Northern Venture Trust PLC

Annual report and financial statements

30 September 2015

nvm private equity

Northern Venture Trust PLC is a Venture Capital Trust (VCT) whose investment adviser is NVM Private Equity.

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

Contents

Financial summary

Year ended 30 September:	2015	2014
Net assets	**£78.9m**	£83.5m
Net asset value per share	**83.0p**	87.8p
Return per share		
Revenue	**2.0p**	2.1p
Capital	**5.2p**	5.0p
Total	**7.2p**	7.1p
Dividend per share declared in respect of the year	**12.0p**	6.0p
(2015 includes 6.0p special dividend)		
Cumulative return to shareholders since launch		
Net asset value per share	**83.0p**	87.8p
Dividends paid per share*	**135.5p**	123.5p
Net asset value plus dividends paid per share	**218.5p**	211.3p
Mid-market share price at end of year	**76.0p**	79.5p
Share price discount to net asset value	**8.4%**	9.5%
Tax-free dividend yield (based on mid-market share price at the end of the year)		
Excluding special dividend	**7.9%**	7.5%
Including special dividend	**15.8%**	N/A

*Excluding proposed final dividend

Key dates

Results announced
12 November 2015

Shares quoted ex dividend
26 November 2015

Record date for final dividend
27 November 2015

Annual general meeting
17 December 2015, 11.30am
City of London Club, 19 Old Broad Street,
London EC2N 1DS

Final dividend paid
22 December 2015

Chairman's statement

We are well positioned to achieve further growth from the existing portfolio and to identify new opportunities for future investment.

Northern Venture Trust has had an eventful year. A number of excellent exits were achieved from venture capital investments, contributing to a record total of over £20 million of cash proceeds from the portfolio. As a result your directors were able to declare a special interim dividend of 6.0p per share during the year, as well as maintaining the regular dividend at the established level of 6.0p, making a total distribution of 12.0p per share, or over £11 million. However in July the Government published its Summer Finance Bill, proposing radical changes to the legislation relating to the operation and investment activities of VCTs.

Results and dividend

In the year ended 30 September 2015 the company achieved a return of £6,825,000 (2014: £6,638,000), or 7.2p (2014: 7.1p) per share, before deducting dividends paid – equivalent to 8.2% of the opening net asset value per share (NAV). This strong overall result meant that our investment adviser, NVM Private Equity, earned a performance-related management fee of £319,000 (2014: £206,000), equivalent to 0.3p (2014: 0.2p) per share.

The NAV per share at 30 September 2015 (after deducting the dividends totalling 12.0p paid during the year) was 83.0p, compared with 87.8 pence at 30 September 2014. An interim dividend of 3.0p per share was paid in July 2015, together with a special dividend of 6.0p in recognition of the profitable investment realisations achieved during the year. The directors propose a final dividend also of 3.0p per share, which will be paid on 22 December 2015 to shareholders on the register on 27 November 2015, making a total of 12.0p in respect of the year. This is the twelfth consecutive year in which a dividend of at least 6.0p has been paid.

In July we suspended the dividend investment scheme (DRIS) under which shareholders had been able to re-invest their dividends in new ordinary shares in the company. We reluctantly took this step because of the uncertainty caused by the Government's proposed changes to the VCT legislation. Although we are making progress in absorbing the implications of these changes, we do not yet feel that it is appropriate to re-instate the DRIS and so it remains suspended until further notice.

Investment portfolio

Total additions to the venture capital portfolio in the year amounted to £17.1 million. Four new holdings in unquoted trading companies and three AIM-quoted holdings were acquired at a cost of £7.5 million, and £9.5 million was invested in six companies formed with a view to acquiring trading businesses.

The total proceeds from venture capital investments sold or repaid were £20.4 million, representing a surplus of £13.8 million over original cost. The investment realisations are detailed elsewhere in the annual report, but it is worth highlighting the sales of Kerridge Commercial Systems, which returned £8.6 million from an original investment of £1.6 million, and the holding in AIM-quoted Advanced Computer Software Group, which was sold for £3.1 million compared with an original cost of £0.4 million.

Share issues and buy-backs

Following the success of the £15 million share issue in the 2013/14 tax year, and in the light of the strong inflow of cash from investment sales, your directors decided not to launch a share issue in the 2014/15 year. Funds available for future investment at 30 September 2015, in the form of cash and readily realisable listed investments, amounted to just over £20 million and at this stage we do not envisage raising additional funds in the 2015/16 tax year.

In May 2015 we announced that the discount to NAV at which the company buys back shares in the market would be reduced from 10% to 5%. In total 485,000 shares, equivalent to approximately 0.5% of the issued capital, were re-purchased during the year at a cost of £373,000. This was a similar level of buy-backs to that experienced in the three preceding years.

Simon Constantine *Chairman*

VCT qualifying status

The company has maintained its approved venture capital trust status with HM Revenue & Customs. The company's compliance with the VCT qualifying conditions is closely monitored by the board, who receive regular reports from NVM and from our VCT taxation advisers, Robertson Hare LLP, who were appointed during the year.

VCT legislation

The Government introduced new legislation in the Summer Finance Bill 2015 which will have a significant impact on the investment activities of most VCTs. I wrote to shareholders in July 2015 to inform you that the directors were assessing the effect of the new provisions, which at the time were subject to further clarification and amendment by the Government.

The Finance Bill is expected to receive Royal Assent shortly and it is clear that the range of potential investments open to generalist VCTs such as Northern Venture Trust will be reduced as the Government seeks to implement the European Commission's State aid guidelines, which require VCTs to focus more sharply on the provision of growth capital to younger companies.

NVM has a long record of making, and successfully exiting, earlier stage and growth capital investments of the type which the Government is now seeking to encourage. Alaric Systems and DxS are good examples of such investments which have delivered outstanding returns to shareholders in recent years.

Your directors are working closely with NVM and our other professional advisers to understand the full implications of the new rules for our future investment activities, and to adapt our approach to the requirements of the new regime as we seek to maintain our strong long-term investment performance. We will report the outcome of our review to shareholders in due course.

Board of directors

John Hustler retired from the board at the close of the annual general meeting in December 2014, when tributes were paid to his distinguished service to the company, and I was delighted to accept the directors' invitation to succeed John as chairman. Richard Green and David Mayes were appointed as directors in November 2014 and have made an excellent contribution based on their extensive knowledge of investment in both the listed and venture capital sectors.

Annual general meeting

The 2015 annual general meeting will take place in London on Thursday 17 December 2015. Details of the formal business of the meeting are set out in a separate circular which is being sent to shareholders with the annual report. We look forward to meeting shareholders on that occasion.

Outlook

Over the past 20 years our company has produced excellent returns to shareholders through a variety of economic climates and against a background of regular changes in the legislative and regulatory environment. Whilst the most recent changes in the VCT legislation are perhaps the most profound in our history, we believe that we are well positioned to achieve further growth from the existing portfolio and to identify new opportunities for future investment.

Simon Constantine
Chairman 12 November 2015

Directors and advisers

Simon Constantine MA ACA (Chairman)

aged 56, has extensive business management experience at board level, particularly in the healthcare and life sciences sectors, and co-led the management buy-in and subsequent trade sale of Life Sciences International plc. He has served as a non-executive director of a number of venture capital and private equity-backed businesses and is currently chairman of Capstone Foster Care Limited and a non-executive director of Oxford Photovoltaics Limited and Bioquell PLC. He was appointed to the board in 2012 and became chairman in December 2014.

Nigel Beer BA FCA

aged 61, was formerly London Head of Corporate Finance at KPMG and previously responsible for the software and technology sector within corporate finance, based in the Thames Valley. He has over 20 years' experience in corporate transactions and investments, followed by 10 years' experience as a non-executive director of asset management and investment businesses. He is a non- executive director and chairman of the audit committee of Community Health Partnerships Limited which has substantial property investments in the primary healthcare sector. He was appointed to the board in 2009.

Richard Green BA FCA CF

aged 53, joined Kleinwort Benson Development Capital in 1988 and was a founder in 2001 of the spin-out business which became August Equity LLP, where he was managing partner until 2009 and then chairman until his retirement in 2014. His sector experience includes healthcare, technology, media, engineering and manufacturing. He is a past chairman of the British Private Equity & Venture Capital Association and is currently a non-executive director of AIM-quoted Qannas Investments Limited, a member of the Advisory Board of Finance For Business North East and the non-executive chairman of Technology Venture Partners LLP. He was appointed to the board in November 2014.

Tim Levett MBA

aged 66, is executive chairman of NVM Private Equity LLP, whose business he co-founded in 1988. He is a non-executive director of Northern 3 VCT PLC and several unquoted companies and is a member of the AIC's VCT Forum and the British Private Equity & Venture Capital Association's Venture Capital Committee. He was appointed to the board in 2013.

David Mayes

aged 51, is an experienced investment professional and investor with a long-standing involvement in financial markets. He previously managed an emerging markets investment team for Credit Suisse Securities (Europe) Limited. He is currently a trustee director of a major pension fund and vice chair of its investment committee, and is a non-executive director of an EIS-backed pub company and the Salvation Army International Trustee Company. He was appointed to the board in November 2014.

Hugh Younger LLB

aged 57, is senior partner at Murray Beith Murray, a leading firm of solicitors based in Edinburgh. He has more than 30 years' experience of private client work and brings a perspective on matters relating to wealth management and asset protection. He was appointed to the board in 2009.

Secretary and registered office

Christopher Mellor FCA MCSI
Time Central
32 Gallowgate
Newcastle upon Tyne NE1 4SN
Telephone: 0191 244 6000
Fax: 0191 244 6001
E-mail: nvt@nvm.co.uk

Registered number

3090163

Investment adviser

NVM Private Equity LLP
Time Central
32 Gallowgate
Newcastle upon Tyne NE1 4SN

Listed investment adviser

Speirs & Jeffrey Limited
50 George Square
Glasgow G2 1EH

Independent auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Taxation advisers

Robertson Hare LLP
4-6 Staple Inn
London WC1V 7QH

Solicitors

King & Wood Mallesons LLP
10 Queen Street Place
London EC4R 1BE

Stockbrokers

Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Bankers

Bank of Scotland Plc
Head Office
The Mound
Edinburgh EH1 1YZ

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing BN99 6DA
Shareholder helpline: 0800 028 2349

Shareholder information

The trust invests mainly in unquoted venture capital holdings.

The company

Northern Venture Trust PLC is a Venture Capital Trust (VCT) which has been listed on the London Stock Exchange since 1995. The company invests mainly in unquoted venture capital holdings, with its remaining assets invested in a portfolio of listed interest-bearing and equity investments and bank deposits.

Northern Venture Trust is registered with the Financial Conduct Authority as a small Alternative Investment Fund Manager for the purposes of the Alternative Investment Fund Managers Directive. Investment advisory services are provided by NVM Private Equity (NVM), an independent specialist firm of venture capital managers based in Newcastle upon Tyne, Reading and Manchester. NVM also acts as manager of three other listed investment companies, Northern Investors Company PLC, Northern 2 VCT PLC and Northern 3 VCT PLC, and two limited partnerships, NV1 LP and NV2 LP. NVM has over £270 million under management.

Northern Venture Trust is a member of the Association of Investment Companies (AIC).

Venture Capital Trusts

Venture Capital Trusts (VCTs) were introduced by the Chancellor of the Exchequer in the November 1994 Budget, the relevant legislation now being contained in the Income Tax Act 2007. VCTs are intended to provide a means whereby private individuals can invest in small unquoted trading companies in the UK, with an incentive in the form of a range of tax benefits. With effect from 6 April 2006, the benefits to eligible investors include:

- income tax relief at up to 30% on new subscriptions of up to £200,000 per tax year, provided the shares are held for at least five years;
- exemption from income tax on dividends paid by VCTs (such dividends may include the VCT's capital gains as well as its income); and
- exemption from capital gains tax on disposals of shares in VCTs.

Subscribers for shares in VCTs between 6 April 2004 and 5 April 2006 were entitled to income tax relief at 40% rather than 30% and the shares had to be held for at least three years rather than five years. Prior to 6 April 2004, subscribers for shares in VCTs were entitled to income tax relief at 20% and could also obtain capital gains deferral relief. Capital gains deferred by pre-6 April 2004 subscriptions are not affected by the subsequent changes in VCT tax reliefs.

In order for the company to maintain approved status, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007; in particular, a VCT is required at all times to hold at least 70% by value of its investments (as defined in the legislation) in qualifying holdings, of which at least 30% (70% for funds raised after 5 April 2011) must comprise eligible ordinary shares. For this purpose a "qualifying holding" is an investment in new shares or securities of an unquoted company (which may however be quoted on AIM) which has a permanent establishment in the UK, is carrying on a qualifying trade, and whose gross assets and number of employees at the time of investment do not exceed prescribed limits.

The definition of "qualifying trade" excludes certain activities such as property investment and development, financial services and asset leasing. The Finance Bill, which is expected to receive Royal Assent shortly, contains a number of significant changes to the VCT rules for investments completed after that date, designed to secure approval of the VCT scheme by the European Commission. In future a company whose trade is more than seven years old (ten years for 'knowledge intensive' companies) will only qualify for VCT investment if it has previously received state aided risk finance in the past seven (or ten) years or the new investment exceeds 10% of the total turnover for the past five years and the funds are used for new products and/or geographical markets; there will be a lifetime limit of £12 million (£20 million for 'knowledge intensive' companies) on the amount of state aid funding receivable by a company; and VCT funds may not be used by a company to acquire shares in another company or to acquire a business. The rules apply to qualifying and non-qualifying investments, and a breach of the requirements may lead to a loss of VCT status.

