Northern Venture Trust PLC

Annual Report and
Financial Statements
30 September 2021

mercia
asset management

Welcome

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

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

Contents

Financial summary

Year ended 30 September	2021	2020
Net assets	**£119.3m**	**£112.8m**
Net asset value per share	**74.1p**	**70.7p**
Return per share after tax		
Revenue	0.2p	0.3p
Capital	13.7p	7.0p
Total	13.9p	7.3p
Dividend per share for the year		
Interim dividend	2.0p	1.5p
Second interim (special) dividend	6.0p	–
Proposed final dividend	2.0p	2.5p
Total	10.0p	4.0p
Cumulative return to shareholders since launch		
Net asset value per share	74.1p	70.7p
Dividends paid per share*	182.5p	172.0p
Net asset value plus dividends paid per share	256.6p	242.7p
Mid-market share price at end of year	**70.25p**	**56.50p**
Tax-free dividend yield (based on net asset value per share at the start of the year)		
Excluding special dividend	5.7%	5.8%
Including special dividend	14.1%	N/A

*Excluding proposed final dividend payable on 14 January 2022.

Definitions of the terms and alternative performance measures used in this report can be found in the Glossary of terms on page 48.

Key dates

24 Nov 2021
Results announced

16 Dec 2021
Shares quoted ex dividend

17 Dec 2021
Record date for final dividend

7 Jan 2022
Annual general meeting
11:30am
To be convened at Royal College of General Practitioners, 30 Euston Square, London NW1 2FB, with remote access for shareholders through an online webinar facility

14 Jan 2022
Final dividend paid

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

Venture capital portfolio summary

52
Portfolio companies

6.0 years
Average age of investment

£1.3m
Average cost of investment

£67.5m
Cost of investments

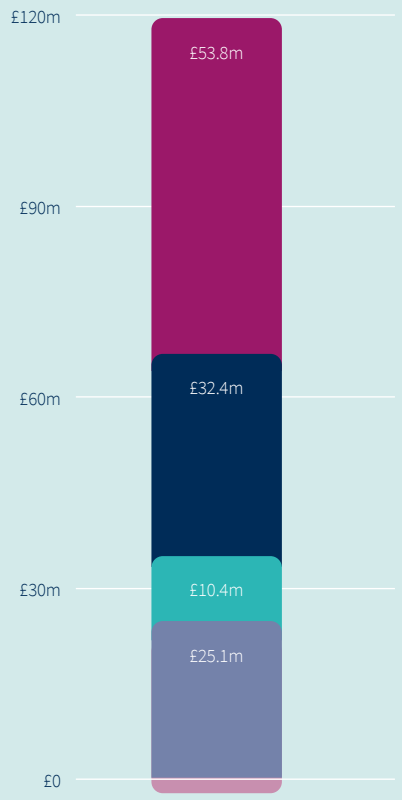
£1.7m
Average current value of investment

£86.2m
Portfolio valuations at 30 September 2021

6
Number of full realisations this year

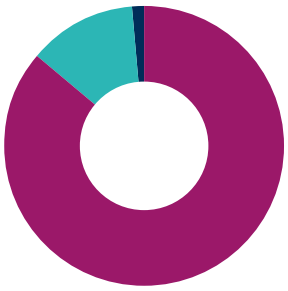
£31.1m
Proceeds from all realisations in year

Net asset allocation breakdown



Financing stage

Development capital pre-November 2015	21.5%
Development capital post-November 2015	63.1%
MBO	15.4%

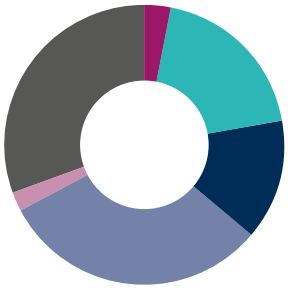


Quotation

Unquoted	86.3%
AIM	12.5%
London Stock Exchange	1.2%

Age of investment

Up to 1 year	4.5%
1-3 years	20.4%
3-5 years	34.2%
5-7 years	16.4%
Over 7 years	24.5%



Industry sector

Industrial/manufacturing	3.3%
Services	19.0%
Healthcare/biotechnology	14.0%
Technology/software	31.0%
Construction	2.2%
Consumer	30.5%

Case study:

Northern Venture Trust successfully exits It's All Good, a leading UK-based high-quality snack manufacturer

ALL GOOD.

The business

A high-quality snack manufacturer specialising in premium tortilla chips. Northern VCTs backed the business with development capital funding in February 2014 to expand manufacturing facilities.

Amount invested

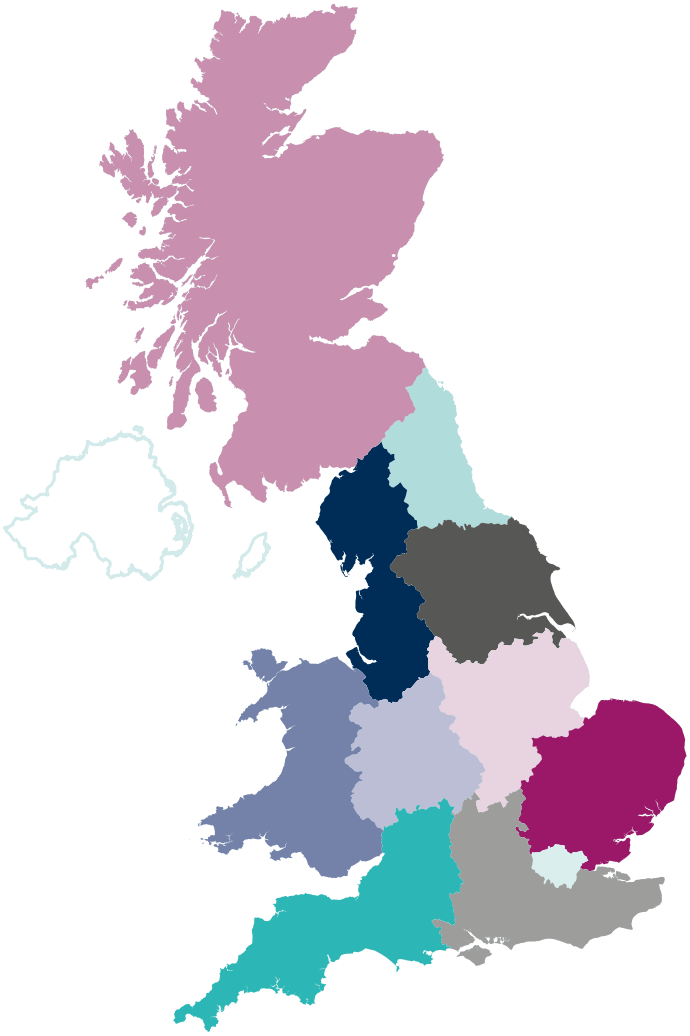
£1.2 million by Northern Venture Trust. The total invested by the Northern VCTs was £3.5 million.

Growth of the business

It's All Good has created over 200 new jobs in the North East and developed a strong brand offering of pitta chips and tortilla snacks.

Exit in December 2020

Generated a return of 3.3 times the original cost over the life of the investment.

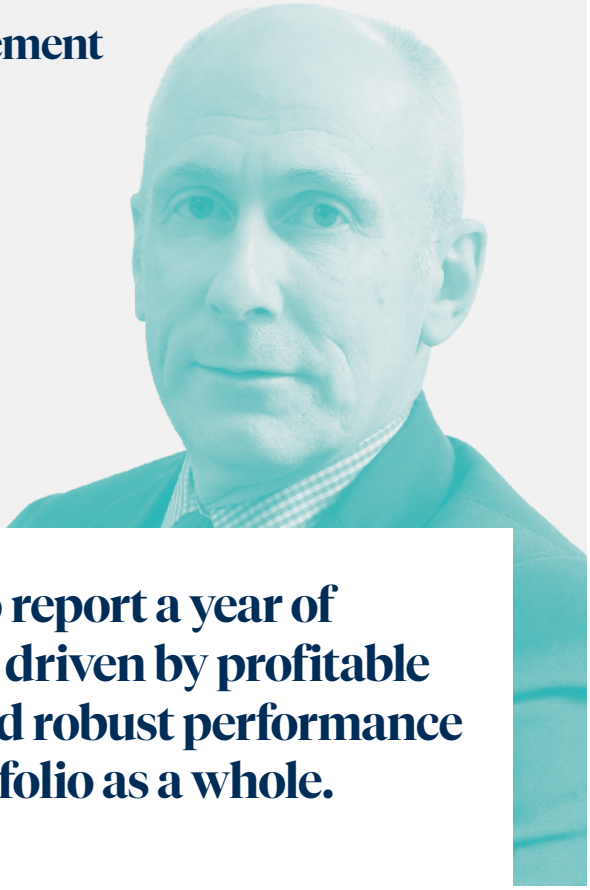


Investment Reach

Number of investments by region

Scotland 4	North East 3
North West 12	Yorkshire/Humberside 3
East Midlands 3	West Midlands 3
Wales 1	Anglia 2
London 11	South East 7
South West 3	Total venture capital holdings 52

Chairman's statement



> I am pleased to report a year of strong growth, driven by profitable realisations and robust performance across the portfolio as a whole.

Simon Constantine
Chairman

Highlights

- Return per share for the year of 13.9 pence per share, representing 19.7% of opening NAV
- NAV per share at year end of 74.1 pence, after paying dividends of 10.5 pence, compares with 70.7 pence at 2020 year end
- 6.0 pence per share special dividend paid, with total dividends declared or proposed of 10.0 pence per share
- 8 successful exits, delivering 5.0 pence per share realised return
- Four new investments in innovative earlier stage companies added to the portfolio, two of which were co-investments with Mercia's other funds plus 15 follow-on investments

Overview

September 2021 marked 18 months since the start of the first COVID-19 lockdown and the impacts of the pandemic are still being experienced across the global economy and financial markets. While in the UK the widespread rollout of vaccines has permitted a degree of returning to normality, we expect the longer-lasting structural changes to behaviours such as working from home will continue to provide challenges and opportunities to our portfolio companies for the foreseeable future.

Over the past year our investment adviser has continued to provide close support where required and I am pleased to report that the response from our investee management teams has remained positive. The ongoing effect of the pandemic on individual investments has varied greatly and the company continues to benefit from holding a diversified portfolio.

The company finished the year in a strong position and was able to pay shareholders a special dividend in August following several healthy investment realisations. Our investment in Oddbox was partially realised in the year at a return of 10.9 times original investment, providing an excellent return to the company whilst retaining a stake in this fast-growing business. The total portfolio disposal proceeds for the year of £31.1 million represented a gain of £22 million over the cost of investments sold.

Liquidity remains the lifeblood of early stage investment funds and in July we announced our intention to raise further funds in the current (2021/22) tax year to enable us to continue to invest over the subsequent three years. Your company is well positioned to continue to support and promote its growing portfolio of entrepreneurial businesses.

Results and dividend

In the year ended 30 September 2021 the company achieved a return on ordinary activities of £22,086,000 (2020: £10,940,000) or 13.9 pence per share (2020: 7.3 pence), representing a total return of 19.7% on the opening net asset value (NAV) per share. The excellent result for the year has generated a performance fee to our investment adviser that has been capped at £2,538,000 (2020: £284,000). The NAV per share at 30 September 2021, after deducting dividends paid during the year of 10.5 pence, was 74.1 pence compared with 70.7 pence at 30 September 2020.

The cumulative total return to shareholders increased to 256.6 pence (2020: 242.7 pence) per share, which marks the sixteenth consecutive year of growth. Investment income was similar to the prior year at £1.4 million (2020: £1.5 million), reflecting the move away from income-yielding investments as the portfolio mix continued to pivot towards earlier stage ventures, following the 2015 change to the definition of VCT qualifying assets.

The profile of the unquoted portfolio is continuing to evolve as we acquire investments in earlier stage innovative UK companies with high growth potential. As previously indicated, the profile of the new investments will lead to greater volatility in the timing and quantum of returns and continuing to pay regular dividends whilst increasing the NAV per share in the medium term remains a priority for your board. In 2018 we revised our dividend policy in the light of the new rules for investment introduced in 2015 and 2017, which we expected to result in more volatile returns. We introduced a target dividend yield of 5% of opening NAV, which has been exceeded in each of the three years since.

As a result of the several strong realisations your directors declared and paid a special dividend of 6.0 pence per share in August 2021. Pleasingly, many shareholders took the opportunity to invest these dividends with the company via its dividend investment programme. Details of how to join the scheme for future dividend payments can be found on the company's website (www.mercia.co.uk/vcts/nvt).

After careful consideration, the board has proposed a final dividend of 2.0 pence per share, bringing the total dividend for the year to 10.0 pence, which represents a tax-free yield of 14.1% on the opening net asset value per share of 70.7 pence. The final dividend, if approved, will be paid on 14 January 2022 to shareholders on the register on 17 December 2021.

Investment portfolio

After the challenges faced due to COVID-19 in 2020, investment levels have recovered this year and exceeded pre-pandemic levels, with £3.9 million of capital provided to four new venture capital investments and £7.8 million of follow-on capital invested into the existing portfolio. We also made strong progress in realising the company's mature portfolio acquired under previous VCT rules with the remaining such investments representing 37% by value of the total venture capital portfolio.

The total of £11.7 million invested during the year (2020: £8.8 million) was pleasing to see after 2020, where the impact of COVID-19 necessitated a great deal of time spent by our investment adviser on supporting the existing portfolio.

While COVID-19 continues to provide challenges to some of our portfolio companies, the changes it has driven in consumer habits and working practices has provided opportunities for others. Technology and software

sub-sectors have broadly remained resilient throughout the pandemic and investments in these areas represent a little over 30% by cost of the portfolio.

The company benefits from holding a diversified portfolio, which now includes several new investments in life sciences and technology businesses. Two deals in the year were sourced and funded alongside other funds managed by Mercia Asset Management, illustrating the benefit of being part of the wider Mercia network. One of the primary considerations when your directors approved the change in investment adviser was the opportunity to co-source deals and invest alongside other Mercia funds and it is pleasing to see the early signs of this strategy being borne out.

It was a busy year for realisation activity, with several notable transactions. The highlights in the first half of the year were the sale of Agilitas IT Holdings, generating a return of 8.1 times the original cost of the investment and the sale of It's All Good which registered a return of 3.3 times. In April 2021 Entertainment Magpie Group was admitted to trading on AIM under its new name, musicMagpie plc. Our original 2015 investment of £1.5 million produced cash proceeds of £7.8 million and we retained ordinary shares in musicMagpie valued at £8.0 million based on the flotation price, giving an overall return of 11.6 times money over the life of the investment. In August 2021 we also partially realised our investment in Oddbox, with our original £0.7 million investment returning £3.2 million in cash proceeds and retaining a holding valued at £4.2 million, a 10.9 times return.

Investment adviser

It is now two years since your board approved the novation of the company's management and investment advisory agreement from NVM Private Equity to Mercia Fund Management. NVM's VCT investment team transferred to Mercia at the outset and has been augmented by a number of new recruits in various regional centres as well as by linking into Mercia's established investment capability and deal flow. We have monitored the transition process closely and are satisfied with progress to date.

NVM has continued to play an important role in managing the legacy portfolio of more mature investments and in providing administrative, accounting and company secretarial services. Following recruitment of specialised staff at Mercia the transfer of these functions will be completed by March 2022 and I would like to thank the directors and staff of both organisations for their hard work during this transitional period.

