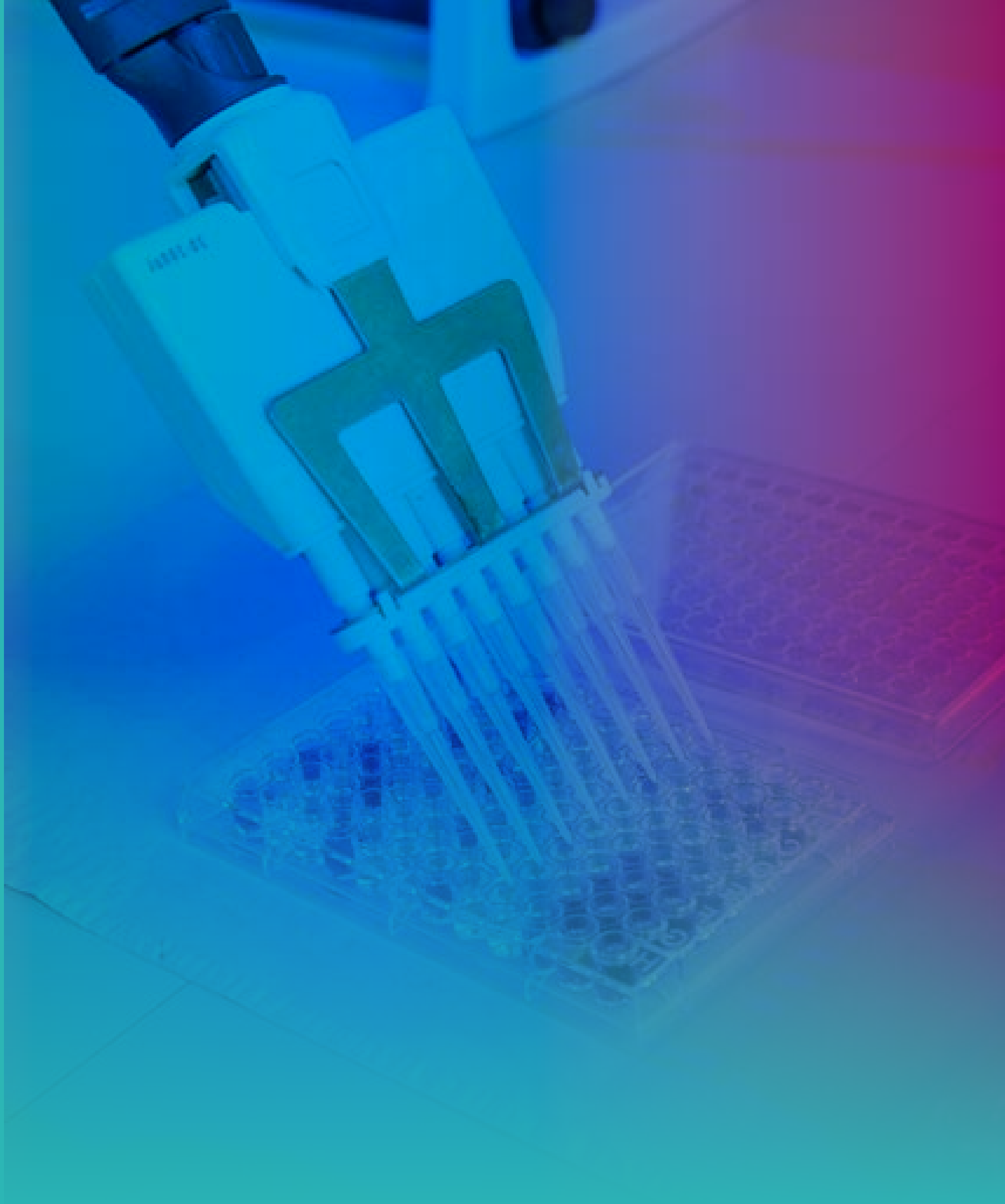
Northern Venture Trust PLC

Interim Financial Report
31 March 2022



Welcome

Northern Venture Trust PLC is a Venture Capital Trust (VCT) whose investment adviser is Mercia Fund Management Limited.