Financial calendar

The company's financial calendar for the year ending 30 September 2016 is as follows:

May 2016

Half-yearly financial report for six months ending 31 March 2016 published

June 2016

Interim dividend paid

November 2016

Final dividend and results for year ending 30 September 2016 announced; annual report and financial statements published

December 2016

Annual general meeting; final dividend paid

Share price

The company's share price is carried daily in the Financial Times, the Daily Telegraph, the Newcastle Journal and The Herald. The company's FTSE Actuaries classification is "Investment Companies – VCTs".

A range of shareholder information is provided on the internet at www.shareview.co.uk by the company's registrars, Equiniti Limited, including details of shareholdings, indicative share prices and information on recent dividends (see page 4 for contact details for Equiniti Limited).

Share price information can also be obtained via the NVM website at www.nvm.co.uk.

Dividend investment scheme

The company operates a dividend investment scheme, which is currently suspended, giving shareholders the option of reinvesting their dividends in new ordinary shares in the company with the benefit of the tax reliefs currently available to VCT subscribers. Information about the plan can be obtained from the company secretary (see page 4 for contact details).

Electronic communications

The company continues to provide the option to shareholders to receive communications from the company electronically rather than by paper copy. Shareholders who wish to join the scheme, which is operated by the company's registrars, Equiniti Limited, should visit www.shareview.co.uk, register for a Shareview portfolio and select 'Email' as their preferred method of delivery of company communications.

Strategic report

The company's objective is to provide high long-term tax-free returns to investors through a combination of dividend yield and capital growth.

This report has been prepared by the directors in accordance with the requirements of Section 414 of the Companies Act 2006. The company's independent auditor is required by law to report on whether the information given in the strategic report is consistent with the financial statements. The auditor's report is set out on pages 26 and 27.

Objectives and investment policy

The company's objective is to provide high long-term tax-free returns to investors through a combination of dividend yield and capital growth. The company invests primarily in unquoted UK manufacturing and service businesses which meet our key criteria of good value, growth potential, strong management and ability to generate cash.

The company's investment policy has been designed to enable the company to comply with the VCT qualifying conditions set out within the shareholder information on page 5.

The directors intend that the long-term disposition of the company's assets will be approximately 80% in a portfolio of VCT qualifying unquoted and AIM-quoted investments and 20% in other investments (including listed interest-bearing and equity securities and bank deposits), to provide a reserve of liquidity which will maximise the company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Within the VCT-qualifying portfolio, investments will be structured using various listed and unlisted investment instruments, including ordinary and preference shares, loan stocks and convertible securities, to achieve an appropriate balance of income and capital growth, having regard to the VCT legislation. The portfolio will be diversified by investing in a broad range of VCT-qualifying industry sectors and by holding investments in companies at different stages of maturity in the corporate development cycle. The normal investment holding period will be in the range from three to seven years. Up to approximately 10% by cost of the company's investments may be in early stage companies with high growth potential.

The directors expect that no single investment would normally represent in excess of 3% of the company's total assets at the time of acquisition. However shareholders should be aware that the company's VCT-qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the company's equity shareholders' funds and it is not intended that the company will take on any long-term borrowings.

The company is entitled to participate pro rata to net assets in all investment opportunities developed by NVM Private Equity LLP (NVM) and regularly invests alongside the other funds managed by NVM, enabling the funds together to undertake investment commitments in any one investee company, including non-state aided funds, of up to approximately £8 million. Under a co-investment scheme introduced in 2006, NVM executives are required to invest personally alongside the funds in each new investee company on a predetermined basis.

Investment management

Northern Venture Trust is registered with the Financial Conduct Authority as a small Alternative Investment Fund Manager for the purposes of the Alternative Investment Fund Managers Directive. Investment advisory services are provided by NVM. NVM has an experienced team of venture capital executives based in its offices in Newcastle upon Tyne, Reading and Manchester and currently has over £270 million under management.

The board's management engagement committee reviews the terms of NVM's appointment as investment adviser on a regular basis. Further information about the terms of the management agreement with NVM and the remuneration payable to NVM is set out in the directors' report on pages 16 and 17 and in Note 3 to the financial statements.

Overview of the year

During the year under review Northern Venture Trust achieved a return to ordinary shareholders, before dividends, of 7.2p per share, equivalent to 8.2% of the opening net asset value per share of 87.8p.

The net cash inflow from the venture capital portfolio during the year was £3.3 million, comprising sales proceeds and repayments of £20.4 million less new investments of £17.1 million. Portfolio cash flow over the past five years is set out in Table 1. The movement in total net assets and net asset value per share is summarised in Table 2. After taking account of other cash flows, including dividend payments of £11.4 million, the company's total cash and deposits decreased over the year by £6.1 million to £6.4 million. Net disposals of £1.2 million were made during the year from the portfolio of listed interest-bearing and equity investments, which was valued at £13.9 million at 30 September 2015.

Table 1: Venture capital portfolio cash flow

Year ended 30 September	New investment £000	Disposal proceeds £000	Net cash inflow/(outflow) £000
2011	6,399	4,199	(2,200)
2012	6,139	6,721	582
2013	7,359	8,344	985
2014	10,374	11,099	725
2015	17,063	20,401	3,338
Total	**47,334**	**50,764**	**3,430**

Table 2: Movements in net assets and net asset value per share

	£000	Pence per ordinary share
Net asset value at 1 October 2014	83,521	87.8
Net revenue (investment income less revenue expenses and tax)	1,901	2.0
Capital surplus arising on investments:		
Realised net gains on disposals	5,019	5.3
Movements in fair value of investments	1,189	1.3
Management expenses allocated to capital account (net of tax relief)	(1,284)	(1.4)
Total return for the year as shown in income statement	6,825	7.2
Proceeds of issue of new shares (net of expenses)	413	–
Shares re-purchased for cancellation	(373)	–
Net movement for the year before dividends	6,865	7.2
Net asset value at 30 September 2015 before dividends recognised	90,386	95.0
Dividends recognised in the financial statements for the year	(11,438)	(12.0)
Net asset value at 30 September 2015	**78,948**	**83.0**

Dividends

The directors have declared dividends totalling 12.0p per share in respect of the year, comprising 2.0p revenue dividend and a 10.0p capital dividend from realised capital gains.

Investment portfolio

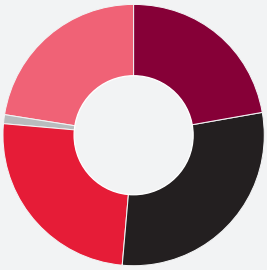
During the year ended 30 September 2015, 13 new holdings were added to the venture capital portfolio at a cost of £17.0 million, and additional investments totalling £0.1 million were made in existing portfolio companies. The portfolio at 30 September 2015 comprised 45 holdings with an aggregate value of £58.8 million. A summary of the venture capital holdings at 30 September 2015 is given on page 11, with information on the fifteen largest investments on pages 12 to 15.

New investments

The new investments completed during the year were:

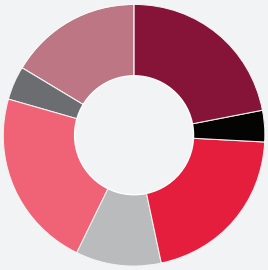
- **Biological Preparations Group (£2,366,000)** – developer and supplier of products based on microbial, antimicrobial, plant extract and enzyme technology, Cardiff
- **Closerstill Group (£1,747,000)** – promoter of international business-to-business events, London
- **Love Energy Savings (£1,204,000)** – business-to-business energy comparison and procurement service, Bolton
- **Entertainment Magpie Group (£1,610,000)** – re-commerce website for pre-owned entertainment media and electronic items, Manchester
- **Collagen Solutions (£321,000)** – AIM-quoted provider of medical grade collagen formulations and components for medical and diagnostic use, Glasgow
- **Ideagen (£89,000)** – AIM-quoted provider of compliance-based information management software, Matlock
- **Gear4music (Holdings) (£178,000)** – AIM-quoted online retailer of musical instruments and music equipment, York

In addition £9,483,000 was invested in six companies **(Graza, Hunley, Oceanos, Saluda, Seawise** and **Turbinia)** each of which is seeking to acquire a trading business in the coming months.



Age of investment

Up to 1 year	22.4%
1-3 years	29.0%
3-5 years	25.2%
5-7 years	1.1%
Over 7 years	22.3%



Industry sector

IT services	22.2%
Construction	3.9%
Consumer	20.9%
Industrial	10.4%
Business services	22.1%
Healthcare/biotechnology	4.4%
Other	16.1%

Investment realisations

Details of investment sales during the year are given in Note 9 on page 35. The most significant realisations (original cost or sales proceeds in excess of £0.5 million) are summarised in Table 3.

The most significant realisation in the year saw **Kerridge Commercial Systems** sold through a secondary management buy-out financed by Accel-KKR, returning cash proceeds of £8.6 million and a gain of £7.0 million on the original investment. **Closerstill Group** was also the subject of a secondary buy-out, led by Inflexion Private Equity, with cash proceeds totalling £3.3 million and a gain of £2.4 million; the opportunity was taken to re-invest £1.7 million alongside Inflexion in the buy-out vehicle, also named **Closerstill Group**. The AIM-quoted **Advanced Computer Software Group** received a recommended cash bid which produced £3.1 million in cash and an eight times return on the investment.

Portfolio composition

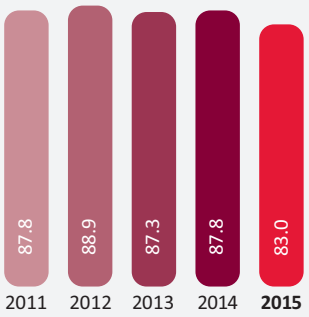
The pie charts above show the composition of the investment portfolio at 30 September 2015 by value according to age, industry sector, financing stage and whether quoted or unquoted.

There have been a number of changes in the portfolio during the year, with new investments replacing some of the more mature holdings which have been sold. The main increases in value were recorded by **Buoyant Upholstery**, **MSQ Partners Group**, **Kitwave One** and **Lineup Systems**, all of which made excellent progress during the year and now comprise the four largest holdings. Most of the other companies in the portfolio have performed satisfactorily, although there have been some exceptions particularly where the slump in the oil and gas sector had a material impact. We have continued to take a cautious approach to valuation and in some cases this has resulted in a reduction in carrying value where results are lagging behind plan.

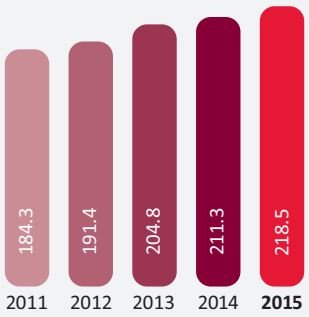
Against a background of continuing low interest rates and the inevitable time taken to deploy funds raised in the 2013/14 share issue, there remains a significant portion of the assets invested in a portfolio of listed equity and interest-bearing investments. This portfolio is focussed on sterling-denominated, income-yielding investments which should be capable of earning a satisfactory return in the medium term.

Valuation policy

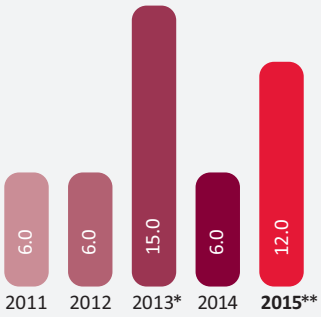
Unquoted investments are valued in accordance with the accounting policy set out on page 31, which takes account of current industry guidelines for the valuation of venture capital portfolios. Provision against cost is made where an investment is under-performing significantly. As at 30 September 2015 the number of investments falling into each valuation category was as shown in Table 4.



Net asset value (p)

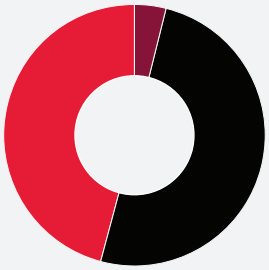


Net asset value plus cumulative dividends paid per share (p)



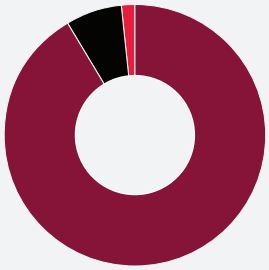
Dividend per share (p)

*includes 9.0p special dividend
**includes 6.0p special dividend



Financing stage

- Early stage 3.9%
- Expansion 50.3%
- MBO/MBI 45.8%



Quotation

- Unquoted 91.6%
- AIM 7.0%
- LSE 1.4%

Table 3: Significant investment realisations

Company	Date of original investment	Original cost £000	Sales proceeds £000	Realised surplus/ (deficit) £000
Advanced Computer Software Group – recommended bid	2008	382	3,135	2,753
Alaric Systems – deferred sale proceeds	2000	–	601	601
Cleveland Biotech (Holdings) – trade sale	2013	1,116	1,109	(7)
Closerstill Group – secondary buy-out	2011	888	3,289	2,401
Direct Valeting – trade sale	2004	73	619	546
Kerridge Commercial Systems – secondary buy-out	2010	1,593	8,589	6,996
Promatic Group – secondary buy-out	2007	1,229	1,510	281
Tinglobal Holdings – trade sale	2011	282	716	434

Table 4: Private equity investment valuation by category

Category	Number of investments	Valuation £000	% of portfolio by value
Unquoted investments at directors' valuation			
Earnings/revenue multiple	22	36,497	62.1
Original cost	10	16,410	27.9
Original cost less provision	3	924	1.6
Quoted investments at bid price			
Listed on London Stock Exchange	1	797	1.4
Quoted on AIM	9	4,144	7.0
Total	**45**	**58,772**	**100.0**

Key performance indicators

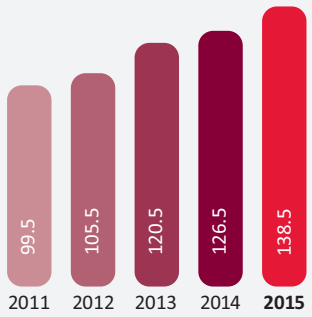
The directors regard the following as the key indicators pertaining to the company's performance:

Net asset value and total return to shareholders: the charts at the bottom of the page opposite show the movement in net asset value and total return (net asset value plus cumulative dividends) per share over the past five financial years.