Share offers and liquidity

As a result of the fundraising proceeds raised from shares issued in April 2020, supported by several strong investment realisations in the year, your directors did not seek to raise further capital in the 2020/21 tax year. However as the economy continues to emerge from the pandemic we are beginning to see evidence of an upturn in demand for long-term growth capital for smaller companies in the UK. In order to remain confident in our ability to address this demand for funding, in July 2021 we announced the intention to launch a new share offer in the 2021/22 tax year in conjunction with the other Northern VCTs. Further details will be announced in due course.

Our dividend investment scheme, which enables shareholders to invest their dividends in new ordinary shares free of dealing costs and with the benefit of the tax reliefs available on new VCT share subscriptions, continues to operate with around 18% participation during the year.

Share buy-backs

We have maintained our policy of being willing to buy back the company's shares in the market when necessary in order to maintain liquidity, at a 5% discount to NAV. During the year ended 30 September 2021 a total of 2,620,797 (2020: 2,988,048) shares were repurchased by the company for cancellation at an average price of 70.2 pence (2020: 58.8 pence), representing 1.6% (2020: 2.2%) of the opening issued share capital.

VCT legislation and qualifying status

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

The VCT scheme rules have been subject to significant legislative changes over the last five years and whilst there were no further amendments announced in 2021, it is possible that further changes will be made in the future. We will continue to work closely with Mercia to maintain compliance with the scheme rules at all times.

Annual general meeting

The company's AGM will be held at 11.30am on 7 January 2022. The AGM provides an excellent opportunity for shareholders, directors and the investment advisor to exchange views and comments. Your directors are mindful of the ongoing impact of the pandemic and therefore will provide the facility to join the AGM remotely via a Zoom webinar facility. If permitted by the prevailing government guidelines at the time, it will also be open to shareholders to physically attend. Shareholders taking part via the Zoom webinar facility will not be able to speak or vote on the AGM resolutions. Shareholders should carefully consider whether it is appropriate to attend the AGM. Shareholders are strongly encouraged to exercise their voting rights by completing and submitting a Form of Proxy. Shareholders may submit questions using the form attached to the proxy form. Details and formal notice of the AGM are provided in the AGM Circular published at the same time as the Annual Report.

Board succession

We regularly review the composition of your board, taking into account the experience, tenure and contribution of each director individually and together. We are conscious of the nine year guidance under the UK Corporate Governance Code, although believe this to be less relevant in a small investment fund that now typically holds its investments for up to 10 years and where longevity of directors' service has considerable value. Nevertheless, your current directors have served between seven and 12 years each and we previously announced that Nigel Beer and Hugh Younger will be retiring from the board at the AGM in 2022 after 12 years' service. I would like to thank Nigel and Hugh for their invaluable contributions during their tenures, which has seen us through some very significant changes, most notably the change in investing rules in 2015 and more recently the transfer of our management and investment advisory agreement from NVM to Mercia in 2019. The four remaining directors will be seeking re-election at the AGM to be held in January 2022 in accordance with the AIC Code of Corporate Governance.

I am pleased to report that Deborah Hudson is expected to join the board in early 2022. Deborah has considerable operational and investment experience in technology and software businesses, which represent an important and growing area of focus for us. She is a founding director of Shackleton Ventures, which specialises in secondary venture and development capital investments and has served on the boards of a number of their investments and other earlier stage companies. We look forward to benefiting from her extensive experience over the coming years.

Outlook

As the economy recovers from the pandemic, factors such as inflation and supply shortages will continue to provide challenges for the portfolio. We have been encouraged by the resilience exhibited thus far and have confidence that the portfolio's diversity will enable it to perform well over the coming years. The investment team at Mercia continue to work closely and effectively with our investee companies and to identify new opportunities to support the growth of earlier stage companies.

We remain committed to supporting the development and prosperity of entrepreneurial businesses in the UK and believe that your company remains well placed to do so.

—

Simon Constantine
Chairman
24 November 2021

Directors and advisers

Simon Constantine MA ACA

(Chairman)
aged 62, 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 SourceBio International plc. He was appointed to the board in 2012 and became chairman in 2014.

Nigel Beer BA FCA

aged 67, 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 followed by 15 years' experience as a non-executive director, serving on the boards of a number of asset management and investment businesses. He was previously a non-executive director and chairman of the audit committee of Community Health Partnerships Limited which holds substantial property investments in the primary health care sector for the Department of Health. He was appointed to the board in 2009.

Richard Green BA FCA CF

aged 59, 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. He is a past chairman of the British Private Equity & Venture Capital Association and is a member of the North East Fund Advisory Panel, the non-executive chairman of Technology Venture Partners LLP and a non-executive director of BGH Capital Offshore GP I Limited and BGH Capital Offshore GP II Limited. He was appointed to the board in 2014.

Tim Levett MBA

aged 72, is a consultant to Mercia Asset Management and non-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 57, 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 was formerly a trustee director of a major pension fund and vice chair of its investment committee, and is a member of the Salvation Army International Trust Investment Board. He was appointed to the board in 2014.

Hugh Younger LLB

aged 63, is a 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

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E-mail: vctshareholders@mercia.co.uk
Website: mercia.co.uk/vcts/nvt/

Registered number

03090163

Investment adviser

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Henley-in-Arden B95 5AA

Listed investment adviser

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Time Central
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Newcastle upon Tyne NE1 4SR

Independent auditor

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Tower Bridge House
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Taxation advisers

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Broadgate Tower
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London EC2A 2RS

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Registrars

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

Shareholder information

The company

Northern Venture Trust PLC (the company) 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 equity investments, quoted investment funds and bank deposits.

Northern Venture Trust PLC is advised by Mercia Fund Management Limited (Mercia), a wholly owned subsidiary of Mercia Asset Management PLC (MAM). MAM is a specialist firm of asset managers headquartered in Henley-in-Arden, with total assets under management of over £940 million. MAM invests capital across its four asset classes of balance sheet (own capital), venture, private equity and debt capital, providing flexible funding solutions to early stage regional businesses as they scale up.

MAM has a strong footprint across the UK regions through its nine offices and an increasingly wide network, which provides potential deal flow to each of its managed funds. With established executive and non-executive director talent pools, 19 university partnerships, extensive personal networks through one of the largest investment teams in the UK and a portfolio of over 400 businesses, MAM has developed an extensive deal flow pipeline. Mercia also acts as investment manager of Northern 2 VCT PLC and Northern 3 VCT PLC, in addition to various other investment funds. The company, Northern 2 VCT PLC and Northern 3 VCT PLC are generally known in the market as the Northern VCTs and are the only VCTs which Mercia manages or advises.

Mercia Asset Management PLC is quoted on AIM (Alternative Investment Market) with the epic "MERC".

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 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 80% by value of its investments in qualifying holdings, of which at least 70% must comprise eligible 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 (No 2) Act 2015 contained a number of significant changes to the VCT rules for investments completed after its introduction, designed to secure approval of the VCT scheme by the European Commission. A company whose trade is more than seven years old (ten years for 'knowledge intensive' companies) will generally only qualify for VCT investment if it has previously received State-aided risk finance before the end of the initial investing period 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 is 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. A breach of the requirements may lead to a loss of VCT status.

The Finance Act 2018 contained further changes to the conditions for a VCT to maintain its approved status. The changes were designed to increase the level of qualifying investments made by VCTs. A non-exhaustive list of the main points is as follows:

- investments made from 15 March 2018 are only qualifying if they meet the risk-to-capital condition. This principles-based condition broadly requires the investee company to be an early stage, higher risk, entrepreneurial company which has the potential to grow in the long term;
- debt finance provided by VCTs must be made on an unsecured basis;
- a VCT must invest at least 30% of any funds raised in an accounting period commencing on or after 6 April 2018 in qualifying holdings within 12 months of the period end; and
- investments made from 6 April 2019 in qualifying holdings must comprise, in aggregate, at least 70% of eligible shares, regardless of when the money used to fund the investment was raised.

Financial calendar

Subject to regular review by the directors, the company's financial calendar for the year ending 30 September 2022 is currently as follows:

June 2022
Half-yearly financial report for the six months ending 31 March 2022 published

July 2022
Interim dividend paid

November 2022
Final dividend and results for year ending 30 September 2022 announced; annual report and financial statements published

January 2023
Annual general meeting; final dividend paid

Share price

The company's share price is carried daily in the Financial Times, the Daily Telegraph and the Newcastle Journal. 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 6 for contact details for Equiniti Limited).

Share price information can also be obtained via the company's website **(www.mercia.co.uk/vcts/nvt)**.

Dividend investment scheme

The company operates a dividend investment scheme, giving shareholders the option of investing their dividends in new ordinary shares in the company with the benefit of the tax reliefs currently available to VCT subscribers. Information about the dividend investment scheme can be obtained from the Company Secretary (see page 6 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.

Environmental, social and governance

We recognise that the ESG regulatory and reporting landscape is fast-moving and continues to accelerate, and therefore the company works closely with its adviser to ensure compliance and develop initiatives.

Responsible investment

The company is committed to conducting its affairs responsibly and Mercia, as our investment adviser, is encouraged to consider environmental, social and governance (ESG) issues when making investment recommendations.

In addition to targeting strong financial results, the board is mindful of the impact of the company and its portfolio companies on the environment alongside its social and corporate governance responsibilities. We recognise that the ESG regulatory and reporting landscape is fast-moving and continues to accelerate, and therefore the company works closely with its adviser to ensure compliance and develop initiatives.

In this financial year the company has formalised ESG considerations within its investment process. Each investment recommendation from our investment adviser now includes a dedicated section discussing ESG-specific risks and value creation opportunities. In the next financial year ESG KPIs will also be added to each standing board agenda to enable monitoring of ESG metrics alongside financial data.

As recently communicated, the company will no longer automatically print and post annual and half year reports to shareholders. These reports will be made available on the company's website and we hope to save a great deal of paper and reduced postage emissions as a result of this change. It is still possible to opt into paper copies, if preferred, and details of how to do so can be found on the company's website.

Over the coming year, the company will continue to work with its adviser to develop ESG initiatives and bolster its ability to track and report on progress made.

Mercia's approach to responsible investment

Mercia has always been a purpose-led business; providing growth capital and tailored investment solutions to thriving regional businesses to create long-term shareholder value. Mercia has formed a Responsible Investment Committee, which meets monthly and comprises a number of employees from across the business, including a number from the VCT investment team.

In addition, ESG matters are considered by Mercia's investment committees when reviewing investment opportunities. All staff have ESG objectives that are agreed with their line manager as part of the annual performance appraisal process, and Mercia organises regular training sessions to develop its investment team's awareness of key issues.

Mercia's approach is now entrenched with the establishment of its Responsible Investment Committee, which ensures delivery against three guiding principles, inspired by the UN's Sustainable Development Goals (SDGs):

As the company's investment adviser, Mercia will continue to work with your directors to develop initiatives and support the company's ESG journey.

Case study:

The box that helps save the planet by fighting food waste

ODDBOX

The business

Oddbox rescues farm-fresh fruit and vegetables that could otherwise have gone to waste and deliver it straight to your door.

Amount invested

The Northern VCTs invested £2.0 million in March 2020 to support its nationwide expansion plan.

Growth of the business

Since the company's initial investment Oddbox has experienced strong growth and expanded nationally. In August 2021 the company secured £16 million of follow-on funding, with the Northern VCTs realising a return of 10.9x by selling 45% of its holding and retaining 55% to continue to support the company as it grows.

Strategic report

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 and directors' report is consistent with the financial statements. The auditor's report is set out on pages 30 to 33.

Corporate objective

The company's objective is to provide high long-term tax-free returns to investors through a combination of dividend yield and capital growth, by following its strategy of investing primarily in unquoted UK manufacturing, service and technology businesses which meet the investment adviser's key criteria of good growth potential, strong management and ability to generate cash in the medium to long term.

Investment policy

The company's investment policy has been designed to enable the company to achieve its objective whilst complying with the qualifying conditions set out in the VCT rules, as amended by HM Government from time to time.

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 selected with a view to producing an enhanced return while avoiding undue capital volatility, 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 investment instruments, including ordinary and preference shares, loan stocks and convertible securities, to achieve an appropriate balance of income and capital growth. The selection of new investments will necessarily have regard to the VCT rules, which are designed to focus investment on earlier stage development capital opportunities. 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 is expected to be in the range from three to ten years.

No single investment will normally represent in excess of 3% of the company's total assets at the time of initial investment. As investments are held with a view to long-term capital growth as well as income, 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.

Co-investment arrangements

The company operates within a co-investment and allocation policy that applies to all funds managed by Mercia. Under the terms of this policy, where an investment opportunity is VCT-qualifying and the funding requirement is in excess of £2 million, the company and the other VCTs managed by Mercia are the preferred and sole lead investors. For these opportunities the company is entitled to participate pro rata to net assets alongside the other VCT funds managed by Mercia; save where the investment opportunity is located in Yorkshire, Humberside, Teesside or the North East, where minimum syndication requirements mean that certain other funds managed by Mercia can participate in the funding round alongside the Northern VCTs; with an allocation of up to (but not exceeding) 20% (10% in the North East). Where the funding round for a new opportunity is under £2 million the VCTs will not be the lead investors; but if any such deal is in excess of £1.5 million, the Northern VCT funds have the right to participate at a de minimis level of £500k.

In relation to follow-on rounds of investment where the company and other Northern VCTs are existing investors, the company, alongside the other Northern VCT funds, shall have priority to determine how much they wish to invest, with no requirement to offer such investment opportunities to the other funds managed or advised by Mercia.

Under a co-investment scheme, members of the VCT investment team and certain key Mercia executives are required to invest personally alongside the funds in each VCT-qualifying investment on a predetermined basis.

Investment management

Mercia Fund Management Limited (Mercia) acts as the investment adviser and has done so since the company consented to the novation of its existing investment advisory agreement from NVM Private Equity LLP (NVM) effective on 23 December 2019.

The board's management engagement committee reviews the terms of Mercia's appointment as investment adviser on a regular basis. Further information about the terms of the management agreement with Mercia and the remuneration payable to Mercia is set out in the directors' report on page 21 and in Note 3 to the financial statements.

Overview of the year

During the year under review Northern Venture Trust achieved a total return, before dividends, of 13.9 pence per share, equivalent to 19.7% of the opening net asset value per share of 70.7 pence. The movement in total net assets and net asset value per share is summarised in Table 2. The positive return was driven by realised gains from the disposal of several investments and an unrealised net increase in the valuation of the investment portfolio.

Total income from investments during the year decreased slightly to £1.4 million (2020: £1.5 million). As the proportion of earlier stage investments in the unquoted portfolio increases as intended, it is expected that investment income will continue to decrease as the potential returns targeted become more focused on capital growth rather than income generation. The basic investment management fee payable to the investment adviser was £2.3 million (2020: £1.8 million) and there was a performance-related management fee payable in respect of the current year capped at £2.5 million (2020: £0.3 million).

The net cash inflow from the venture capital portfolio during the year was £19.4 million, comprising disposal proceeds of £31.1 million less investments of £11.7 million. Portfolio cash flow over the past five years is summarised in Table 1.

After taking account of other cash flows, including dividend payments of £16.6 million, the company's total cash balances increased over the year by £4.4 million to £25.1 million. In addition the company holds quoted equity investments valued at £10.4 million.

Dividends

The directors have declared or proposed dividends totalling 10.0 pence per share in respect of the year, comprising a 0.2 pence revenue dividend and a 9.8 pence capital dividend.

Venture capital investment portfolio

The last twelve months have continued to be dominated by the evolving Coronavirus outbreak (COVID-19) which has presented

numerous challenges to our portfolio companies. The priority over this period has been to work with our portfolio management teams to navigate what has at times been a fast-evolving landscape. The vast majority of the portfolio has been able to adapt to new working conditions in order to continue to operate safely, either via a hybrid home working model or by following updated protocols at communal places of work. Our businesses which operate in the technology and software sector have been relatively unaffected and retail businesses which have an exposure to e-commerce have generally fared well due to increased demand for home deliveries. The small number of leisure sector companies in the portfolio, such as No.1 Lounges (an airport lounge operator) have encountered the most challenging conditions due to prolonged periods without any income.