The trust was one of the first VCTs launched on the London Stock Exchange in 1995. It invests mainly in unquoted venture capital holdings and aims to provide long-term tax-free returns to shareholders through a combination of dividend yield and capital growth.

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Financial summary

	Six months ended 31 March 2022	Six months ended 31 March 2021	Year ended 30 September 2021
Net assets	£109.9m	£126.7m	£119.3m
Net asset value per share	68.4p	79.8p	74.1p
Return per share			
Revenue	0.0p	0.0p	0.2p
Capital	(3.6)p	11.6p	13.7p
Total	(3.6)p	11.6p	13.9p
Dividend per share declared in respect of the period			
Interim dividend	2.0p	2.0p	2.0p
Second interim (special) dividend	–	6.0p	6.0p
Final dividend	–	–	2.0p
Total	2.0p	8.0p	10.0p
Cumulative return to shareholders since launch			
Net asset value per share	68.4p	79.8p	74.1p
Dividends paid per share*	184.5p	174.5p	182.5p
Net asset value plus dividends paid per share	252.9p	254.3p	256.6p
Mid-market share price at end of period	66.0p	66.5p	70.25p
Tax-free dividend yield**			
Excluding special dividend	5.0%	7.7%	5.7%
Including special dividend	N/A	18.0%	14.1%

* Excluding first interim dividend not yet paid.

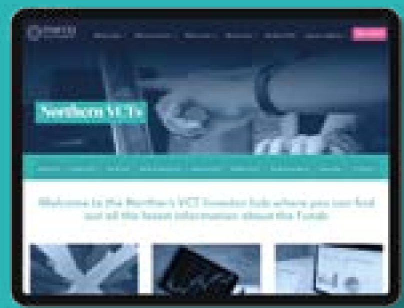
** Based on the net asset value per share. The annualised dividend yield is calculated by dividing the dividends in respect of the 12 month period ended on each reference date by the net asset value per share at the start of the period.

Key dates

15 June 2022
Interim results announced

21 July 2022
Shares quoted ex dividend

12 August 2022
First interim dividend paid (to shareholders on register on 22 July 2022)



For additional information visit our investor area online **www.mercia.co.uk/vcts/**

Interim management report to shareholders

for the six months ended 31 March 2022

Simon Constantine

Chair

While COVID-19 measures have now been substantially unwound in the UK, the past six months have presented a number of macroeconomic challenges, including the re-emergence of inflation, supply chain challenges and the impact of the conflict in Ukraine. Most notably in the quarter to March 2022 this resulted in volatility in quoted markets.

The down-valuation of our marked-to-market quoted assets, in particular of our AIM-listed stocks more than negated strong returns from several unquoted realisations. We continue to monitor the portfolio alongside our investment adviser.

Results and dividend

The unaudited net asset value (NAV) per share at 31 March 2022 was 68.4 pence, compared with the audited figure of 74.1 pence at 30 September 2021. The total return per share before dividends for the six months ended 31 March 2022, as shown in the income statement, was minus 3.6 pence (six months ended 31 March 2021: 11.6 pence), equivalent to minus 4.9% of the NAV at the start of the period. The performance was driven by an unrealised reduction of £5.7 million in the valuation of the investment portfolio. This reduction was substantially due to the venture AIM portfolio, where the marked-to-market valuation fell by £5.4 million but was offset by a number of unquoted portfolio realisations and uplifts pending realisation.

Three years ago, we introduced a target dividend yield of 5% of opening NAV, which has been exceeded in each of the years since then. After careful consideration, we have decided to declare an interim dividend of 2.0 pence per share in respect of the period to 31 March 2022. The interim dividend will be paid on 12 August 2022 to shareholders on the register on 22 July 2022.

Our dividend investment scheme, which enables shareholders to invest their dividends in new ordinary shares, free of dealing costs and with the benefit of the tax reliefs available on new VCT share subscriptions, continues to operate. Details on how to join the scheme are included within the dividend section of our website, which can be found here: mercia.co.uk/vcts/nvt/.

Venture capital investment activity

Further progress has been made on the development of the portfolio and deployment of our cash reserves with five new venture capital investments acquired for £7.3 million during the period and a total of £1.5 million invested in six existing portfolio companies.