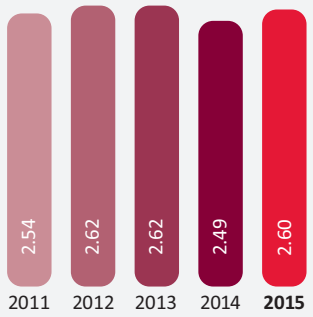
Dividend distributions: the charts at the bottom of this and the opposite page show the dividends (including proposed final dividends) declared in respect of each of the past five financial years and on a cumulative basis since inception.

Ongoing charges: the charts at the bottom of this page show total annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders for each of the past five financial years.

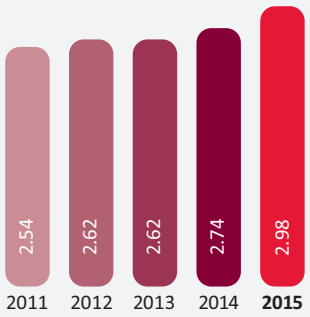
Maintenance of VCT qualifying status: the directors believe that the company has at all times since inception complied with the VCT qualifying conditions laid down by HM Revenue & Customs.



Cumulative dividends per share (p)



Ongoing charges excluding performance fees (% of average net assets)



Ongoing charges including performance fees* (% of average net assets)

*performance fee applicable with effect from October 2013

Risk management

The board carries out a regular and robust review of the risk environment in which the company operates. The principal 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: many of the company's investments are in small and medium-sized unquoted and AIM quoted companies which are VCT qualifying holdings, and which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. ***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. The board reviews the investment portfolio with the investment advisers 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 take advantage of new unquoted investment opportunities. The company has very little direct exposure to foreign currency risk and does not enter into derivative transactions.

Economic risk: events such as economic recession or general fluctuation in stock markets 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. ***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 appropriate.

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 terrorist activity can negatively impact stock markets worldwide. In times of adverse sentiment there can 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 managers and the board keeps the portfolio under ongoing review.

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, which reflects the European Commission's state aid rules. 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. ***Mitigation:*** the board regularly reviews the system of internal controls, both financial and non-financial, operated by the company and the manager. These include controls designed to ensure that the company's assets are safeguarded and that proper accounting records are maintained.

VCT qualifying status risk: the company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status. The loss of such approval could lead to the company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the company and, in certain circumstances, to investors 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 Robertson Hare LLP to undertake an independent VCT status monitoring role.

Additional disclosures required by the Companies Act

The company had no employees during the year and all the directors are male.

As an externally administered investment company, the company is not directly responsible for any greenhouse gas emissions.

Future prospects

The venture capital portfolio has made satisfactory progress and the board considers there are good prospects of further exits during the coming year. We are still evaluating the potential impact of the significant changes which the Government has recently proposed to the VCT legislation in response to the European Commission's requirements, but at this stage it seems likely that the range of potential investment opportunities open to the company will be restricted to a certain extent. The board and investment adviser will be focussed on ensuring that any adverse effect on future investment returns is minimised.

By order of the Board

C D Mellor
Secretary 12 November 2015

Investment portfolio

as at 30 September 2015

	Cost £000	Valuation £000	% of net assets by value
Fifteen largest private equity investments (see pages 11 to 15)			
Buoyant Upholstery	1,674	3,526	4.5
Kitwave One	1,583	3,085	3.9
MSQ Partners Group	1,695	2,637	3.3
Lineup Systems	974	2,467	3.1
Biological Preparations Group	2,366	2,366	3.0
Silverwing	1,773	2,331	3.0
Weldex (International) Offshore Holdings	3,262	2,280	2.9
Volumatic Holdings	1,929	1,901	2.4
CGI Group Holdings	3,818	1,895	2.4
Closerstill Group	1,747	1,747	2.2
Wear Inns	1,640	1,705	2.2
No 1 Traveller	1,653	1,666	2.1
Agilitas IT Holdings	1,662	1,666	2.1
Entertainment Magpie Group	1,610	1,610	2.0
Graza	1,581	1,581	2.0
	28,967	**32,463**	**41.1**
Other private equity investments			
Hunley	1,581	1,581	2.0
Oceanos	1,581	1,581	2.0
Saluda	1,580	1,580	2.0
Seawise	1,580	1,580	2.0
Turbinia	1,580	1,580	2.0
It's All Good	1,205	1,501	1.9
Control Risks Group Holdings	746	1,461	1.9
Arleigh Group	238	1,449	1.9
IDOX*	269	1,448	1.8
Cawood Scientific	1,073	1,299	1.7
Axial Systems Holdings	1,004	1,259	1.6
Love Energy Savings	1,204	1,204	1.5
Optilan Group	1,000	1,127	1.4
Haystack Dryers	1,661	1,044	1.3
Intuitive Holding	1,674	885	1.1
Vectura Group**	247	797	1.0
Lanner Group	719	664	0.9
Arnlea Holdings	1,306	585	0.8
Sinclair IS Pharma*	425	574	0.7
Collagen Solutions*	321	540	0.7
Nasstar*	323	532	0.7
Brady*	386	496	0.6
Gentronix	678	339	0.4
Kirton	1,155	330	0.4
Fresh Approach (UK) Holdings	1,475	319	0.4
RTC Group*	436	242	0.3
Gear4music (Holdings)*	178	179	0.2
Ideagen*	89	122	0.2
Summit Therapeutics*	195	11	–
S&P Coil Products	48	–	–
Total private equity investments	**54,924**	**58,772**	**74.5**
Total listed equity investments	8,152	7,793	9.9
Total listed interest-bearing investments	6,237	6,115	7.7
Total fixed asset investments	**69,313**	**72,680**	**92.1**
Net current assets		6,268	7.9
Net assets		**78,948**	**100.0**

* Quoted on AIM

** Listed on London Stock Exchange

Fifteen largest private equity investments

Buoyant Upholstery

Cost	£1,674,000
Valuation	£3,526,000
Basis of valuation	Earnings multiple
Equity held	15.3% (NVM funds total 64.8%)
Business/location	Manufacturer of upholstered furniture, Nelson
History	Management buy-out financing in July 2013, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT, NV1 LP
Income in year	Dividends nil, loan stock interest £120,000

Audited financial information:

Period ended 30 September	2014* £m
Sales	59.7
Operating profit	5.0
Profit before tax	2.8
Profit after tax	2.0
Net assets	3.3

*18 month period

Kitwave One

Cost	£1,583,000
Valuation	£3,085,000
Basis of valuation	Earnings multiple
Equity held	8.1% (NVM funds total 38.0%)
Business/location	Wholesaler of confectionery, soft drinks, snacks, beers, wines and tobacco, North Shields
History	Growth capital investment in March 2011, led by NVM Private Equity
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £99,000

Audited financial information:

Year ended 30 April	2015 £m	2014 £m
Sales	227.8	197.2
Operating profit	5.9	4.8
Profit before tax	3.3	2.5
Profit after tax	2.3	1.7
Net assets	10.6	8.3

MSQ Partners Group

Cost	£1,695,000
Valuation	£2,637,000
Basis of valuation	Earnings multiple
Equity held	8.3% (NVM funds total 38.7%)
Business/location	Marketing and communications agency group, London
History	Management buy-out financing in July 2014, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT, NV2 LP
Income in year	Dividends nil, loan stock interest £149,000

Audited financial information:

Period ended 28 February	2015* £m
Sales	64.0
Operating profit	0.4
(Loss) before tax	(0.6)
(Loss) after tax	(1.2)
Net (liabilities)	(0.4)

*9 month period

Lineup Systems

Cost	£974,000
Valuation	£2,467,000
Basis of valuation	Revenue multiple
Equity held	17.4% (NVM funds total 52.2%)
Business/location	Multi-channel advertising and media software, London
History	Development capital financing, December 2011, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £35,000

Audited financial information:

Year ended 30 June	2014 £m	2013 £m
Sales	4.4	2.3
Operating (loss)	(0.1)	(0.1)
(Loss) before tax	(0.3)	(0.2)
(Loss) after tax	(0.3)	(0.2)
Net assets	0.1	0.4

Note: "Operating profit" is defined as earnings before interest, tax and amortisation of goodwill.

Biological Preparations Group

Cost	£2,366,000
Valuation	£2,366,000
Basis of valuation	Cost
Equity held	17.4% (NVM funds total 47.5%)
Business/location	Developer and supplier of products based on microbial, antimicrobial, plant extract and enzyme technology, Cardiff
History	Development capital financing, March 2015, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends £12,000, loan stock interest £150,000

Audited financial information:

First audited accounts will be for the period ending 31 December 2015

Silverwing

Cost	£1,773,000
Valuation	£2,331,000
Basis of valuation	Earnings multiple
Equity held	14.2% (NVM funds total 47.4%)
Business/location	Developer of non-destructive testing solutions for the oil and gas industry, Swansea
History	Management buy-out financing in August 2012, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT, NV1 LP
Income in year	Dividends nil, loan stock interest £124,000

Audited financial information:

Year ended 31 December	2014 £m	2013* £m
Sales	7.8	11.9
Operating profit	1.8	2.7
Profit before tax	1.0	1.6
Profit after tax	0.6	1.3
Net assets	3.5	2.9

*18 month period

Weldex (International) Offshore Holdings

Cost	£3,262,000
Valuation	£2,280,000
Basis of valuation	Earnings multiple
Equity held	5.0% (NVM funds total 10.0%)
Business/location	Hire of large crawler cranes to the construction industry, Inverness
History	Institutional buy-out in June 2010, led by Dunedin Capital Partners
Other NVM funds investing	Northern Investors Company
Income in year	Nil

Audited financial information:

Year ended 30 November	2014 £m	2013 £m
Sales	31.7	23.2
Operating profit	10.3	6.3
Profit/(loss) before tax	2.5	(1.9)
Profit/(loss) after tax	0.8	(0.9)
Net assets	1.5	0.6

Volumatic Holdings

Cost	£1,929,000
Valuation	£1,901,000
Basis of valuation	Earnings multiple
Equity held	16.9% (NVM funds total 50.7%)
Business/location	Manufacturer of intelligent cash handling equipment, Coventry
History	Management buy-out, March 2012, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £147,000

Audited financial information:

Year ended 31 March	2014 £m	2013 £m
Sales	8.1	10.2
Operating profit	2.0	3.0
Profit before tax	0.9	1.9
Profit after tax	0.6	1.4
Net assets	2.8	2.2

Fifteen largest private equity investments
continued

CGI Group Holdings

Cost	£3,818,000
Valuation	£1,895,000
Basis of valuation	Earnings multiple
Equity held	17.5% (NVM funds total 26.2%)
Business/location	Manufacture of fire-resistant and safety glass, Warrington
History	Recapitalisation in April 2008 of CGI Group (originally a management buy-out investment in February 1999), led by Dunedin Capital Partners
Other NVM funds investing	Northern Investors Company
Income in year	Dividends nil, loan stock interest £18,000

Audited financial information:

Year ended 31 December	2014 £m	2013 £m
Sales	15.8	17.0
Operating profit	2.5	2.9
(Loss)/profit before tax	(0.8)	0.9
(Loss)/profit after tax	(0.9)	0.7
Net (liabilities)/assets	(0.7)	0.2

Closerstill Group

Cost	£1,747,000
Valuation	£1,747,000
Basis of valuation	Cost
Equity held	1.1% (NVM funds total 3.1%)
Business/location	Promoter of international business-to-business events, London
History	Secondary buy-out from private equity ownership, March 2015, led by Inflexion Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Nil

Audited financial information:

First audited accounts will be for the period ending 31 December 2015

Wear Inns

Cost	£1,640,000
Valuation	£1,705,000
Basis of valuation	Earnings multiple
Equity held	8.0% (NVM funds total 23.9%)
Business/location	Owner of managed public houses, Newcastle upon Tyne
History	Acquisition capital financing in February 2006, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £140,000

Audited financial information:

Year ended 31 March	2015 £m	2014 £m
Sales	13.2	13.4
Operating profit	1.4	1.4
(Loss) before tax	(0.3)	(0.2)
(Loss) after tax	(0.3)	(0.2)
Net assets	0.9	1.1

No 1 Traveller

Cost	£1,653,000
Valuation	£1,666,000
Basis of valuation	Earnings multiple
Equity held	9.0% (NVM funds total 38.7%)
Business/location	Operator of airport lounges and related services, London
History	Management buy-out financing in March 2014, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT, NV1 LP
Income in year	Nil

Audited financial information:

First audited accounts will be for the period ended 31 December 2014

Note: "Operating profit" is defined as earnings before interest, tax and amortisation of goodwill.