In all cases Mercia has been working very closely with investee management teams either to preserve cash until the immediate disruption subsides or to find ways of creating additional cash headroom in order to enable the necessary investment in working capital to support any potential increase in trading.

Venture capital investment activity

During the year ended 30 September 2021, four new venture capital investments were completed at a cost of £3.9 million and additional funding totalling £7.8 million was invested in 15 existing portfolio companies, by way of follow-on funding rounds. The proportion of follow-on investments is increasing in line with the shift in focus to earlier stage companies, which often require multiple rounds of growth finance to realise their potential. The portfolio at 30 September 2021 comprised 52 holdings with an aggregate value of £86.2 million. 37.1% by value of this portfolio is represented by management buy-out and growth capital investments acquired prior to November 2015 when the VCT rules were amended to promote earlier stage investment.

A summary of the venture capital holdings at 30 September 2021 is given on page 15, with information on the fifteen largest investments on pages 16 to 19.

New investments

The new investments completed during the year were:

Adludio (£1,402,000)
tech-enabled creative and media buying agency, London

Locate Bio (£876,000)
developer of biological substances which aid skeletal injuries, Nottingham

Moonshot CVE (£874,000)
counter-extremism consultancy services, London

Naitive (£787,000)
software technology for use in the analysis of medical images, Cambridge

Table 1: Venture capital portfolio cash flow

Year ended 30 September	New investment £000	Disposal proceeds £000	Net inflow/ (outflow) £000
2017	4,818	15,443	10,625
2018	12,353	10,781	(1,572)
2019	10,877	10,268	(609)
2020	8,813	1,635	(7,178)
2021	11,707	31,118	19,411
Total	**48,568**	**69,245**	**20,677**

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

	£000	Pence per ordinary share
Net asset value at 1 October 2020	**112,791**	**70.7**
Net revenue (investment income less revenue expenses and tax)	306	0.2
Capital surplus arising on investments:		
Realised net gain on disposals	8,380	5.3
Movements in fair value of investments	17,660	11.1
Expenses allocated to capital account (net of tax relief)	(4,260)	(2.7)
Total return for the year as shown in income statement	**22,086**	**13.9**
Proceeds of issue of new shares (net of expenses)	2,881	–
Shares re-purchased for cancellation	(1,839)	–
Net movement for the year before dividends	**23,128**	**13.9**
Net asset value at 30 September 2021 before dividends recognised	**135,919**	**84.6**
Dividends recognised in the financial statements for the year	(16,621)	(10.5)
Net asset value at 30 September 2021 after dividends recognised	**119,298**	**74.1**

Investment realisations

Details of investment disposals during the year are given in Note 9 on page 42. The most significant disposals (original cost or sales proceeds in excess of £0.5 million) are summarised in Table 3.

Following a sustained period of strong trading, **Agilitas IT Holdings** was subject of a secondary management buyout, generating a return of over eight times the original cost over the life of the investment.

The investment in premium snacking manufacturer, **It's All Good**, was sold to a trade acquirer, generating a return of over three times the original cost over the holding period.

Following a period of challenging trading conditions, the investment in **Lending Works** was sold, recovering proceeds representing around a quarter of the original cost. The investment in **Soda Software Labs** was sold to a private equity backed trade acquirer generating a return of 1.1x over the life of the investment. Including deferred consideration estimated at £0.6 million, which has not been recognised as at 30 September 2021, the total return on cost would be 1.5x.

Entertainment Magpie Group was admitted to trading on AIM, raising additional capital of £15 million to support future growth. As part of the transaction Northern Venture Trust PLC realised half of its equity holding for cash and retained half in the newly listed parent company **musicMagpie**. The value of the retained holding, measured at the admission price, combined with the cash proceeds received over the life of the investment to date registered a return of 11.6 times.

Oddbox, the subscription delivery business supplying households with fruit and vegetables, made considerable progress during the year, growing both its customer base and geographical reach. A further funding round was undertaken and led by Burda Principal Investments, supplying significant capital to support the national expansion plans. As part of the transaction, Northern Venture Trust realised half of its holding for proceeds of £3.5 million, a return of over 10 times cost, and together with the other Northern VCTs, retains a significant minority stake in the business.

Whilst interest rates on cash deposits remain low in the UK, we seek to mitigate the cash drag by holding a portion of our liquid funds in readily realisable quoted investment funds which have underlying exposure to listed equity markets, with a view to generating a higher return than by holding all liquid resources in cash deposits alone. The portfolio of quoted investment funds has produced a strong performance during the year of 21.8% on a total return basis.

Strategic report continued

Table 3: Significant investment realisations

Company	Date of original investment	Book cost £000	Disposal proceeds £000	Realised surplus/(deficit) £000
Agilitas IT Holdings	2014	943	12,057	11,114
Avid Technology Group	2016	1,873	281	(1,592)
It's All Good	2014	1,205	3,224	2,019
Lending Works	2016	925	256	(669)
Entertainment Magpie Group	2015	1,372	9,443	8,071
Oddbox	2020	318	3,476	3,158
Soda Software Labs	2017	1,472	1,256	(216)

Table 4: Venture capital investment valuation by category

	Number of investments	Valuation £000	% of portfolio by value
Unquoted investments at directors' valuation			
Earnings/revenue multiple	17	36,510	42.3
Price of a recent investment subsequently calibrated as appropriate	23	32,810	38.1
Cost subsequently calibrated as appropriate	5	4,992	5.8
Quoted investments at bid price			
Listed on London Stock Exchange	1	1,071	1.2
Quoted on AIM	6	10,812	12.6
Total	**52**	**86,195**	**100.0**

Portfolio composition

The pie charts on page 2 show the composition of the venture capital portfolio at 30 September 2021 by value according to age, industry sector, financing stage and whether quoted or unquoted. The management buyout investments were completed before updates to the VCT rules prohibiting this type of investment activity were enacted, in November 2015.

Valuation policy

Unquoted investments are valued in accordance with the accounting policy set out on page 38, which follows the International Private Equity and Venture Capital Valuation (IPEV) guidelines, being the industry accepted best practice. The emergence of COVID-19 and the national response to suppress it has heightened the level of estimation uncertainty when assessing the future prospects of individual portfolio companies as at the balance sheet date. IPEV released a supplement to its latest guidance on 31 March 2020 to specifically address the challenges of valuing investments during the COVID-19 pandemic, which the directors have taken account of when undertaking their usual detailed valuation process.

Where valuations are based on company earnings, audited historic results will be taken into account along with more recent unaudited information and projections where these are considered sufficiently reliable. For investments in earlier stage businesses, where a material arm's length transaction has recently been concluded, this is usually taken as the starting point for fair value, and subsequently tested and recalibrated to reflect changes in market conditions or company-specific performance. Performance is typically considered using a range of metrics such as annual recurring revenue, EBITDA, milestones achieved, customer wins, cash runway and budget accuracy. Provision against cost is made where an investment is under-performing significantly.

As at 30 September 2021 the number of venture capital investments falling into each valuation category was as shown in Table 4.

Key performance indicators

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

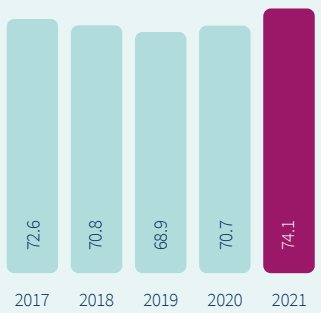
Net asset value and total return to shareholders: the charts at the bottom of this page show the movement in net asset value and total return (net asset value plus cumulative dividends) per share over the past five financial years.

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

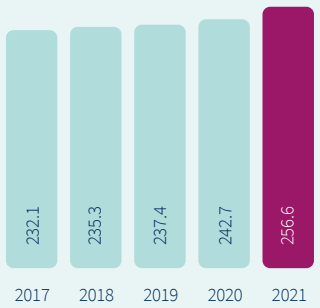
Ongoing charges: the charts at the bottom of the page opposite show total annual running expenses as a percentage of the average net assets attributable to shareholders for each of the past five financial years.

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.

Net asset value (p)

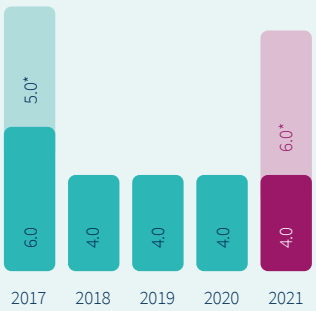


Net asset value plus cumulative dividends paid per share* (p)



* Excludes dividends proposed, but not yet paid.

Total dividend per share for the year (p)



* Special dividends.

Risk management

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

Investment and liquidity risk: investment in smaller and unquoted companies, such as those in which the company invests, involves a higher degree of risk than investment in larger listed companies because they generally have limited product lines, markets and financial resources and may be more dependent on key individuals. The securities of smaller companies in which the company invests are typically unlisted, making them illiquid, and this may cause difficulties in valuing and disposing of the securities. The company may invest in businesses whose shares are quoted on AIM – the fact that a share is quoted on AIM does not mean that it can be readily traded and the spread between the buying and selling prices of such shares may be wide. **Mitigation:** the directors aim to limit the risk attaching to the portfolio as a whole by careful selection, close monitoring and timely realisation of investments, by carrying out rigorous due diligence procedures and maintaining a wide spread of holdings in terms of financing stage and industry sector within the rules of the VCT scheme. The board reviews the investment portfolio with the investment adviser on a regular basis. The directors review the level of cash and readily realisable quoted investments available to the company on a regular basis and periodically seek to raise additional funds having regard to the expected level of cash outflows in the short to medium term.

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

Economic risk: events such as economic recession or general fluctuation in stock markets, exchange rates and interest rates may affect the valuation of investee companies and their ability to access adequate financial resources, as well as affecting the company's own share price and discount to net asset value. The level of economic risk has been elevated by the COVID-19 pandemic which caused a global recession during 2020. **Mitigation:** the company invests in a diversified portfolio of investments spanning various industry sectors, and maintains sufficient cash reserves to be able to provide additional funding to investee companies where it is appropriate and in the interests of the company to do so. The investment adviser typically provides an investment executive to actively support the board of each unquoted investee company. At all times, and particularly during periods of heightened economic uncertainty, the investment executives share best practice from across the portfolio with investee management teams in order to mitigate economic risk.

Brexit risk: the UK withdrew from the European Union (EU) on 31 January 2020. The process of negotiating longer-term trading arrangements between the UK and the EU is ongoing. The impact on the future business environment in the UK is therefore difficult to predict. **Mitigation:** whilst we do not expect that Brexit will have a significant impact on the operations of Northern Venture Trust PLC itself, the board and the investment adviser follow Brexit developments closely with a view to identifying changes which might affect the company's investment portfolio. The investment adviser works closely with investee companies in order to plan for a range of possible outcomes.

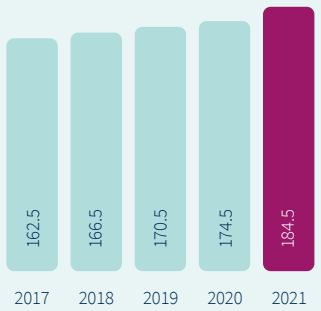
Stock market risk: some of the company's investments are quoted on the London Stock Exchange or AIM and will be subject to market fluctuations upwards and downwards. External factors such as terrorist activity or global health crises, such as the COVID-19 pandemic, can negatively impact stock markets worldwide. In times of adverse sentiment there may be very little, if any, market demand for shares in smaller companies quoted on AIM. **Mitigation:** the company's quoted investments are actively managed by specialist advisers, including Mercia in the case of the AIM-quoted investments, and the board keeps the portfolio and the actions taken under ongoing review.

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.

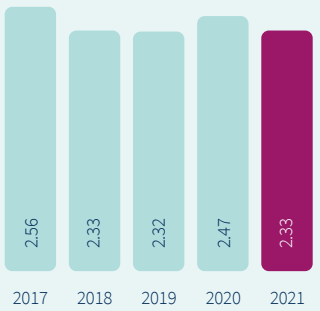
Legislative and regulatory risk: in order to maintain its approval as a VCT, the company is required to comply with current VCT legislation in the UK, which reflects the European Commission's State-aid rules. Changes to the UK legislation in the future could have an adverse effect on the company's ability to achieve satisfactory investment returns whilst retaining its VCT approval. **Mitigation:** the board and the investment adviser monitor political developments and where appropriate seek to make representations either directly or through relevant trade bodies.

Internal control risk: the company's assets could be at risk in the absence of an appropriate internal control regime which is able to operate effectively even during times of disruption, such as that caused by COVID-19. **Mitigation:** the board regularly reviews the system of internal controls, both financial and non-financial, operated by the company and the investment adviser. These include controls designed to ensure that the company's assets are safeguarded and that proper accounting records are maintained.

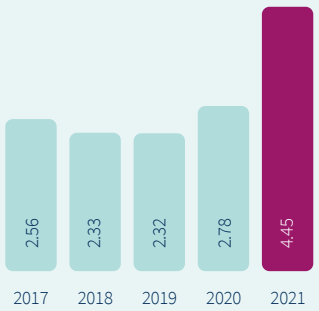
Cumulative dividends per share (p)



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



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



Strategic report continued

VCT-qualifying status risk: while it is the intention of the directors that the company will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to continue meeting the qualifying requirements could result in the loss of VCT tax relief, the company losing its exemption from corporation tax on capital gains, to shareholders being liable to pay income tax on dividends received from the company and, in certain circumstances, to shareholders being required to repay the initial income tax relief on their investment. **Mitigation:** the investment adviser keeps the company's VCT-qualifying status under continual review and its reports are reviewed by the board on a quarterly basis. The board has also retained Philip Hare & Associates LLP to undertake an independent VCT status monitoring role.

Additional disclosures required by the Companies Act

Section 172 Statement

Section 172 of the Companies Act 2006 requires a director to promote the success of the company. In doing this they must act in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this our directors are required to have a regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- need to foster the company's business relationships with suppliers and others;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging their duties each director has regard to the factors set out above and to other factors which they consider relevant to the decision being made. Those factors may include, for example, the interests and views of our shareholders, advisers and regulators. The board's aim is to make sure that decisions are consistent and predictable. Details on how the board operates and the way directors reach decisions, including some of the matters discussed and debated during the year, the key stakeholder considerations that were central to those discussions and the way in which directors had regard to the need to foster the company's long-term relationship with shareholders and other stakeholders, are included in the corporate governance section of this report on pages 24 to 28. An example of a key decision reached by the board during the year is the level of dividends paid or proposed, which totalled 10 pence per share. In reaching their final decision on this matter, the board considered to the level of returns generated by the company, the potential timing of investment realisations, the potential future capital requirements of portfolio companies and continuing compliance with the VCT scheme rules.

Key stakeholders

Employees and Directors

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

Shareholders

The directors recognise 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. The investment adviser usually holds an annual VCT investor seminar to which shareholders are invited and the directors attend.

The directors' decisions are intended to achieve the company's corporate objective. Maintaining the company's status as a VCT is a critical element of this.

Investment adviser

The company's most critical business relationship is with the investment adviser, Mercia. There is regular contact with Mercia and members of Mercia's executive committee attend all of the company's board meetings.

