3090163

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ANNUAL REPORT

NORTHERN

Contents

	Year ended 30 September 1997	59 weeks ended 30 September 1996*
Net revenue before tax	£1,065,000	£614,000
Revenue return per share	3.29p	3.00p
Dividend per share:		
Net	3.00p	2.90p
Gross	3.75p	3.62p
Net assets	£34,855,000	£14,093,000
Net asset value per share	100.3p	94.0p
Share price	95.0p	92.5p

* The figures for the 59 weeks ended 30 September 1996 show the aggregate results for the company's first two accounting periods and are included for information only

Corporate Objectives

Northern Venture Trust is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995. The company's principal objectives are:

- to invest in a portfolio of listed and unlisted shares and securities which will, through a combination of income yield and capital growth, provide high long-term returns to shareholders
- to maintain its Venture Capital Trust status so that the company and its shareholders may continue to benefit from the tax reliefs and exemptions available under the legislation.

The Company

Northern Venture Trust PLC was incorporated in August 1995. In November 1995 the company obtained a listing on the London Stock Exchange, having raised approximately £14.5 million (before expenses) through a placing and offer for subscription of new ordinary shares. An additional £19.7 million was raised through a further public offer in March and April 1997. The company has been provisionally approved as a Venture Capital Trust by the Inland Revenue.

Northern Venture Trust is managed by Northern Venture Managers Limited, an independent firm of venture capital managers based in Newcastle upon Tyne, Edinburgh and York. Northern Venture Managers also acts as manager of a listed investment company, Northern Investors Company PLC, and has a total of over £60 million under management.

Venture Capital Trusts

Venture Capital Trusts (VCTs) were introduced by the Chancellor of the Exchequer in the November 1994 Budget, the relevant legislation being contained in the Finance Act 1995. 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. The benefits to eligible investors include:

- Income tax relief at 20% on new subscriptions (provided the shares are held for at least five years)
- Deferral of tax on certain chargeable gains to the extent that the gain is re-invested in new shares in a VCT
- Exemption from income tax on dividends paid by VCTs (such dividends may include the VCT's realised capital gains as well as its income)
- Exemption from capital gains tax on disposals of shares in VCTs

Northern Venture Trust PLC has been provisionally approved as a VCT by the Inland Revenue. In order to maintain its approval the company must comply with certain requirements on a continuing basis; in particular, within three years from the date of provisional approval at least 70% of the company's investments must comprise "qualifying holdings", of which at least 30% must be in eligible ordinary shares. A "qualifying holding" consists of up to £1 million invested in any one year in new shares or securities in an unquoted company (including companies listed on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed £10 million at the time of investment.

Financial calendar

The company's financial calendar for the year ending 30 September 1998 is as follows:

May 1998	Interim report for half year to 31 March 1998 published
June 1998	Interim dividend paid
November 1998	Final dividend and preliminary results for year to 30 September 1998 announced; annual report and financial statements published
December 1998	Annual general meeting (Edinburgh); final dividend paid

Share price

The company's share price is carried daily in the Financial Times, the Daily Telegraph, the Newcastle Journal, the Northern Echo and The Herald. The company's FT-SE Actuaries classification is "Investment Companies".

DIRECTORS

Professor Sir Frederick Holliday CBE FRSE (Chairman),
aged 62, is the chairman of Northumbrian Water Group PLC and a non-executive director of Shell UK Limited, Suez Lyonnaise des Eaux SA, The Go-Ahead Group plc and Wise Speke Group plc. He is a marine scientist and was vice-chancellor of the University of Durham from 1980 to 1990.

Michael Denny MSI,
aged 54, is the executive chairman of Northern Venture Managers Limited. He is a non-executive director of Northern Investors Company PLC and Postern Fund Management Limited, and a past chairman of the British Venture Capital Association.

John Hustler FCA MSI,
aged 51, was for ten years a corporate finance partner at KPMG, where he was head of venture capital; he formed Hustler Venture Partners Limited, a specialist adviser to small firms, in 1993. He is a non-executive director of Quester Capital Management Limited and a number of other companies.

Tim Levett MBA,
aged 48, is the investment director of Northern Venture Managers Limited. He is a non-executive director of Lambert Smith Hampton plc and of several unquoted companies.

Primrose McCabe CA,
aged 57, is the senior partner of The McCabe Partnership and a past president of the Institute of Chartered Accountants of Scotland. She is a non-executive director of the Dunfermline Building Society and Lothian and Edinburgh Enterprise Limited.

Ian Ritchie CEng FBCS,
aged 47, founded Office Workstations Limited, a supplier of authoring tools for personal computers, in 1984 and sold the business to Panasonic in 1989. He is now a director of a number of IT-related businesses and is deputy president of the British Computer Society.

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REGISTERED NUMBER
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REGISTRARS
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Registrar Department
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The past year has been a time of intensive activity for Northern Venture Trust both in raising and in investing funds. I am pleased to be able to report on considerable success in both respects.

Share issues

The public share issue launched in February 1997 was an outstanding success, with over £19 million subscribed by the final closing date in April. We were delighted with the level of support received from existing and new investors, and with net assets of almost £35 million Northern Venture Trust is now one of the three largest funds in the VCT sector.

The directors of your Trust believe it is desirable to be able both to allot further shares and to re-purchase existing shares when this can be done on advantageous terms. Accordingly resolutions will be proposed at the annual general meeting to renew the directors' authorities to allot new ordinary shares for cash, otherwise than pro rata to existing shareholders, up to a limit of 10% of the existing issued share capital and to purchase up to 500,000 shares in the market subject to certain conditions. It is envisaged that the directors will seek these authorities at each subsequent annual general meeting.

Revenue and dividends

Net revenue before tax for the year was £1,065,000 and the revenue return per share (earnings per share) was 3.29p. Investment income was slightly ahead of expectations, helped by a good performance from the unlisted portfolio. As a result I am pleased to be able to report that the directors propose a final dividend of 1.8p per share, making a total of 3.0p for the year compared with 2.9p for the 59 weeks from incorporation to 30 September 1996. Taking into account the tax credit which will be repaid to eligible investors, the net dividend of 3.0p is equivalent to a gross payment of 3.75p per share (which under VCT rules is tax-free).

The proposed final dividend will be paid on 18 December 1997 to shareholders on the register on 28 November 1997.

It is not feasible at this stage to give an indication as to the dividend for the year ending 30 September 1998, although I repeat my previous cautionary note that there may, at least in the short term, be some reduction in yield as further funds are moved into the active venture capital portfolio. Your board is conscious of the importance which shareholders attach to the generation of a healthy dividend yield and will balance that with the need to seize good potential growth opportunities as they arise.