Agilitas IT Holdings

Cost	£1,662,000
Valuation	£1,666,000
Basis of valuation	Earnings multiple
Equity held	13.7% (NVM funds total 55.3%)
Business/location	Provider of outsourced IT inventory management services, Nottingham
History	Management buy-out financing in June 2014, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT, NV2 LP
Income in year	Dividends nil, loan stock interest £124,000

Audited financial information:

First audited accounts will be for the period ended 31 March 2015

Entertainment Magpie Group

Cost	£1,610,000
Valuation	£1,610,000
Basis of valuation	Cost
Equity held	13.4% (NVM funds total 50.3%)
Business/location	Re-commerce website for pre-owned entertainment media and electronic items, Manchester
History	Development capital financing in September 2015, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT, NV2 LP
Income in year	Nil

Audited financial information:

First audited accounts will be for the period ending 31 May 2016

Graza

Cost	£1,581,000
Valuation	£1,581,000
Basis of valuation	Cost
Equity held	43.4% (NVM funds total 95.0%)
Business/location	Seeking to acquire a trading business
History	Development capital financing in April 2015, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Nil

Audited financial information:

First audited accounts will be for the period ending 31 March 2016

Directors' report

The directors have managed the affairs of the company with the intention of maintaining its status as an approved venture capital trust.

The directors present their report and the audited financial statements for the year ended 30 September 2015.

Activities and status

The principal activity of the company during the year was the making of long-term equity and loan investments, mainly in unquoted companies.

The directors have managed the affairs of the company with the intention of maintaining its status as an approved venture capital trust for the purposes of Section 274 of the Income Tax Act 2007. The directors consider that the company was not at any time up to the date of this report a close company within the meaning of Chapter 2 of Part 10 of the Corporation Tax Act 2010. The company's registered number is 3090163.

The directors are required by the articles of association to propose an ordinary resolution at the company's annual general meeting in 2019 that the company should continue as a venture capital trust for a further five year period, and at each fifth subsequent annual general meeting thereafter. If any such resolution is not passed, the directors shall within four months convene a general meeting to consider proposals for the reorganisation or winding-up of the company.

Corporate governance

The statement on corporate governance set out on pages 20 to 24 is included in the directors' report by reference.

Results and dividend

The return on ordinary activities after tax for the year of £6,825,000 has been transferred to reserves.

The final dividend of 3.0p per share in respect of the year ended 30 September 2014 and interim dividends totalling 9.0p per share in respect of the year ended 30 September 2015 were paid during the year at a cost of £11,438,000 and have been charged to reserves.

The proposed final dividend of 3.0p per share for the year ended 30 September 2015 will, if approved by shareholders at the annual general meeting, be paid on 22 December 2015 to shareholders on the register on 27 November 2015.

Provision of information to auditor

Each of the directors who held office at the date of approval of this directors' report confirms that, so far as he is aware, there is no relevant audit information of which the company's auditor is unaware and that he has taken all the steps that he could reasonably be expected to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

After making the necessary enquiries, the directors believe that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Statement on long-term viability

As required by the AIC Code of Corporate Governance, the directors have assessed the prospects of the company over the three year period to September 2018, taking into account the company's current position and principal risks, and have concluded that there is a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over that period. The directors consider that for the purpose of this exercise it is not practical or meaningful to look forward over a period of more than three years. In making their assessment the directors have taken into account the principal risks and their mitigation identified in the strategic report on page 10, the nature of the company's business, including its substantial reserve of cash and near-cash investments, the potential of its venture capital portfolio to generate future income and capital proceeds and the ability of the directors to minimise the level of cash outflows should this be necessary.

Directors

None of the directors has a contract of service with the company and, except as mentioned below under the heading "Management", no contract or arrangement subsisted during or at the end of the year in which any director was materially interested and which was significant in relation to the company's business.

Directors' and officers' liability insurance

The company has, as permitted by the Companies Act 2006, maintained insurance cover on behalf of the directors and secretary indemnifying them against certain liabilities which may be incurred by any of them in relation to the company.

Management

NVM Private Equity (NVM) has acted as investment adviser to the company since incorporation. The principal terms of the company's management and investment advisory agreement with NVM are set out in Note 3 to the financial statements. With effect from 2 February 2015 the agreement was novated from NVM Private Equity Limited to NVM Private Equity LLP, a new limited liability partnership in which Mr T R Levett, who is also a director of Northern Venture Trust, is an equity partner.

The management engagement committee carries out a regular review of the terms of NVM's appointment with a view to ensuring that NVM's remuneration is set at an appropriate level, having regard to the nature of the work carried out and general market practice.

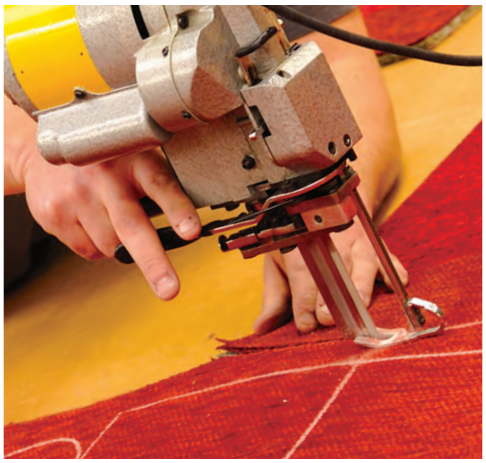
As required by the Listing Rules, the directors confirm that in their opinion the continuing appointment of NVM as investment adviser on the terms agreed is in the interests of the company's shareholders as a whole. In reaching this conclusion the directors have taken into account the performance of the investment portfolio and the efficient and effective service provided by NVM to the company.

Remuneration receivable by NVM

The remuneration receivable by NVM and its executives by virtue of NVM's management agreement with Northern Venture Trust comprises the following:

Remuneration payable by Northern Venture Trust

Basic management fee: NVM is entitled to receive a basic annual management fee equivalent to 2.06% of net assets, calculated half-yearly as at 31 March and 30 September. In the year ended 30 September 2015 the basic annual management fee was £1,731,000 (preceding year: £1,624,000).


Performance-related management fee: NVM is entitled to receive an annual performance-related management fee equivalent to 15.0% of the total return in excess of a formula-driven hurdle rate, details of whose composition are set out in Note 3 to the financial statements. The hurdle rate for the year ended 30 September 2015 was 6.0% (preceding year: 6.0%). The performance-related fee for the year ended 30 September 2015 was £319,000 (preceding year: £206,000).

Accounting and secretarial fee: NVM provides accounting, administrative and secretarial services to the company for a fee of £65,000 per annum, linked to the movement in the RPI. The fee payable in respect of the preceding year was £64,000.

The total remuneration payable to NVM by Northern Venture Trust in respect of the year, comprising the basic and performance-related management fees and the accounting and secretarial fee, was £2,115,000 (preceding year: £1,894,000).

Under current tax legislation the fees paid by the company to NVM are not subject to VAT. The total annual running costs of the company, including the basic management fee and the accounting and secretarial fee but excluding the performance-related management fee, are capped at 2.9% of average net assets and any excess will be refunded to the company by way of a reduction in NVM's basic management fee. The annual running costs of the company for the year ended 30 September 2015 were equivalent to 2.60% of average net assets (preceding year: 2.49%).

Remuneration payable by investee companies

Under the management agreement, NVM is entitled to receive fees from investee companies in respect of the arrangement of investments and the provision of non-executive directors and other advisory services. NVM is responsible for paying the due diligence and other costs incurred in connection with proposed investments which for whatever reason do not proceed to completion.

In the year ended 30 September 2015 the arrangement fees receivable by NVM from investee companies which were attributable to investments made by Northern Venture Trust amounted to £158,000 (preceding year: £271,000), and directors' and monitoring fees amounted to £296,000 (preceding year: £315,000).

Executive co-investment scheme

Since 2006 the company has, together with the other funds managed by NVM, participated in a co-investment scheme with the objective of enabling NVM to recruit, retain and incentivise its key investment executives. Under the scheme, executives are required to invest personally (and on the same terms as the company and other funds managed by NVM) in the ordinary share capital of every unquoted investee company in which the company invests. The shares held by executives can only be sold at such time as the funds managed by NVM sell their shares, any prior ranking loan notes or preference shares held by the funds having been repaid. The executives participating in the scheme subscribe jointly for 5.0% of the ordinary shares available to the NVM funds, except in the case of ungeared investments comprising only ordinary shares, where the proportion is 1.0%. At 30 September 2015 NVM executives held investments in 38 investee companies acquired at a total cost of £972,000, of which £282,000 was attributable to investments made by Northern Venture Trust.

Share capital – purchase of shares

During the year the company purchased for cancellation 485,000 of its own shares, representing 0.5% of the called-up share capital of the company, for a consideration of £373,000. At the 2014 annual general meeting held in December 2014 shareholders authorised the company to purchase in the market up to 9,508,148 ordinary shares (equivalent to approximately 10% of the then issued ordinary share capital) at a minimum price of 25p per share and a maximum price per share of not more than 105% of the average market value for the ordinary shares in the company for the five business days prior to the date on which the ordinary shares were purchased.

As at 30 September 2015 this authority remained effective in respect of 9,023,148 shares; the authority will lapse at the conclusion of the annual general meeting of the company on 17 December 2015.

Share capital – issue of shares

During the year the company issued 503,340 new ordinary shares for a cash consideration of £428,000 pursuant to the company's dividend investment scheme.

Fixed assets

Movements in fixed asset investments during the year are set out in Note 8 to the financial statements.

Annual general meeting

Notice of the annual general meeting to be held on 17 December 2015 is set out in a separate circular to shareholders along with explanatory comments on the resolutions.

Substantial shareholdings

No disclosures of major shareholdings had been made to the company under Disclosure and Transparency Rule 5 (Vote Holder and Issuer Notification Rules) as at the date of this report.

Independent auditor

KPMG LLP have indicated their willingness to continue as auditor of the company and resolutions to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the Board

C D Mellor
Secretary 12 November 2015

Directors' remuneration report

The board currently comprises six directors, all of whom are non-executive.

This report has been prepared by the directors in accordance with the requirements of Section 410 of the Companies Act 2006. A resolution to approve the directors' remuneration report will be proposed at the annual general meeting on 17 December 2015.

The company's independent auditor, KPMG LLP, is required to give its opinion on certain information included in this report, as indicated below. The auditor's report on these and other matters is set out on pages 26 and 27.

Directors' remuneration policy

The company is required by the Companies Act 2006 to seek shareholders' approval of the directors' remuneration policy at least every three years, or in the event of a change in the policy if sooner. The directors' remuneration policy has remained unchanged since it was approved by shareholders at the annual general meeting held on 12 December 2013 and, unless there is a change in policy, it is the current intention of the directors that a resolution for the approval of the directors' remuneration policy will be considered at the annual general meeting to be held in December 2016.

The board currently comprises six directors, all of whom are non-executive. The board does not have a separate remuneration committee, as the company has no employees or executive directors. The board has established a nomination committee, comprising Mr S J Constantine (Chairman), Mr N J Beer, Mr R J Green, Mr T R Levett, Mr D A Mayes and Mr H P Younger, which meets annually (or more frequently if required) to consider the selection and appointment of directors and to make recommendations to the board as to the level of directors' fees. The board has not retained external advisers in relation to remuneration matters but has access to information about directors' fees paid by other companies of a similar size and type. No views which are relevant to the formulation of the directors' remuneration policy have been expressed to the company by shareholders, whether at a general meeting or otherwise.

The board considers that directors' fees should reflect the time commitment required and the high level of responsibility borne by directors, and should be broadly comparable to those paid by similar companies. It is not considered appropriate that directors' remuneration should be performance-related, and none of the directors is eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive directors of the company. (Mr T R Levett, who is an equity partner in NVM Private Equity, has an interest in the co-investment scheme referred to in the directors' report on page 17.)

The articles of association place an overall limit (currently £150,000 per annum) on directors' remuneration. The articles of association provide that directors shall retire and be subject to re-election at the first annual general meeting after their appointment and that any director who was not appointed or re-appointed at one of the preceding two annual general meetings shall retire and be subject to re-election at each annual general meeting. None of the directors has a service contract with the company. On being appointed or re-elected, directors receive a letter from the company setting out the terms of their appointment and their specific duties and responsibilities. A director's appointment may be terminated on three months' notice being given by the company and in certain other circumstances. A director who ceases to hold office is not entitled to receive any payment other than accrued fees (if any) for past services.

Directors' remuneration for the year ended 30 September 2015 (audited information)

The fees paid to individual directors in respect of the years ended 30 September 2015 and 30 September 2014, which represent the entire remuneration payable to directors, are shown in Table 1.

Directors' share interests (audited information)

The interests of the directors of the company (including the interests of their connected persons) in the issued ordinary shares of the company, at the beginning and end of the year and at the date of this report, are shown in Table 2.

All of the directors' share interests were held beneficially.

The company has not set out any formal requirements or guidelines to directors concerning their ownership of shares in the company.

