directly from their balance sheet. Mercia currently has £1.8 billion of assets under management, of which £377 million comes from the Northern VCTs.

Mercia have a large number of potential sources to fund investment in unquoted companies, including various EIS and venture funds, as well as regional funds and also the balance sheet of Mercia itself. The VCTs work alongside these funds, supporting SMEs throughout the UK and providing appropriate funding for high growth companies.

Mercia has dedicated teams for each fund and also have a Co-investment Conflict of Interest & Allocation Policy in place to satisfy the boards of the Northern VCTs that all funds are treated fairly. It will be quite rare for the VCT and EIS funds to co-invest on an initial investment but the EIS funds are likely to provide an additional source of dealflow for the Northern VCTs.

One such co-invest case is VoxPopMe in which the Northern VCTs co-invested with Mercia Asset Management balance sheet, the Mercia EIS fund and also US-based Origin. More recently, the Northern VCTs have also co-invested with funding from Mercia's balance sheet in digital forensics company Forensic Analytics (£4.5 million funding round), where the balance sheet provided replacement capital on the same terms as the Northern VCTs. In addition there has also been co-investment with Mercia's balance sheet in Manchester-based SaaS business Pimberly (£4.2 million funding round).

The VCT team will source deals independently from Mercia's other third party funds and, as both the investment policy and the investment size differ from the other managed funds, internal co-investment is most likely to occur only in circumstances where the initial investment size requires syndication.

- **Peter Dines Managing Director** - Peter is an entrepreneur turned venture fund manager

who founded Surgi C in 2006 (a spinal implant medical device company which he built up over six years before successfully selling) and then went on to co-found a fast-growing diagnostic service company C7 Health Limited which exited in 2022. Peter joined Mercia shortly after its IPO in February 2015 and now leads the VCT team within Mercia as the MD of Mercia Ventures

- **Martijn Kleibergen, Portfolio Director** - joined the VCT team in 2022. Martijn graduated from Erasmus University Rotterdam where he holds a Masters degree in Economics. Having been trained as a banker originally, Martijn spent most of his career at Octopus Investments where he held a number of board positions with various early-stage companies and was a member of the Investment Committee. Prior to joining Mercia, Martijn worked at Pollen Street Capital as a Senior Originator as part of its Private Credit strategy focussing on Speciality Finance transactions in the Electric Vehicle, SME lending and Renewable Energy sectors
- **Nigel Owens, Portfolio Director** - joined the VCT team in 2023 from the Mercia Group's Direct Investment team. Nigel has over 17 years' experience in venture capital and private equity. He started his career at Deloitte advising investors, and prior to joining Mercia, was a partner at YFM Equity Partners where he worked at originating and completing new investments, as well as managing acquisitions, realisations and fundraisings. He trained as an engineer, holds an MBA and has experience in investments in software, data, engineering, support services, telecoms, chemicals and technology companies
- **Victoria Wiesner, Portfolio Director** - joined the VCT team in 2024. Victoria started her career in Investment Banking with Morgan Stanley and then Private Equity with Apax Partners. She has since held senior operational roles across various industries, including that of CFO within several Venture-backed businesses. Prior to joining Mercia, Victoria was a Portfolio Director at ScaleUp Capital in London
- **Lisa Ward, Head of Portfolio Resourcing** - joined Mercia in 2011 from the business growth services team at Grant Thornton. She



leads Mercia's portfolio resourcing functions and its non-executive director networks

- **Stephen Johnson, Investment Director** - joined the VCT team in 2019 after a career in IT consulting with Capgemini and as a senior consultant with Agile Solutions. He is responsible for sourcing investment activity in the Midlands and has a specific interest in deep tech, IT and IT enabled business, SaaS and technology-based solutions to business challenges
- **Hugo Lough, Investment Director** - joined the VCT team in 2021, following four years working in the growth capital team at finnCap, advising private UK businesses on their funding options. During this time Hugo advised numerous companies across the consumer and technology sectors on funding for both organic and acquisitive growth

In addition, Julian Viggars, the Chief Investment Officer at Mercia Group, oversees all investments and provides additional expertise from his long-standing venture career.

Over the last three years, the Northern VCT team has been strengthened, with the appointment of

## Costs

Initial costs - the initial charge is 2.5% for direct and advised applications, or 5.0% for execution only. Introductory commissions of 2.5% initial plus trail of 0.4% for up to five years are payable to authorised advisers who submit applications on an execution only basis

Trail commissions paid to execution only brokers and 50% of the costs of the loyalty discount are met by the Manager rather than the VCTs themselves.