Balance sheet

The net asset value (NAV) per share at 30 September 1997 was 100.3p per share, an increase of 6.7% over the corresponding figure of 94.0p at 30 September 1996. Our venture capital portfolio is developing satisfactorily and this is reflected on a suitably prudent basis in the uplift in NAV. Unlisted investments have been valued in accordance with the British Venture Capital Association's valuation guidelines; we do not revalue upwards any unlisted investment within 12 months of its acquisition, and as an additional safeguard any subsequent revaluation is based on historic performance of the investee company rather than on prospective results.

Additions to the venture capital portfolio during the year totalled £6.8 million, making a cumulative total of £11.6 million, thus satisfactory progress continues to be made towards meeting the qualifying investment requirements laid down in the VCT legislation. Detailed information on the company's venture capital investments is given in the Investment Manager's Review on pages 6 and 7 and in the portfolio summary on pages 8 to 11.

Your board has continued its carefully considered policy of investing the company's surplus funds in Government stocks and other high-grade fixed-interest securities, with a view to protecting capital value and maximising income yield. The recent fluctuations in the quoted equity markets have served to reinforce our belief in the wisdom of this approach; our fixed-interest managers, Murray Beith Murray, have done a good job for us over the past two years. Following the significant inflow of cash from the recent share issue, the board decided that, in the interests of portfolio spread, a second fixed-interest manager should be appointed to look after part of our funds, and after a series of presentations Cantrade Investment Management Limited have been selected to undertake this role.

Comparative figures

The comparative figures shown in the audited financial statements on pages 18 to 29 are for the 13 week accounting period ended 30 September 1996, which was a shortened period following the change in the company's financial year end. We are required by company law to show these comparative figures, although your board felt it would have been more informative to shareholders to use for comparison the aggregate of the first two periods' results (covering the first twelve months of the company's operations, from October 1995 to September 1996). In the interests of clarity we decided against showing these aggregated figures as well, although they are available on request to the company secretary.

The 1997 Budget

I wrote to you in July 1997 with some comments on the proposals announced by the Chancellor of the Exchequer in his Budget speech. Whilst the positive tone of the Chancellor's remarks on VCTs was encouraging, there remains some uncertainty as to the impact on VCT shareholders of the proposed abolition of tax credits on UK dividends with effect from April 1999. Your board is well aware that the ability to obtain a repayment of the tax credit is one of the most attractive features of VCTs; since subscribers are required to hold their shares for at least five years if they wish to maximise the tax benefit of investing in a VCT, the removal seems a clear case of moving the goalposts whilst the game is in progress. We are still awaiting clarification of the Chancellor's intentions and we have made our views known to government.

Corporate governance

Your company has continued to comply with the guidelines of best practice in corporate governance published by the Cadbury Committee and the Association of Investment Trust Companies. A statement covering the key matters relevant to the company is set out on page 12.

People

I would once again acknowledge the contribution made by directors, managers and advisers to the company's continuing progress. Northern Venture Trust has an excellent all-round team working on its behalf, and we work closely together on all matters.

Roger McKechnie indicated in July 1997 his wish to stand down from the board because of the pressure of other commitments; we have accepted his resignation with understanding but regret. As a result the board now comprises six members, all of whom play a very active and involved role; we do not envisage appointing another director at this stage.

Future prospects

We continue to see a strong flow of potential investment opportunities, and with our broad capital base we look to the future with considerable confidence.

Finally may I say how much we enjoyed meeting shareholders at the meetings we organised at key locations around Britain. Your comments are valued and discussed at board meetings.

SIR FREDERICK HOLLIDAY
Chairman

Investment activity

During the year to September 1997, 12 new venture capital investments were completed at a total cost of £5.8 million and five existing investments received follow-on funding totalling £1.0 million. The portfolio at 30 September 1997 comprises 26 investments with an aggregate cost of £11.6 million.

The investment process

NVM currently looks at around 300 potential new investments each year. The initial response to a new enquiry is aimed at forming a broad understanding of the target business and taking a view on the quality of its management. If the outcome of this preliminary appraisal is positive, NVM will make a proposal to the enquirer setting out outline terms and conditions for an investment. If the proposal is accepted, a thorough "due diligence" investigation exercise follows into key aspects of the business. This work is usually done in-house by one or more of NVM's ten executives, although specialist outside assistance is obtained when necessary. If the outcome of the due diligence is satisfactory, a comprehensive report is presented by NVM to the Northern Venture Trust board for discussion and decision; if the investment is approved, legal completion usually follows closely thereafter.

Northern Venture Trust is entitled to be offered participation in every investment proposal developed by NVM. In the majority of cases the company co-invests alongside Northern Investors Company PLC, which is also advised by NVM.

Post-investment monitoring

On completion of a new investment one of NVM's executives will take responsibility for maintaining the ongoing relationship with the investee company, usually by taking a board position as a non-executive director. This requires the ability to make a positive contribution to the strategic development of the business, usually over a period of several years, so that the long-term objectives of all the shareholders can be met.

NVM monitors the progress of each investment carefully through well-established monthly reporting procedures, and NVM's monitoring reports are in turn reviewed on a regular basis by the board of Northern Venture Trust.

Venture capital portfolio

The venture capital investments presently held by Northern Venture Trust can be analysed into three main categories:

Status	**Number of investments**
VCT qualifying - unlisted	19
VCT qualifying - listed on AIM	5
Non-VCT qualifying - unlisted	2

As one of the company's prime objectives is to maintain its VCT qualifying status, it is envisaged that the proportion of non-qualifying investments will remain very low.

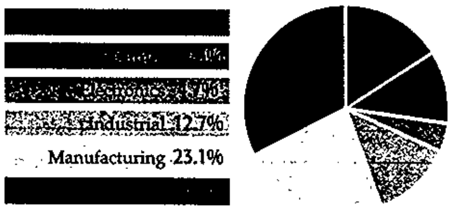
At 30 September 1997 the overall position with regard to the proportion of qualifying investments was as follows:

	Total investments	Qualifying holdings	Eligible ordinary shares
NVT portfolio	100.0%	32.1%	14.1%
Minimum requirement by 30 September 1999	100.0%	70.0%	21.0%

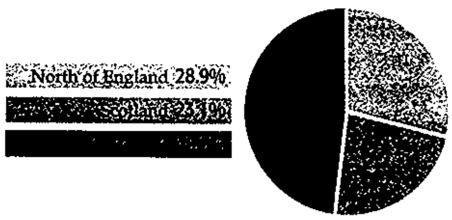
Under new legislation contained in the Finance Act 1997, the Inland Revenue will treat the proceeds of share issues on different dates separately in applying the three year time limit for reaching the 70% qualifying investment level. Hence the 70% test must be satisfied in respect of the 1995 share issue by 30 September 1998 and in respect of the 1997 share issue by 30 September 1999, the deadline in each case being the third year-end date falling after the completion of the share issue. At the present rate of progress we are confident of meeting these requirements.