Relative importance of spend on pay

As the company has no employees, the directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

Company performance

The graph opposite compares the total return (assuming re-investment of all dividends) to shareholders in the company over the five years ended 30 September 2015 with the total return from a broad UK equity market index over the same period.

Statement of voting at annual general meeting

At the annual general meeting on 18 December 2014 the resolution to approve the directors' remuneration report for the year ended 30 September 2014 was approved unanimously.

Statement by the chairman of the nomination committee

In accordance with the directors' remuneration policy, directors' fees were reviewed by the nomination committee during its meeting on 16 September 2015, when it was recommended that fees should remain at £30,000 per annum for the chairman and £22,000 per annum for other directors for the year ending 30 September 2016. Directors' fees have been fixed at this level since 1 October 2013.

S J Constantine
Chairman of
the Nomination
Committee

12 November 2015

Table 1: Directors' fees

	Year ended 30 September 2015	Year ended 30 September 2014
S J Constantine (Chairman)	28,330	22,000
N J Beer	22,000	22,000
R J Green (appointed 5 November 2014)	19,936	N/A
J R Hustler (retired 18 December 2014)	6,492	30,000
T R Levett	–	–
D A Mayes (appointed 5 November 2014)	19,936	N/A
H P Younger	22,000	22,000
Total	**118,694**	**96,000**

Mr T R Levett waived his entitlement to directors' fees in respect of both years.

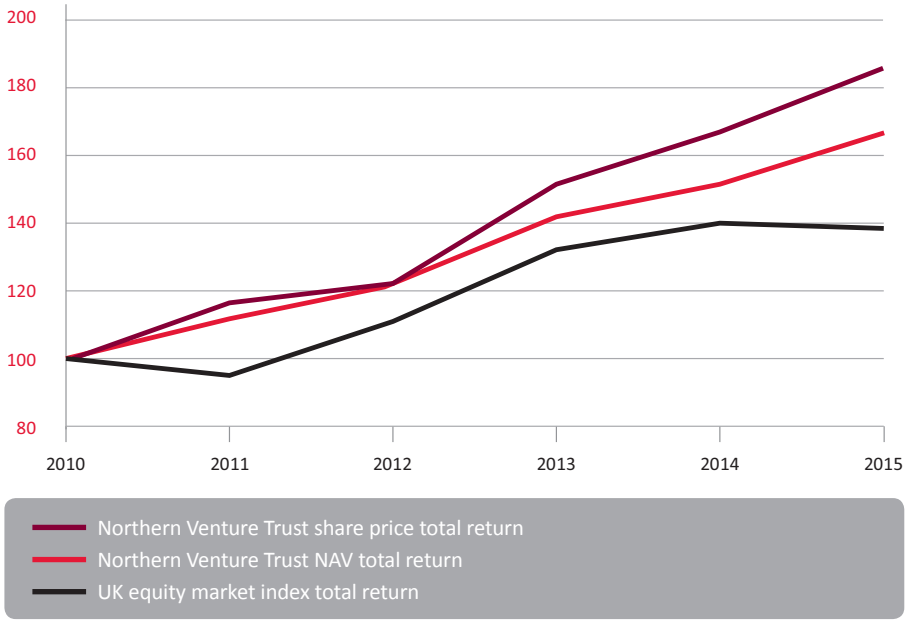
Table 2: Directors' interests in ordinary shares

	12 November 2015	30 September 2015	1 October 2014*
S J Constantine (Chairman)	186,223	186,223	180,031
N J Beer	146,553	146,553	146,553
R J Green (appointed 5 November 2014)	–	–	–
J R Hustler (retired 18 December 2014)	N/A	N/A	117,182
T R Levett	410,164	410,164	410,164
D A Mayes (appointed 5 November 2014)	91,134	91,134	91,134
H P Younger	41,303	41,303	41,303

*or at date of appointment if later

Return to shareholders in Northern Venture Trust PLC

Five years to 30 September 2015 (September 2010 = 100)



Corporate governance

The company is committed to maintaining high standards in corporate governance.

The board of Northern Venture Trust PLC has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the related Association of Investment Companies Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the company. The AIC Code can be viewed at www.theaic.co.uk/aic-code-of-corporate-governance-0.

The board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The company is committed to maintaining high standards in corporate governance and during the year ended 30 September 2015 complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Guide, and in the preamble to the UK Corporate Governance Code, the board considers these provisions are not relevant to the position of Northern Venture Trust PLC, which is an externally administered venture capital trust. The company has therefore not reported further in respect of these provisions.

Board of directors

The company has a board of six non-executive directors, the majority of whom are considered to be independent of the company's investment adviser, NVM Private Equity LLP (NVM). The board meets regularly six times a year, and on other occasions by conference call as required. In the year to 30 September 2015 there were seven such meetings. The board is responsible to shareholders for the effective stewardship of the company's affairs and has a formal schedule of matters specifically reserved for its decision which include:

- consideration of long-term strategic issues;
- valuation of the unquoted investment portfolio; and
- ensuring the company's compliance with good practice in corporate governance matters.

A brief biographical summary of each director is given on page 4.

The chairman, Mr S J Constantine, leads the board in the determination of its strategy and in the achievement of its objectives. The chairman is responsible for organising the business of the board, ensuring its effectiveness and setting its agenda, and has no involvement in the day to day business of the company. He facilitates the effective contribution of the directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders.

The board has established a formal process, led by the chairman, for the annual evaluation of the performance of the board, its principal committees and individual directors. The directors are made aware on appointment that their performance will be subject to regular evaluation. The performance of the chairman is evaluated by a meeting of the other board members under the leadership of Mr N J Beer.

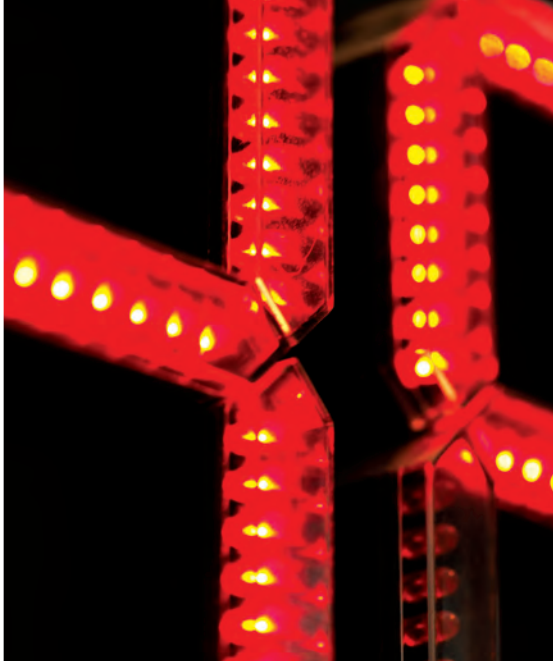
The company secretary, Mr C D Mellor, is responsible for advising the board through the chairman on all governance matters. All of the directors have access to the advice and services of the company secretary, who has administrative responsibility for the meetings of the board and its committees. Directors may also take independent professional advice at the company's expense where necessary in the performance of their duties. As all of the directors are non-executive, it is not considered appropriate to identify a member of the board as the senior non-executive director of the company.

The company's articles of association and the schedule of matters reserved to the board for decision provide that the appointment and removal of the company secretary is a matter for the board.

The company's articles of association require that one third of the directors should retire by rotation each year and seek re-election at the annual general meeting, and that directors newly appointed by the board should seek reappointment at the next annual general meeting. The board complies with the requirement of the UK Corporate Governance Code that all directors are required to submit themselves for re-election at least every three years.

Independence of directors

The board regularly reviews the independence of its members and is satisfied that the company's directors are independent in character and judgement and there are no relationships or circumstances which could affect their objectivity (with the exception of Mr T R Levett who is an equity partner in NVM, the company's investment adviser).



The AIC Code recommends that where a director has served for more than nine years, the board should state its reasons for believing that the individual remains independent. The board is of the view that a term of service in excess of nine years is not in itself prejudicial to a director's ability to carry out his duties effectively and from an independent perspective; the nature of the company's business is such that individual director's experience and continuity of board membership can significantly enhance the effectiveness of the board as a whole. However the board has as a matter of good practice adopted the AIC Code recommendation that directors who have served for more than nine years should seek annual re-election, and acknowledges that regular refreshment of its membership is desirable.

Board committees

The board has appointed three standing committees to make recommendations to the board in specific areas. The board does not have a separate remuneration committee, as the company has no employees or executive directors. Detailed information relating to the remuneration of directors is given in the directors' remuneration report on pages 18 and 19.

Audit Committee

During the year the audit committee comprised:

Mr N J Beer (Chairman)
Mr S J Constantine
Mr R J Green (appointed 5 November 2014)
Mr J R Hustler (resigned 18 December 2014)
Mr D A Mayes (appointed 5 November 2014)
Mr H P Younger

The audit committee's terms of reference include the following roles and responsibilities:

- monitoring and making recommendations to the board in relation to the company's published financial statements and other formal announcements relating to the company's financial performance;
- monitoring and making recommendations to the board in relation to the valuation of the company's unquoted investments;
- monitoring and making recommendations to the board in relation to the company's internal control (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that the investment adviser has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

The committee reviews its terms of reference and its effectiveness annually and recommends to the board any changes required as a result of the review. The terms of reference are available on request from the company secretary and on the NVM website, www.nvm.co.uk. The audit committee ordinarily meets five times per year and has direct access to KPMG LLP, the company's external auditor. The board considers that the members of the committee are independent and have collectively the skills and experience required to discharge their duties effectively, and that the chairman of the committee meets the requirements of the UK Corporate Governance Code as to recent and relevant financial experience.

The company does not have an independent internal audit function as it is not deemed appropriate given the size of the company and the nature of the company's business. However, the committee considers annually whether there is a need for such a function and if so would recommend this to the board.

During the year ended 30 September 2015 the audit committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement, remuneration and independence;
- reviewing the external auditor's plan for the audit of the company's financial statements, including identification of key risks;
- reviewing NVM's statement of internal controls operated in relation to the company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of NVM's compliance procedures;
- reviewing the appropriateness of the company's accounting policies;
- reviewing the company's draft annual financial statements, half-yearly results statement and quarterly NAV announcements prior to board approval, including the proposed fair value of investments as determined by the directors;
- reviewing the external auditor's detailed reports to the committee on the annual financial statements; and
- recommending to the board and shareholders the reappointment of KPMG LLP as the independent auditor of the company.

The key areas of risk that have been identified and considered by the audit committee in relation to the business activities and financial statements of the company are as follows:

- valuation and existence of unquoted investments; and
- compliance with HM Revenue & Customs conditions for maintenance of approved venture capital trust status.

These issues were discussed with the investment adviser and the auditor at the pre-year end audit planning meeting and at the conclusion of the audit of the financial statements.

Valuation of unquoted investments: the investment adviser and the auditor confirmed to the audit committee that the investment valuations had been carried out consistently with prior periods and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. The audit committee reviewed the estimates and judgements used in the investment valuations and was satisfied that they are appropriate.

Venture capital trust status: the investment adviser confirmed to the audit committee that the conditions for maintaining the company's status as an approved venture capital trust had been complied with throughout the year. The position was also reviewed by Robertson Hare LLP in its capacity as adviser to the company on taxation matters.

The investment adviser and auditor confirmed to the audit committee that they were not aware of any material misstatements. Having reviewed the reports received from the adviser and auditor, the audit committee is satisfied that the key areas of risk and judgement have been appropriately addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. The committee considers that KPMG LLP has carried out its duties as auditor in a diligent and professional manner.

As part of the review of auditor effectiveness and independence, KPMG LLP has confirmed that it is independent of the company and has complied with applicable auditing standards. KPMG LLP together with its predecessor has held office as auditor for 19 years; in accordance with professional guidelines the engagement partner is rotated after at most five years, and the current partner has served for one year. Having completed its review the audit committee is satisfied that KPMG LLP remained effective and independent in carrying out its responsibilities up to the date of signing this report. The audit committee is satisfied that KPMG LLP is independent and that it would not be appropriate to put the audit appointment out to tender at the present time.

Nomination Committee

During the year the nomination committee comprised:

Mr S J Constantine (Chairman)
Mr N J Beer
Mr R J Green (appointed 5 November 2014)
Mr J R Hustler (resigned 18 December 2014)
Mr T R Levett
Mr D A Mayes (appointed 5 November 2014)
Mr H P Younger

The nomination committee considers the selection and appointment of directors and makes annual recommendations to the board as to the level of directors' fees. The committee monitors the balance of skills, knowledge and experience offered by board members, and satisfies itself that they are able to devote sufficient time to carry out their role efficiently and effectively. When recommending new appointments to the board the committee draws on its members' extensive business experience and range of contacts to identify suitable candidates; the use of formal advertisements and external consultants is not considered cost-effective given the company's size. New directors are provided with briefing material relating to the company, its investment managers and the venture capital industry as well as to their own legal responsibilities as directors. The committee has written terms of reference which are reviewed annually and are available on request from the company secretary and on the NVM website, www.nvm.co.uk.

Management Engagement Committee

During the year the management engagement committee comprised:

Mr S J Constantine (Chairman)
Mr N J Beer
Mr R J Green (appointed 5 November 2014)
Mr J R Hustler (resigned 18 December 2014)
Mr D A Mayes (appointed 5 November 2014)
Mr H P Younger

The management engagement committee undertakes a periodic review of the performance of the investment adviser, NVM, and of the terms of the management agreement including the level of fees payable and the length of the notice period. The principal terms of the agreement are set out in Note 3 to the financial statements on page 32.