Portfolio companies

The company holds minority investments in its portfolio companies and it has appointed Mercia to advise on the management of the portfolio. Whilst day-to-day interaction with portfolio companies is delegated via the management and investment advisory agreement (management agreement) to Mercia, updates on the entire portfolio are received by the board at least quarterly. The directors take an active interest in the challenges faced by portfolio companies.

The environment and climate change

As an externally managed investment company, the company is not directly responsible for any greenhouse gas emissions and the company falls below the de minimis limit for required reporting under the Streamlined Energy and Carbon Reporting regulations (SECR). Mercia monitors the activities of the portfolio and is proactive in managing environmental, social and governance (ESG) issues.

Future prospects

Whilst some uncertainty remains as to the eventual nature of the long-term trading relationship with key trading partners following the exit of the UK from the European Union, we do not expect that this will have a significant impact on the operations of Northern Venture Trust PLC itself.

COVID-19 continues to present challenges for UK businesses, however your directors have been encouraged by the resilience exhibited by the portfolio as a whole. The operations of Northern Venture Trust PLC have necessarily evolved over the past year, however the board has continued to hold effective board meetings remotely, making use of video conferencing services. The directors regularly monitor the service received from the company's investment adviser, registrars and custodians who all enacted contingency plans to deal with the ongoing impact of COVID-19 and who all continue to operate effectively.

The company will continue to maintain the highest standards in the selection of investments to deploy capital effectively and ultimately drive shareholder value.

We remain committed to supporting the development and prosperity of entrepreneurial early stage businesses in the UK and believe that your company remains well placed to do so.

By order of the Board

—

J K Bryce
Secretary
24 November 2021

Investment portfolio

as at 30 September 2021

	Cost £000	Valuation £000	% of net assets by value
Fifteen largest venture captial investments (see pages 16–19)			
musicMagpie*	238	7,600	6.4%
Lineup Systems	975	5,968	5.0%
Currentbody.com	2,050	5,846	4.9%
Oddbox	386	4,216	3.5%
SHE Software Group	2,412	4,032	3.4%
GRIP-UK (t.a. The Climbing Hangar)	3,530	3,530	3.0%
Intelling Group	1,223	3,505	2.9%
Volumatic Holdings	216	2,797	2.3%
Buoyant Upholstery	1,173	2,773	2.3%
Clarilis	1,972	2,553	2.1%
Life's Great Group (t.a. Mojo Mortgages)	1,592	2,466	2.1%
IDOX*	238	2,210	1.9%
Biological Preparations Group	2,366	2,197	1.8%
Newcells Biotech	1,771	2,115	1.8%
Tutora (t.a. Tutorful)	2,015	2,003	1.7%
	22,157	53,811	45.1%
Other venture capital investments			
Rockar	1,800	1,964	1.6%
Knowledgemotion	1,903	1,938	1.6%
Weldex (International) Offshore Holdings	3,262	1,927	1.6%
Sorted Holdings	3,022	1,694	1.4%
Pure Pet Food	1,419	1,486	1.2%
Medovate	1,593	1,464	1.2%
Fresh Approach (UK) Holdings	1,475	1,412	1.2%
Adludio	1,402	1,402	1.2%
Voxpopme	1,218	1,378	1.2%
Quotevine	1,311	1,297	1.1%
Ridge Pharma	1,233	1,233	1.0%
Administrate	1,806	1,232	1.0%
Gentronix	1,104	1,198	1.0%
Vectura Group**	599	1,071	0.9%
Contego Solutions (t.a. NorthRow)	1,151	1,069	0.9%
ThanksBox (t.a. Mo)	1,417	945	0.8%
Locate Bio	876	876	0.7%
Moonshot	874	874	0.7%
Naitive Technologies	787	787	0.7%
Enate	784	784	0.7%
Intuitive Holding	1,674	725	0.6%
Duke & Dexter	707	707	0.6%
Atlas Cloud	704	697	0.6%
Ablatus Therapeutics	612	612	0.5%
Seahawk Bidco	513	594	0.5%
Axial Systems Holdings	1,004	515	0.4%
Angle*	131	499	0.4%
Rego Technologies (t.a. Upp)(formerly Volo)	2,253	427	0.4%
Nutshell	352	352	0.3%
Ideagen*	34	311	0.3%
Channel Mum	1,289	246	0.2%
Arnlea Holdings	1,305	192	0.2%
Haystack Dryers	1,661	169	0.1%
RTC Group*	436	161	0.1%
Customs Connect Group	1,564	116	0.1%
Velocity Composites*	104	30	0.1%
No 1 Lounges	2,006	–	0.0%
Total venture capital investments	67,542	86,195	72.2%
Investment funds (listed equity)	7,591	10,368	8.7%
Total fixed asset investments	75,133	96,563	80.9%
Net current assets		22,735	19.1%
Net assets		119,298	100.0%

* Quoted on AIM.
** Listed on London Stock Exchange.

Fifteen largest venture capital investments

1 musicMagpie

£238,000 Cost | **£7,600,000** Valuation

Basis of valuation	Bid price (AIM)
Equity held	4.1% (NVM/Mercia funds total 16.1%)
Business/location	Re-commerce website for pre-owned entertainment media and electronic items, Manchester
History	Holding acquired through a share placing on AIM in April 2021
Other funds investing	Northern 2 VCT, Northern 3 VCT, NV2 LP
Income in year	Dividends nil, loan stock interest £350,000

Audited financial information:

Year ended 30 November	2020 £m	2019* £m
Sales	**153.4**	191.6
EBITDA	**11.4**	3.8
Profit/(loss) before tax	**6.3**	(3.0)
Profit/(loss) after tax	**7.9**	(3.0)
Net assets/(liabilities)	**0.4**	(7.8)

* 18 month period.

2 Lineup Systems

£975,000 Cost | **£5,968,000** Valuation

Basis of valuation	Revenue multiple
Equity held	17.4% (NVM/Mercia 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 funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £24,000

Audited financial information:

Year ended 30 June	2020 £m	2019 £m
Sales	**12.2**	11.1
EBITDA	**1.0**	0.4
Profit/(loss) before tax	**0.3**	(0.1)
Profit after tax	**0.4**	–
Net assets/(liabilities)	**0.2**	(0.1)

3 Currentbody.com

£2,050,000 Cost | **£5,846,000** Valuation

Basis of valuation	Revenue multiple
Equity held	9.1% (NVM/Mercia funds total 25.7%)
Business/location	Online marketplace for home use beauty devices, Cheadle
History	Development capital financing, March 2018, led by NVM Private Equity
Other funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £7,000

Audited financial information:

Year ended 30 January	2021 £m	2020 £m
Sales	**34.0**	15.8
EBITDA	**1.2**	(0.6)
Profit/(loss) before tax	**0.3**	(1.1)
Profit/(loss) after tax	**0.3**	(0.7)
Net assets	**1.2**	1.0

4 Oddbox

£386,000 Cost | **£4,216,000** Valuation

Basis of valuation	Revenue multiple
Equity held	4.6% (NVM/Mercia funds total 12.9%)
Business/location	Supply and delivery of fruit and vegetable boxes, London
History	Development capital financing, March 2020, led by Mercia Fund Management
Other funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 30 June	2020 £m	2019 £m
Sales	**8.8**	1.7
EBITDA	**(0.4)**	(0.3)
Loss before tax	**(0.4)**	(0.3)
Loss after tax	**(0.4)**	(0.3)
Net assets	**2.2**	0.2

5 SHE Software Group

£2,412,000 Cost | **£4,032,000** Valuation

Basis of valuation	Revenue multiple
Equity held	11.3% (NVM/Mercia funds total 28.8%)
Business/location	Health & Safety platform provider, East Kilbride
History	Investment in February 2018, led by NVM Private Equity
Other funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 31 March	2021 £m	2020 £m
Sales	**6.7**	5.6
EBITDA	**(2.0)**	(2.5)
Loss before tax	**(3.0)**	(3.1)
Loss after tax	**(2.9)**	(3.1)
Net assets	**0.7**	3.4

6 GRIP-UK (t.a. The Climbing Hangar)

£3,530,000 Cost | **£3,530,000** Valuation

Basis of valuation	Price of a recent investment
Equity held	20.0% (NVM funds total 56.3%)
Business/location	Operator of indoor climbing walls, Liverpool
Initial investment	Development capital financing, August 2018, led by NVM Private Equity
Other funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 30 September	2020 £m	2019 £m
Sales	**2.0**	2.4
EBITDA	**(0.8)**	(0.5)
Loss before tax	**(1.0)**	(0.6)
Loss after tax	**(0.9)**	(0.6)
Net assets	**4.2**	2.1

7 Intelling Group

£1,223,000 Cost | **£3,505,000** Valuation

Basis of valuation	Earnings multiple
Equity held	13.2% (NVM/Mercia funds total 37.7%)
Business/location	Customer handling and support specialist, Manchester
History	Development capital financing, March 2017, led by NVM Private Equity
Other funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £103,000

Audited financial information:

Year ended 31 July	2020 £m	2019 £m
Sales	**21.7**	16.3
EBITDA	**5.3**	2.5
Profit before tax	**2.3**	0.2
Profit after tax	**2.0**	0.5
Net liabilities	**(0.1)**	(2.1)

8 Volumatic Holdings

£216,000 Cost | **£2,797,000** Valuation

Basis of valuation	Earnings multiple
Equity held	18.5% (NVM/Mercia funds total 55.4%)
Business/location	Manufacturer of intelligent cash-handling equipment, Coventry
History	Management buy-out, March 2012, led by NVM Private Equity
Other funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £13,000

Audited financial information:

Year ended 31 March	2021 £m	2020 £m
Sales	**10.6**	8.5
EBITDA	**2.5**	1.5
Profit before tax	**2.3**	1.0
Profit after tax	**2.1**	1.2
Net assets	**4.7**	3.1

Fifteen largest venture capital investments continued

9 Buoyant Upholstery

£1,173,000 Cost | **£2,773,000** Valuation

Basis of valuation	Earnings multiple
Equity held	15.3% (NVM/Mercia funds total 64.8%)
Business/location	Design and manufacture of upholstered furniture, Nelson
History	Development capital financing, July 2013, led by NVM Private Equity
Other funds investing	Northern 2 VCT, Northern 3 VCT, NV1 LP
Income in year	Dividends nil, loan stock interest £80,000

Audited financial information:

Year ended 30 September	2020 £m	2019 £m
Sales	**36.3**	46.8
EBITDA	**1.5**	2.1
(Loss)/profit before tax	**–**	–
(Loss)/profit after tax	**–**	–
Net assets	**4.7**	5.1

10 Clarilis

£1,972,000 Cost | **£2,553,000** Valuation

Basis of valuation	Price of a recent investment
Equity held	9.9% (NVM/Mercia funds total 28.1%)
Business/location	Provides automated legal document preparation software, Leamington Spa
History	Development capital financing, June 2018, led by NVM Private Equity
Other funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 31 December	2020 £m	2019 £m
Sales	**1.6**	1.2
EBITDA	**(1.3)**	(1.6)
Loss before tax	**(1.3)**	(1.6)
Loss after tax	**(1.0)**	(1.3)
Net assets	**5.0**	0.4

11 Life's Great Group (t.a. Mojo Mortgages)

£1,592,000 Cost | **£2,466,000** Valuation

Basis of valuation	Price of recent investment
Equity held	9.5% (NVM/Mercia funds total 26.6%)
Business/location	Online mortgage broker, Macclesfield
History	Development capital financing, February 2019, led by NVM Private Equity
Other funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 30 April	2020 £m	2019 £m
Sales	**1.5**	0.8
EBITDA	**(3.1)**	(4.9)
Loss before tax	**(3.3)**	(5.2)
Loss after tax	**(3.1)**	(5.0)
Net liabilities	**(1.2)**	(0.2)

12 Idox

£238,000 Cost | **£2,210,000** Valuation

Basis of valuation	Bid price (AIM)
Equity held	0.7% (NVM/Mercia funds total 1.7%)
Business/location	Document content software, London
History	Holding acquired through a share placing on AIM in 2000
Other funds investing	Northern 3 VCT
Income in year	Dividends £9,000, loan stock interest nil

Audited financial information:

Year ended 31 October	2020 £m	2019 £m
Sales	**68.0**	65.5
EBITDA	**16.3**	10.8
Profit/(loss) before tax	**2.7**	–
Profit/(loss) after tax	**1.3**	(1.2)
Net assets	**47.0**	44.6

13 Biological Preparations Group

£2,366,000 Cost | **£2,197,000** Valuation

Basis of valuation	Earnings multiple
Equity held	17.4% (NVM/Mercia funds total 47.5%)
Business/location	Developer and supplier of products based on microbial, antimicrobial, plant extract and enzyme technology, Cardiff
History	Management buy-out financing, March 2015, led by NVM Private Equity
Other funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 31 December	2020 £m	2019 £m
Sales	**9.6**	7.5
EBITDA	**1.4**	1.0
Loss before tax	**(0.4)**	(0.6)
Loss after tax	**(0.5)**	(0.7)
Net liabilities	**(3.2)**	(2.8)

14 Newcells Biotech

£1,771,000 Cost | **£2,115,000** Valuation

Basis of valuation	Price of a recent investment
Equity held	16.7% (NVM/Mercia funds total 47.0%)
Business/location	Supplies assay products to the drug and chemical development markets, Newcastle
History	Development capital financing, June 2018, led by NVM Private Equity
Other funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 31 January	2021 £m	2020 £m
Sales	**1.3**	0.8
EBITDA	**(1.1)**	(0.7)
Loss before tax	**(1.3)**	(0.7)
Loss after tax	**(1.1)**	(0.6)
Net assets	**4.9**	1.1

15 Tutora (t.a. Tutorful)

£2,015,000 Cost | **£2,003,000** Valuation

Basis of valuation	Price of a recent investment
Equity held	9.8% (NVM/Mercia funds total 25.0%)
Business/location	Online arrangement and delivery of private tutoring services, Sheffield
History	Management buy-out financing, October 2019, led by NVM Private Equity
Other funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 31 December	2020 £m	2019 £m
Sales	**2.5**	2.2
EBITDA	**(1.0)**	(0.9)
Loss before tax	**(1.0)**	(0.9)
Loss after tax	**(0.9)**	(0.9)
Net assets	**2.1**	3.0

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2021.

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 03090163.

The directors are required by the articles of association to propose an ordinary resolution at the company's annual general meeting in 2023 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 an extraordinary general meeting to consider proposals for the reorganisation or winding-up of the company.

A consideration of the environmental impact of the company's activities is set out on page 8.

Corporate governance

The statement on corporate governance set out on pages 24 to 28 is included in the directors' report by reference.

Results and dividend

The return after tax for the year of £22,086,000 has been transferred to reserves.

The final dividend of 2.5 pence per share in respect of the year ended 30 September 2020, and both the interim and special dividends totalling 8.0 pence per share, in respect of the year ended 30 September 2021 were paid during the year at a cost of £16,621,000 and have been charged to reserves.

The proposed final dividend of 2.0 pence per share for the year ended 30 September 2021 will, if approved by shareholders at the annual general meeting, be paid on 14 January 2022 to shareholders on the register on 17 December 2021.

Provision of information to the 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.

Statement on long-term viability

In accordance with the requirements of the AIC Code of Corporate Governance, the directors have assessed the prospects of the company over the three-year period to September 2024. 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 and that the period is appropriate for a business of the company's nature and size.