Realisation activity continued in the period, with a number of notable transactions either completed or in progress as at the balance sheet date. The highlights were the sale of Intelling Group, generating a lifetime return of 3.6 times the original cost of the investment, and the sale of Currentbody.com, which delivered a return of 2.9 times.

Venture capital portfolio update

While the impact of the pandemic continues to provide challenges to some of our portfolio companies, the changes it has driven in consumer habits and working practices has provided opportunities for others. It is clear that a higher rate of inflation is likely to be with us for some time yet and this continues to put cost pressures on many of our businesses.

In early 2022, quoted markets reacted to the news on inflation and the conflict in Ukraine by falling from previous highs. Our quoted AIM portfolio ended the period £5.4 million down on September 2021, although this was almost entirely due to a fall in the value of musicMagpie, which fell £5.1 million. Even at this lower value the lifetime return on cost was still 7.2 times as at 31 March 2022.

In response to the conflict in Ukraine, our investment adviser undertook a review of the entire portfolio for links to sanctioned individuals and companies, took appropriate action where needed, and continues to monitor the situation carefully.

Shareholder issues

As a result of the public share offer launched in January 2022, 8,449,994 new ordinary shares were issued in April 2022 for gross proceeds of £6.0 million.

Following the increase in the rate of investment in the past year and a half, we continue to monitor liquidity as we consider a fundraising in the 2022/23 tax year.

Interim management report to shareholders continued

for the six months ended 31 March 2022

We have maintained our policy of being willing to buy back the company's shares in the market, when necessary in order to maintain liquidity, at a 5% discount to NAV. During the six months ended 31 March 2022 a total of 1,300,322 shares were purchased by the company for cancellation, representing around 0.8% of the opening ordinary share capital.

VCT legislation and qualifying status

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

The upcoming 2025 'sunset clause' was a European state aid requirement when the VCT scheme received state aid approval in 2015. This will require a small change in UK legislation for VCTs to continue to receive upfront tax relief after this date. We therefore anticipate a review of all current tax advantaged schemes by the government in the run up to 2025. Indeed, the Treasury Select Committee announced an inquiry into the state of the UK's venture capital industry as a whole this month. The Board considers that the company, and VCTs more generally, are successfully delivering against the government's mandate, which is to channel money into higher-risk, early-stage businesses. Mercia is represented on the relevant committees of the various trade bodies, working to demonstrate to government the positive contributions that VCTs play in society.

No further amendments to the VCT legislation were announced by the Chancellor in his 2022 Spring Budget statement, however it is possible that further changes will be made in the future. We will continue to work closely with Mercia to maintain compliance with the scheme rules at all times.

Investment adviser

The transitional services agreement, covering the transfer of the company's administrative, accounting and company secretarial services, ended on 31 March 2022. Mercia Fund Management now performs all functions previously undertaken by NVM Private Equity prior to the novation of the company's investment management and advisory agreement in December 2019. NVM will continue to play an important role in managing the legacy portfolio of more mature investments.

At the end of March 2022, Tim Levett retired from his position leading the VCT investment team within Mercia. Tim leaves behind an experienced team, led by the newly promoted VCT partners and overseen by Peter Dines, with whom he has worked closely since the novation of the agreement to Mercia in December 2019. Tim was one of the founders of NVM and, indeed, NVT and I would like to thank Tim for his extraordinary service to us all over the past 27 years. I am very pleased that Tim will continue as a non-executive director of Northern Venture Trust PLC.

Change of accounting reference period

In order to better align with fund raising events and the other Northern VCT's reporting timetables, the company's accounting reference date will be changed from 30 September to 31 March. The financial year to 30 September 2022 will therefore be extended to cover the 18 months to 31 March 2023. A second interim report for the 12 months to 30 September will be released later this year, with the next set of full financial statements being released in June 2023.

Outlook

Despite macroeconomic headwinds caused by domestic inflation and the residual impact of COVID-19 measures, your directors remain encouraged by the resilience of the portfolio and the growing pipeline of opportunities for investment. With the assistance of our adviser we will continue to deploy the capital raised this year into early stage businesses and to support our existing portfolio.