Following the latest review by the committee, the board concluded that the continuing appointment of NVM was in the interests of the company and its shareholders as a whole. NVM has demonstrated its commitment to and expertise in venture capital investment over an extended period, as a result of which the company has established a consistent long-term performance record. NVM has also performed its company secretarial and accounting duties efficiently and effectively.

Attendance at board and committee meetings

Table 1 sets out the number of formal board and committee meetings held during the year ended 30 September 2015 and the number attended by each director compared with the maximum possible attendance.

Corporate responsibility

The board aims to ensure that the company takes a positive approach to corporate responsibility, in relation both to itself and to the companies it invests in. This entails maintaining a responsible attitude to ethical, environmental, governance and social issues, and the encouragement of good practice via its investment adviser's involvement in investee companies. The board seeks to avoid investing in companies which do not operate within relevant ethical, environmental and social legislation or otherwise fail to comply with appropriate industry standards.

Investor relations

In fulfilment of the chairman's obligations under the UK Corporate Governance Code, the chairman gives feedback to the board on issues raised with him by shareholders with a view to ensuring that members of the board develop an understanding of the views of shareholders about their company. The board recognises the value of maintaining regular communications with shareholders. Formal reports are sent to shareholders at the half-year and year end stages, and an opportunity is given to shareholders at the annual general meeting to question the board and the investment adviser on matters relating to the company's operation and performance. Proxy voting figures for each resolution are announced at general meetings and are made available publicly following the relevant meeting.

Further information can also be obtained via the NVM website at www.nvm.co.uk.

Table 1: Directors' attendance at meetings

	Board	Audit committee	Nomination committee	Management engagement committee
Number of meetings held	6	5	1	1
Attendance (actual/possible):				
Mr S J Constantine (Chairman)	6/6	5/5	1/1	1/1
Mr N J Beer	6/6	5/5	1/1	1/1
Mr R J Green (appointed 5 November 2014)	6/6	5/5	1/1	1/1
Mr J R Hustler (resigned 18 December 2014)	2/2	1/1	0/0	0/0
Mr T R Levett	6/6	N/A	1/1	N/A
Mr D A Mayes (appointed 5 November 2014)	6/6	5/5	1/1	1/1
Mr H P Younger	6/6	5/5	1/1	1/1

Internal control

The directors have overall responsibility for ensuring that there are in place systems of internal control, both financial and non-financial, and for reviewing their effectiveness. The purpose of the internal financial controls is to ensure that proper accounting records are maintained, the company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The board regularly reviews financial performance and results with the investment adviser. Responsibility for accounting and secretarial services has been contractually delegated to NVM under the management agreement. NVM has established its own system of internal controls in relation to these matters, details of which have been reviewed by the audit committee.

Non-financial internal controls include the systems of operational and compliance controls maintained by the investment adviser in relation to the company's business as well as the management of key risks as referred to in the section headed "Risk management" below.

The directors confirm that by means of the procedures set out above, and in accordance with "Internal Controls: Guidance for Directors on the Combined Code", published by the Institute of Chartered Accountants in England and Wales, they have established a continuing process for identifying, evaluating and managing the significant potential risks faced by the company and have reviewed the effectiveness of the internal control systems. This process has been in place throughout and subsequent to the accounting period under review.

Risk management

Risk management is discussed in the strategic report on page 10.

Share capital, rights attaching to the shares and restrictions on voting and transfer

As at 30 September 2015 95,099,820 ordinary shares were in issue (as at that date none of the issued shares were held by the company as treasury shares). Subject to any suspension or abrogation of rights pursuant to relevant law or the company's articles of association, the shares confer on their holders (other than the company in respect of any treasury shares) the following principal rights:

(a) the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the board as approved by shareholders in general meeting or in the case of an interim dividend in an amount determined by the board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the company;

(b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the company remaining after payment of its liabilities pari passu with the other holders of ordinary shares; and

(c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the company. On a show of hands every member present or represented and voting has one vote and on a poll every member present or represented and voting has one vote for every share of which that member is the holder; the appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

These rights can be suspended. If a member, or any other person appearing to be interested in shares held by that member, has failed to comply within the time limits specified in the company's articles of association with a notice pursuant to Section 793 of the Companies Act 2006 (notice by company requiring information about interests in its shares), the company can until the default ceases suspend the right to attend and speak and vote at a general meeting and if the shares represent at least 0.25%of their class the company can also withhold any dividend or other money payable in respect of the shares (without any obligation to pay interest) and refuse to accept certain transfers of the relevant shares.

Shareholders, either alone or with other shareholders, have other rights as set out in the company's articles of association and in the Companies Act 2006.

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (uncertificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in the company's articles of association or in the case of uncertificated shares to the regulations governing the operation of CREST (which allow the directors to refuse to register a transfer as therein set out); the transferor remains the holder of the shares until the name of the transferee is entered in the register of members. The directors may refuse to register a transfer of certificated shares in favour of more than four persons jointly or where there is no adequate evidence of ownership or the transfer is not duly stamped (if so required). The directors may also refuse to register a share transfer if it is in respect of a certificated share which is not fully paid up or on which the company has a lien provided that, where the share transfer is in respect of any share admitted to the Official List maintained by the UK Listing Authority, any such discretion may not be exercised so as to prevent dealings taking place on an open and proper basis, or if in the opinion of the directors (and with the concurrence of the UK Listing Authority) exceptional circumstances so warrant, provided that the exercise of such power will not disturb the market in those shares. Whilst there are no squeeze-out and sell out rules relating to the shares in the company's articles of association, shareholders are subject to the compulsory acquisition provisions in Sections 974 to 991 of the Companies Act 2006.

Amendment of articles of association

The company's articles of association may be amended by the members of the company by special resolution (requiring a majority of at least 75% of the persons voting on the relevant resolution).

Appointment and replacement of directors

A person may be appointed as a director of the company by the shareholders in general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) or by the directors; no person, other than a director retiring by rotation or otherwise, shall be appointed or reappointed a director at any general meeting unless he or she is recommended by the directors or, not less than seven nor more than 42 clear days before the date appointed for the meeting, notice is given to the company of the intention to propose that person for appointment or re-appointment in the form and manner set out in the company's articles of association.

Each director who is appointed by the directors (and who has not been elected as a director of the company by the members at a general meeting held in the interval since his or her appointment as a director of the company) is to be subject to election as a director of the company by the members at the first annual general meeting of the company following his or her appointment. At each annual general meeting of the company one third of the directors for the time being, or if their number is not three or an integral multiple of three the number nearest to but not exceeding one third, are to be subject to re-election.

The Companies Act 2006 allows shareholders in general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) to remove any director before the expiration of his or her period of office, but without prejudice to any claim for damages which the director may have for breach of any contract of service between him or her and the company.

A person also ceases to be a director if he or she resigns in writing, ceases to be a director by virtue of any provision of the Companies Act, becomes prohibited by law from being a director, becomes bankrupt or is the subject of a relevant insolvency procedure, or becomes of unsound mind, or if the board so decides following at least six months' absence without leave or if he or she becomes subject to relevant procedures under the mental health laws, as set out in the company's articles of association.

Powers of the directors

The company's articles of association specify that, subject to the provisions of the Companies Act 2006 and articles of association of the company and any directions given by shareholders by special resolution, the business of the company is to be managed by the directors, who may exercise all the powers of the company, whether relating to the management of the business or not, except where the Companies Act 2006 or the articles of association of the company otherwise require. In particular the directors may exercise on behalf of the company its powers to purchase its own shares to the extent permitted by shareholders. Authority was given at the company's 2014 annual general meeting to make market purchases of up to 9,508,148 ordinary shares at any time up to the 2015 annual general meeting and otherwise on the terms set out in the relevant resolution, and authority is being sought at the annual general meeting to be held on 17 December 2015 as set out in a separate circular.

By order of the Board

C D Mellor
Secretary 12 November 2015

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, strategic report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The company's financial statements are published on the NVM Private Equity LLP (NVM) website, www.nvm.co.uk. The maintenance and integrity of this website is the responsibility of NVM and not of the company. The work carried out by KPMG LLP as independent auditor of the company does not involve consideration of the maintenance and integrity of the website and accordingly they accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website.

Visitors to the website should be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy; and
- the directors' report and strategic report include a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company faces.

By order of the Board

C D Mellor
Secretary

12 November 2015

Independent auditor's report

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Northern Venture Trust PLC for the year ended 30 September 2015 set out on pages 28 to 40. In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of unquoted investments (£53.8 million): Refer to pages 21 and 22 (audit committee report), page 31 (accounting policy) and pages 28 to 40 (financial disclosures).

The risk: 68.2% of the company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines. The company's unquoted investments are primarily valued on an earnings multiple basis. There is a significant risk over the valuation of these investments and this is the key judgemental area that our audit focused on.

Our response: Our procedures included:

- documentation and assessment of the design and implementation of the investment valuation processes and controls in place;
- assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the company's approach to valuations;
- challenging the investment adviser on key judgements affecting investee company valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, we challenged the appropriateness of the valuation basis selected as well as the underlying assumptions, such as discount factors, and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cashflows to understand whether borrowings can be serviced or whether refinancing may be required. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;
- attending the year-end audit committee meeting where we assessed the effectiveness of the audit committee's challenge and approval of unlisted investment valuations; and
- consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £790,000 (2014: £1,680,000), determined with reference to a benchmark of total assets, of which it represents 1%, reflecting industry consensus levels (2014: 2%).

We report to the audit committee any corrected and uncorrected identified misstatements exceeding £39,500 (2014: £80,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was all performed at the head office of the investment adviser, NVM Private Equity LLP, in Newcastle upon Tyne.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement on long-term viability on pages 16, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the company's continuing in operation over the three years to 2018; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy; or
- the audit committee section of the corporate governance statement does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 16, in relation to going concern; and
- the part of the corporate governance statement on pages 20 to 24 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Philip Merchant
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

12 November 2015

Income statement

for the year ended 30 September 2015

	Notes	Year ended 30 September 2015 Revenue £000	Capital £000	Total £000	Year ended 30 September 2014 Revenue £000	Capital £000	Total £000
Gain on disposal of investments	8	–	5,019	5,019	–	781	781
Movements in fair value of investments	8	–	1,189	1,189	–	4,858	4,858
		–	6,208	6,208	–	5,639	5,639
Income	2	3,123	–	3,123	3,266	–	3,266
Investment management fee	3	(433)	(1,617)	(2,050)	(406)	(1,424)	(1,830)
Other expenses	4	(456)	–	(456)	(422)	(15)	(437)
Return on ordinary activities before tax		2,234	4,591	6,825	2,438	4,200	6,638
Tax on return on ordinary activities	5	(333)	333	–	(438)	438	–
Return on ordinary activities after tax		1,901	4,924	6,825	2,000	4,638	6,638
Return per share	7	2.0p	5.2p	7.2p	2.1p	5.0p	7.1p

- The total column of this statement is the profit and loss account of the company. The supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies, as set out in the accounting policies note.
- 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.
- The accompanying notes are an integral part of this statement.

Reconciliation of movements in shareholders' funds

for the year ended 30 September 2015

	Notes	Year ended 30 September 2015 £000	Year ended 30 September 2014 £000
Equity shareholders' funds at 1 October 2014		83,521	67,361
Return on ordinary activities after tax		6,825	6,638
Dividends recognised in the year	6	(11,438)	(5,647)
Net proceeds of share issues	14	413	15,504
Shares purchased for cancellation	14	(373)	(335)
Equity shareholders' funds at 30 September 2015		78,948	83,521

- The accompanying notes are an integral part of this statement.

Balance sheet

as at 30 September 2015

	Notes	30 September 2015 £000	30 September 2014 £000
Fixed assets			
Investments	8	72,680	71,054
Current assets			
Debtors	12	302	358
Cash and deposits		6,418	12,511
		6,720	12,869
Creditors (amounts falling due within one year)	13	(452)	(402)
Net current assets		6,268	12,467
Net assets		78,948	83,521
Capital and reserves			
Called-up equity share capital	14	23,775	23,770
Share premium	15	1,359	1,073
Capital redemption reserve	15	228	106
Capital reserve	15	47,787	45,348
Revaluation reserve	15	3,367	10,788
Revenue reserve	15	2,432	2,436
Total equity shareholders' funds		78,948	83,521
Net asset value per share	16	83.0p	87.8p

● The accompanying notes are an integral part of this statement.