In making their assessment the directors have carried out a robust review of the risk environment in which the company operates, including those risks which might threaten its business model or future performance and the steps taken with a view to their mitigation (see page 13 and 14 for further details on risk management). The directors have considered the ability of the company to comply on an ongoing basis with the conditions for maintaining VCT approved status. The directors have also considered 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 control the level of future cash outflows arising from share buy-backs, dividends and investments. When assessing the potential future cashflows of the company, the directors have considered various scenarios including a "downside case" where potential cash inflows are severely impacted by economic disruption caused by COVID-19, such that equity funds raised, investment realisations and investment income all fall to nil. As detailed on page 26, the management engagement committee has also considered the company's relationship with the investment adviser, Mercia, by reference to the performance of the venture capital portfolio and the expertise demonstrated by Mercia in venture capital investment.

Taking into account the company's current position and principal risks, the directors have concluded that there is a reasonable expectation that the company will be able to continue in operation over the three-year period and meet its liabilities as they fall due over that period.

Going concern

The financial statements have been prepared on a going concern basis.

The directors performed an assessment of the company's ability to meet its liabilities as they fall due. In performing this assessment, the directors took into consideration the uncertain economic outlook in light of the COVID-19 pandemic including:

- the investments and liquid resources held by the company;
- the fact that the company has no debt or capital commitments;
- the ability of the company to meet all of its liabilities and ongoing expenses from its assets, including its year-end cash balance;
- revenue and operating cost forecasts for the forthcoming year;
- the ability of third-party service providers to continue to provide services; and
- potential downside scenarios including a fall in the valuation of the investment portfolio or levels of investment income.

Based on this assessment, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore determine the going concern basis to be appropriate.

An explanation of the significant post-balance sheet events are given in the "Investment realisations" section of the strategic report and in Note 20 of the financial statements.

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. A list of each director who has served during the year is given on page 6.

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

Mercia took over management of the company's investment affairs after the novation of the pre-existing management and investment advisory agreement (management agreement) between the company and NVM Private Equity LLP (NVM), who had acted as investment adviser since the company's inception. The principal terms of the company's management agreement with Mercia are set out in Note 3 to the financial statements. Mercia has contractually delegated certain of its duties to provide financial, administrative and company secretarial advice and services to NVM for a transitional period ending in March 2022 (unless extended by mutual agreement).

The management engagement committee carries out a regular review of the terms of Mercia's appointment with a view to ensuring that Mercia'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 Mercia 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 Mercia to the company.

Remuneration receivable by the investment adviser

The remuneration receivable by the investment adviser by virtue of the management agreement with Northern Venture Trust comprises the following:

Remuneration payable by Northern Venture Trust

Basic management fee: the investment adviser 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 consenting to the novation of the management agreement to Mercia in December 2019, it has been agreed that the fee due on the value of liquid assets above the threshold of £20 million will continue to attract a reduced rate of 1% per annum on a permanent basis. In the year ended 30 September 2021 the basic annual management fee was £2,316,000 (2020: £1,849,000).

Performance-related management fee: the investment adviser is entitled to receive an annual performance-related management fee equivalent to 15% 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 2021 was 6.0% (2020: 6.0%). There was a performance-related management fee due for the year ended 30 September 2021 of £2,538,000 (2020: £284,000).

Accounting and secretarial fee: the investment adviser is responsible for providing accounting, administrative and secretarial services to the company for an annual fee of £74,000 (2020: £73,000), linked to the movement in the RPI.

The total remuneration payable in aggregate to the investment adviser by Northern Venture Trust in respect of the year, comprising the basic management fee, the performance fee and the accounting and secretarial fee, was £4,928,000 (2020: £2,206,000).

Under current tax legislation the fees paid by the company to the investment adviser 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 the investment adviser's basic management fee. The annual running costs of the company for the year ended 30 September 2021 were equivalent to 2.33% of average net assets (2020: 2.47%).

Remuneration payable by investee companies

Under the management agreement, the investment adviser 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. The investment adviser 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 2021 the arrangement fees receivable by the investment adviser from investee companies which were attributable to investments made by Northern Venture Trust amounted to £358,000 (2020: £244,000), and directors' and monitoring fees amounted to £418,000 (2020: £383,000).

Executive co-investment scheme

Since 2006 the company has, together with the other VCT funds managed by Mercia, participated in a co-investment scheme with the objective of enabling the investment adviser to recruit, retain and incentivise its key investment personnel. Under the scheme executives are required to invest personally (and on the same terms as the company and other VCT funds managed by Mercia) 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 VCT funds advised by Mercia sell their shares and any prior ranking loan notes or preference shares held by the funds having been repaid. The executives participating in the scheme jointly subscribe for 5.0% of the non-yielding ordinary shares available to the Northern VCT funds, except in the case of investments where there is no class of yielding securities, in which case the executives jointly subscribe for 1.0% of the non-yielding ordinary shares available to the Northern VCT funds. At 30 September 2021 the co-investment scheme held investments in 52 investee companies acquired at a total cost of £1,202,000, of which £396,000 was attributable to investments made by Northern Venture Trust. The directors estimate that in the year ended 30 September 2021, the effect of the co-investment scheme on the company's performance was to decrease the return attributable to shareholders by £1,450,000 (2020: decrease of £798,000). The decrease in return is equivalent to 0.9 pence per share (2020: decrease of 0.5 pence), based on the weighted average number of shares in issue during the year.

Share capital – purchase of shares

During the year the company purchased for cancellation 2,620,797 of its own shares, representing 1.6% of the called-up share capital of the company at the beginning of the year, for a consideration of £1,839,000. Purchases were made in line with the company's policy of purchasing available shares at a discount to net asset value. At the 2020 annual general meeting held in January 2021, shareholders authorised the company to purchase in the market up to 15,961,999 ordinary shares (equivalent to approximately 10% of the then issued ordinary share capital) at a minimum price of 25 pence 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 2021 this authority remained effective in respect of 14,008,672 shares; the authority will lapse at the conclusion of the annual general meeting of the company on 7 January 2022.

Share capital – issue of shares

During the year the company issued a total of 4,071,110 new ordinary shares, for a cash consideration of £2,921,000.

Fixed assets

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

Financial instruments

The company's financial instruments comprise its investment portfolio, cash balances, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the company to risk are disclosed in Note 17 to the financial statements.

Annual general meeting

Notice of the 2021 annual general meeting to be held on 7 January 2022 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

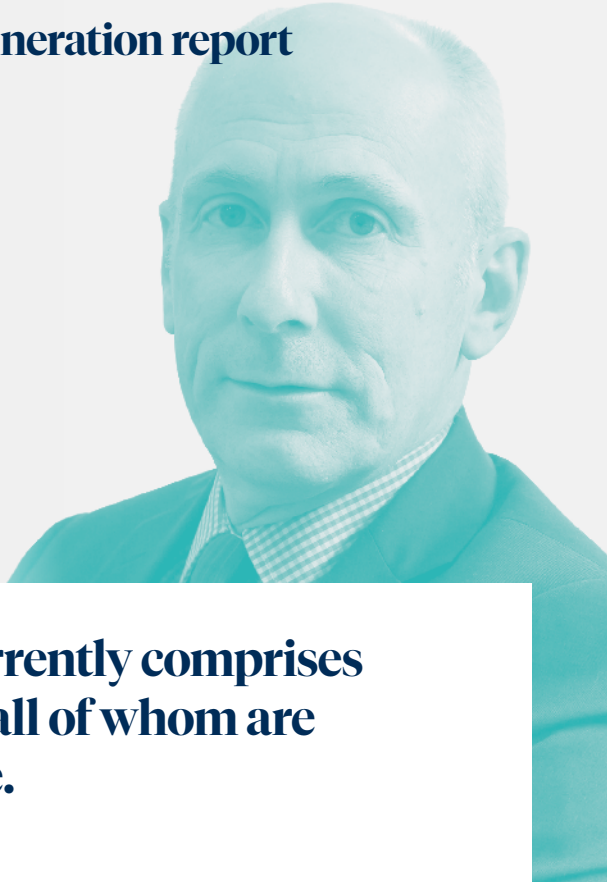
Mazars LLP have indicated their willingness to continue as auditor of the company and resolutions to reappoint them and to authorise the audit committee to fix their remuneration will be proposed at the annual general meeting.

By order of the Board

—

J K Bryce
Secretary
24 November 2021

Directors' remuneration report



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

S J Constantine
Chairman

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 and statement of the directors' remuneration policy will be proposed at the annual general meeting on 7 January 2022.

The company's independent auditor, Mazars 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 30 to 33.

Directors' remuneration policy

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, chaired by Mr S J Constantine and comprising all of the directors, 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 either new or existing 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 a consultant to Mercia, the company's investment adviser from 23 December 2019, has an interest in the co-investment scheme referred to in the directors' report on page 21.

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 reappointed at one of the preceding two annual general meetings shall retire and be subject to re-election at each annual general meeting. As a matter of good practice, the board has adopted the 2019 AIC code recommendation that all directors should seek annual re-election. 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 2021 (audited information)

The fees paid to individual directors in respect of the years ended 30 September 2021 and 30 September 2020, 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 of the year, at the 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 tables comparing employee pay to that of the directors, or comparing remuneration paid to employees with distributions to shareholders.

Company performance

The graph opposite compares the total return (assuming reinvestment of all dividends) to shareholders in the company over the five years ended 30 September 2021 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 15 January 2021 the resolution to approve the directors' remuneration report for the year ended 30 September 2020 was approved by a show of hands. 96.3% of the proxy votes received in relation to the resolution were either for or discretionary.

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 15 September 2021. The directors last received an increase in fees four years ago in October 2017 and before then in October 2013.

Consequently it was recommended that fees should be increased to £40,000 per annum for the chairman of the board (currently £35,000), £35,000 for the chairman of the audit committee (currently £27,000) as the portfolio grows in size and complexity and £30,000 per annum for other directors (currently £25,000), with effect from 1 April 2022. The directors continue to be responsible for approving all investments and realisations by the fund, convening a meeting on each such occasion and the frequency of these meetings has increased considerably in recent years as the volume of investment and realisation activity has increased. Having reviewed peer funds in the sector, the Board considers these fees to be in line with market rates.

There is currently a cap on the aggregate directors' fees payable of £150,000 per annum and it is proposed to increase this to £200,000 per annum with the approval of a shareholders' resolution at our AGM in January 2022. This increase will enable the fees outlined above to be paid and further modest increases to be made in future years.

—
S J Constantine
Chairman of the nomination committee
24 November 2021

Table 1: Directors' fees

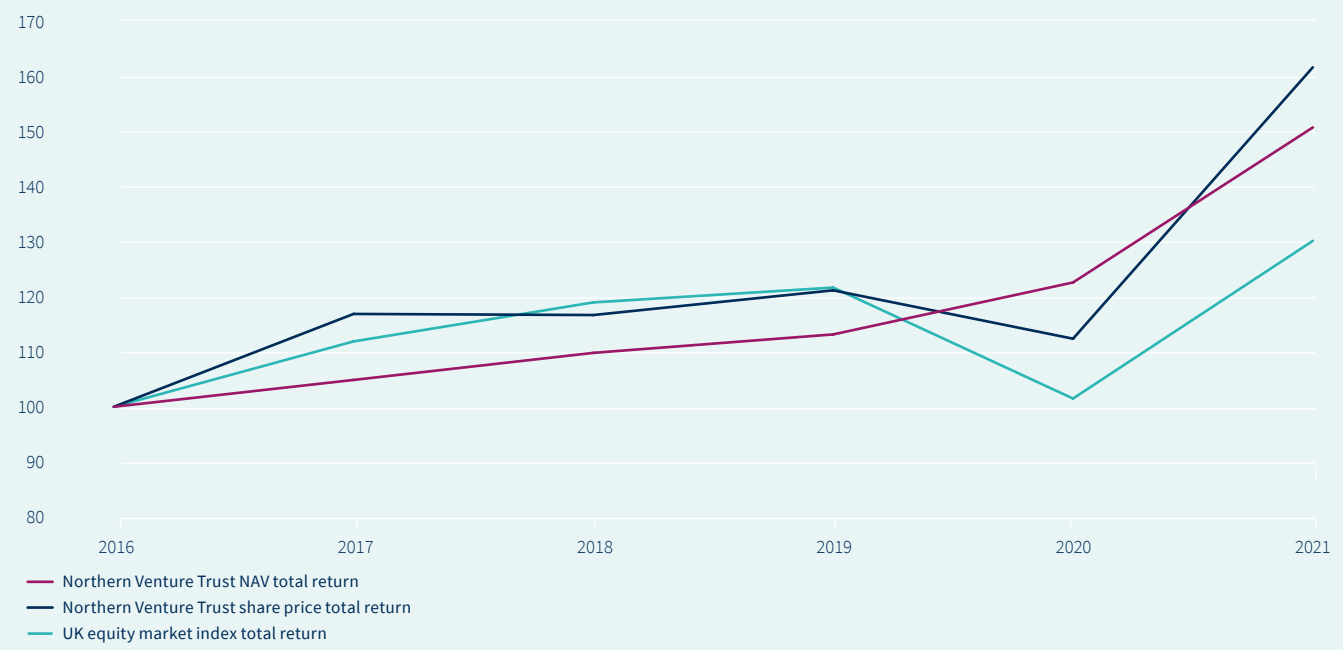
	Year ended 30 September 2021	Year ended 30 September 2020
S J Constantine (Chairman)	**35,000**	35,000
N J Beer	**27,000**	27,000
R J Green	**25,000**	25,000
T R Levett*	**–**	–
D A Mayes	**25,000**	25,000
H P Younger	**25,000**	25,000
Total	**137,000**	**137,000**

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

Table 2: Directors' interests in ordinary shares

	24 November 2021	30 September 2021	1 October 2020
S J Constantine (Chairman)	376,335	376,335	327,783
N J Beer	313,013	313,013	272,087
R J Green	296,247	296,247	296,247
T R Levett	467,785	467,785	467,785
D A Mayes	1,010,850	1,010,850	1,010,850
H P Younger	186,621	186,621	162,220

Return to shareholders in Northern Venture Trust PLC
Five years to 30 September 2021 (September 2016 = 100)



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). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to the company.

The board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders than reporting against the UK Code.

The company is committed to maintaining high standards in corporate governance and during the year ended 30 September 2021 has complied with the Principles and Provisions of the AIC Code, except as set out below. The AIC Code is available on the AIC website **(www.theaic.co.uk)**. It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

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 Code, 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, Mercia Fund Management Limited (Mercia) and the majority of whom are considered to be independent of the company's previous investment adviser, NVM Private Equity. The board meets regularly in person or by conference call six times each year, and on other occasions as required. 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 6.

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 J K Bryce, 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.

Regarding principle 6.2 (14) of the AIC Code, the board has not appointed a senior non-executive director, and the Company does not comply with this requirement of the AIC Code. This matter is discussed annually by the nomination committee, and the recommendation considered by the board. The board has concluded that given the size and composition of the board (consisting entirely of experienced non-executive directors):

1. The chairman has the ability to use each of the directors as a sounding bound as required from time to time.
2. The board members have confirmed that given the access they have to the chairman, they do not require another director to act as an intermediary on their behalf. The directors do not consider that appointing a senior non-executive would provide any benefit to shareholders, who already have the ability to contact the company, board and its investment adviser through a variety of channels. Providing another director as a point of access would not enhance this process.
3. Board members formally assess the chair's performance annually without input from the chairman and there is no need to appoint a senior non-executive in respect of this process.

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 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 reappointed at one of the preceding two annual general meetings shall retire and be subject to re-election at each annual general meeting. However the board has, as a matter of good practice, adopted the AIC Code recommendation that all directors should seek annual re-election.

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 was an equity partner in NVM, the company's investment adviser until 23 December 2019 and is a consultant to Mercia, the company's investment adviser from 23 December 2019). Mr Levett does not sit on the audit committee or the management engagement committee of the board, which are comprised wholly of independent directors.