A listing of the venture capital portfolio at 30 September 1997 is given on page 8, with information on the fifteen largest investments on pages 9 to 11. The following charts give an analysis of the portfolio by industry sector, geographical location and financing stage.

Industry Sector



Geographical Location



Financing Stage

The balance of the portfolio continues to develop satisfactorily.

Most of the venture capital investments completed to date are making good progress, with some companies well ahead of expectations. Provision has been made against two investments which are currently operating significantly behind their original business plans.

Outlook

Northern Venture Managers is continuing to see a strong flow of venture capital investment opportunities. This should enable Northern Venture Trust to make further substantial progress in the current year towards achieving the required proportion of qualifying holdings in its portfolio.

ALASTAIR CONN
Managing Director, Northern Venture Managers Limited

	Cost £000	Valuation £000	% of portfolio by value
Fifteen largest venture capital investments (further information on pages 9 to 11)			
Shalibane Plc*	1,005	1,237	3.8
Memsolve Limited	1,000	1,000	3.1
C&D Insulation Company Limited	396	790	2.4
Birchwood Garages Limited	750	750	2.3
Claremont Business Environments (Europe) Limited	750	750	2.3
Weldex (International) Offshore Limited	600	730	2.2
Highland Timber plc*	600	600	1.9
ARO Limited	780	585	1.8
Thomsons World of Furniture Limited	542	542	1.7
Deep Sea Leisure plc*	500	500	1.5
ComputerLand UK PLC*	380	499	1.5
Profile Public Relations Limited	467	467	1.4
SECO Aluminium Limited	215	465	1.4
Box-Carton Limited	450	450	1.4
Euroscot Express Limited	400	400	1.2
	8,835	9,765	29.9
Other venture capital investments			
Indigo Active Vision Systems Limited *Digital video camera systems*	375	375	1.2
Barker Collins Engineering Limited *Light engineering*	350	350	1.1
Alba Proteins Limited *Pet food manufacturer*	327	327	1.0
Safe Marine Limited *Satellite location systems*	299	299	0.9
Revelation Piccadilly Holdings PLC* *Retail and distribution*	270	270	0.8
Dragon Coal Corporation Limited *Drift mine operator*	267	267	0.8
Corsair Manufacturing Limited *Commercial catering equipment*	200	200	0.6
Interlux Limited *Lighting systems*	200	200	0.6
Tomburn Limited *Powder coatings*	175	175	0.5
Union Snack Limited *Snack foods*	235	117	0.4
Quadstone Limited *Computer software*	100	100	0.3
Total venture capital investments	11,633	12,445	38.1
Listed fixed-interest investments			
£1,000,000 Treasury 8% stock 2003	1,050	1,071	3.3
£1,000,000 Treasury 7% stock 2001	986	1,015	3.1
£4,000,000 Woolwich Building Society floating rate notes 2001	3,999	3,998	12.2
£4,000,000 Nationwide Building Society floating rate notes 2001	3,994	3,991	12.2
£3,000,000 Midland Bank PLC floating rate notes 2002	3,000	2,999	9.2
£1,500,000 Abbey National PLC 7.75% guaranteed notes 2003	1,521	1,562	4.8
£1,500,000 3i International 7.75% guaranteed bonds 2003	1,516	1,554	4.8
£1,500,000 Eurofima 7.25% guaranteed notes 2003	1,500	1,535	4.7
£1,500,000 Halifax PLC 6.5% bonds 2004	1,477	1,474	4.5
£1,000,000 Vodafone PLC 7.875% bonds 2001	1,010	1,023	3.1
Total listed fixed-interest investments	20,053	20,222	61.9
Total investments	31,686	32,667	100.0%

* Listed on Alternative Investment Market

SHALIBANE Plc Camberley, Surrey

First investment **September 1996** Equity held **10.3%** Cost **£1,005,000** Valuation **£1,237,000**

Manufacturer of precision metal components for automotive industry. The company raised £2.7 million through a share placing when it floated on the Alternative Investment Market in September 1996. A second placing in July 1997 raised £1.9 million to finance two acquisitions. Valuation method: Mid-market value. Dividends received during the year: £6,000.

Year ended 31 December:	1996	1995
	£000	£000
Sales	7,743	7,202
Profit before tax	406	292
Retained profit	276	187
Net assets	4,739	1,765

MEMSOLVE LIMITED Widnes

First investment **August 1997** Equity held **16.7%** Cost **£1,000,000** Valuation **£1,000,000**

Computer components distributor. Northern Venture Trust and Northern Investors Company PLC provided £1.5 million of expansion finance in August 1997. Valuation method: Cost. Dividends received during the year: Nil.

Year ended 31 December:	1996
	£000
Profit before tax	223
Retained profit	110
Net assets	457

C&D INSULATION COMPANY LIMITED Mansfield

First investment **March 1996** Equity held **20.0%** Cost **£396,000** Valuation **£790,000**

Industrial insulation contractor. The business was the subject of a management buy-in/buy-out in March 1996, with £940,000 of equity financing from Northern Venture Trust and Northern Investors Company PLC. Valuation method: Multiple of earnings. Dividends received during the year: £42,000.

Year ended 31 March:	1997
	£000
Sales	11,571
Profit before tax	620
Retained profit	294
Net assets	418

BIRCHWOOD GARAGES LIMITED Eastbourne

First investment **June 1996** Equity held **18.5%** Cost **£750,000** Valuation **£750,000**

The business was established in June 1996 by two experienced motor industry executives to acquire motor dealerships. Northern Venture Trust and Northern Investors Company PLC provided start-up finance of £700,000, and invested a further £800,000 in June 1997 to finance the acquisition of new dealerships. Valuation method: Cost. Dividends received during the year: £31,000.

Period ended 31 December:	1996
	£000
Sales	10,686
Profit before tax	31
Retained profit	4
Net assets	867

CLAREMONT BUSINESS ENVIRONMENTS (EUROPE) LIMITED Warrington

First investment **January 1997** Equity held **22.5%** Cost **£750,000** Valuation **£750,000**

The company designs and installs office equipment and environments. The business was acquired in a management buy-in in January 1997, with £1.1 million of equity financing from Northern Venture Trust and Northern Investors Company PLC. Valuation method: Cost. Dividends received during the year: £40,000.

(First audited accounts will be for the period to 31 January 1998.)

WELDEX (INTERNATIONAL) OFFSHORE LIMITED Inverness

First investment **May 1996** Equity held **15.0%** Cost **£600,000** Valuation **£730,000**

The UK's largest independent crawler crane hire company, founded in 1969. Northern Venture Trust and Northern Investors Company PLC provided £1.2 million of expansion finance in May 1996. Valuation method: Multiple of earnings. Dividends received during the year: £35,000.