The financial statements on pages 28 to 40 were approved by the directors on 12 November 2015 and are signed on their behalf by:

S J Constantine
Director

N J Beer
Director

Cash flow statement

for the year ended 30 September 2015

	Year ended 30 September 2015 £000	Year ended 30 September 2014 £000
Net cash inflow from operating activities	723	68
Taxation		
Corporation tax paid	–	–
Financial investment		
Purchase of investments	(18,300)	(16,137)
Sale/repayment of investments	22,882	11,974
Net cash inflow/(outflow) from financial investment	4,582	(4,163)
Equity dividends paid	(11,438)	(5,647)
Net cash outflow before financing	(6,133)	(9,742)
Financing		
Issue of shares	428	15,829
Share issue expenses	(15)	(325)
Share subscriptions held pending allotment	–	(14,210)
Purchase of shares for cancellation	(373)	(335)
Net cash inflow from financing	40	959
Decrease in cash and deposits	(6,093)	(8,783)
Reconciliation of return before tax to net cash flow from operating activities		
Return on ordinary activities before tax	6,825	6,638
Gain on disposal of investments	(5,019)	(781)
Movements in fair value of investments	(1,189)	(4,858)
Decrease/(increase) in debtors	56	(44)
Increase/(decrease) in creditors	50	(887)
Net cash inflow from operating activities	723	68

Analysis of movement in net funds	1 October 2014 £000	Cash flows £000	30 September 2015 £000
Cash and deposits	12,511	(6,093)	6,418

Notes to the financial statements

for the year ended 30 September 2015

1. Accounting policies

A summary of the principal accounting policies, all of which have been consistently applied throughout the year and the preceding year, is set out below.

(a) Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice (UK GAAP). Where presentational guidance set out in the Statement of Recommended Practice (SORP) "Financial Statements of Investment Trust Companies", revised in January 2009, is consistent with the requirements of UK GAAP, the directors have sought to prepare the financial statements on a consistent basis compliant with the recommendations of the SORP.

(b) Valuation of investments

Purchases and sales of investments are recognised in the financial statements at the date of transaction (trade date).

The company's investments have been designated by the directors as fair value through profit and loss at the time of acquisition and are measured at subsequent reporting dates at fair value. In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending on the convention of the exchange on which the investment is quoted. In the case of unquoted investments, fair value is established in accordance with the International Private Equity and Venture Capital Valuation guidelines by using measurements of value such as price of recent transaction, earnings multiple and net assets; where no reliable fair value can be estimated using such techniques, unquoted investments are carried at cost subject to provision for impairment where necessary.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the income statement and allocated to the revaluation reserve. Transaction costs attributable to the acquisition or disposal of investments are charged to capital return within the income statement.

Those venture capital investments that may be termed associated undertakings are carried at fair value as determined by the directors in accordance with the company's normal policy and are not equity accounted as required by the Companies Act 2006. The directors consider that, as these investments are held as part of the company's portfolio with a view to the ultimate realisation of capital gains, equity accounting would not give a true and fair view of the company's interests in these investments. Quantification of the effect of this departure is not practicable. Carrying investments at fair value is specifically permitted under Financial Reporting Standard 9 "Associates and Joint Ventures", where venture capital entities hold investments as part of a portfolio.

(c) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed income returns on non-equity shares and debt securities are recognised on an effective interest rate basis, provided there is no reasonable doubt that payment will be received in due course.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to revenue return within the income statement except that:

- expenses which are incidental to the acquisition or disposal of an investment are allocated to capital return as incurred; and
- expenses are split and allocated partly to capital return where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly the basic element of the investment management fee has been allocated 25% to revenue return and 75% to capital return, in order to reflect the directors' expected long-term view of the nature of the investment returns of the company. The performance-related element of the investment management fee is charged 100% to capital return.

(e) Revenue and capital

The revenue column of the income statement includes all income and revenue expenses of the company. The capital column includes realised and unrealised gains and losses on investments and that part of the investment management fee which is allocated to capital return.

(f) Taxation

UK corporation tax payable is provided on taxable profits at the current rate. The tax charge for the year is allocated between revenue return and capital return on the "marginal basis" as recommended in the SORP. Provision is made for deferred taxation on all timing differences calculated at the current rate of tax relevant to the benefit or liability.

(g) Dividends payable

Dividends payable are recognised as distributions in the financial statements when the company's liability to make payment has been established.

(h) Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. No provision is established where a reliable estimate of the obligation cannot be made. Provisions are allocated to revenue or capital depending on the nature of the circumstances.

(i) Capital reserve

The following are accounted for in the capital reserve: gains or losses on the realisation of investments; realised and unrealised exchange differences of a capital nature; the cost of repurchasing ordinary shares, including stamp duty and transaction costs; and other capital charges and credits charged to this account in accordance with the above policies.

(j) Revaluation reserve

Changes in the fair value of investments are dealt with in this reserve.

2. Income

	Year ended 30 September 2015 £000	Year ended 30 September 2014 £000
Franked investment income:		
Unquoted companies	210	113
Quoted companies	400	351
Interest receivable:		
Bank deposits*	73	109
Loans to unquoted companies	2,144	2,408
Listed fixed-interest investments	296	285
	3,123	3,266

* Denotes income arising from investments not designated as fair value through profit or loss at the time of acquisition.

3. Investment management fee

	Year ended 30 September 2015			Year ended 30 September 2014		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Investment management fee:						
Basic	433	1,298	1,731	406	1,218	1,624
Performance-related	–	319	319	–	206	206
	433	1,617	2,050	406	1,424	1,830

NVM Private Equity (NVM) provides investment advisory, secretarial and administrative services to the company under an agreement dated 26 January 2015, which may be terminated at any time by not less than twelve months' notice being given by either party. The agreement was novated from NVM Private Equity Limited to NVM Private Equity LLP on 2 February 2015.

NVM receives a management fee, payable quarterly in advance, at the rate of 2.06% of gross assets less current liabilities, calculated at half-yearly intervals as at 31 March and 30 September. NVM also provides administrative and secretarial services to the company for a fee of £65,000 per annum (linked to the movement in the RPI). This fee is included in other expenses (see Note 4). NVM bears the cost of the fees of Sarasin & Partners LLP and Speirs & Jeffrey Limited for managing the listed interest-bearing and equity portfolios.

NVM is entitled to receive a performance-related management fee ("performance fee"), which will become payable only when the total return per share (defined as the movement in net asset value plus dividends paid) for the year, expressed as a percentage of the opening net asset value per share, exceeds a specified hurdle. The hurdle is a composite rate based on (a) 7% on average long-term investments and (b) the higher of (i) base rate and (ii) 3% on average cash and near-cash investments during the year. For this purpose "long-term investments" comprise the unquoted and AIM-quoted investments held as part of the company's venture capital portfolio with a view to income generation and long-term capital growth (described in Note 8 as "Venture capital – unquoted" and "Venture capital – quoted"), and "cash or near-cash investments" comprise bank deposits and the company's portfolio of listed equities and interest-bearing investments, with the averages for the year calculated on the basis of quarterly data. As it is the directors' objective to have at least 75% of the company's assets invested in venture capital holdings on a continuing basis, that part of the company's investments to which the "higher of base rate and 3%" hurdle applies will be restricted to a maximum of 25% of total investments, so that any excess of cash or near-cash investments over 25% of total investments will be subject to the higher hurdle of 7%. The hurdle rate calculated for the year ended 30 September 2015 was 6.0% (30 September 2014: 6.0%).

The performance fee in each financial year is equivalent to 15% of the amount, if any, by which the total return per share exceeds the hurdle, multiplied by the weighted average number of shares in issue during the year. Following a financial year or years in which total return is negative, a high water mark will apply to the calculation of the performance fee such that an amount equivalent to the negative return will be deducted from subsequent years' total returns prior to any further performance fee calculation taking place. The performance fee is subject to a cap of 2.25% of opening net asset value for the relevant financial year.

The total running costs of the company for each financial year, excluding performance fees, are capped at 2.9% of its net assets and NVM has agreed that any excess will be refunded by way of a reduction in its management fees.

4. Other expenses

	Year ended 30 September 2015 £000	Year ended 30 September 2014 £000
Administrative and secretarial services	65	64
Directors' remuneration	119	96
Auditor's remuneration – audit services	18	21
– non-audit services	1	1
Legal and professional expenses	48	54
Share issue promoter's commission	70	62
Irrecoverable VAT	19	28
Other expenses	116	96
	456	422

Information on directors' remuneration is given in the directors' remuneration report on pages 18 and 19.

5. Tax on return on ordinary activities

	Year ended 30 September 2015			Year ended 30 September 2014		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(a) Analysis of charge/(credit) for the year						
UK corporation tax payable/(recoverable) on the return for the year	333	(333)	–	438	(438)	–
(b) Tax reconciliation						
Return on ordinary activities before tax	2,234	4,591	6,825	2,438	4,200	6,638
Return on ordinary activities multiplied by the standard rate of UK corporation tax of 20.5% (2014 22%)	458	941	1,399	536	924	1,460
Effect of:						
UK dividends not subject to tax	(125)	–	(125)	(102)	–	(102)
Capital returns not subject to tax	–	(1,029)	(1,029)	–	(172)	(172)
Movements in fair value of investments not subject to tax	–	(244)	(244)	–	(1,069)	(1,069)
Marginal relief	–	–	–	4	(4)	–
(Decrease) in surplus management expenses	–	(1)	(1)	–	(117)	(117)
Current tax charge/(credit) for the year	333	(333)	–	438	(438)	–

(c) Factors which may affect future tax charges

The company has not recognised a deferred tax asset in respect of surplus management expenses carried forward of £24,000 (30 September 2014 £28,000), as the company may not generate sufficient taxable income in the foreseeable future to utilise these expenses. There is no other unprovided deferred taxation.

Approved venture capital trusts are exempt from tax on capital gains within the company. Since the directors intend that the company will continue to conduct its affairs so as to maintain its approval as a venture capital trust, no deferred tax has been provided in respect of any capital gains or losses arising on the revaluation or disposal of investments.

6. Dividends

	Year ended 30 September 2015			Year ended 30 September 2014		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(a) Recognised as distributions in the financial statements for the year						
Previous year's final dividend	951	1,901	2,852	653	2,144	2,797
Current year's first interim dividend	954	1,908	2,862	950	1,900	2,850
Current year's second interim dividend	–	5,724	5,724	–	–	–
	1,905	9,533	11,438	1,603	4,044	5,647
(b) Paid and proposed in respect of the year						
First interim paid – 3.0p (2014 3.0p) per share	954	1,908	2,862	950	1,900	2,850
Second interim paid – 6.0p (2014 nil) per share	–	5,724	5,724	–	–	–
Final proposed – 3.0p (2014 3.0p) per share	954	1,908	2,862	951	1,901	2,852
	1,908	9,540	11,448	1,901	3,801	5,702

The revenue dividends paid and proposed in respect of the year form the basis for determining whether the company has complied with the requirements of Section 274 of the Income Tax Act 2007 as to the distribution of investment income.

7. Return per share

The calculation of the return per share is based on the return on ordinary activities after tax for the year of £6,825,000 (2014 £6,638,000) and on 95,302,650 (2014 94,107,861) shares, being the weighted average number of shares in issue during the year.

8. Fixed asset investments

All investments are designated as fair value through profit or loss on initial recognition, therefore all gains and losses arise on investments designated at fair value through profit or loss.

Financial Reporting Standard 29 'Financial Instruments: Disclosures' (FRS 29) requires an analysis of investments valued at fair value based on the reliability and significance of the information used to measure their fair value. The level is determined by the lowest (that is the least reliable or independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

- Level 1 – investments with quoted prices in an active market.
- Level 2 – investments whose fair value is based directly on observable current market prices or indirectly being derived from market prices.
- Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or based on observable market data.

	30 September 2015 £000	30 September 2014 £000
Level 1		
Quoted venture capital investments	4,941	6,205
Listed equity investments	7,793	8,479
Listed interest-bearing investments	6,115	7,527
Level 2		
None	–	–
Level 3		
Unquoted venture capital investments	53,831	48,843
	72,680	71,054

8. Fixed asset investments *continued*

Movements in investments during the year are summarised as follows:

	Venture capital – unquoted £000	Venture capital – quoted £000	Listed equity £000	Listed interest -bearing £000	Total £000
Book cost at 1 October 2014	41,828	2,663	8,193	7,582	60,266
Unrealised appreciation at 1 October 2014	7,015	3,542	286	(55)	10,788
Valuation at 1 October 2014	48,843	6,205	8,479	7,527	71,054
Movements in the year:					
Purchases at cost	16,474	589	483	754	18,300
Disposals – proceeds	(17,266)	(3,135)	(411)	(2,070)	(22,882)
– net realised gains on disposal	4,450	549	20	–	5,019
Movements in fair value	1,330	733	(778)	(96)	1,189
Valuation at 30 September 2015	53,831	4,941	7,793	6,115	72,680
Comprising:					
Book cost at 30 September 2015	52,055	2,869	8,152	6,237	69,313
Unrealised appreciation at 30 September 2015	1,776	2,072	(359)	(122)	3,367
	53,831	4,941	7,793	6,115	72,680
Equity shares	16,576	4,941	7,793	–	29,310
Preference shares	1,209	–	–	–	1,209
Interest-bearing securities	36,046	–	–	6,115	42,161
	53,831	4,941	7,793	6,115	72,680

The gains and losses included in the table above have all been recognised in the income statement on page 28.

FRS 29 requires disclosure, by class of financial instrument, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of each investee company. On that basis the directors consider that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would be unlikely to increase or decrease the fair value of Level 3 investments by more than 5%.

At 30 September 2015 and 30 September 2014 there were no commitments in respect of investments approved by the board but not yet completed.