On behalf of the Board

Simon Constantine
Chair

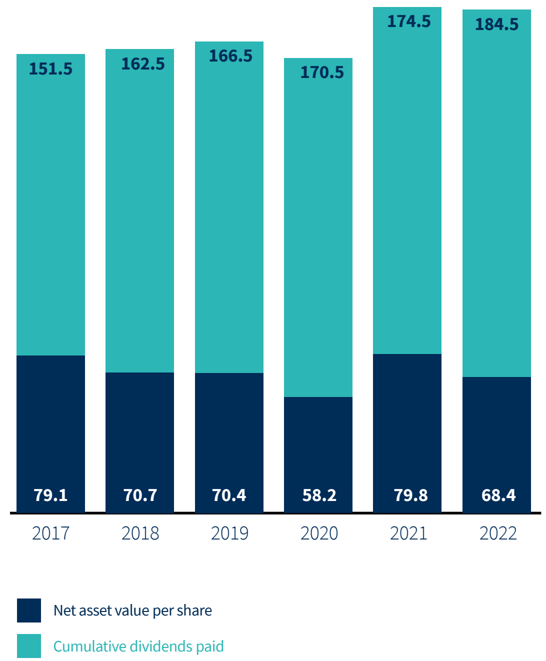
Five-year performance

Comparative return to shareholders (assuming dividends re-invested)

Five years to 31 March 2022 (31 March 2017 = 100)

Net asset value and cumulative dividends per share

As at 31 March (pence per share)



Investment portfolio

as at 31 March 2022

	Cost £000	Valuation £000	% of net assets by value
Fifteen largest venture capital investments			
Lineup Systems	975	**7,222**	6.6%
Evotix (formerly SHE)	2,766	**5,926**	5.4%
Grip-UK (T/A Climbing Hangar)	3,530	**3,530**	3.2%
Oddbox	386	**3,370**	3.1%
Volumatic Holdings	216	**3,338**	3.0%
Knowledgemotion	1,903	**3,253**	3.0%
Buoyant Upholstery	1,173	**2,992**	2.7%
musicMagpie*	238	**2,222**	2.0%
Biological Preparations Group	2,366	**2,133**	1.9%
Newcells Biotech	1,771	**2,118**	1.9%
Weldex (International) Offshore Holdings	3,262	**2,117**	1.9%
Clarilis	1,972	**2,063**	1.9%
Rockar	1,800	**2,000**	1.8%
IDOX*	238	**1,995**	1.8%
Tutora (T/A Tutorful)	2,015	**1,930**	1.8%
	24,611	**46,209**	42.0%
Other venture capital investments	44,220	30,726	28.0%
Total venture capital investments	**68,831**	**76,935**	**70.0%**
Listed equity investments	7,790	9,589	8.7%
Total fixed asset investments	**76,621**	**86,524**	**78.7%**
Net current assets		23,367	21.3%
Net assets		**109,891**	**100.0%**

* Quoted on AIM

Income statement

(unaudited) for the six months ended 31 March 2022

	Six months ended 31 March 2022			Six months ended 31 March 2021			Year ended 30 September 2021		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments	**–**	**754**	**754**	–	941	941	–	8,380	8,380
Movements in fair value of investments	**–**	**(5,692)**	**(5,692)**	–	18,369	18,369	–	17,660	17,660
	–	**(4,938)**	**(4,938)**	–	19,310	19,310	–	26,040	26,040
Income	**527**	**–**	**527**	505	–	505	1,372	–	1,372
Investment management fee	**(287)**	**(860)**	**(1,147)**	(276)	(827)	(1,103)	(579)	(4,275)	(4,854)
Other expenses	**(295)**	**–**	**(295)**	(254)	–	(254)	(472)	–	(472)
Return before tax	**(55)**	**(5,798)**	**(5,853)**	(25)	18,483	18,458	321	21,765	22,086
Tax on return	**–**	**–**	**–**	–	–	–	(15)	15	–
Return after tax	**(55)**	**(5,798)**	**(5,853)**	(25)	18,483	18,458	306	21,780	22,086
Return per share	**0.0p**	**(3.6)p**	**(3.6)p**	0.0p	11.6p	11.6p	0.2p	13.7p	13.9p

- The total column of the income statement is the statement of total comprehensive income of the company prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The supplemental revenue return and capital return columns have been prepared in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in October 2019 by the Association of Investment Companies ("AIC SORP").
- There are no recognised gains or losses other than those disclosed in the income statement.
- All items in the above statement derive from continuing operations.