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 or chairman's ability to carry out his duties effectively and from an independent perspective; the nature of the company's business is such that individual directors' experience and continuity of board membership can significantly enhance the effectiveness of the board as a whole. The AIC Code (principle 7.22 (24)) recommends determining and disclosing a policy on the tenure of the chairman. The company does not have a set limit on the tenure of the members of the board or the chairman, however the chairman does follow principle 12 of the AIC code, namely that he avoids relationships which might compromise independence throughout his tenure. The board has, as a matter of good practice, adopted the AIC Code recommendation that all directors 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 22 and 23.

Audit Committee

During the year the audit committee comprised:

Mr N J Beer (Chairman)

Mr S J Constantine

Mr R J Green

Mr D A Mayes

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, reappointment 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 company's website. The audit committee ordinarily meets three times per year and has direct access to Mazars, 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. We note that the chairman, Mr S J Constantine, is a member of the audit committee. Whilst this is not compliant with the provisions of the 2018 UK Corporate Governance Code, it is compliant with the provisions of the AIC Code. As all members of the audit committee are independent non-executive directors, we believe that this is appropriate.

During the year ended 30 September 2021 the company did not have an independent internal audit function as it is not deemed necessary 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 2021 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 and confirmation of auditor independence;
- reviewing the investment adviser'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 the investment adviser's compliance procedures;
- reviewing the appropriateness of the company's accounting policies;
- reviewing the company's draft annual financial statements and half-yearly results statement prior to board approval, including the proposed fair value of investments;
- reviewing the external auditor's detailed reports to the committee on the annual financial statements;
- reviewing the taxation advisers' VCT status monitoring and compliance reports; and
- considering the effectiveness of the external audit process.

Corporate governance continued

The key area of risk that has been identified and considered by the audit committee in relation to the business activities and financial statements of the company is the valuation and existence of unquoted investments, particularly in light of the significant economic uncertainty caused by COVID-19. Another important area of risk that is considered by the audit committee is 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 confirmed to the audit committee that the investment valuations had been carried out consistently with prior periods and in accordance with published industry guidelines (including the supplementary guidance issued by IPEV on 31 March 2020), taking account of the latest available information about investee companies and current market data. The investment adviser highlighted that the assessment of the future prospects of portfolio companies was subject to heightened estimation uncertainty due to the COVID-19 pandemic. The audit committee reviewed the estimates and judgements used in the investment valuations and was satisfied that the final valuations 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 confirmed and reported on by Philip Hare & Associates LLP in its capacity as adviser to the company on taxation matters and the relevant report was reviewed by the audit committee.

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 investment 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 Mazars LLP has carried out its duties as auditor in a diligent and professional manner.

Following a detailed review of the draft annual report, the audit committee concluded that, taken as a whole, it was considered to be fair, balanced and understandable. The audit committee recommended to the board that the directors' responsibilities statement in respect of the annual report and the financial statements, should be signed accordingly.

The committee regularly reviews and monitors the auditor's effectiveness and independence. Mazars LLP has confirmed that it is independent of the company and has complied with the applicable auditing standards. In accordance with professional guidelines, the engagement leader is rotated after no more than five years; this is the first year that the current partner has served. As part of its review, the committee considers the nature and extent of non-audit services supplied by the auditor, all of which must be approved by the committee. There were no non-audit services contracted for during the year.

Nomination Committee

During the year the nomination committee comprised:

Mr S J Constantine (Chairman)

Mr N J Beer

Mr R J Green

Mr T R Levett

Mr D A Mayes

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, diversity 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; and would consider the use of formal advertisements and external consultants where appropriate. The committee recognises the benefits of diversity in the constitution of the board and it is the committee's intention that the diversity of representation on the board will continue to increase over time. New directors are provided with briefing material relating to the company, its investment adviser 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 company's website.

Principle 7.2 (22) of the AIC Code recommends that the nomination committee should be comprise a majority of independent non-executive directors, whereas the Company's nomination committee comprises the entire board of directors.

Given the size of the board and that it consists entirely of non-executive directors, the majority of whom are independent, it is appropriate that each director participate in the nomination committee to provide assessment of fellow directors and engage in succession planning. Each director excuses themselves from discussion regarding their own performance and reappointment.

Management Engagement Committee

During the year the management engagement committee comprised:

Mr R J Green (Chairman)

Mr N J Beer

Mr S J Constantine

Mr D A Mayes

Mr H P Younger

The management engagement committee undertakes a periodic review of the performance of the investment adviser, Mercia, 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 40.

Following the latest review by the committee, the board concluded that the continuing appointment of Mercia was in the interests of the company and its shareholders as a whole. Mercia has demonstrated its commitment to and expertise in venture capital investment since their appointment. Mercia has also delegated its company secretarial and accounting duties efficiently and effectively to NVM for the period under review.

Attendance at board and committee meetings

Table 1 sets out the number of substantive board and committee meetings held during the year ended 30 September 2021 and the number attended by each director compared with the maximum possible attendance.

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):				
S J Constantine (Chairman)	6/6	5/5	1/1	1/1
N J Beer	6/6	5/5	1/1	1/1
R J Green	6/6	5/5	1/1	1/1
T R Levett	6/6	N/A	1/1	N/A
D A Mayes	5/6	4/5	1/1	1/1
H P Younger	6/6	5/5	1/1	1/1

*In addition to the six meetings of the board held in person during the year, there were a further 11 meetings held by conference call.

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 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 any 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. The investment adviser holds an annual VCT investor seminar to which shareholders are invited. 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 company's website.

Internal control

The directors have overall responsibility for ensuring that there are in place robust 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 Mercia under the management agreement. Mercia 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 pages 13 and 14.

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

As at 30 September 2021 there were 161,070,303 ordinary shares 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.

Corporate governance continued

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 a 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 as director at any general meeting unless he or she is recommended by the directors or, not less than seven or 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 reappointment 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 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 appointment. At each annual general meeting of the company, any director who was not appointed or reappointed at one of the preceding two annual general meetings shall retire and be subject to re-election. As a matter of good practice, the board has adopted the AIC Code recommendation that all directors should seek annual 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 2006, 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 2021 annual general meeting to make market purchases of up to 15,961,999 ordinary shares at any time up to the 2022 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 7 January 2022 as set out in a separate circular.

By order of the Board

—

J K Bryce
Secretary
24 November 2021

Directors' responsibilities statement

The directors are responsible for preparing the annual report and 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 they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 its profit or loss 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 strategic report, directors' report, directors' remuneration report and corporate governance statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual report and financial statements for the year ended 30 September 2021

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the strategic report and directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

By order of the Board

—

J K Bryce
Secretary
24 November 2021

Independent auditor's report

to the members of Northern Venture Trust PLC

Opinion

We have audited the financial statements of Northern Venture Trust PLC (the company) for the year ended 30 September 2021 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of the company's return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Reviewing the directors' going concern assessment, including COVID-19 implications, based on a 'most likely' (base case) scenario and a 'downside case' scenario, as approved by the board of directors on 22 October 2021;
- Making enquiries of the directors to understand the period of assessment they considered, the assumptions made, the completeness of adjustments made, and the implication of those when assessing the 'base case' scenario and the "downside case" scenario. This included examining the minimum cash inflow and committed outgoings;
- Assessing the cash flow forecasts for the "base case" and 'downside case' scenarios and evaluating whether the directors' conclusion on the liquidity position of the company under both scenarios is reasonable;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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

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

In relation to the company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Valuation and existence of the unquoted investments portfolio

The company has a significant portfolio of unquoted investments. These are measured at fair value, which is determined in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as price of recent transactions subsequently calibrated, earnings multiples, and net assets. Therefore, the valuations incorporate a significant level of judgements to ascertain fair value.

There is therefore a risk that the judgements made in the course of the valuations may lead to a material misstatement of the investment values. Additionally, there is a risk that investments recorded might not exist or might not be owned by the company.

We therefore identified the valuation and existence of unquoted investments as a key audit matter, as it had a significant effect on our overall audit strategy and our allocation of resources.

How our audit addressed this matter

Our audit work included but was not limited to:

- Understanding and evaluating management's process around investment recording and valuations;
- Engaging our internal valuation experts to assist us in considering whether the techniques and methodologies applied for valuing unquoted investments were in accordance with published guidance, principally the International Private Equity and Venture Capital Valuation Guidelines. This included reviewing and challenging the principles and assumptions used in the valuation of investments;
- For investments valued using the recent transaction method, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be carried out on an arms-length basis and therefore suitable as an input to the valuation;

- Examining past date comparison points to understand variations in data and valuation model drivers;
- Ascertaining the existence of investment holdings by agreeing the holdings to share certificates and loan certificates, and reviewing Companies House documentation to verify total share capital of the investees; and
- Reviewing the adequacy and appropriateness of disclosures of unquoted investments in accordance with relevant accounting standards, including considerations of the potential effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Our observations

Based on the work performed and evidence obtained, we noted that the unquoted investments are valued in accordance with the relevant accounting standards. We did not identify any issues with regards to the existence of the investment portfolio held as at 30 September 2021.

Accuracy, completeness and cut-off of revenue recognised

The company has recognised significant income earned on its investments in its income statement. According to the Statement of Recommended Practice issued by the Association of Investment Companies ('AIC SORP'), recognition of revenue relies upon evidence such as dividend announcements and distribution notices, with an emphasis on timely recognition on an accruals basis and accurate separation between capital and income items.

We therefore identified accuracy, completeness and cut-off of revenue as a key audit matter, as it had a significant effect on our overall audit strategy and our allocation of resources.

How our audit addressed this matter

Our audit work included but was not limited to:

- Understanding and assessing management's process for revenue recognition, including considering whether the processes for revenue recognition are in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice and the AIC SORP;
- For income from quoted investments, forming an expectation for a selected sample of income using dividend announcements on recognised stock exchanges, where applicable, and checking the point of recognition, including further detailed testing on dividend announcements one month either side of the year-end to verify that dividends were recorded in the correct period;
- For income from unquoted investments, agreeing a sample of dividends to distribution notices from the investees and cash receipts during the year directly from investees' funds;
- For a sample of interest income on interest-bearing unquoted investments, verifying the key input data and re-performing the calculation of income received, as well as agreeing to cash receipts;
- Testing the realised movements on investments by agreeing the proceeds to bank statements and investment sale agreements, as well as recalculating the movement based on book cost and proceeds; and
- Performing cut-off testing to verify that dividend income and any investment sales during the year have been recorded in the appropriate period.

Our observations

Based on the work performed and evidence obtained, we consider the methodology used in recognising revenue to be appropriate.

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

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,218,360
How we determined it	The overall materiality level has been calculated with reference to the company's net assets, of which it represents approximately 1%.
Rationale for benchmark applied	Net assets have been identified as the principal benchmark within the financial statements of the company given its investment base. The significant degree of judgements underpinning the valuation of unquoted investments is the main rationale behind the risk of error we identified in the valuations that could give rise to a material misstatement.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Based on our risk assessments, together with our assessment of the overall control environment and the consideration of this being our first-year audit of the company, our performance materiality was set at £791,934, which is approximately 65% of overall materiality.
Reporting threshold	We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £36,551 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have also determined a lower level of specific materiality for certain areas, such as directors' remuneration and related party transactions.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Independent auditor's report continued

to the members of Northern Venture Trust PLC

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in;

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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; or
- a corporate governance statement has not been prepared by the company.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 29;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 20;
- Directors' statement on fair, balanced and understandable set out on page 26;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 13;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 13 and 14; and
- The section describing the work of the audit committee set out on pages 25 and 26.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: the Data Protection Act 2018 and the UK GDPR, the Bribery Act 2010, anti-money laundering regulations, and the Listing Rules.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, including HMRC and the FCA;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Companies Act 2006 and UK tax legislation. We identified the risk of non-compliance with the provisions of Section 274 of the Income Tax Act 2007, as well as the conditions under the Finance Act 2018 for the maintenance of the VCT approved status, as the principal area of laws and regulations that could have a material impact on the continuance of the company. We engaged internal tax experts to assist us in our review of the company's compliance with the applicable regulations.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the valuation of unquoted investments, revenue recognition (which we pinpointed to accuracy, cut-off and completeness of revenue), and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Audit Committee on 22 December 2020 to audit the financial statements for the year ended 30 September 2021 and subsequent financial periods. The period of total uninterrupted engagement is one year, covering the year ended 30 September 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of the audit report

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

—

Stephen Eames (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
24 November 2021
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Income statement

for the year ended 30 September 2021

	Notes	Year ended 30 September 2021			Year ended 30 September 2020		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain/(loss) on disposal of investments	8	**–**	**8,380**	**8,380**	–	(3)	(3)
Movements in fair value of investments	8	**–**	**17,660**	**17,660**	–	12,043	12,043
		–	**26,040**	**26,040**	–	12,040	12,040
Income	2	**1,372**	**–**	**1,372**	1,509	–	1,509
Investment management fee	3	**(579)**	**(4,275)**	**(4,854)**	(462)	(1,672)	(2,134)
Other expenses	4	**(472)**	**–**	**(472)**	(475)	–	(475)
Return before tax		**321**	**21,765**	**22,086**	572	10,368	10,940
Tax on return	5	**(15)**	**15**	**–**	(55)	55	–
Return after tax		**306**	**21,780**	**22,086**	517	10,423	10,940
Return per share	7	**0.2p**	**13.7p**	**13.9p**	0.3p	7.0p	7.3p

- The total column of the income statement is the statement of total comprehensive income of the company prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The supplemental revenue return and capital return columns have been prepared in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in April 2021 by the Association of Investment Companies ("AIC SORP").
- There are no recognised gains or losses other than those disclosed in the income statement.
- All items in the above statement derive from continuing operations.
- The accompanying notes are an integral part of this statement.

