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Northern Venture Trust PLC

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Northern Venture Trust PLC

Annual Report

for the year ended 30 September 2000

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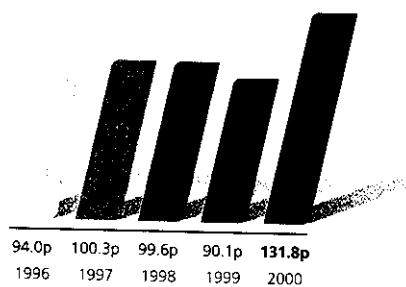
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Financial Highlights

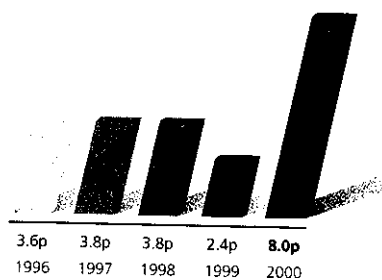
Year ended 30 September	2000	1999
Profit/(loss) before tax	£5,577,000	£(1,360,000)*
Earnings/(loss) per share	14.7p	(4.0)p*
Dividend per share	8.0p	2.2p
Net assets	£54,044,000	£33,644,000
Net asset value per share	131.8p	90.1p
Share price	120p	72½p

* re-stated

Net asset value per share
As at 30 September



Dividend per share
Year ended 30 September



Dividends include repayable tax credits

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

Chairman's Statement



I am pleased to report that the encouraging progress described in my interim statement to shareholders has been maintained during the second half of the financial year. We have achieved our key objective of realising sufficient investment gains to offset the previous year's losses, and as a result we are able to propose a final dividend which for the first time includes an element of capital distribution. We have also achieved a substantial increase in net asset value through unrealised investment gains, creating the potential for further distributions in the future.

Investment company status

In order legally to distribute realised capital gains by way of dividend to shareholders, it has been necessary for your company to revoke its status as an investment company as defined in the Companies Act 1985. One consequence of this is that we are now required to produce a single-column "trading company" profit and loss account, incorporating all of the company's investment income, management expenses and realised capital gains, rather than the statement of total return, customarily published by investment trusts, which we have produced in previous years. Your directors have however decided to include a pro forma statement of total return following the notes to the financial statements, in the belief that this will help shareholders' appreciation of the overall performance of the company during the year under review. This statement is set out on page 34.

Net asset value

The net asset value (NAV) at 30 September 2000 was 131.8p per share, an increase of 46% over the corresponding figure of 90.1p at 30 September 1999. Over the same period the FTSE All-Share index rose by 7.2% and the FTSE Small Cap (excluding Investment Companies) index by 26.9%. The NAV is stated after providing for the proposed final dividend referred to below.

Profit and dividend

Investment income and management expenses were both at a similar level to the preceding year. Income from the venture capital portfolio increased from £694,000 to £1,073,000, but this was offset by the expected reduction in income from the fixed-interest portfolio.

The profit and loss account includes realised gains and losses on investments although, in accordance with generally accepted accounting principles, such gains/losses are calculated by reference to the last published valuation of the investment rather than its original cost. That part of the gain which represents the realisation of a previously unrealised revaluation surplus does not appear in the published profit and loss account at all, and is transferred direct between the revaluation reserve and the profit and loss reserve in the balance sheet – but is nevertheless available for distribution by way of dividend. The net gain on investments disclosed in the profit and loss account for the year to 30 September 2000 was £4,955,000, compared with a loss of £1,971,000 for the preceding year.

After providing for corporation tax on the excess of taxable investment income over allowable expenses, earnings per share amounted to 14.7p against the preceding year's loss of 4.0p. The directors recommend a final dividend of 7.0p per share, making a total of 8.0p for the year (last year 2.2p). Subject to Inland Revenue approval, the final dividend will be paid on 15 December 2000 to shareholders on the register on 24 November 2000.

Taking the proposed final dividend into account, subscribers in the original share issue in 1995 will have received cash dividends (including repayable tax credits) of 21.525p per share. An investor claiming initial income tax relief at 20% and capital gains tax deferral at 40% will therefore have received over half his net investment back by way of dividend, whilst retaining shares with an underlying net asset value of 131.8p per share. Your directors intend that the investment portfolio will continue to be managed with a view to generating capital gains for distribution.