Balance sheet
(unaudited) as at 31 March 2022

	31 March 2022 £000	31 March 2021 £000	30 September 2021 £000
Fixed assets			
Investments	**86,524**	99,031	96,563
Current assets			
Debtors	**55**	1,866	308
Cash and cash equivalents	**23,433**	25,959	25,106
	23,488	27,825	25,414
Creditors (amounts falling due within one year)	**(121)**	(119)	(2,679)
Net current assets	**23,367**	27,706	22,735
Net assets	**109,891**	126,737	119,298
Capital and reserves			
Called-up equity share capital	**40,143**	39,715	40,268
Share premium	**14,969**	13,141	14,608
Capital redemption reserve	**3,833**	3,290	3,508
Capital reserve	**40,220**	45,109	38,325
Revaluation reserve	**9,904**	24,653	21,430
Revenue reserve	**822**	829	1,159
Total equity shareholders' funds	**109,891**	126,737	119,298
Net asset value per share	**68.4p**	79.8p	74.1p

Statement of changes in equity

(unaudited) for the six months ended 31 March 2022

	Non-distributable reserves				Distributable reserves		
	Called-up share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve* £000	Capital reserve £000	Revenue reserve £000	Total £000
At 1 October 2021	**40,268**	**14,608**	**3,508**	**21,430**	**38,325**	**1,159**	**119,298**
Return after tax	**–**	**–**	**–**	**(11,526)**	**5,728**	**(55)**	**(5,853)**
Dividends paid	**–**	**–**	**–**	**–**	**(2,932)**	**(282)**	**(3,214)**
Net proceeds of share issues	**200**	**361**	**–**	**–**	**–**	**–**	**561**
Shares purchased for cancellation	**(325)**	**–**	**325**	**–**	**(901)**	**–**	**(901)**
At 31 March 2022	**40,143**	**14,969**	**3,833**	**9,904**	**40,220**	**822**	**109,891**

Six months ended 31 March 2021

	Non-distributable reserves				Distributable reserves		
	Called-up share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve* £000	Capital reserve £000	Revenue reserve £000	Total £000
At 1 October 2020	39,905	12,745	2,853	18,086	37,872	1,330	112,791
Return after tax	–	–	–	6,567	11,916	(25)	18,458
Dividends paid	–	–	–	–	(3,497)	(476)	(3,973)
Net proceeds of share issues	247	396	–	–	–	–	643
Shares purchased for cancellation	(437)	–	437	–	(1,182)	–	(1,182)
At 31 March 2021	39,715	13,141	3,290	24,653	45,109	829	126,737

Year ended 30 September 2021							
At 1 October 2020	39,905	12,745	2,853	18,086	37,872	1,330	112,791
Return after tax	–	–	–	3,344	18,436	306	22,086
Dividends paid	–	–	–	–	(16,144)	(477)	(16,621)
Net proceeds of share issues	1,018	1,863	–	–	–	–	2,881
Shares purchased for cancellation	(655)	–	655	–	(1,839)	–	(1,839)
At 30 September 2021	40,268	14,608	3,508	21,430	38,325	1,159	119,298

* The revaluation reserve is generally non-distributable other than that part of the reserve relating to gains/losses on readily realisable quoted investments, which is distributable.