Annual management fee: annual running costs are capped at 2.9% of net assets for all of the VCTs, any excess being borne by Mercia by way of a reduction of their fees

In the last financial year, annual running costs were significantly lower than the cap at 2.45% of average net assets for NVT, 2.27% for N2VCT and 2.27% for N3VCT.

Performance fee: the Manager is entitled to receive a performance-related management fee from each VCT, calculated as follows: 14% of the amount, if any, by which the increase in Total Return in each financial year (expressed as NAV growth and dividends paid,

professionals to identify prospective investments and also help the portfolio companies to scale up their operations.

Mercia say there is also substantial 'Added Value' resource available from the Mercia group to assist with investment decisions as well as guide the portfolio companies in addition to support from the existing Mercia venture team if needed.

The Northern VCT investment team has doubled in size to 16 full-time equivalent dedicated VCT employees and the time allocation of key members focused on sourcing and making new investments is indicated in Table 11.

The size of the investing challenge for an investment team depends on: funds already raised and requiring investing, upcoming exits that will require reinvesting and the impact of new funds being raised. These all need to be considered within the VCT investment rules. But the team in place are of a size to handle the potential £36 million fund-raising and also have the resources of the Mercia Group to call upon.

**Tax Efficient Review Team rating: 18 out of 20**

as of 31 March each year) exceeds an annual performance hurdle. The hurdle rate is 5% of opening NAV per share.

Mercia have said that there were no invoices made in the most recent accounting period for performance fees across the three Northern VCTs.

The Manager also usually charges an arrangement fee, payable by each Investee Company, of approximately 2% on each investment made and is entitled to any monitoring fees in respect of the Manager's representation on the boards of Investee Companies. The level of monitoring and arrangement fees are declining in line with the broader venture capital market.

**Tax Efficient Review Cost rating: 8 out of 10**

## Conclusion

The Northern VCTs have returned to the fund raising market with this Offer which looks to raise £36m across the three Northern VCTs. This is split £15m each for Northern VCT and Northern VCT 2, plus £6m for Northern VCT 3. It's important to note that there is no over-allotment facility for this Offer and the Offer is looking to close on 31st March 2025, or when fully subscribed (if this occurs earlier).

Since late 2019 the Northern VCTs have been part of the Mercia Group, who are also large EIS managers, and the performance of the Northern VCTs has remained strong over this time. The management team, headed up by Peter Dines, have consistently delivered profitable exits over recent years, even at times when there were hardly any profitable exits to write about. Most recently the Northern VCTs have seen the exit of their largest holding (by percentage of AUM) Gentronix, which generated a 4.5x return on cost, as well as the realisation of the remaining holding in Music Magpie (generating a combined 6.5x return).

There have, as is expected in an investment portfolio of this size, been investments which have recently been written off such as Nutshell (online web developer), and a partial loss with Climbing Hangar. This last one was interesting as the business has been performing well, but due to VCT rules on investment time scales, the Northern VCTs were unable to provide follow-on investments. Given the delaying effect of the COVID years of 2020/2021, hopefully this is something which will be amended in future legislation on VCTs.

In summary, the Northern VCTs have continued to provide excellent good value for their shareholders. Whilst some of their profitable exits have not hit the high multiples seen elsewhere of late, it is the number and the consistency of the exits, even over difficult trading periods, which the team at Northern should feel proud of delivering. We expect this Offer to be popular with advisers in the run up to the end of the tax year.

**Tax Efficient Review rating: 88 out of 100 (for a Generalist VCT with track record)**



Table 5: Northern VCTs unquoted analysis of sector (% of original cost) as at 30 September 2024

Sector	
Software & Computer Services	53.5%
Pharmaceuticals & Biotechnology	19.4%
Support Services	9.3%
Travel & Leisure	6.3%
Personal Goods	2.0%
Food Producers	1.9%
Chemicals	1.6%
General Retailers	1.4%
Food & Drug Retailers	1.3%
Automobiles & Parts	1.2%
Household Goods	1.0%
Technology Hardware & Equipment	0.8%
Electronic & Electrical Equipment	0.3%
<b>TOTAL</b>	<b>100%</b>

Source: Mercia

Table 6: Northern VCTs unquoted portfolio analysis of investment stage (% of original cost) as at 30 September 2024

STAGES	
Early Stage, Seed	-
Early Stage, Pre-Revenue	18%
Later Stage, Pre-profit expansion	61%
Later Stage, Profitable expansion	12%
Mature stage, Turn-arounds	-
Mature stage, MBO	9%
Mature stage, MBI	-
	<b>100%</b>