Balance sheet

as at 30 September 2021

	Notes	30 September 2021 £000	30 September 2020 £000
Fixed assets			
Investments	8	**96,563**	91,852
Current assets			
Debtors	12	**308**	674
Cash and deposits		**25,106**	20,693
		25,414	21,367
Creditors (amounts falling due within one year)	13	**(2,679)**	(428)
Net current assets		**22,735**	20,939
Net assets		**119,298**	112,791
Capital and reserves			
Called-up equity share capital	14	**40,268**	39,905
Share premium	15	**14,608**	12,745
Capital redemption reserve	15	**3,508**	2,853
Capital reserve	15	**38,325**	37,872
Revaluation reserve	15	**21,430**	18,086
Revenue reserve	15	**1,159**	1,330
Total equity shareholders' funds		**119,298**	112,791
Net asset value per share	16	**74.1p**	70.7p

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

The financial statements on pages 34 to 47 were approved by the directors on 24 November 2021 and are signed on their behalf by:

S J Constantine
Director

N J Beer
Director

Statement of changes in equity

for the year ended 30 September 2021

	Notes	Non-distributable reserves				Distributable reserves		
		Called up share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve* £000	Capital reserve £000	Revenue reserve £000	Total £000
At 1 October 2020		**39,905**	**12,745**	**2,853**	**18,086**	**37,872**	**1,330**	**112,791**
Return after tax		**–**	**–**	**–**	**3,344**	**18,436**	**306**	**22,086**
Dividends paid	6	**–**	**–**	**–**	**–**	**(16,144)**	**(477)**	**(16,621)**
Net proceeds of share issues	14	**1,018**	**1,863**	**–**	**–**	**–**	**–**	**2,881**
Shares purchased for cancellation	14	**(655)**	**–**	**655**	**–**	**(1,839)**	**–**	**(1,839)**
At 30 September 2021		**40,268**	**14,608**	**3,508**	**21,430**	**38,325**	**1,159**	**119,298**

Year ended 30 September 2020

		Non-distributable reserves				Distributable reserves		
		Called up share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve* £000	Capital reserve £000	Revenue reserve £000	Total £000
At 1 October 2019		34,693	5,584	2,106	4,948	46,820	1,507	95,658
Return after tax		–	–	–	13,138	(2,715)	517	10,940
Dividends paid	6	–	–	–	–	(4,477)	(694)	(5,171)
Net proceeds of share issues	14	5,959	7,161	–	–	–	–	13,120
Shares purchased for cancellation	14	(747)	–	747	–	(1,756)	–	(1,756)
At 30 September 2020		39,905	12,745	2,853	18,086	37,872	1,330	112,791

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

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

Statement of cash flows

for the year ended 30 September 2021

	Year ended 30 September 2021 £000	Year ended 30 September 2020 £000
Cash flows from operating activities		
Return before tax	**22,086**	10,940
Adjustments for:		
(Gain)/loss on disposal of investments	**(8,380)**	3
Movements in fair value of investments	**(17,660)**	(12,043)
Decrease in debtors	**366**	508
Increase in creditors	**2,251**	336
Net cash outflow from operating activities	**(1,337)**	(256)
Cash flows from investing activities		
Purchase of investments	**(13,506)**	(10,480)
Sale/repayment of investments	**34,835**	3,077
Net cash inflow/(outflow) from investing activities	**21,329**	(7,403)
Cash flows from financing activities		
Issue of ordinary shares	**2,921**	13,423
Share issue expenses	**(40)**	(304)
Purchase of ordinary shares for cancellation	**(1,839)**	(1,756)
Equity dividends paid	**(16,621)**	(5,171)
Net cash (outflow)/inflow from financing activities	**(15,579)**	6,192
Increase/(decrease) in cash and cash equivalents	**4,413**	(1,467)
Cash and cash equivalents at beginning of year	**20,693**	22,160
Cash and cash equivalents at end of year	**25,106**	20,693

Notes to the financial statements

for the year ended 30 September 2021

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

The financial statements are prepared in sterling which is the functional and presentational currency of the company and rounded to the nearest £000.

The financial statements have been prepared on a going concern basis.

The directors performed an assessment of the company's ability to meet its liabilities as they fall due. In performing this assessment, the directors took into consideration the uncertain economic outlook in light of the COVID-19 pandemic including:

- the investments and liquid resources held by the company;
- the fact that the company has no debt or capital commitments;
- the ability of the company to meet all of its liabilities and ongoing expenses from its assets, including its year-end cash balance;
- revenue and operating cost forecasts for the forthcoming year;
- the ability of third-party service providers to continue to provide services; and
- potential downside scenarios including a fall in the valuation of the investment portfolio or levels of investment income.

Based on this assessment, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore determine the going concern basis to be appropriate.

(b) Significant estimates and judgements

Disclosure is required of judgements and estimates made by management in applying the accounting policies that have a significant effect on the financial statements. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. A price sensitivity analysis is provided in the other price risk sensitivity section of Note 17 on page 46.

The key estimate in the financial statements is the determination of the fair value of the unlisted investments by the directors as it significantly impacts the valuation of the unlisted investments at the balance sheet date. The fair valuation process involves estimates using inputs that are unobservable.

The key judgement in the valuation of the unquoted investments process is the directors' determination of the appropriate application of the International Private Equity and Venture Capital (IPEV) guidelines to each unlisted investment. The judgement applied in the selection of the methodology used for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

(c) 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 are recorded at fair value as at the point of acquisition and are measured at subsequent reporting dates at fair value, with any changes being recognised in profit or loss. 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 IPEV guidelines by using measurements of value such as calibrating to the price of recent investment and earnings or revenue multiples; where no reliable fair value can be estimated using such techniques, unquoted investments are carried at cost subject to provision for impairment where necessary. The key assumption when using the price of a recent investment as an input to the valuation is that the price obtained remains a reasonable proxy for fair value for a period of time such that an enterprise value can be inferred and subsequently recalibrated where necessary to take account of changes to either the prevailing market conditions or performance of the investee. The price of a recent investment is not a default position for establishing fair value as at the measurement date and when this technique is employed, the resultant valuations are cross-checked for reasonableness by employing an alternative valuation technique. The key assumptions for the multiples approach are the selection of the most appropriate earnings or revenue measure (historic or forecast) and the selection of the multiple itself which may be influenced by the multiples achieved by a range of comparable companies in either private or public transactions.

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.

As permitted by FRS 102, 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.

The disclosure requirements relating to capital management under Section 34 paragraph 31 of FRS 102 are met in the strategic report on pages 10 to 14 and in Note 8 to the financial statements.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits, including short-term highly liquid investments readily convertible to known amounts of cash.

(e) Income

Dividends receivable on quoted equity shares are recognised on the ex-dividend date. Dividends receivable on unquoted equity shares are recognised 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.

(f) 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.

(g) 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.

(h) 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.

(i) Dividends payable

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

(j) 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.

(k) Share capital account

The share capital account represents the nominal value of all shares issued by the company.

(l) Share premium account

The share premium account represents the value paid by shareholders for shares above the nominal value.

(m) Capital redemption reserve

The capital redemption reserve is a non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

(n) Revaluation reserve

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

(o) Capital reserve

The following are accounted for in the capital reserve: gains or losses on the realisation of investments; 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.

(p) Revenue reserve

The revenue reserve comprises the retained earnings of a business from profits made in the current and prior periods.

2. Income

	Year ended 30 September 2021 £000	Year ended 30 September 2020 £000
Investment income:		
Dividends from unquoted companies	**11**	48
Dividends from quoted companies and investment funds	**229**	238
Interest receivable:		
Bank deposits*	**24**	57
Loans to unquoted companies	**1,108**	1,166
	1,372	1,509

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

Notes to the financial statements continued

for the year ended 30 September 2021

3. Investment management fee

	Year ended 30 September 2021			Year ended 30 September 2020		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Investment management fee						
Basic	**579**	**1,737**	**2,316**	462	1,388	1,850
Performance-related	**–**	**2,538**	**2,538**	–	284	284
	579	**4,275**	**4,854**	462	1,672	2,134

Mercia Fund Management (Mercia) provides investment advisory, secretarial and administrative services to the company under an agreement dated 20 December 1999, which may be terminated at any time by not less than twelve months' notice being given by either party. The agreement was novated from the previous investment adviser, NVM Private Equity LLP to Mercia on 23 December 2019.

The investment adviser receives a basic management fee, payable quarterly in advance, at the rate of 2.06% per annum of net assets calculated half-yearly as at 31 March and 30 September. The fee due on the value of liquid assets above the threshold of £20 million attracts a reduced rate of 1% per annum. The investment adviser bears the cost of the fees of Brewin Dolphin for managing the listed interest-bearing and equity portfolios. The investment adviser also arranges the administrative and secretarial services for the company for a fee of £74,000 per annum (linked to the movement in the RPI). This fee is included in other expenses (see Note 4).

The investment adviser is also entitled to receive a performance-related management fee, which is 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. That part of the company's investments to which the "higher of base rate and 3%" hurdle applies is restricted to a maximum of 25% of total investments, so that any excess of cash or near-cash over 25% of total investments will be subject to the higher hurdle of 7%. The hurdle rate for the year ended 30 September 2021 was 6.0% (year ended 30 September 2020: 6.0%).

The performance fee in each financial year is equivalent to 15% of the amount by which the total return per share exceeds the hurdle, multiplied by the weighted average number of shares in issue. Following a period 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 capped at 2.25% of opening net asset value for the relevant financial year. The performance fee due in respect of the year ended 30 September 2021 was £2,538,000 (2020: £284,000).

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

4. Other expenses

	Year ended 30 September 2021 £000	Year ended 30 September 2020 £000
Administrative and secretarial services	**74**	73
Directors' remuneration	**137**	137
Auditor's remuneration – audit services	**42**	51
Legal and professional expenses	**31**	26
Share issue promoter's commission	**42**	39
Irrecoverable VAT	**33**	30
Other expenses	**113**	119
	472	475

Information on directors' remuneration is given in the directors' remuneration report on pages 22 and 23.

5. Tax on return

	Year ended 30 September 2021			Year ended 30 September 2020		
	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	**15**	**(15)**	**–**	55	(55)	–
(b) Tax reconciliation						
Return before tax	**321**	**21,765**	**22,086**	572	10,368	10,940
Return multiplied by the standard rate of UK corporation tax of 19.0% (2020: 19.0%)	**61**	**4,135**	**4,196**	109	1,970	2,079
Effect of:						
UK dividends not subject to tax	**(46)**	**–**	**(46)**	(54)	–	(54)
Capital returns not subject to tax	**–**	**(1,592)**	**(1,592)**	–	1	1
Movements in fair value of investments not subject to tax	**–**	**(3,355)**	**(3,355)**	–	(2,288)	(2,288)
Increase in surplus management expenses	**–**	**797**	**797**	–	262	262
Tax charge/(credit) for the year	**15**	**(15)**	**–**	55	(55)	–

(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 £6,136,000 (30 September 2020: £1,958,000), 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 2021			Year ended 30 September 2020		
	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	**477**	**3,497**	**3,974**	694	2,082	2,776
Current year's interim & special dividends	**–**	**12,647**	**12,647**	–	2,395	2,395
	477	**16,144**	**16,621**	694	4,477	5,171
(b) Paid and proposed in respect of the year						
Interim & special – 8.0p (2020: 1.5p) per share	**–**	**12,647**	**12,647**	–	2,395	2,395
Final proposed – 2.0p (2020: 2.0p) per share	**282**	**2,940**	**3,222**	479	3,512	3,991
	282	**15,587**	**15,869**	479	5,907	6,386

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 after tax for the year of £22,086,000 (2020: £10,940,000) and on 159,349,187 (2020: 149,267,332) 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.

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following classifications:

- **Level 1** – unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
- **Level 3** – inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

	30 September 2021 £000	30 September 2020 £000
Level 1		
Quoted venture capital investments	**11,572**	2,742
Listed equity investment funds	**10,368**	10,208
Level 2		
Quoted venture capital investments	**311**	379
Level 3		
Unquoted venture capital investments	**74,312**	78,523
	96,563	91,852

Notes to the financial statements continued

for the year ended 30 September 2021

8. Fixed asset investments continued

Movements in investments during the year are summarised as follows:

	Venture capital – unquoted Level 3 £000	Venture capital – quoted Level 2 £000	Venture capital – quoted Level 1 £000	Listed equity Level 1 £000	Total £000
Book cost at 1 October 2020	62,921	67	1,828	8,950	73,766
Fair value adjustment at 1 October 2020	15,602	312	914	1,258	18,086
Fair value at 1 October 2020	78,523	379	2,742	10,208	91,852
Movements in the year:					
Purchases at cost	11,707	–	–	1,799	13,506
Disposals – proceeds	(30,602)	(218)	(298)	(3,717)	(34,835)
– net realised gains on disposal	8,028	29	11	312	8,380
Transfer between levels	–	–	–	–	–
Movements in fair value	6,656	121	9,117	1,766	17,660
Fair value at 30 September 2021	74,312	311	11,572	10,368	96,563
Comprising:					
Book cost at 30 September 2021	65,763	34	1,745	7,591	75,133
Fair value adjustment at 30 September 2021	8,549	277	9,827	2,777	21,430
	74,312	311	11,572	10,368	96,563
Equity shares	55,771	311	11,572	10,368	78,022
Preference shares	5,747	–	–	–	5,747
Interest–bearing securities	12,794	–	–	–	12,794
	74,312	311	11,572	10,368	96,563

The gains and losses included in the table above have all been recognised in the income statement on page 34. The listed equity category in the table above comprises quoted investment funds which hold listed equity securities.

FRS 102 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. See Note 17 for details of the impact of sensitivity analysis on the financial statements.

At 30 September 2021 there were no commitments (30 September 2020: nil) 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 2020 £000	Disposal proceeds £000	Realised gain/(loss) against carrying value £000
Agilitas IT Holdings – full disposal	943	12,057	12,057	–
Avid Technology Group – full disposal	1,873	300	281	(19)
Collagen Solutions PLC – full disposal	321	287	298	11
It's All Good – full disposal	1,205	2,511	3,224	713
Lending Works – full disposal	925	192	256	64
Entertainment Magpie Group – part disposal	1,372	5,647	9,443	3,796
Oddbox – part disposal	318	603	3,476	2,873
Soda Software Labs – full disposal	1,472	747	1,256	509
Volumatic Holdings – redemption of loan notes	517	517	517	–
Other	197	230	311	81
	9,143	23,091	31,119	8,028

10. Unquoted investments

The cost and carrying value of material investments in unquoted companies held at 30 September 2021 are shown below. For this purpose any investment included in the table of the fifteen largest venture capital investments on pages 16 to 19, or in the corresponding table in the previous year's annual report, is regarded as material.

	30 September 2021		30 September 2020	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Lineup Systems				
Ordinary shares	**175**	**5,168**	174	4,296
Loan stock	**800**	**800**	800	800
	975	**5,968**	974	5,096
Currentbody.com				
Ordinary shares	**734**	**4,225**	734	3,129
Loan stock	**1,316**	**1,621**	1,316	1,533
	2,050	**5,846**	2,050	4,662
Oddbox				
Ordinary shares	**386**	**4,216**	704	1,334
	386	**4,216**	704	1,334
SHE Software Group				
Ordinary shares	**2,058**	**3,678**	2,058	2,793
Preference shares	**354**	**354**	354	354
	2,412	**4,032**	2,412	3,147
GRIP-UK (t.a. The Climbing Hangar)				
Ordinary shares	**563**	**563**	338	–
Preference shares	**2,967**	**2,967**	1,780	1,674
	3,530	**3,530**	2,118	1,674
Intelling Group				
Ordinary shares	**117**	**2,362**	117	1,102
Preference shares	**246**	**283**	246	246
Loan stock	**860**	**860**	860	860
	1,223	**3,505**	1,223	2,208
Volumatic Holdings				
Ordinary shares	**216**	**2,797**	216	1,488
Loan stock	**–**	**–**	518	517
	216	**2,797**	734	2,005
Buoyant Upholstery				
Ordinary shares	**170**	**1,770**	170	188
Loan stock	**1,003**	**1,003**	1,003	1,003
	1,173	**2,773**	1,173	1,191
Clarilis				
Ordinary shares	**1,972**	**2,553**	1,972	2,565
	1,972	**2,553**	1,972	2,565
Life's Great Group (t.a. Mojo Mortgages)				
Ordinary shares	**1,326**	**2,200**	2,840	3,096
Loan stock	**266**	**266**	182	182
	1,592	**2,466**	3,022	3,278

Notes to the financial statements continued

for the year ended 30 September 2021

10. Unquoted investments continued

	30 September 2021		30 September 2020	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Biological Preparations Group				
Ordinary shares	**241**	**–**	241	83
Preference shares	**366**	**171**	366	366
Loan stock	**1,759**	**2,026**	1,759	1,759
	2,366	**2,197**	2,366	2,208
Newcells Biotech				
Ordinary shares	**1,771**	**2,115**	531	887
	1,771	**2,115**	531	887
Tutora (t.a. Tutorful)				
Ordinary shares	**1,131**	**1,111**	2,840	3,096
Loan stock	**884**	**892**	182	182
	2,015	**2,003**	3,022	3,278
Knowledgemotion				
Ordinary shares	**1,903**	**1,938**	1,903	1,657
	1,903	**1,938**	1,903	1,657
Weldex (International) Offshore Holdings				
Ordinary shares	**51**	**–**	51	–
Loan stock	**3,211**	**1,927**	3,211	1,917
	3,262	**1,927**	3,262	1,917
Sorted Holdings				
Ordinary shares	**2,840**	**1,504**	2,840	3,096
Preference shares	**182**	**190**	182	182
	3,022	**1,694**	3,022	3,278
Medovate				
Ordinary shares	**1,593**	**1,464**	881	881
Loan stock	**–**	**–**	712	712
	1,593	**1,464**	1,593	1,593

Additional information relating to material investments in unquoted companies is given on pages 16 to 19.