Year ended 30 November:	1996	1995
	£000	£000
Sales	3,599	3,258
Profit before tax	369	682
Retained profit	275	634
Net assets	3,201	1,742

HIGHLAND TIMBER PLC Burford, Oxfordshire

First investment **May 1997** Equity held **5.0%*** Cost **£600,000** Valuation **£600,000**

Harvesting of forest timber. Northern Venture Trust invested £600,000 by way of convertible loan stock in May 1997. Valuation method: Mid-market value. Dividends received during the year: Nil.

*Assuming conversion of loan stock

(First audited accounts will be for the period to 31 December 1997.)

ARO LIMITED Louth, Lincolnshire

First investment **November 1995** Equity held **25.0%** Cost **£780,000** Valuation **£585,000**

Holding company of Manby Park Electronics, a manufacturer of small power supply units for electrical equipment. ARO acquired Manby in a management buy-in in November 1995, with £2.1 million of equity financing from Northern Venture Trust, Northern Investors Company PLC and Murray VCT plc. Valuation method: Cost less 25% provision. Dividends received during the year: Nil.

Year ended 31 October:	1996
	£000
Sales	5,185
Loss before tax	(283)
Retained loss	(495)
Net assets	270

THOMSONS WORLD OF FURNITURE LIMITED Dunfermline

First investment **December 1996** Equity held **11.5%** Cost **£542,000** Valuation **£542,000**

Furniture retailer. The business was acquired in a £2.6 million management buy-in financing led by 3i Group plc, in which Northern Venture Trust and Northern Investors Company PLC also participated.
Valuation method: Cost. Dividends received during the year: £25,000.

(First audited accounts will be for the period to 31 August 1997.)

DEEP-SEA LEISURE PLC North Queensferry, Fife

First investment **October 1996** Equity held **5.0%** Cost **£500,000** Valuation **£500,000**

Aquarium operator. The company raised £3.5 million to finance a new aquarium development and obtained a listing on the Alternative Investment Market. Valuation method: Mid-market value less discount. Dividends received during the year: Nil.

Year ended 28 February:	1997	1996
	£000	£000
Sales	2,251	2,078
Profit before tax	195	233
Retained profit	195	57
Net assets	4,575	1,207

COMPUTERLAND UK PLC Nottingham

First investment **September 1997** Equity held **6.3%** Cost **£380,000** Valuation **£499,000**

Computer services. The company completed a £1.7 million share placing in 1997 to provide finance for future expansion and obtained a listing on the Alternative Investment Market. Valuation method: Mid-market value less discount. Dividends received during the year: Nil.

Year ended 30 April:	1997
	£000
Sales	18,100
Profit before tax	586
Retained profit	315
Net assets	616

PROFILE PUBLIC RELATIONS LIMITED Richmond, Surrey

First investment **July 1997** Equity held **16.7%** Cost **£467,000** Valuation **£467,000**

The company provides public relations services to information technology businesses, and was acquired in a management buy-in in July 1997, with £700,000 of equity financing from Northern Venture Trust and Northern Investors Company PLC. Valuation method: Cost. Dividends received during the year: Nil.

(First audited accounts will be for the period to 31 March 1998.)

SECO ALUMINIUM LIMITED Witham, Essex

First investment **May 1996** Equity held **11.3%** Cost **£215,000** Valuation **£465,000**

Manufacturer of extruded aluminium sections, established in 1964. Management buy-out led by Murray Johnstone Private Equity in May 1996, with £1 million of equity financing from Murray VCT plc, Northern Venture Trust and Northern Investors Company PLC. Valuation method: Multiple of earnings. Dividends received during the year: £33,000.

Period ended 31 December:	1996
	£000
Sales	6,522
Profit before tax	619
Retained profit	343
Net assets	1,486

BOX-CARTON LIMITED Birmingham

First investment **December 1996** Equity held **24.5%** Cost **£450,000** Valuation **£450,000**

Carton manufacturer. The business was acquired in a management buy-out in December 1996, with £900,000 of equity financing from Northern Venture Trust and Northern Investors Company PLC. Valuation method: Cost. Dividends received during the year: £21,000.

(First audited accounts will be for the period to 31 December 1997.)

EUROSCOT EXPRESS LIMITED Bournemouth

First investment **September 1997** Equity held **17.0%** Cost **£400,000** Valuation **£400,000**

Operator of a budget airline providing a scheduled service between Bournemouth, Edinburgh and Glasgow. Northern Venture Trust and Northern Investors Company PLC provided start-up finance of £600,000 in September 1997. Valuation method: Cost. Dividends received during the year: Nil.

(First audited accounts will be for the period to 30 September 1998.)

The equity percentages shown also represent the voting rights on the ordinary shares in each company.

The directors consider that the company has throughout the year under review complied in all material respects with the Code of Best Practice contained in the Cadbury Committee's report on The Financial Aspects of Corporate Governance. KPMG Audit Plc have, as required by the London Stock Exchange, reviewed this statement in so far as it relates to certain specified paragraphs of the Code of Best Practice and their review report is set out on page 13.

The board of directors

The company has a board of six non-executive directors, the majority of whom are independent of the company's investment manager. The board meets regularly on a bi-monthly basis, and on other occasions as required, to receive and consider recommendations from the manager, and takes all decisions concerning the acquisition or disposal of investments. In addition the board has appointed three standing committees to make recommendations to the board in specific areas. The Audit Committee deals with matters relating to audit, financial reporting and internal control systems; the Nomination Committee considers the selection, appointment and re-appointment of directors; and the Management Engagement Committee undertakes a periodic review of the terms of the management agreement with Northern Venture Managers (NVM).

Internal financial control

The directors have overall responsibility for keeping under review the effectiveness of the company's system of internal financial controls. The purpose of these 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 mis-statement or loss. The board regularly reviews financial results and investment performance and is directly responsible for decisions relating to the composition of the investment portfolio.

Responsibility for accounting, secretarial services and physical custody of documents of title relating to unquoted investments has been contractually delegated to NVM under the management agreement. NVM has established its own system of internal controls in relation to these matters, details of which have been reviewed by the Audit Committee and the company's external auditors. The company's portfolio of government stocks and corporate bonds is managed by Murray Beith Murray WS.

Going concern

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

TO NORTHERN VENTURE TRUST PLC

In addition to our audit of the financial statements, we have reviewed the directors' statements on page 12 on the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the Listing Rules and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with the disclosure requirements of the Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures, or on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on page 12, in our opinion the directors have provided the disclosures required by the Listing Rules and such statements are consistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company and examination of relevant documents, in our opinion the directors' statements on page 12 appropriately reflect the company's compliance with the other paragraphs of the Code specified for our review by the Listing Rules.