Source: Mercia

**Table 7 (1 of 2): Exits achieved in the last 3 years by Northern VCTs as at 31 July 2024**

Investee Company Name	No.1 Lounges	Knowl- edgem- tion	Channel Mum	Intechnica	Lineup	Axial	Evotix
Date of investment	Mar-14	Jul-17	Aug-16	Dec-21	Dec-11	Mar-08	Feb-18
Structure of investment (Equity/Debt)	Equity / Debt	Equity	Equity	Equity	Equity	Equity / Debt	Equity
Financing stage when first invested	MBO	Early stage	Early stage	Early stage	Early stage	MBO	Early stage
Amount VCT originally invested (£000)	5,731	3,000	2,000	770	2,923	3,300	2,796
Date of exit	Jan-22	Jun-22	Nov-22	Jan-23	Mar-23	Mar-23	May-23
Further investment amounts (if any) (£000)	1,000	2,422	2,064	0	0	300	4,975
Realisations	1,083	9,300	0	1,786	22,664	2,061	37,773
<b>Money multiple</b>	<b>0.2</b>	<b>1.7</b>	<b>0.0</b>	<b>2.3</b>	<b>7.8</b>	<b>0.6</b>	<b>4.9</b>
Length of investment (years)	7	4	6	1	11	15	5

**Table 7 (2 of 2): Exits achieved in the last 3 years by Northern VCTs as at 31 July 2024**

Investee Company Name	Weldex	Haystack Dryers	Medo- vate	Sorted	Gentro- nix	Nutshell	Music Magpie	Climbing Hangar
Date of investment	May-96	Nov-12	Nov-17	Apr-16	Feb-07	Mar-20	Sept-15	Aug-18
Structure of investment (Equity/Debt)	Equity / Debt	Equity / Debt	Equity / Debt	Equity / Debt	Equity / Debt	Equity / Debt	Equity / Debt	Equity / Debt
Financing stage when first invested	Expansion	MBO	Early stage	Expansion	Early stage	Expansion	MBO	Expansion
Amount VCT originally invested (£000)	600	3,432	4,475	2,480	495	995	4,474	2,976
Date of exit	Sep-23	Dec-23	Nov-23	Jan-24	Sep-24	Sep-24	Dec-24	Oct-24
Further investment amounts (if any) (£000)	0	1,020	497	5,799	2,836	1,078	0	7,937
Realisations	5,919	739	254	500	14,918	0	28,892	7,955
<b>Money multiple</b>	<b>9.9</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>4.5</b>	<b>0.0</b>	<b>6.5</b>	<b>0.7</b>
Length of investment (years)	27	11	5	7	17	4	9	6

Source: Mercia

Table 8: Northern VCT unquoted portfolio analysis for Tax Efficient Review as at 30 September 2024

Investee name	Amount invested £000	Current Value £000	Date of this investment	Syndicated	Lead investor	Structure of investment (ordinary shares, soft non-participating, hard participating)	Industry sector	Financing stage	Valuation method	Multiple of cost
Volumatic Holdings	216	1,869	Apr-10	N	Y	Plain equity	Electronic & Electrical Equipment	Mature stage, MBO	Note 1	8.66
Pure Pet Food	1,662	4,208	Mar-19	Y	N	Non-participating pref	Food Producers	Later Stage, Pre-profit expansion	Note 2	2.53
Project Glow (was Currentbody)	1,686	3,854	Mar-18	Y	N	Participating pref	Personal Goods	Later Stage, Profitable expansion	Note 1	2.29
Seahawk Bidco	513	993	Sep-15	Y	N	Non-participating pref	Software & Computer Services	Mature stage, MBO	Note 1	1.93
Rockar	1,877	3,448	Jul-16	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Profitable expansion	Note 1	1.84
Buoyant Upholstery	923	1,624	Jul-13	N	Y	Plain equity	Household Goods	Mature stage, MBO	Note 1	1.76
Ridge Pharma	1,497	2,585	Sep-18	N	Y	Plain equity	Pharmaceuticals & Biotechnology	Later Stage, Profitable expansion	Note 1	1.73
Pimberly	2,060	3,500	Oct-21	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.70
Moonshot	1,329	1,906	Mar-21	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Profitable expansion	Note 1	1.43
Turbine	1,433	1,626	Oct-22	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 3	1.14
Duke & Dexter	1,237	1,272	Aug-19	Y	N	Non-participating pref	General Retailers	Later Stage, Pre-profit expansion	Note 2	1.03
Naitive Technologies	1,836	1,887	May-21	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 3	1.03
Broker Insights	2,076	2,118	Dec-21	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.02
Axis Spine	955	955	Oct-22	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 3	1.00
Camena Bioscience	1,594	1,594	Apr-23	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Centuro Global	1,038	1,038	Mar-23	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
CultureAI	1,324	1,324	Jun-24	Y	N	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Enate	1,516	1,516	Apr-20	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Profitable expansion	Cost	1.00
Forensic Analytics	2,016	2,016	Dec-21	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
iOpt	941	941	Dec-23	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Locate Bio	1,753	1,753	Aug-21	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Log My Care	1,950	1,950	Jun-22	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Netacea	2,631	2,631	Dec-21	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Newcells Biotech	3,011	3,011	Jun-18	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Later Stage, Pre-profit expansion	Cost	1.00