11. Significant interests

The Company has chosen not to rebut the presumption that the following holdings are investments in associates, owing to the proportion of equity held and representation on the board representing significant influence over the operations of the company. The investments are held as part of an investment portfolio, and are therefore measured at fair value through the profit and loss, as detailed in Note 1, rather than using the equity method, as permitted by Section 14 of FRS 102:

	Investment type	Class of shares held	Number held	Proportion of class held	Net assets/ (liabilities)	Results for the year ended
Gentronix	**Unquoted**	**B ordinary**	**19,405**	**37.5%**	**1,526**	**31-Aug-20**
Gentronix	**Unquoted**	**C ordinary**	**19,684**	**33.3%**	**1,526**	**31-Aug-20**
Ingleby (1895) Limited	**Unquoted**	**Ordinary**	**127,908**	**35.5%**	**(4,365)**	**31-Dec-20**
Ingleby (1895) Limited	**Unquoted**	**C ordinary**	**4,465**	**35.5%**	**(4,365)**	**31-Dec-20**
Ingleby (1895) Limited	**Unquoted**	**D ordinary**	**83,927**	**37.0%**	**(4,365)**	**31-Dec-20**

During the year Northern Venture Trust PLC received loan note interest totalling £15,000 from Gentronix Limited. No amounts were received from Ingleby (1895) Limited during the year.

Gentronix is incorporated in England, and its registered address is Alderley Park, Alderley Edge, Cheshire. Ingleby (1895) is also incorporated in England, whose registered address is Pintail Business Park, Ringwood, Hampshire.

12. Debtors

	30 September 2021 £000	30 September 2020 £000
Prepayments and accrued income	**308**	674

13. Creditors (amounts falling due within one year)

	30 September 2021 £000	30 September 2020 £000
Accruals and deferred income	**2,679**	428

14. Called-up equity share capital

	30 September 2021 £000	30 September 2020 £000
Allotted and fully paid: 161,070,303 (2020: 159,619,990) ordinary shares of 25p	**40,268**	39,905

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 10.

The company is not subject to externally imposed capital requirements.

During the year the company issued 4,071,110 (2020: 23,834,426) ordinary shares of 25 pence for cash at an average premium of 46.8 (2020: 31.3) pence per share. 2,620,797 (2020: 2,988,048) ordinary shares were repurchased for cancellation during the year at a cost of £1,826,197 (2020: £1,756,000).

15. Reserves

	Share premium £000	Capital redemption reserve £000	Capital reserve £000	Revaluation reserve £000	Revenue reserve £000
At 1 October 2020	**12,745**	**2,853**	**37,872**	**18,086**	**1,330**
Premium on issue of ordinary shares	**1,903**	**–**	**–**	**–**	**–**
Share issue expenses	**(40)**	**–**	**–**	**–**	**–**
Shares purchased for cancellation	**–**	**655**	**(1,839)**	**–**	**–**
Realised on disposal of investments	**–**	**–**	**8,380**	**–**	**–**
Transfer on disposal of investments	**–**	**–**	**14,316**	**(14,316)**	**–**
Movements in fair value of investments	**–**	**–**	**–**	**17,660**	**–**
Management fee charged to capital net of associated tax	**–**	**–**	**(4,260)**	**–**	**–**
Revenue return after tax	**–**	**–**	**–**	**–**	**306**
Dividends recognised in the year	**–**	**–**	**(16,144)**	**–**	**(477)**
At 30 September 2021	**14,608**	**3,508**	**38,325**	**21,430**	**1,159**

At 30 September 2021, distributable reserves amounted to £42,261,000 (30 September 2020: £40,460,000), comprising the capital reserve, the revenue reserve and that part of the revaluation reserve relating to gains/losses on readily realisable quoted investments.

16. Net asset value per share

The calculation of net asset value per share as at 30 September 2021 is based on net assets of £119,298,000 (30 September 2020: £112,791,000) divided by the 161,070,303 (30 September 2020: 159,619,990) shares in issue at that date.

17. Financial instruments

The company's financial instruments comprise equity and interest-bearing 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.

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, other price sensitivity 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 10. 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 24 to 28, 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.

Notes to the financial statements continued

for the year ended 30 September 2021

17. Financial instruments continued

Market risk continued

Details of the company's investment portfolio at the balance sheet date are set out on page 15. An analysis of investments between debt and equity instruments is given in Note 8.

18.7% (30 September 2020: 11.8%) 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 prices of securities as at 30 September 2021 would have increased net assets and the total return for the year by £1,113,000 (30 September 2020: £666,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

Other price risk sensitivity

62.3% (2020: 69.6%) by value of the company's net assets comprises investments in unquoted companies held at fair value. A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve subjectivity in the selection of the key inputs, as described in the valuation policy on page 38. Although the directors believe that the estimates of fair value are appropriate, the use of different methodologies or assumptions regarding the inputs could lead to different measurements of fair value. The emergence of the COVID-19 pandemic has heightened the estimation uncertainty for each of the unquoted investments held as at 30 September 2021. Each portfolio company has been categorised as being subject to potentially higher or lower estimation uncertainty by considering a range of factors including the potential disruption to business activities caused by measures adopted to tackle the spread of COVID-19 and the availability and extent of cash resources. A greater sensitivity factor has been applied to those investments assessed as being susceptible to higher estimation uncertainty. Whilst the sensitivities applied illustrate the impact of varying the key inputs by the levels specified, it is possible that applying reasonable alternative assumptions to individual investments could lead to measurements of fair value which vary to a greater extent than that illustrated.

As at 30 September 2021 Valuation basis	Fair value of unquoted investments £000	Variable input sensitivity	Impact: increase*		Impact: decrease*	
			£000*	% of net assets	£000*	% of net assets
Earnings/revenue multiple						
Higher sensitivity	**9,859**	**+/– 20%**	**2,580**	**2.2%**	**2,580**	**2.2%**
Lower sensitivity	**26,651**	**+/– 10%**	**3,059**	**2.6%**	**2,598**	**2.2%**
Price of a recent investment subsequently calibrated as appropriate						
Higher sensitivity	**13,072**	**+/– 20%**	**1,299**	**1.1%**	**552**	**0.5%**
Lower sensitivity	**19,738**	**+/– 10%**	**1,749**	**1.5%**	**1,399**	**1.2%**
Original cost subsequently calibrated as appropriate						
Higher sensitivity	**–**	**+/– 20%**	**–**	**0.0%**	**–**	**0.0%**
Lower sensitivity	**4,992**	**+/– 10%**	**428**	**0.4%**	**428**	**0.4%**
Total unquoted investments	**74,312**		**9,115**	**7.8%**	**7,557**	**6.5%**

As at 30 September 2020 Valuation basis	Fair value of unquoted investments £000	Variable input sensitivity	Impact: increase*		Impact: decrease*	
			£000*	% of net assets	£000*	% of net assets
Earnings/revenue multiple						
Higher sensitivity	35,338	+/- 20%	6,175	8.3%	6,700	9.0%
Lower sensitivity	12,853	+/- 10%	1,181	1.6%	1,295	1.7%
Price of a recent investment subsequently calibrated as appropriate						
Higher sensitivity	11,364	+/- 20%	2,011	2.7%	2,058	2.8%
Lower sensitivity	11,007	+/- 10%	942	1.3%	753	1.0%
Original cost subsequently calibrated as appropriate						
Higher sensitivity	4,241	+/- 20%	1,248	1.7%	1,248	1.7%
Lower sensitivity	3,720	+/- 10%	384	0.5%	270	0.4%
Total unquoted investments	**78,523**		**11,941**	**16.1%**	**12,324**	**16.6%**

* Impact on net assets and net return after taxation.

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 2021			30 September 2020		
	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
Fixed rate investments in unquoted companies	**8,366**	**8.0%**	**1.0**	11,757	8.0%	1.6

As the interest rates for these instruments is fixed, an increase or decrease of 25 basis points in market interest rates as at the reporting date would have no impact 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 and cash held in interest-bearing deposit accounts. The benchmark rate which determines the rate of interest receivable is the UK bank base rate for interest-bearing deposit accounts, which was 0.1% at 30 September 2021 (30 September 2020: 0.1%) and the LIBOR three-month GBP rate for floating rate loans to unquoted companies, which was 0.08% at 30 September 2021 (30 September 2020: 0.06%). It is considered that an increase or decrease of 25 basis points in interest rates as at the reporting date would not have a significant effect on the company's net assets or total return for the year. The amounts held in floating rate investments at the balance sheet date were as follows:

	30 September 2021 £000	30 September 2020 £000
Floating rate loans to unquoted companies	**4,428**	6,069
Interest-bearing deposit accounts	**25,106**	20,693
	29,534	26,762

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 adviser 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 2021 the company's financial assets exposed to credit risk comprised the following:

	30 September 2021 £000	30 September 2020 £000
Fixed rate investments in unquoted companies	**8,366**	11,757
Floating rate loans to unquoted companies	**4,428**	6,069
Interest-bearing deposit accounts	**25,106**	20,693
Accrued dividends and interest receivable	**282**	668
	38,182	39,187

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 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 and quoted investment funds are held on the company's behalf by a third-party custodian, a nominee company of Brewin Dolphin Limited. 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.

The company's interest-bearing deposit accounts are maintained with major banks of high creditworthiness. There was no significant concentration of credit risk to counterparties at 30 September 2021 or 30 September 2020.

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 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 2021 these investments were valued at £35,474,000 (30 September 2020: £30,901,000).

18. Contingencies

At 30 September 2021 contingent assets not recognised in the financial statements in respect of potential deferred proceeds from the sale of investee companies amounted to approximately £771,000 (30 September 2020: £338,000). The extent to which these amounts will become receivable in due course is dependent on future events.

The company had no contingent liabilities at 30 September 2021 or 2020.

19. Related party transactions

Fees payable during the year to the directors and their interest in shares of the company are disclosed within the directors' remuneration report on pages 22 and 23.

There were no amounts outstanding and due to the directors as at 30 September 2021 (30 September 2020: nil).

The performance fee due in respect of the year ended 30 September 2021 was £2,538,000 (2020: £284,000); at the balance sheet date this amount remained unpaid and is held within current liabilities.

20. Post-balance sheet events

Shortly after the end of the year the investments in Currentbody.com and Intelling were partially and fully sold respectively. The transactions were both well advanced as at the balance sheet date, and as a result the valuation of both investments had been included at the sale price achieved as at 30 September 2021.

On 21 October 2021, the company invested £964,000 in new portfolio company Forensic Analytics Limited, a provider of software products which aid digital forensic analysis during police investigations.

On 26 October 2021, the company invested £1,008,000 in new portfolio company Pimberley Limited, a developer of a cloud-based product information and digital asset management platform.

Glossary of terms

Alternative performance measure or APM

APMs are not prescribed by accounting standards but are industry-specific performance measures which help users of the annual accounts and financial statements to better interpret and understand performance. Some of the terms in this glossary have been identified as APMs.

Cumulative return per share (APM)

The sum of the published NAV per share plus cumulative dividends paid per share since the company was launched. We use this measure as it enables comparisons to be made between different VCTs over the whole life of each fund. The cumulative return per share for Northern Venture Trust as at 30 September 2021 comprises the NAV per share of 74.1 pence (2020: 70.7 pence) plus the cumulative dividends paid of 182.5 pence (2020: 172.0 pence) giving a result of 256.6 pence per share (2020: 242.7 pence per share).

Cumulative dividends paid

The total amount of shareholder dividend distributions paid since the company was launched.

Distributable reserves

The sum of the capital reserve, revenue reserve and that part of the revaluation reserve which is related to readily realisable investments.

Dividend yield (APM)

The sum of dividends proposed or paid in respect of the last 12 months as at a given date expressed as a percentage of the net asset value per share at the start of the period. We use this measure as it shows the dividend income receivable by shareholders over a 12-month period expressed as a theoretical yield based on acquiring a single share at the NAV per share at the start of the period. The dividend yield as at 30 September 2021 is calculated by dividing the dividend per share paid or proposed over the preceding 12 months of 10.0 pence (2020: 4.0 pence) by the NAV per share at the start of the period of 70.7 pence (2020: 68.9 pence) giving a result of 14.1% (2020: 5.8%).

Ex-dividend date

The date immediately preceding the record date for a given dividend. Shareholders who acquire their shares on or after the ex-dividend date will not be eligible to receive the relevant dividend.

Gain/loss on disposal of investments

The profit or loss on the sale of an investment during the year calculated by reference to the proceeds received on sale of the investment less the valuation of the investment at the last annual report date.

NAV total return (APM)

The theoretical return to a shareholder over a given period based on acquiring shares at the start of the period at the latest published NAV per share then utilising the proceeds of each dividend paid during the period to acquire further shares at the latest published NAV per share as at each ex-dividend date. We use this measure as it enables comparisons to be drawn against an investment index in order to benchmark performance. The result is plotted on page 23 and the calculation follows the method prescribed by the Association of Investment Companies.

	30 September 2021	30 September 2020	
Closing NAV per share (p)	**74.1p**	70.7p	a
Dividends paid out (p)	**10.5p**	3.5p	b
Effect of reinvesting dividends (p)	**0.6p**	0.5p	c
Adjusted NAV per share (p)	**85.2p**	74.7p	d = a + b + c
Opening NAV per share (p)	**70.7p**	68.9p	e
NAV total return (%)	**20.6%**	8.4%	= (d / e) -1

Net asset value or NAV

The amount by which total assets of the company exceed its total liabilities. It is equal to the total equity shareholders' funds.

Net asset value per share or NAV per share

Net asset value divided by the number of ordinary shares.

Ongoing charges excluding performance fees (APM)

The total of investment management fees and other expenses as shown in the income statement, as a percentage of the average net asset value. This measure is disclosed to provide information to shareholders, in line with industry best practice.

	30 September 2021	30 September 2020
Investment management fee	**2,316**	1,850
Other expenses	**472**	475
Total expenses (a)	**2,788**	2,325
Annualised average net assets (b)	**119,764**	94,012
Ongoing charges (a) / (b) (expressed as a percentage)	**2.33%**	2.47%

Record date

The cut-off date on which a shareholder needs to be beneficially entitled to a share on the share register of the company in order to qualify for a forthcoming dividend.

Share price total return (APM)

The theoretical return to a shareholder over a given period based on acquiring shares at the start of the period at the prevailing mid-market share price then utilising the proceeds of each dividend paid during the period to acquire further shares at the share price as at each ex-dividend date. We use this measure as it enables comparisons to be drawn against an investment index in order to benchmark performance. The result is plotted on page 23 and the calculation follows the method prescribed by the Association of Investment Companies.

	30 September 2021	30 September 2020	
Closing price per share (p)	**70.3p**	56.5p	a
Dividends paid out (p)	**10.5p**	3.5p	b
Effect of reinvesting dividends (p)	**0.6p**	(0.2)p	c
Adjusted price per share (p)	**81.3p**	59.8p	d = a + b + c
Opening price per share (p)	**56.5p**	64.5p	e
Share price total return %	**44.0%**	(7.3)%	= (d / e) -1

Total return for the year

The total income, gain or loss on disposal of investments and movements in the fair value of investments less ongoing charges for the period, as shown in the income statement.

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