Investment portfolio

The Manager's Review on pages 7 to 9 gives details of developments in the investment portfolio during the year. Additions to venture capital investments during the year amounted to over £10 million and sale proceeds, principally resulting from the placing of shares in IndigoVision Group and BioFocus, were over £9 million. At 30 September 2000 the venture capital portfolio comprised 51 holdings with an aggregate value of £41 million. Our surplus funds have remained in Government stocks and other

high-grade fixed-interest securities, with a view to protecting capital value and maximising income yield.

VCT qualifying status

Your board has continued, with the assistance of Northern Venture Managers and KPMG, to monitor the company's compliance with the qualifying investment requirements laid down in the VCT legislation. The Inland Revenue have confirmed, subject to completion in due course of their normal detailed verification work, that the company has continued to maintain the required level of qualifying investments in the period up to 30 September 2000.

Shareholder matters

The mid-market share price, which began the year at 72½p, increased in response to the improved performance of the company and reached 120p by 30 September 2000. The number of shares traded in the market remained relatively low, but buyers have emerged for those shares which became available and the directors have had little occasion to use their authority to buy back shares in the market for cancellation. With the passing of the fifth anniversary of the original share issue in November 1995, it is possible that greater numbers of shares will be offered to the market and we are ready to use our buy-back powers as necessary. However we expect that many shareholders will decide to retain their shares for the longer term in order to derive full benefit from the company's maturing investment portfolio, in terms both of dividend distributions and of further capital growth.

This year's annual general meeting will take place in Edinburgh on 13 December. We also will be holding shareholder presentations in London and Newcastle upon Tyne early in 2001 and I look forward to meeting as many shareholders as possible at these meetings.

Future prospects

Our fifth anniversary is a suitable point at which to take stock of the company's position and prospects. The economic outlook for the UK is still broadly encouraging, though the strength of sterling remains a concern for many manufacturing businesses. Your company has a well-diversified investment portfolio, which has recently shown the benefits of a sensible level of exposure to early-stage high technology

businesses. Northern Venture Managers, now becoming well established as part of the Edinburgh Fund Managers group, have continued to add to their investment team and are receiving a strong flow of new enquiries. A satisfactory progression in net asset value has been achieved over the past year, and we are about to pay our first dividend enhanced by the proceeds of realised capital gains. All of these are good grounds for taking a positive view of the future. Your directors would like to record their appreciation of the patience and support of shareholders and we look forward to reporting further progress in the new financial year.

Professor Sir Frederick Holliday

Chairman

Directors



Professor Sir Frederick Holliday CBE FRSE (Chairman), aged 65, is the chairman of Northumbrian Water Group PLC and Go-Ahead Group plc and a non-executive director of Northern 2 VCT PLC, Suez Lyonnaise des Eaux and Brewin Dolphin Holdings PLC. He is a marine scientist and was vice-chancellor of the University of Durham from 1980 to 1990.



Michael Denny MSI, aged 57, is the chairman of Northern Venture Managers Limited. He is a non-executive director of Northern Investors Company PLC, Northern 2 VCT PLC and Postern Fund Management Limited, and a past chairman of the British Venture Capital Association.



John Hustler FCA MSI, aged 54, 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 ATA Group plc, Medical Marketing International Group plc and a number of other companies.



Tim Levett MBA, aged 51, is the investment director of Northern Venture Managers Limited. Before joining Northern Venture Managers in 1988 he held a number of management positions in industry. He is a non-executive director of Shalibane plc and several unquoted companies.



Primrose Scott CA, aged 60, is head of quality review at the Institute of Chartered Accountants of Scotland (ICAS). She was formerly senior partner of The McCabe Partnership and is a past president of ICAS. She is vice chairman of the Dunfermline Building Society.



Ian Ritchie CEng FBCS, aged 50, 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 a past president of the British Computer Society.

Advisers

Secretary and Registered Office

Christopher Mellor FCA MSI
Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER
Tel: 0191 244 6000
Fax: 0191 244 6001
E-mail: nvt@nvm.co.uk

Registered Number

3090163

Investment Manager

Northern Venture Managers Limited
Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER

Fixed-interest Investment Advisers

Murray Beith Murray Asset Management
39 Castle Street
Edinburgh EH2 3BH

Chiswell Associates Limited

4 Chiswell Street
Finsbury Square
London EC1Y 4UP

Auditors

KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Solicitors

Dickinson Dees
St Ann's Wharf
112 Quayside
Newcastle upon Tyne NE99 1SB

SJ Berwin & Co
222 Grays Inn Road
London WC1X 8HB

Stockbrokers

Brewin Dolphin Securities Ltd
Commercial Union House
39 Pilgrim Street
Newcastle upon Tyne NE1 6RQ

Bankers

Bank of Scotland
Head Office
The Mound
Edinburgh EH1 1YZ

Registrars

Lloyds TSB Registrars Scotland
117 Dundas Street
Edinburgh EH3 5ED
Shareholder helpline: 0870 601 5366

Shareholder Information

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. Subsequent share issues have taken the cumulative amount raised to over £43 million. The company has been approved as a Venture Capital Trust by the Inland Revenue.