Table 8: Northern VCT unquoted portfolio analysis for Tax Efficient Review as at 30 September 2024

Investee name	Amount invested £000	Current Value £000	Date of this investment	Syndicated	Lead investor	Structure of investment (ordinary shares, soft non-participating, hard participating)	Industry sector	Financing stage	Valuation method	Multiple of cost
Promethean Particles	1,281	1,281	Jul-24	Y	Y	Non-participating pref	Chemicals	Early Stage, Pre-Revenue	Cost	1.00
Risk Ledger	1,412	1,412	Aug-23	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Send	974	974	Nov-22	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Ski Zoom (t/a Heidi)	1,404	1,404	Jun-24	Y	Y	Participating pref	Travel & Leisure	Later Stage, Pre-profit expansion	Cost	1.00
Social Value Portal	1,573	1,573	Feb-23	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Sorted Holdings	182	182	Apr-16	Y	N	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Synthesized	510	510	Dec-21	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Tozaro	1,025	1,025	Feb-24	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Tutora (t.a. Tutorful)	3,305	3,305	Oct-19	N	Y	Non-participating pref	Support Services	Later Stage, Pre-profit expansion	Note 3	1.00
Voxpopme	1,660	1,660	Sep-19	Y	N	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.00
Warwick Acoustics	964	964	Mar-24	N	Y	Participating pref	Automobiles & Parts	Later Stage, Pre-profit expansion	Cost	1.00
Wobble Genomics	968	968	Dec-23	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Wonderush (t/a Hownow)	947	947	Jan-23	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Optellum	1,276	1,276	Sep-22	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Later Stage, Pre-profit expansion	Cost	1.00
Clarilis	1,972	1,972	Jun-18	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Biological Preparations Group	2,366	2,222	Jun-13	N	Y	Plain equity	Support Services	Mature stage, MBO	Note 4	0.94
Intuitive Holding	1,674	1,501	Dec-12	N	Y	Non-participating pref	Software & Computer Services	Mature stage, MBO	Note 4	0.90
Oddbox	1,093	833	Mar-20	Y	N	Plain equity	Food & Drug Retailers	Later Stage, Profitable expansion	Note 4	0.76
GRIP-UK (t.a. The Climbing Hangar)	3,885	2,821	Aug-18	N	Y	Non-participating pref	Travel & Leisure	Later Stage, Pre-profit expansion	Note 5	0.73
Administrate	2,906	2,050	Dec-18	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 6	0.71
Atlas Cloud	704	387	Feb-20	N	Y	Plain equity	Software & Computer Services	Later Stage, Pre-profit expansion	Note 3	0.55
Fresh Approach (UK) Holdings	897	440	Jun-14	N	Y	Plain equity	Support Services	Mature stage, MBO	Note 4	0.49
Sen	681	296	Jun-22	Y	Y	Plain equity	Technology Hardware & Equipment	Early Stage, Pre-Revenue	Note 5	0.44
Contego Solutions (t.a. NorthRow)	1,496	624	Jul-17	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 4	0.42

Table 8: Northern VCT unquoted portfolio analysis for Tax Efficient Review as at 30 September 2024

Investee name	Amount invested £000	Current Value £000	Date of this investment	Syndicated	Lead investor	Structure of investment (ordinary shares, soft non-participating, hard participating)	Industry sector	Financing stage	Valuation method	Multiple of cost
ThanksBox (t.a. Mo)	1,685	413	Dec-18	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 4	0.25
Upp Technologies	2,369	568	Aug-17	Y	N	Non-participating pref	Software & Computer Services	Early Stage, Pre-Revenue	Note 5	0.24
Arnlea Holdings	1,305	241	May-14	N	Y	Non-participating pref	Software & Computer Services	Mature stage, MBO	Note 4	0.18
Customs Connect Group	1,525	130	Aug-16	N	Y	Non-participating pref	Support Services	Later Stage, Profitable expansion	Note 4	0.09
Ablatus Therapeutics	612	-	Apr-18	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 4	-
Adludio	2,927	-	Aug-21	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 4	-
Quotevine	1,311	-	May-19	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 4	-
<b>TOTALS</b>	<b>£83.9m</b>	<b>81.6m</b>								<b>0.97</b>