KPMG Audit Plc

KPMG AUDIT Plc
Chartered Accountants
Edinburgh

6 November 1997

The directors present their report and the audited financial statements for the year ended 30 September 1997.

Activities and status

The principal activity of the company during the year was the making of long-term equity and loan investments, mainly in unlisted companies. The company is an investment company as defined in Section 266 of the Companies Act 1985, has been listed on the London Stock Exchange since November 1995 and has been granted provisional approval by the Inland Revenue as a Venture Capital Trust. The Chairman's Statement on pages 4 and 5 includes a review of developments during the year and of future prospects.

The company has sought approval from the Inland Revenue as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 for the period ended 30 September 1996, and the directors have managed the affairs of the company with the intention that it will continue to qualify for approval. 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 Section 414 of the Act.

The directors are required by the Articles of Association to convene an extraordinary general meeting immediately after the tenth annual general meeting of the company, and, if applicable, in every fifth year thereafter, to consider and vote on a special resolution that the company be wound up voluntarily.

Results and dividend

Net revenue attributable to shareholders for the year	£802,000
Appropriated as follows:	
Interim dividend paid – 1.20p per share	183,000
Final dividend proposed – 1.80p per share	612,000
Transferred to revenue reserve	7,000
	£802,000

Directors

The directors of the company during the year and their interests in the issued ordinary shares of 25p of the company were as follows:

	30 September 1997	1 October 1996
Sir Frederick Holliday *Chairman*	10,000	5,000
E M P Denny	30,000	25,000
J R Hustler	30,000	10,000
T R Levett	50,000	25,000
P S McCabe	10,000	5,000
R A N McKechnie (resigned 10 July 1997)	–	5,000
I C Ritchie	70,000	50,000

All of the directors' share interests shown above were held beneficially. There have been no changes in the directors' share interests between 30 September 1997 and the date of this report.

Mr E M P Denny and Mr T R Levett may become entitled to be granted options to subscribe for shares under the Subscription Rights Agreement referred to in Note 13 to the financial statements.

Brief biographical notes on the directors are given on page 3. Professor Sir Frederick Holliday and Mr J R Hustler retire from the board by rotation in accordance with the Articles of Association and offer themselves for re-election.

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

Directors' and officers' liability insurance

The company has, as permitted by Section 310(3) of the Companies Act 1985, maintained insurance cover on behalf of the directors and secretary indemnifying them against certain liabilities which may be incurred by them in relation to the company.

Creditor payment policy

The company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms.

Management

Northern Venture Managers Limited (NVM) has acted as investment adviser and manager to the company since October 1995. The principal terms of the company's management agreement with NVM are set out in Note 2 to the financial statements.

Mr E M P Denny and Mr T R Levett are shareholders in and executive directors of NVM.

Fixed assets

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

Purchase of own shares

During the year the company bought in for cancellation 31,000 shares at a cost of £29,000.

Substantial shareholdings

So far as the directors are aware, there were no individual shareholdings representing 3% or more of the company's issued share capital at the date of this report.

Annual general meeting

Resolutions will be proposed as special business at the annual general meeting to renew the authorities of the directors, in certain limited circumstances, to allot equity shares for cash otherwise than pro rata to existing shareholders and to purchase existing shares in the market. It is the intention of the directors to seek to renew these authorities at each subsequent annual general meeting.

Auditors

KPMG Audit Plc are willing to continue in office and resolutions to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the Board
C D MELLOR
Secretary

6 November 1997

The directors are required by law to prepare financial statements which give a true and fair view both of the financial position of the company at the end of the financial year and of the results for that year. The financial statements must comply with applicable Accounting Standards and with the prescribed statutory formats and disclosures.

The directors confirm that the financial statements for the year ended 30 September 1997 comply with the requirements set out above and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement, have been used in their preparation.

The directors are also responsible for ensuring that proper accounting records are maintained and for taking such steps as are reasonably open to them to ensure that the assets of the company are safeguarded and that fraud and other irregularities are prevented.

TO THE MEMBERS OF NORTHERN VENTURE TRUST PLC

We have audited the financial statements on pages 18 to 29.

Respective responsibilities of directors and auditors

As described on page 16, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or by other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 1997 and of its revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG AUDIT Plc
Chartered Accountants
and Registered Auditor
Edinburgh

6 November 1997

Statement of Total Return (incorporating the Revenue Account)

for the year ended 30 September 1997

	Notes	Year ended 30 September 1997 Revenue £000	Capital £000	Total £000	13 weeks ended 30 September 1996 Revenue £000	Capital £000	Total £000
Gains on investments	8	–	1,197	1,197	–	141	141
Income	1	1,469	–	1,469	251	–	251
Investment management fee	2	(219)	(329)	(548)	(25)	(37)	(62)
Other expenses	3	(185)	–	(185)	(55)	–	(55)
Return on ordinary activities before tax		1,065	868	1,933	171	104	275
Tax on ordinary activities	5	(263)	82	(181)	(45)	10	(35)
Return on ordinary activities after tax for the financial year		802	950	1,752	126	114	240
Dividends	6	(795)	–	(795)	(120)	–	(120)
Transfer to reserves	14	7	950	957	6	114	120
Return per share	7	3.29p	3.89p	7.18p	0.84p	0.76p	1.60p

- The revenue column of this statement is the profit and loss account of the company
- The accompanying notes are an integral part of this statement
- All revenue and capital items in the above statement derive from continuing operations

as at 30 September 19

	Notes	30 September 1997	30 September 1996
		£000	£000
Fixed assets			
Investments	8	32,667	13,164
Current assets			
Debtors	11	712	480
Cash at bank		2,317	937
		3,029	1,417
Creditors (amounts falling due within one year)	12	(841)	(488)
Net current assets		2,188	929
Net assets		34,855	14,093
Capital and reserves			
Called-up equity share capital	13	8,691	3,748
Share premium	14	25,357	10,495
Capital reserve – realised	14	(190)	(104)
– unrealised	14	981	(55)
Revenue reserve	14	16	9
Total equity shareholders' funds		34,855	14,093
Net asset value per share	15	100.3p	94.0p

The financial statements on pages 18 to 29 were approved by the directors on 6 November 1997 and are signed on their behalf by:

Professor Sir Frederick Holliday
Director

Fred Holliday

J R Hustler
Director

Cash Flow Statement

for the year ended 30 September 1997

	Year ended 30 September 1997		13 weeks ended 30 September 1996	
	£000	£000	£000	£000
Operating activities				
Net revenue from ordinary activities before tax		1,065		171
Increase in debtors		(121)		(78)
Increase in creditors		32		7
Tax withheld at source on franked investment income		(72)		(8)
Management fees paid charged to capital		(329)		(37)
Net cash inflow from operating activities		575		55
Taxation				
Corporation tax paid		(189)		(34)
Financial investment				
Purchase of investments	(35,822)		(1,575)	
Sale/repayment of investments	17,516		927	
Net cash outflow from financial investment		(18,306)		(648)
Equity dividends paid		(505)		–
Financing				
Issue of ordinary shares	20,790		–	
Share issue expenses	(956)		–	
Purchase of ordinary shares for cancellation	(29)		–	
Net cash inflow from financing		19,805		–
Increase/(decrease) in cash		1,380		(627)
Analysis of cash balance				
At 1 October 1996		937		1,564
Net cash inflow/(outflow) for the year		1,380		(627)
At 30 September 1997		2,317		937

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

a Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial statements of investment trust companies".

b Investments

Listed investments are stated at middle market prices, discounted where necessary to reflect lack of liquidity.

Unlisted investments are stated at directors' valuation. The directors' policy in valuing unlisted investments is to carry them at cost except in the following circumstances:

- where a company's under-performance against plan indicates a diminution in the value of the investment: provision against cost is made as appropriate in bands of 25%.
- where a company is well-established and profitable: the shares may be valued by applying a suitable price-earnings ratio to the company's historic post-tax earnings. The ratio used is based on a comparable listed company or sector but discounted by 25-50% to reflect unmarketability.
- where a value is indicated by a material arms-length transaction by a third party in the shares of a company.

Unlisted investments will not normally be revalued upwards for a period of at least twelve months from the date of acquisition.

Although the company holds more than 20% of the equity of certain companies, the directors consider that in view of the current investment objectives of the company it would not be appropriate to treat these holdings as investments in associated undertakings.

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the capital reserve.

c Income

Investment income includes the imputed tax credit on franked investment income and income tax withheld at source on other income.

Dividends receivable on listed equity shares are brought into account on the ex-dividend date. Dividends receivable on unlisted equity shares are brought into account when the company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

d Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of:

- expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate, and
- the investment management fee, which has been charged 40% to the revenue account and 60% to realised capital reserve to reflect that element which is, in the directors' opinion, attributable to the maintenance or enhancement of the value of the company's investments.

e Taxation

Advance corporation tax payable on dividends paid or provided for in the year is written off unless recoverability is considered to be reasonably certain and foreseeable.

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is considered probable that a liability will crystallise.

1 Income

	Year ended 30 September 1997 £000	13 weeks ended 30 September 1996 £000
Franked investment income - unlisted companies	356	42
- listed companies	6	–
Interest receivable		
Government stocks and bonds	758	185
Bank deposits	299	22
Loans to unlisted companies	41	2
Sundry income	9	–
	1,469	251

2 Investment management fee

	Year ended 30 September 1997		13 weeks ended 30 September 1996	
	Revenue £000	Capital £000	Revenue £000	Capital £000
Investment management fee	186	280	21	32
Irrecoverable VAT thereon	33	49	4	5
	219	329	25	37

Northern Venture Managers Limited (NVM) provides investment management and secretarial services to the company under a management agreement which runs for an initial period of four years with effect from 1 November 1995 and may be terminated by not less than twelve months' notice given by either party at any time after the third anniversary of the agreement.

NVM receives a management fee, payable quarterly in advance, at the rate of 2% of gross assets less current liabilities, calculated at half-yearly intervals as at 31 March and 30 September.

NVM also provides administrative and secretarial services to the company for a fee of £36,000 per annum (linked to the movement in the RPI), which is included in other expenses (Note 3).

3 Other expenses

	Year ended 30 September 1997 £000	13 weeks ended 30 September 1996 £000
Administrative and secretarial services	36	9
Directors' remuneration (Note 4)	38	10
Auditors' remuneration - audit services	10	3
- non-audit services	21	8
Legal and professional expenses	12	3
Irrecoverable VAT	21	10
Other expenses	47	12
	185	55

In addition to the amounts shown above, fees amounting to £22,000 paid to the auditors in relation to the 1997 share issue were charged to the share premium account in the year ended 30 September 1997.

4 Directors' remuneration

	Year ended 30 September 1997 £000	13 weeks ended 30 September 1996 £000
Fees paid to directors	17	4
Amounts paid to third parties in consideration for the services of directors	21	6
	38	10

The fees paid in respect of individual directors were as follows:

	£	£
Sir Frederick Holliday (Chairman)	10,000	2,500
E M P Denny	–	–
J R Hustler	7,500	1,875
T R Levett	–	–
P S McCabe	7,500	1,875
R A N McKechnie	5,625	1,875
I C Ritchie	7,500	1,875

None of the directors received any other remuneration or benefit during the year. Mr E M P Denny and Mr T R Levett waived their entitlement to directors' fees.

Mr E M P Denny and Mr T R Levett are potential beneficiaries under the Subscription Rights Agreement referred to in Note 13.

5 Tax on ordinary activities

	Year ended 30 September 1997		13 weeks ended 30 September 1996	
	Revenue £000	Capital £000	Revenue £000	Capital £000
Corporation tax payable	191	(82)	8	–
Tax attributable to franked investment income	72	–	37	(10)
	263	(82)	45	(10)

6 Dividends

	Year ended 30 September 1997 £000	13 weeks ended 30 September 1996 £000
Interim paid - 1.20p (preceding period nil) per share	183	–
Final proposed - 1.80p (preceding period 0.80p) per share	612	120
	795	120

7 Return per share

The revenue return per share is based on net revenue from ordinary activities after tax of £802,000 (preceding period £126,000) and on 24,408,112 (preceding period 14,990,500) shares, being the weighted average number of shares in issue during the year.

The capital return per share is based on net realised and unrealised capital gains for the year of £950,000 (preceding period £114,000) and on 24,408,112 (preceding period 14,990,500) shares, being the weighted average number of shares in issue during the year.