Statement of cash flows

(unaudited) for the six months ended 31 March 2022

	Six months ended 31 March 2022 £000	Six months ended 31 March 2021 £000	Year ended 30 September 2021 £000
Cash flows from operating activities			
Return before tax	**(5,853)**	18,458	22,086
Adjustments for:			
Gain on disposal of investments	**(754)**	(941)	(8,380)
Movements in fair value of investments	**5,692**	(18,369)	(17,660)
Decrease in debtors	**253**	49	366
(Decrease)/increase in creditors	**(2,558)**	(309)	2,251
Net cash (outflow)/inflow from operating activities	**(3,220)**	(1,112)	(1,337)
Cash flows from investing activities			
Purchase of investments	**(10,177)**	(7,411)	(13,506)
Sale/repayment of investments	**15,277**	18,301	34,835
Net cash inflow/(outflow) from investing activities	**5,100**	10,890	21,329
Cash flows from financing activities			
Issue of ordinary shares	**580**	677	2,921
Share issue expenses	**(18)**	(34)	(40)
Purchase of ordinary shares for cancellation	**(901)**	(1,182)	(1,839)
Equity dividends paid	**(3,214)**	(3,973)	(16,621)
Net cash (outflow)/inflow from financing activities	**(3,553)**	(4,512)	(15,579)
Net increase/(decrease) in cash and cash equivalents	**(1,673)**	5,266	4,413
Cash and cash equivalents at beginning of period	**25,106**	20,693	20,693
Cash and cash equivalents at end of period	**23,433**	25,959	25,106

Notes to the financial statements

(unaudited) for the six months ended 31 March 2022

1.

The financial statements have been prepared under FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in April 2021 by the Association of Investment Companies ("AIC SORP").

2.

The calculation of return per share is based on the return after tax for the six months ended 31 March 2022 and on 160,954,914 (2021 159,392,613) ordinary shares, being the weighted average number of shares in issue during the period.

3.

The calculation of net asset value per share is based on the net assets at 31 March 2022 divided by the 160,573,866 (2021 158,861,290) ordinary shares in issue at that date.

4.

The first interim dividend of 2.0p per share for the period ending 31 March 2023 will be paid on 12 August 2022 to shareholders on the register at the close of business on 22 July 2022.

5.

The unaudited interim financial statements, for the six months ended 31 March 2022, do not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006, have not been reviewed or audited by the company's independent auditor and have not been delivered to the Registrar of Companies. The comparative figures, for the year ended 30 September 2021, have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies; the independent auditor's report on those financial statements (i) was unqualified, (ii) did not include any reference to matters to which the auditor drew attention by way of emphasis without qualifying the report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The interim financial statements have been prepared on the basis of the accounting policies set out in the annual financial statements for the year ended 30 September 2021.

6.

Each of the directors confirms that to the best of their knowledge the interim financial statements have been prepared in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board and the interim financial report includes a fair review of the information required by (a) DTR 4.2.7R of the Disclosure Rules and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year, and (b) DTR 4.2.8R of the Disclosure Rules and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

7.

Copies of this interim report are available to the public at the company's registered office, and on the company's website.

Risk management

The board carries out a regular and robust assessment of the risk environment in which the company operates and seeks to identify new risks as they emerge. The principal and emerging risks and uncertainties identified by the board which might affect the company's business model and future performance, and the steps taken with a view to their mitigation, are as follows:

Investment and liquidity risk: investment in smaller and unquoted companies, such as those in which the company invests, involves a higher degree of risk than investment in larger listed companies because they generally have limited product lines, markets and financial resources and may be more dependent on key individuals. The securities of smaller companies in which the company invests are typically unlisted, making them illiquid, and this may cause difficulties in valuing and disposing of the securities. The company may invest in businesses whose shares are quoted on AIM - the fact that a share is quoted on AIM does not mean that it can be readily traded and the spread between the buying and selling prices of such shares may be wide.

Mitigation: the directors aim to limit the risk attaching to the portfolio as a whole by careful selection, close monitoring and timely realisation of investments, by carrying out rigorous due diligence procedures and maintaining a wide spread of holdings in terms of financing stage and industry sector within the rules of the VCT scheme. The board reviews the investment portfolio with the investment adviser on a regular basis.

Financial risk: most of the company's investments involve a medium to long-term commitment and many are relatively illiquid.

Mitigation: the directors consider that it is inappropriate to finance the company's activities through borrowing except on an occasional short-term basis. Accordingly, they seek to maintain a proportion of the company's assets in cash or cash equivalents in order to be in a position to pursue new unquoted investment opportunities and to make follow-on investments in existing portfolio companies. The company has very little direct exposure to foreign currency risk and does not enter into derivative transactions.