9. Investment disposals

Disposals of venture capital investments during the year were as follows:

	Original cost £000	Directors' valuation at 30 September 2014* £000	Disposal proceeds £000	Realised gain/(loss) against carrying value £000
Advanced Computer Software Group – recommended bid	382	2,586	3,135	549
Alaric Systems – deferred sales proceeds	–	–	601	601
Arleigh Group – loan stock repayment	198	198	198	–
Cleveland Biotech (Holdings) – outright sale	1,116	1,116	1,109	(7)
Closerstill Group – outright sale	888	1,061	3,289	2,228
Direct Valeting – outright sale	73	421	619	198
Envirotec – outright sale	189	68	310	242
Kerridge Commercial Systems – outright sale	1,593	7,879	8,589	710
Lanner Group – loan stock repayment	112	108	112	4
Promatic Group – outright sale	1,229	1,337	1,510	173
Tinglobal Holdings – outright sale	282	461	716	255
Volumatic Holdings – loan stock repayment	167	167	167	–
Warmseal Windows (Newcastle) – written off	400	–	–	–
Others	–	–	46	46
	6,629	15,402	20,401	4,999

10. Unquoted investments

The cost and carrying value of material investments in unquoted companies held at 30 September 2015 are shown below. For this purpose any investment included in the table of the fifteen largest venture capital investments on pages 12 to 15, or in the corresponding table in the previous year's annual report, is regarded as material.

	30 September 2015		30 September 2014	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Buoyant Upholstery				
Ordinary shares	170	2,022	170	522
Loan stock	1,504	1,504	1,504	1,504
	1,674	3,526	1,674	2,026
Kitwave One				
Ordinary shares	162	1,664	161	353
Loan stock	1,421	1,421	1,421	1,421
	1,583	3,085	1,582	1,774
MSQ Partners Group				
Ordinary shares	208	1,150	208	208
Loan stock	1,487	1,487	1,487	1,487
	1,695	2,637	1,695	1,695
Lineup Systems				
Ordinary shares	174	1,667	174	174
Loan stock	800	800	800	800
	974	2,467	974	974
Biological Preparations Group				
Ordinary shares	241	241	–	–
Preference shares	366	366	–	–
Loan stock	1,759	1,759	–	–
	2,366	2,366	–	–
Silverwing				
Ordinary shares	226	784	226	1,033
Loan stock	1,547	1,547	1,547	1,547
	1,773	2,331	1,773	2,580
Weldex (International) Offshore Holdings				
Ordinary shares	51	–	51	–
Loan stock	3,211	2,280	3,211	2,505
	3,262	2,280	3,262	2,505
Volumatic Holdings				
Ordinary shares	216	188	216	428
Loan stock	1,713	1,713	1,879	1,879
	1,929	1,901	2,095	2,307
CGI Group Holdings				
Ordinary shares	175	–	175	–
Loan stock	3,643	1,895	3,643	2,951
	3,818	1,895	3,818	2,951
Closerstill Group				
Ordinary shares	1	1	–	–
Preference shares	334	334	–	–
Loan stock	1,412	1,412	–	–
	1,747	1,747	–	–
Wear Inns				
Ordinary shares	342	358	342	714
Loan stock	1,298	1,347	1,298	1,347
	1,640	1,705	1,640	2,061

10. Unquoted investments *continued*

	30 September 2015 Total cost £000	30 September 2015 Carrying value £000	30 September 2014 Total cost £000	30 September 2014 Carrying value £000
No 1 Traveller				
Ordinary shares	181	194	181	181
Loan stock	1,472	1,472	1,472	1,472
	1,653	1,666	1,653	1,653
Agilitas IT Holdings				
Ordinary shares	224	228	224	224
Loan stock	1,438	1,438	1,438	1,438
	1,662	1,666	1,662	1,662
Entertainment Magpie Group				
Ordinary shares	179	179	–	–
Preference shares	297	297	–	–
Loan stock	1,134	1,134	–	–
	1,610	1,610	–	–
Graza				
Ordinary shares	522	522	–	–
Loan stock	1,059	1,059	–	–
	1,581	1,581	–	–
Control Risks Group Holdings				
Ordinary shares	746	1,461	746	1,534
Intuitive Holding				
Ordinary shares	174	–	174	–
Loan stock	1,500	885	1,500	1,500
	1,674	885	1,674	1,500
Arleigh Group				
Ordinary shares	39	1,250	38	1,085
Loan stock	199	199	397	397
	238	1,449	435	1,482
Kerridge Commercial Systems				
Ordinary shares	–	–	176	6,462
Loan stock	–	–	1,417	1,417
	–	–	1,593	7,879

Additional information relating to material investments in unquoted companies is given on pages 12 to 15.

11. Significant interests

Details of shareholdings in those companies where the company's holding at 30 September 2015 represents (1) more than 20% of the allotted equity share capital of any class, (2) more than 20% of the total allotted share capital or (3) more than 20% of the assets of the company itself, are given below. All of the companies named are incorporated in Great Britain.

Company	Class of shares (nominal value £0.0001 unless stated)	Number held	Proportion of class held
Graza	Ordinary	150,908	43.4%
Hunley	Ordinary	150,908	43.4%
Oceanos	Ordinary	150,908	43.4%
Saluda	Ordinary	150,908	43.4%
Seawise	Ordinary	150,908	43.4%
Turbinia	Ordinary	150,908	43.4%

12. Debtors

	30 September 2015 £000	30 September 2014 £000
Prepayments and accrued income	302	358

13. Creditors (amounts falling due within one year)

	30 September 2015 £000	30 September 2014 £000
Accruals and deferred income	452	402

14. Called-up equity share capital

	30 September 2015 £000	30 September 2014 £000
Allotted and fully paid: 95,099,820 (2014 95,081,480) ordinary shares of 25p	23,775	23,770

The capital of the company is managed in accordance with its investment policy with a view to the achievement of its investment objective, as set out on page 6. The company is not subject to externally imposed capital requirements.

During the year the company issued 503,340 ordinary shares of 25p for cash at an average premium of 59.8p per share pursuant to the dividend investment scheme. 485,000 shares were re-purchased for cancellation at a cost of £373,000.

15. Reserves

	Share premium £000	Capital redemption reserve £000	Capital reserve £000	Revaluation reserve £000	Revenue reserve £000
At 1 October 2014	1,073	106	45,348	10,788	2,436
Premium on issue of ordinary shares	301	–	–	–	–
Share issue expenses	(15)	–	–	–	–
Shares purchased for cancellation	–	122	(373)	–	–
Realised on disposal of investments	–	–	5,019	–	–
Transfer on disposal of investments	–	–	8,610	(8,610)	–
Movements in fair value of investments	–	–	–	1,189	–
Management fee charged to capital net of associated tax	–	–	(1,284)	–	–
Revenue return on ordinary activities after tax	–	–	–	–	1,901
Dividends recognised in the year	–	–	(9,533)	–	(1,905)
At 30 September 2015	1,359	228	47,787	3,367	2,432

At 30 September 2015, distributable reserves amounted to £50,219,000 (30 September 2014 £47,784,000), comprising the capital reserve, the revenue reserve and that part of the revaluation reserve relating to holding gains/losses on readily realisable interest-bearing investments.

16. Net asset value per share

The calculation of net asset value per share as at 30 September 2015 is based on net assets of £78,948,000 (30 September 2014 £83,521,000) divided by the 95,099,820 (30 September 2014 95,081,480) shares in issue at that date.

17. Financial instruments

The company's financial instruments comprise equity and fixed-interest investments, cash balances and liquid resources including debtors and creditors. The company holds financial assets in accordance with its investment policy of investing mainly in a portfolio of VCT-qualifying unquoted and AIM-quoted securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

Fixed asset investments (see note 8) are valued at fair value. For quoted investments this is either bid price or the latest traded price, depending on the convention of the exchange on which the investment is quoted. Unquoted investments are carried at fair value as determined by the directors in accordance with current venture capital industry guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet.

17. Financial instruments *continued*

In carrying on its investment activities, the company is exposed to various types of risk associated with the financial instruments and markets in which it invests. The most significant types of financial risk facing the company are market risk, credit risk and liquidity risk. The company's approach to managing these risks is set out below together with a description of the nature and amount of the financial instruments held at the balance sheet date.

Market risk

The company's strategy for managing investment risk is determined with regard to the company's investment objective, as outlined in the strategic report on page 6. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The company's portfolio is managed in accordance with the policies and procedures described in the corporate governance statement on pages 20 to 24, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the company's assets is monitored by the board on a quarterly basis.

Details of the company's investment portfolio at the balance sheet date are set out on page 11. An analysis of investments between debt and equity instruments is given in Note 8.

16.1% (30 September 2014 17.6%) by value of the company's net assets comprises equity securities listed on the London Stock Exchange or quoted on AIM. A 5% increase in the bid price of these securities as at 30 September 2015 would have increased net assets and the total return for the year by £637,000 (30 September 2014 £734,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

68.2% (30 September 2014 58.5%) by value of the company's net assets comprises investments in unquoted companies held at fair value. The valuation methods used by the company include the application of a price/earnings ratio derived from listed companies with similar characteristics, and consequently the value of the unquoted element of the portfolio can be indirectly affected by price movements on the London Stock Exchange. A 5% overall increase in the valuation of the unquoted investments at 30 September 2015 would have increased net assets and the total return for the year by £2,692,000 (30 September 2014 £2,442,000); an equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount.

Interest rate risk

Some of the company's financial assets are interest-bearing, of which some are at fixed rates and some variable. As a result, the company is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

(a) Fixed rate investments

The table below summarises weighted average effective interest rates for the company's fixed rate interest-bearing financial instruments:

	30 September 2015			30 September 2014		
	Total fixed rate portfolio £000	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Total fixed rate portfolio £000	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Listed fixed-interest investments	2,537	4.6%	4.6	4,113	7.2%	3.7
Fixed-rate investments in unquoted companies	11,400	10.1%	3.6	7,734	8.6%	3.8
	13,937			11,847		

Due to the relatively short period to maturity of the fixed rate investments held within the portfolio, it is considered that an increase or decrease of 25 basis points in interest rates as at the reporting date would not have had a significant effect on the company's net assets or total return for the year.

(b) Floating rate investments

The company's floating rate investments comprise floating-rate loans to unquoted companies, interest bearing investment funds and cash held in interest-bearing deposit accounts. The benchmark rate which determines the rate of interest receivable on such investments is the UK bank base rate, which was 0.5% at 30 September 2015 (30 September 2014 0.5%). The amounts held in floating rate investments at the balance sheet date were as follows:

	30 September 2015 £000	30 September 2014 £000
Floating rate loans to unquoted companies	24,646	25,326
Interest-bearing investment funds	3,578	3,414
Interest-bearing deposit accounts	6,418	12,511
	34,642	41,251

17. Financial instruments *continued*

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the company. The investment manager and the board carry out a regular review of counterparty risk. The carrying values of financial assets represent the maximum credit risk exposure at the balance sheet date.

At 30 September 2015 the company's financial assets exposed to credit risk comprised the following:

	30 September 2015 £000	30 September 2014 £000
Listed fixed-interest investments	2,537	4,113
Fixed-rate investments in unquoted companies	11,400	7,734
Floating rate loans to unquoted companies	24,646	25,326
Interest-bearing investment funds	3,578	3,414
Interest-bearing deposit accounts	6,418	12,511
Accrued dividends and interest receivable	227	334
	48,806	53,432

Credit risk relating to listed fixed-interest investments is mitigated by investing in a portfolio of investment instruments of high credit quality, comprising securities issued by the UK Government, European Union governments and major UK and international companies and institutions. Credit risk relating to loans to and preference shares in unquoted companies is considered to be part of market risk.

Those assets of the company which are traded on recognised stock exchanges are held on the company's behalf by third party custodians (Speirs & Jeffrey Limited in the case of listed fixed-interest investments and nominee companies of Brewin Dolphin Limited or Speirs & Jeffrey Limited in the case of quoted equity securities). Bankruptcy or insolvency of a custodian could cause the company's rights with respect to securities held by the custodian to be delayed or limited.

Credit risk arising on transactions with brokers relates to transactions in quoted securities awaiting settlement. Risk relating to unsettled transactions is considered to be low due to the short settlement period involved and the high credit quality of the brokers used. The board further mitigates the risk by monitoring the quality of service provided by the brokers.

The company's interest-bearing deposit accounts are maintained with major UK banks. There was no significant concentration of credit risk to counterparties at 30 September 2015 or 30 September 2014.

Liquidity risk

The company's financial assets include investments in unquoted equity securities which are not traded on a recognised stock exchange and which generally may be illiquid. As a result, the company may not be able to realise some of its investments in these instruments quickly at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer.

The company's listed fixed-interest investments are considered to be readily realisable as they are of high credit quality as outlined above.

The company's liquidity risk is managed on a continuing basis by the investment adviser in accordance with policies and procedures laid down by the board. The company's overall liquidity risks are monitored on a quarterly basis by the board.

The company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30 September 2015 these investments were valued at £12,533,000 (30 September 2014 £20,038,000).

18. Contingencies

At 30 September 2015 contingent assets in respect of potential deferred proceeds from the sale of investee companies not recognised in these financial statements amounted to approximately £1,031,000 (30 September 2014 £1,272,000). The extent to which these amounts will become receivable is dependent on future events and accordingly it is not considered appropriate to recognise them in the financial statements at this stage.

The company had no contingent liabilities at 30 September 2015 or 2014.

Northern Venture Trust PLC
Time Central
32 Gallowgate
Newcastle upon Tyne NE1 4SN

T 0191 244 6000
F 0191 244 6001
E nvt@nvm.co.uk

www.nvm.co.uk

Designed and produced by The Roundhouse Newcastle upon Tyne

nvm
private equity