Note 1 Uplift in value, manager valuation based on discounted cash flows, revenue or earnings of underlying business  
 Note 2 Uplift in value, manager valuation based on price of recent funding round which included new external investor(s)  
 Note 3 Note 3  
 Note 4: Reduction in value, manager valuation based on discounted cash flows, revenue or earnings of underlying business  
 Note 5: Reduction in value, manager valuation based on price of recent funding round which included new external investor(s)  
 Note 6: Reduction in value manager valuation based on discounted cash flows of the investment  
 Source Mercia

Table 9: Northern 2 VCT unquoted portfolio analysis for Tax Efficient Review as at 30 September 2024

Investee name	Amount invested £000	Current Value £000	Date of this investment	Syndicated	Lead investor	Structure of investment (ordinary shares, soft non-participating, hard participating)	Industry sector	Financing stage	Valuation method	Multiple of cost
Volumatic Holdings	216	1,869	Apr-10	N	Y	Plain equity	Electronic & Electrical Equipment	Mature stage, MBO	Note 1	8.66
Pure Pet Food	1,504	3,807	Mar-19	Y	N	Non-participating pref	Food Producers	Later Stage, Pre-profit expansion	Note 2	2.53
Project Glow (was Currentbody)	1,544	3,530	Mar-18	Y	N	Participating pref	Personal Goods	Later Stage, Profitable expansion	Note 1	2.29
Seahawk Bidco	479	926	Sep-15	Y	N	Non-participating pref	Software & Computer Services	Mature stage, MBO	Note 1	1.93
Rockar	1,766	3,244	Jul-16	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Profitable expansion	Note 1	1.84
Buoyant Upholstery	831	1,463	Jul-13	N	Y	Plain equity	Household Goods	Mature stage, MBO	Note 1	1.76
Ridge Pharma	1,387	2,396	Sep-18	N	Y	Plain equity	Pharmaceuticals & Biotechnology	Later Stage, Profitable expansion	Note 1	1.73
Pimberly	1,876	3,188	Oct-21	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.70
Moonshot	1,235	1,771	Mar-21	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Profitable expansion	Note 1	1.43
Turbine	1,503	1,706	Oct-22	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 2	1.14
Duke & Dexter	1,132	1,164	Aug-19	Y	N	Non-participating pref	General Retailers	Later Stage, Pre-profit expansion	Note 2	1.03
Naitive Technologies	1,706	1,754	May-21	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 2	1.03
Broker Insights	1,961	2,001	Dec-21	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.02
Promethean Particles	1,333	1,333	Jul-24	Y	Y	Non-participating pref	Chemicals	Early Stage, Pre-Revenue	Cost	1.00
Axis Spine	1,002	1,002	Oct-22	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Camena Bioscience	1,702	1,702	Apr-23	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Centuro Global	1,109	1,109	Mar-23	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.00
CultureAI	1,376	1,376	Jun-24	Y	N	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00

Table 9: Northern 2 VCT unquoted portfolio analysis for Tax Efficient Review as at 30 September 2024

Investee name	Amount invested £000	Current Value £000	Date of this investment	Syndicated	Lead investor	Structure of investment (ordinary shares, soft non-participating, hard participating)	Industry sector	Financing stage	Valuation method	Multiple of cost
Estate	1,394	1,394	Apr-20	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Profitable expansion	Note 1	1.00
Forensic Analytics	1,836	1,836	Dec-21	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
iOpt	1,006	1,006	Dec-23	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Locate Bio	1,597	1,597	Aug-21	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Log My Care	1,842	1,842	Jun-22	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Netacea	2,486	2,486	Dec-21	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Newcells Biotech	2,741	2,741	Jun-18	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Later Stage, Pre-profit expansion	Cost	1.00
Risk Ledger	1,509	1,509	Aug-23	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Send	1,023	1,023	Nov-22	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Ski Zoom (t/a Heidi)	1,459	1,459	Jun-24	Y	Y	Participating pref	Travel & Leisure	Later Stage, Pre-profit expansion	Cost	1.00
Social Value Portal	1,680	1,680	Feb-23	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Sorted Holdings	164	164	Apr-16	Y	N	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Synthesized	482	482	Dec-21	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Tozaro	1,094	1,094	Feb-24	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Tutora (t.a. Tutorful)	3,023	3,023	Oct-19	N	Y	Non-participating pref	Support Services	Later Stage, Pre-profit expansion	Cost	1.00
Voxpopme	1,518	1,518	Sep-19	Y	N	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.00
Warwick Acoustics	1,002	1,002	Mar-24	N	Y	Participating pref	Automobiles & Parts	Later Stage, Pre-profit expansion	Cost	1.00