8 Fixed asset investments

	30 September 1997 £000	30 September 1996 £000
Venture capital investments - unlisted	9,339	4,197
- listed	3,106	600
Listed fixed-interest investments	20,222	8,367
	32,667	13,164

Movements in investments during the year are summarised as follows:

	Venture capital investments Unlisted £000	Listed £000	Listed fixed-interest £000	Total £000
Book cost at 1 October 1996	4,372	600	8,247	13,219
Unrealised appreciation/(depreciation) at 1 October 1996	(175)	–	120	(55)
Valuation at 1 October 1996	4,197	600	8,367	13,164
Movements in the year:				
Purchases at cost	4,615	2,155	29,052	35,822
Disposals – proceeds	(125)	–	(17,391)	(17,516)
– realised gains on disposal	16	–	145	161
Increase in unrealised appreciation	636	351	49	1,036
Valuation at 30 September 1997	9,339	3,106	20,222	32,667
Book cost at 30 September 1997	8,878	2,755	20,053	31,686
Unrealised appreciation at 30 September 1997	461	351	169	981
	9,339	3,106	20,222	32,667

The overall gain on investments for the year shown in the statement of total return is analysed as follows:

	Year ended 30 September 1997 £000	13 weeks ended 30 September 1996 £000
Net realised gains on disposal	161	1
Increase in unrealised appreciation	1,036	140
	1,197	141

9 Unlisted investments

The cost and carrying value of material investments in unlisted companies held at 30 September 1997 are shown below. For this purpose any investment included in the table of the fifteen largest equity investments on page 8 is regarded as material.

	30 September 1997		30 September 1996	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Memsolve Limited				
Ordinary shares	333	333	–	–
Redeemable preference shares	667	667	–	–
	1,000	1,000	–	–
C&D Insulation Company Limited				
Ordinary shares	100	494	100	100
Redeemable preference shares	296	296	370	370
	396	790	470	470
Birchwood Garages Limited				
Ordinary shares	134	134	105	105
Redeemable preference shares	616	616	245	245
	750	750	350	350
Claremont Business Environments (Europe) Limited				
Ordinary shares	187	187	–	–
Redeemable preference shares	563	563	–	–
	750	750	–	–
Weldex (International) Offshore Limited				
Ordinary shares	200	330	200	200
Redeemable preference shares	400	400	400	400
	600	730	600	600
ARO Limited				
Ordinary shares	214	19	200	150
Redeemable preference shares	500	500	500	375
Loan stock	66	66	–	–
	780	585	700	525
Thomsons World of Furniture Limited				
Ordinary shares	29	29	–	–
Redeemable preference shares	408	408	–	–
Loan stock	105	105	–	–
	542	542	–	–
Profile Public Relations Limited				
Ordinary shares	60	60	–	–
Redeemable preference shares	407	407	–	–
	467	467	–	–
SECO Aluminium Limited				
Ordinary shares	75	325	75	75
Redeemable preference shares	140	140	175	175
	215	465	250	250

9 Unlisted investments (continued)

	30 September 1997		30 September 1996	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Box-Carton Limited				
Ordinary shares	135	135	–	–
Redeemable preference shares	315	315	–	–
	450	450	–	–
Euroscot Express Limited				
Ordinary shares	118	118	–	–
Loan stock	282	282	–	–
	400	400	–	–

Additional information relating to investments in unlisted companies is given on pages 8 to 11.

Disposals of unlisted investments during the year were as follows:

	Cost £000	Directors' valuation at 30 September 1996 £000	Disposal proceeds £000	Realised gain on disposal £000
C&D Insulation Company Limited	74	74	83	9
SECO Aluminium Limited	35	35	42	7
	109	109	125	16

There were no other material write-downs of investments during the year.

At 30 September 1997 there were commitments totalling £1,177,000 (1996 £33,000) in respect of investments approved by the board but not yet completed.

10 Significant interests

Details of shareholdings in those companies where the company's holding represents (1) more than 10% of the allotted equity share capital of any class, (2) more than 10% of the total allotted share capital or (3) more than 10% of the assets of the company itself, are given below. All of the companies named are incorporated in Great Britain.

Company	Class of shares (nominal value £1 unless otherwise stated)	Number held	Proportion of class held
Alba Proteins Limited	C Ordinary (30p)	65,000	20.9%
	Redeemable preference	227,500	21.0%
ARO Limited	Ordinary	109,331	25.0%
	Redeemable preference	500,000	33.3%
Barker Collins Engineering Limited	Ordinary	24,900	24.9%
	Redeemable preference	245,000	50.0%
Birchwood Garages Limited	Ordinary (10p)	105,029	18.5%
	Redeemable preference	615,635	50.0%
Box-Carton Limited	Ordinary	42,235	24.5%
	Redeemable preference	315,000	50.0%
C&D Insulation Company Limited	Ordinary	50,000	20.0%
	Redeemable preference	296,000	50.0%
Claremont Business Environments (Europe) Limited	Ordinary (10p)	107,226	22.5%
	Redeemable preference	562,500	62.5%
Corsair Manufacturing Limited	Ordinary (10p)	10,540	13.0%
	Redeemable preference	140,000	50.0%
Dragon Coal Corporation Limited	Ordinary (10p)	66,667	22.2%
	Redeemable preference	166,667	66.7%
Euroscot Express Limited	Ordinary (10p)	74,418	17.0%
Interlux Limited	A Ordinary	16,668	22.2%
	Redeemable preference	133,500	50.0%
Memsolve Limited	Ordinary	2,242	16.7%
	Redeemable preference	666,667	66.7%
Profile Public Relations Limited	Ordinary (10p)	17,777	16.7%
	Redeemable preference	406,667	66.7%
Revelation Piccadilly Holdings PLC	Ordinary (6p)	450,000	10.0%
Safe Marine Limited	Ordinary	54,817	15.3%
	Redeemable preference	75,000	50.0%
SECO Aluminium Limited	B Ordinary	10,228	25.0%
	Redeemable preference	140,000	25.0%
Shalibane Plc	Ordinary (5p)	725,454	10.3%
Thomsons World of Furniture Limited	Ordinary (1p)	28,856	11.5%
	Redeemable preference (1p)	408,712	30.0%
Tomburn Limited	Ordinary (10p)	10,416	12.5%
	Redeemable preference	125,000	50.0%
Union Snack Limited	Ordinary (10p)	38,805	10.6%
Weldex (International) Offshore Limited	Ordinary	3,711	15.0%
	Redeemable preference	400,000	50.0%

11 Debtors

	30 September 1997 £000	30 September 1996 £000
Prepayments and accrued income	494	373
Corporation tax recoverable	48	–
Advance corporation tax recoverable	170	107
	712	480

12 Creditors (amounts falling due within one year)

	30 September 1997 £000	30 September 1996 £000
Trade creditors and accruals	76	44
Corporation tax payable	–	41
Advance corporation tax payable	153	81
Proposed dividend	612	322
	841	488

13 Called-up equity share capital

	30 September 1997 £000	30 September 1996 £000
Authorised:		
50,000,000 (1996 24,200,000) ordinary shares of 25p	12,500	6,050
Allotted and fully paid:		
34,765,121 (1996 14,990,500) ordinary shares of 25p	8,691	3,748

During the year ended 30 September 1997 255,000 shares were issued for cash at £1.03 per share and 19,550,621 shares were issued for cash at £1.05 per share.

During the year the company bought in 31,000 shares for cancellation at a cost of £29,000.