UK's ongoing relationship with the European Union risk: following the UK's withdrawal from the European Union in January 2020, the ongoing relationship is evolving and may impact on the trading activities of some investee companies.

Mitigation: whilst we do not expect any significant impact on the operations of Northern Venture Trust PLC itself, the board and the manager follow developments closely with a view to identifying changes which might affect the company's investment portfolio. The manager works closely with investee companies in order to plan for a range of possible outcomes.

Economic risk: events such as economic recession or general fluctuation in stock markets, exchange rates and interest rates may affect the valuation of investee companies and their ability to access adequate financial resources, as well as affecting the company's own share price and discount to net asset value. The level of economic risk has been elevated by the lingering impact of the COVID-19 pandemic, inflationary pressures, and conflict in Ukraine.

Mitigation: the company invests in a diversified portfolio of investments spanning various industry sectors, and maintains sufficient cash reserves to be able to provide additional funding to investee companies where it is appropriate and in the interests of the company to do so. The adviser typically provides an investment executive to actively support the board of each unquoted investee company. At all times, and particularly during periods of heightened economic uncertainty, the investment executives share best practice from across the portfolio with investee management teams in order to mitigate economic risk.

Stock market risk: some of the company's investments are quoted on the London Stock Exchange or AIM and will be subject to market fluctuations upwards and downwards. External factors such as the conflict in Ukraine, terrorist activity or global health crises, such as the COVID-19 pandemic, can negatively impact stock markets worldwide. In times of adverse sentiment there may be very little, if any, market demand for shares in smaller companies quoted on AIM.

Mitigation: the company's quoted investments are actively managed by specialist advisers, including Mercia in the case of the AIM-quoted investments, and the board keeps the portfolio and the actions taken under ongoing review.

Risk management continued

Credit risk: the company holds a number of financial instruments and cash deposits and is dependent on the counterparties discharging their commitment.

Mitigation: the directors review the creditworthiness of the counterparties to these instruments and cash deposits and seek to ensure there is no undue concentration of credit risk with any one party.

Legislative and regulatory risk: in order to maintain its approval as a VCT, the company is required to comply with current VCT legislation in the UK. Changes to the UK legislation or the State-aid rules in the future could have an adverse effect on the company's ability to achieve satisfactory investment returns whilst retaining its VCT approval.

Mitigation: the board and the investment adviser monitor political developments and where appropriate seek to make representations either directly or through relevant trade bodies.

Internal control risk: the company's assets could be at risk in the absence of an appropriate internal control regime which is able to operate effectively even during times of disruption, such as that caused by COVID-19.

Mitigation: the board regularly reviews the system of internal controls, both financial and non-financial, operated by the company and the investment adviser. These include controls designed to ensure that the company's assets are safeguarded and that proper accounting records are maintained.

VCT qualifying status risk: while it is the intention of the directors that the company will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to continue meeting the qualifying requirements could result in the loss of VCT tax relief, the company losing its exemption from corporation tax on capital gains, to shareholders being liable to pay income tax on dividends received from the company and, in certain circumstances, to shareholders being required to repay the initial income tax relief on their investment.

Mitigation: the investment adviser keeps the company's VCT qualifying status under continual review and its reports are reviewed by the board on a quarterly basis. The board has also retained Philip Hare & Associates LLP to undertake an independent VCT status monitoring role.

Company information

Directors
Simon Constantine (Chair)
Richard Green
Deborah Hudson
Tim Levett
David Mayes

Secretary
Graham Venables ACG ACSI BFP ACA MAAT

Registered office
Forward House
17 High Street
Henley-in-Arden B95 5AA

T 0330 223 1431
E vctshareholderenquiries@mercia.co.uk
mercia.co.uk/vcts/nvt/

Investment adviser
Mercia Fund Management Limited
Forward House
17 High Street
Henley-in-Arden B95 5AA

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing BN99 6DA

Equiniti shareholder helpline:
0800 028 2349

Northern Venture Trust PLC
Forward House
17 High Street
Henley-In-Arden B95 5AA
www.mercia.co.uk/vcts/nvt/