Table 9: Northern 2 VCT unquoted portfolio analysis for Tax Efficient Review as at 30 September 2024

Investee name	Amount invested £000	Current Value £000	Date of this investment	Syndicated	Lead investor	Structure of investment (ordinary shares, soft non-participating, hard participating)	Industry sector	Financing stage	Valuation method	Multiple of cost
Wobble Genomics	1,034	1,034	Dec-23	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Wonderush (t/a Hownow)	1,009	1,009	Jan-23	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Optellum	1,206	1,206	Sep-22	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Later Stage, Pre-profit expansion	Cost	1.00
Clarilis	1,828	1,828	Jun-18	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Biological Preparations Group	2,166	2,028	Jun-13	N	Y	Plain equity	Support Services	Mature stage, MBO	Note 3	0.94
Intuitive Holding	1,508	1,352	Dec-12	N	Y	Non-participating pref	Software & Computer Services	Mature stage, MBO	Note 3	0.90
Oddbox	1,002	762	Mar-20	Y	N	Plain equity	Food & Drug Retailers	Later Stage, Profitable expansion	Note 3	0.76
GRIP-UK (t.a. The Climbing Hangar)	3,536	2,568	Aug-18	N	Y	Non-participating pref	Travel & Leisure	Later Stage, Pre-profit expansion	Note 4	0.73
Administrate	2,629	1,855	Dec-18	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 5	0.71
Atlas Cloud	648	355	Feb-20	N	Y	Plain equity	Software & Computer Services	Later Stage, Pre-profit expansion	Noye 2	0.55
Fresh Approach (UK) Holdings	884	434	Jun-14	N	Y	Plain equity	Support Services	Mature stage, MBO	Note 3	0.49
Sen	643	280	Jun-22	Y	Y	Plain equity	Technology Hardware & Equipment	Early Stage, Pre-Revenue	Note 4	0.44
Contego Solutions (t.a. NorthRow)	1,406	586	Jul-17	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 3	0.42
ThanksBox (t.a. Mo)	1,524	374	Dec-18	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 3	0.25
Upp Technologies	2,223	532	Aug-17	Y	N	Non-participating pref	Software & Computer Services	Early Stage, Pre-Revenue	Note 4	0.24
Arnlea Holdings	1,287	238	May-14	N	Y	Non-participating pref	Software & Computer Services	Mature stage, MBO	Note 3	0.18
Customs Connect Group	1,433	122	Aug-16	N	Y	Non-participating pref	Support Services	Later Stage, Profitable expansion	Note 3	0.09
Ablatus Therapeutics	559	-	Apr-18	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 3	-

**Table 9: Northern 2 VCT unquoted portfolio analysis for Tax Efficient Review as at 30 September 2024**

Investee name	Amount invested £000	Current Value £000	Date of this investment	Syndicated	Lead investor	Structure of investment (ordinary shares, soft non-participating, hard participating)	Industry sector	Financing stage	Valuation method	Multiple of cost
Adludio	2,667	-	Aug-21	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 3	-
Quotevine	1,187	-	May-19	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 3	-
<b>TOTALS</b>	<b>£79.9m</b>	<b>£77.8m</b>								<b>0.97</b>

Note 1: Uplift in value, manager valuation based on discounted cash flows, revenue or earnings of underlying business  
 Note 2: Uplift in value, manager valuation based on price of recent funding round which included new external investor(s)  
 Note 3: Reduction in value, manager valuation based on discounted cash flows, revenue or earnings of underlying business  
 Note 4: Reduction in value, manager valuation based on price of recent funding round which included new external investor(s)  
 Note 5: Reduction in value manager valuation based on discounted cash flows of the investment

Table 10: Northern 3 VCT unquoted portfolio analysis for Tax Efficient Review as at 30 September 2024