Under the terms of a Subscription Rights Agreement between the company and certain executives of Northern Venture Managers Limited, the executives will become entitled to subscribe for new ordinary shares provided that the mid-market price of an ordinary share on 31 October 2000 exceeds an amount equal to 100p less the cumulative gross amount of distributions and adjusted in line with the movement in the FT-SE Actuaries All-Share Index (total return) since 1 November 1995. The number of new shares to be issued will be calculated according to a formula contained in the Agreement such that the benefit to the executives will be equivalent to 10% of the total return to original subscribers in the 1995 share issue. The Agreement contains similar provisions in respect of subsequent share issues.

14 Reserves

	Share premium £000	Capital reserve - realised £000	Capital reserve - unrealised £000	Revenue reserve £000
At 1 October 1996	10,495	(104)	(55)	9
Premium on shares issued	15,840	–	–	–
Share issue costs	(956)	–	–	–
Premium on shares purchased for cancellation	(22)	–	–	–
Realised on disposal of investments	–	161	–	–
Management fee capitalised net of associated taxation	–	(247)	–	–
Net increase in unrealised appreciation	–	–	1,036	–
Net revenue retained for the year	–	–	–	7
At 30 September 1997	25,357	(190)	981	16

15 Net asset value per share

The calculation of net asset value per share as at 30 September 1997 is based on net assets of £34,855,000 (1996 £14,093,000) divided by the 34,765,121 (1996 14,990,500) ordinary shares in issue at the balance sheet date.

16 Reconciliation of movements in equity shareholders' funds

	Year ended 30 September 1997 £000	13 weeks ended 30 September 1996 £000
At 1 October 1996	14,093	13,973
Total return after tax and dividends	957	120
Net proceeds of share issues	19,834	–
Shares purchased for cancellation	(29)	–
At 30 September 1997	34,855	14,093

Notice is hereby given that the second annual general meeting of Northern Venture Trust PLC will be held at The Marriott Hotel, Gateshead, Tyne and Wear at 1.00pm on Thursday 11 December 1997 for the following purposes:

As ordinary business

1 To receive, consider and adopt the financial statements for the year ended 30 September 1997 and the directors' and auditors' reports thereon.

2 To declare a final dividend of 1.80p per share in respect of the year ended 30 September 1997.

3 To re-elect as a director Professor Sir Frederick Holliday who retires by rotation in accordance with the Articles of Association and offers himself for re-election.

4 To re-elect as a director Mr J R Hustler who retires by rotation in accordance with the Articles of Association and offers himself for re-election.

5 To re-appoint KPMG Audit Plc as auditors of the company and to authorise the directors to fix their remuneration.

6 To transact any other ordinary business of the company.

As special business

7 To consider and, if thought fit, to pass the following resolution as a special resolution:
"That in substitution for and to the exclusion of any power previously conferred upon the directors in this regard the directors be and they are hereby empowered to allot equity securities (as defined in Section 94(2) of the Companies Act 1985) pursuant to the authority conferred by Resolution B passed at the extraordinary general meeting of the company held on 14 September 1995 as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that such power shall be limited:

a to the allotment of equity securities in connection with a rights issue or other offer of securities in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them at a fixed record date (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory);

b to the allotment of equity securities pursuant to the exercise of options granted on or prior to the date hereof; and

c to the allotment (otherwise than pursuant to sub-paragraph a or b above) of equity securities up to an aggregate nominal value of £868,628

and shall expire on the conclusion of the next annual general meeting of the company after the passing of this resolution (or, if earlier, the date which is 15 months after the passing of this resolution) save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."

8 To consider and, if thought fit, to pass the following resolution as a special resolution:
"That the company be and is hereby authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of 25p each in the company provided that:

a the maximum number of ordinary shares hereby authorised to be purchased is 500,000;

b the minimum price which may be paid for an ordinary share shall be 25p;

c the maximum price, exclusive of expenses, which may be paid for an ordinary share shall not be more than the lowest of (i) net asset value per share (ii) 5% above the average of the market value of the ordinary shares for the five business days immediately preceding the date of the purchase and (iii) 100p per ordinary share; and

d the authority hereby conferred shall expire on the conclusion of the next annual general meeting of the company after the passing of this resolution (or, if earlier, the date which is 15 months after the passing of this resolution) save that the company may before such expiry enter into a contract to purchase ordinary shares which will or may be completed wholly or partly after such expiry."

By order of the Board

C D MELLOR

Secretary
Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER

6 November 1997

NOTES

1 A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the company. The instrument appointing a proxy must be deposited at the company's registered office not less than 48 hours before the meeting.

2 None of the directors has a contract of service with the company.

3 To be entitled to attend and vote at the meeting (and for the purpose of the determination by the company of the number of votes they may cast), members must be entered on the company's register of members by 6.00pm on Wednesday 10 December 1997.

NORTHERN VENTURE TRUST PLC

Annual General Meeting – 11 December 1997

I/We..

(block capitals please)

of..

being a member of Northern Venture Trust PLC, hereby appoint

....

or failing him/her the Chairman of the meeting to be my/our proxy and vote for me/us on my/our behalf at the annual general meeting of the company to be held on 11 December 1997, notice of which was sent to shareholders with the directors' report and the financial statements for the year ended 30 September 1997, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting:

Resolution number		*For*	*Against*
1	To receive, consider and adopt the financial statements for the year ended 30 September 1997	☐	☐
2	To declare a final dividend of 1.80p per share in respect of the year ended 30 September 1997	☐	☐
3	To re-elect Professor Sir Frederick Holliday as a director	☐	☐
4	To re-elect Mr J R Hustler as a director	☐	☐
5	To re-appoint KPMG Audit Plc as auditors and authorise the directors to fix their remuneration	☐	☐
7	To disapply Section 89 of the Companies Act 1985 in relation to certain allotments of equity securities	☐	☐
8	To authorise the company to make market purchases of ordinary shares	☐	☐

Signed: .... Date: 1997

NOTES

1. A member wishing to appoint a person other than the Chairman of the meeting as proxy should insert the name and address of such person in the space provided.
2. Use of the proxy form does not preclude a member from attending and voting in person.
3. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
4. If the proxy form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.
5. To be valid, the proxy form must be received at the registered office of the company, Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER, no later than 48 hours before the commencement of the meeting.

Attendance indication

Shareholders who intend to attend the annual general meeting are requested to complete the indication below in order to assist with catering arrangements.

I intend to attend the annual general meeting on 11 December 1997

Signed: .... Date: 1997

THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE
Licence No. NT3167

FIRST FOLD

Northern Venture Trust PLC
Northumberland House
Princess Square
Newcastle upon Tyne
NE1 1BR

SECOND FOLD