Investee name	Amount invested	Current Value	Date of this investment	Syndicated	Lead investor	Structure of investment (ordinary shares, soft non-participating, hard participating)	Industry sector	Financing stage	Valuation method	Multiple of cost
Volumatic Holdings	216	1,869	Apr-10	N	Y	Plain equity	Electronic & Electrical Equipment	Mature stage, MBO	Note 1	8.67
Pure Pet Food	1,500	3,798	Mar-19	Y	N	Non-participating pref	Food Producers	Later Stage, Pre-profit expansion	Note 2	2.53
Project Glow (was Currentbody)	1,519	3,474	Mar-18	Y	N	Participating pref	Personal Goods	Later Stage, Profitable expansion	Note 1	2.29
Seahawk Bidco	433	838	Sep-15	Y	N	Non-participating pref	Software & Computer Services	Mature stage, MBO	Note 1	1.93
Rockar	1,660	3,049	Jul-16	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Profitable expansion	Note 1	1.84
Buoyant Upholstery	713	1,255	Jul-13	N	Y	Plain equity	Household Goods	Mature stage, MBO	Note 1	1.76
Ridge Pharma	1,345	2,322	Sep-18	N	Y	Plain equity	Pharmaceuticals & Biotechnology	Later Stage, Profitable expansion	Note 1	1.73
Pimberly	1,910	3,245	Oct-21	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.70
Moonshot	1,217	1,746	Mar-21	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Profitable expansion	Note 1	1.43
Turbine	1,542	1,750	Oct-22	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 3	1.14
Duke & Dexter	1,113	1,145	Aug-19	Y	N	Non-participating pref	General Retailers	Later Stage, Pre-profit expansion	Note 2	1.03
Naitive Technologies	1,682	1,729	May-21	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 3	1.03
Broker Insights	2,032	2,074	Dec-21	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.02
Axis Spine	1,028	1,028	Oct-22	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 3	1.00
Camena Bioscience	1,744	1,744	Apr-23	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Centuro Global	1,136	1,136	Mar-23	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.00
CultureAI	1,400	1,400	Jun-24	Y	N	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00

Table 10: Northern 3 VCT unquoted portfolio analysis for Tax Efficient Review as at 30 September 2024

Investee name	Amount invested	Current Value	Date of this investment	Syndicated	Lead investor	Structure of investment (ordinary shares, soft non-participating, hard participating)	Industry sector	Financing stage	Valuation method	Multiple of cost
Enate	1,373	1,373	Apr-20	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Profitable expansion	Note 1	1.00
Forensic Analytics	1,869	1,869	Dec-21	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 3	1.00
iOpt	1,038	1,038	Dec-23	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Locate Bio	1,625	1,625	Aug-21	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 4	1.00
Log My Care	1,909	1,909	Jun-22	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 3	1.00
Netacea	2,577	2,577	Dec-21	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 4	1.00
Newcells Biotech	2,707	2,707	Jun-18	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Later Stage, Pre-profit expansion	Note 3	1.00
Promethean Particles	1,366	1,366	Jul-24	Y	Y	Non-participating pref	Chemicals	Early Stage, Pre-Revenue	Cost	1.00
Risk Ledger	1,556	1,556	Aug-23	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
Send	1,049	1,049	Nov-22	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 5	1.00
Ski Zoom (t/a Heidi)	1,485	1,485	Jun-24	Y	Y	Participating pref	Travel & Leisure	Later Stage, Pre-profit expansion	Cost	1.00
Social Value Portal	1,722	1,722	Feb-23	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.00
Sorted Holdings	154	154	Apr-16	Y	N	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 2	1.00
Synthesized	500	500	Dec-21	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 3	1.00
Tozaro	1,115	1,115	Feb-24	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Tutora (t.a. Tutorful)	2,973	2,973	Oct-19	N	Y	Non-participating pref	Support Services	Later Stage, Pre-profit expansion	Note 3	1.00
Voxpopme	1,493	1,493	Sep-19	Y	N	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.00

NORTHERN VCTS

Table 10: Northern 3 VCT unquoted portfolio analysis for Tax Efficient Review as at 30 September 2024

Investee name	Amount invested	Current Value	Date of this investment	Syndicated	Lead investor	Structure of investment (ordinary shares, soft non-participating, hard participating)	Industry sector	Financing stage	Valuation method	Multiple of cost
Warwick Acoustics	1,019	1,019	Mar-24	N	Y	Participating pref	Automobiles & Parts	Later Stage, Pre-profit expansion	Cost	1.00
Wobble Genomics	1,053	1,053	Dec-23	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Cost	1.00
Wonderush (t/a Hownow)	1,029	1,029	Jan-23	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 3	1.00
Optellum	1,250	1,250	Sep-22	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Later Stage, Pre-profit expansion	Note 1	1.00
Clarilis	1,772	1,772	Jun-18	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.00
Biological Preparations Group	1,915	1,784	Jun-13	N	Y	Plain equity	Support Services	Mature stage, MBO	Note 6	0.93
Intuitive Holding	1,293	1,160	Dec-12	N	Y	Non-participating pref	Software & Computer Services	Mature stage, MBO	Note 6	0.90
Oddbox	986	750	Mar-20	Y	N	Plain equity	Food & Drug Retailers	Later Stage, Profitable expansion	Note 6	0.76
GRIP-UK (t.a. The Climbing Hangar)	3,492	2,536	Aug-18	N	Y	Non-participating pref	Travel & Leisure	Later Stage, Pre-profit expansion	Note 7	0.73
Administrate	2,623	1,851	Dec-18	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 8	0.71
Atlas Cloud	638	350	Feb-20	N	Y	Plain equity	Software & Computer Services	Later Stage, Pre-profit expansion	Note 3	0.55
Fresh Approach (UK) Holdings	782	384	Jun-14	N	Y	Plain equity	Support Services	Mature stage, MBO	Note 6	0.49
Sen	666	290	Jun-22	Y	Y	Plain equity	Technology Hardware & Equipment	Early Stage, Pre-Revenue	Note 7	0.44
Contego Solutions (t.a. NorthRow)	1,385	577	Jul-17	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 6	0.42
ThanksBox (t.a. Mo)	1,520	373	Dec-18	Y	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 6	0.25
Upp Technologies	2,182	522	Aug-17	Y	N	Non-participating pref	Software & Computer Services	Early Stage, Pre-Revenue	Note 7	0.24
Arnlea Holdings	1,138	210	May-14	N	Y	Non-participating pref	Software & Computer Services	Mature stage, MBO	Note 6	0.18
Customs Connect Group	1,347	115	Aug-16	N	Y	Non-participating pref	Support Services	Later Stage, Profitable expansion	Note 6	0.09

Table 10: Northern 3 VCT unquoted portfolio analysis for Tax Efficient Review as at 30 September 2024

Investee name	Amount invested	Current Value	Date of this investment	Syndicated	Lead investor	Structure of investment (ordinary shares, soft non-participating, hard participating)	Industry sector	Financing stage	Valuation method	Multiple of cost
Ablatus Therapeutics	551	-	Apr-18	Y	Y	Non-participating pref	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 6	-
Adludio	2,714	-	Aug-21	Y	Y	Participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 6	-
Quotevine	1,184	-	May-19	N	Y	Non-participating pref	Software & Computer Services	Later Stage, Pre-profit expansion	Note 6	-
<b>TOTALS</b>	<b>£79.2m</b>	<b>£77.1m</b>								<b>0.97</b>

Note 1: Uplift in value, manager valuation based on discounted cash flows, revenue or earnings of underlying business  
 Note 2: Uplift in value, manager valuation based on price of recent funding round which included new external investor(s)  
 Note 3: Uplift in value, manager valuation based on price of recent investment with no new external investor  
 Note 4: Reduction in value, manager valuation based on price of recent investment with no new external investor  
 Note 5: Uplift in value, manager valuation based on industry valuation benchmarks  
 Note 6: Reduction in value, manager valuation based on discounted cash flows, revenue or earnings of underlying business  
 Note 7: Reduction in value, manager valuation based on price of recent funding round which included new external investor(s)  
 Note 8: Reduction in value manager valuation based on discounted cash flows of the investment  
 Source Mercia

## NORTHERN VCTS

Table 11 (1 of 2): Matrix of individual responsibilities Mercia 30 September 2024 where members have at least three years involvement with VCTs

NAMES	Peter Dines	Martijn Kleibergen	Nigel Owens	Lisa Ward	Stephen Johnson	Hugo Lough
<b>VCT WORK</b>						
Deal origination %	20%	5%	5%	15%	30%	30%
Portfolio company time %	20%	80%	80%	75%	30%	30%
New deal doing %					20%	20%
Fund raising %	20%					
Internal issues / General enquiries%	10%	5%	5%	10%	5%	5%
Exits %	10%	10%	10%		15%	15%
<b>NON VCT WORK</b>						
Non-VCT work %	20%					
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Years in venture capital	22	11	19	12	6	7
Years involved with VCTs/EIS	5	11	9	4	6	4
Years with current team	5	2	2	2	6	4

Source: Mercia

Table 11 (2 of 2): Matrix of individual responsibilities Mercia 30 September 2024 where members have at least three years involvement with VCTs

NAMES	Alex Gwyther	Lee Lindley	Adam Lovell	Adam Watts	Marina Fuentes	Henry Hamilton
<b>VCT WORK</b>						
Deal origination %	45%	50%	50%	50%	60%	80%
Portfolio company time %	30%	20%	20%	20%	10%	
New deal doing %	20%	30%	30%	30%	30%	20%
Fund raising %						
Internal issues / General enquiries%	5%					
Exits %						
<b>NON VCT WORK</b>						
Non-VCT work %						
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Years in venture capital	4	4	6	7	3	5
Years involved with VCTs/EIS	4	4	6	6	3	5
Years with current team	4	4	4	3	3	2

Source: Mercia