Northern Venture Trust is managed by Northern Venture Managers Limited, a specialist firm of venture capital managers based in Newcastle upon Tyne, Edinburgh and Reading. Since June 2000 Northern Venture Managers has been part of the Edinburgh Fund Managers group. Northern Venture Managers also acts as manager of two other listed investment companies, Northern Investors Company PLC and Northern 2 VCT PLC, and has a total of over £115 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 three (previously 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 capital gains as well as its income)
- exemption from capital gains tax on disposals of shares in VCTs

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. Where a VCT's original share issue is subsequently followed by further issues, the investments made using the proceeds of the further issues may be disregarded for the purpose of the 70% and 30% tests in all financial years ending no later than three years after the relevant share issue. 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 £15 million at the time of investment.

Financial calendar

The company's financial calendar for the year ending 30 September 2001 is as follows:

May 2001	Interim report for half year to 31 March 2001 published
June 2001	Interim dividend paid
November 2001	Final dividend and preliminary results for year to 30 September 2001 announced; annual report and financial statements published
December 2001	Annual general meeting; final dividend paid

Share price

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

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

Investment Manager's Review

Investment activity

During the year to 30 September 2000 Northern Venture Trust completed 13 new venture capital investments at a total cost of £7.3 million. Ten existing investments received follow-on funding. The venture capital investment portfolio at 30 September 2000 comprised 51 holdings with an aggregate value of £41 million.

A listing of the holdings in the portfolio is given on page 10, with information on the 15 largest investments on pages 11 to 15. The charts at the foot of the page give an analysis of the portfolio by age, industry sector, geographical location and financing stage.

The new investments completed during the year were as follows:

CQC (£602,000) – manufacturer of military load-carrying equipment, Barnstaple

Chorus Application Software (£546,000) – developer of financial management software, Barnstaple

Tolwood (£1,000,000) – manufacturer of pressed steel car parts and fasteners, Newton Aycliffe

Barony Universal Products (£315,000) – producer of aerosol packaged products, Auchinleck

Scipher (£445,000) – developer of intellectual property rights, Hayes

T&D Packaging (£900,000) – manufacturer of metal drums, Bradford

Bowman Power Systems (£420,000) – manufacturer of electrical generation equipment, Southampton

Metris Therapeutics (£142,000) – developer of therapeutic compounds, Wokingham

PrismTech (£880,000) – developer of integration server technology, Gateshead

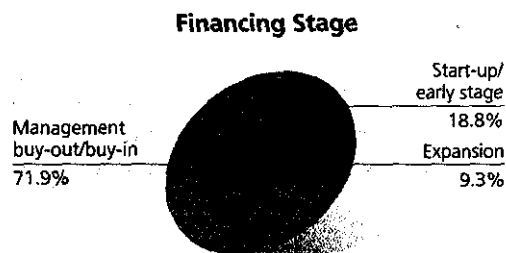
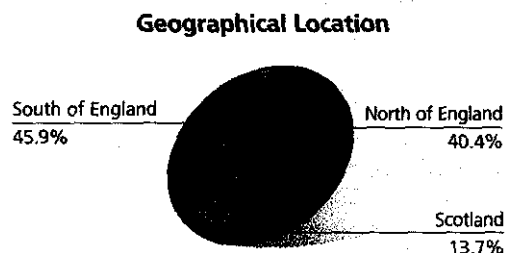
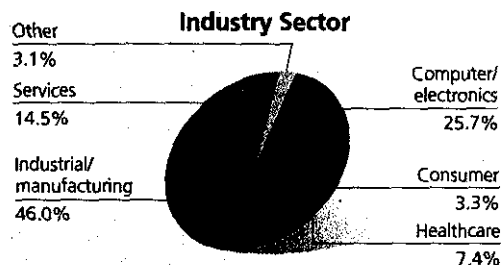
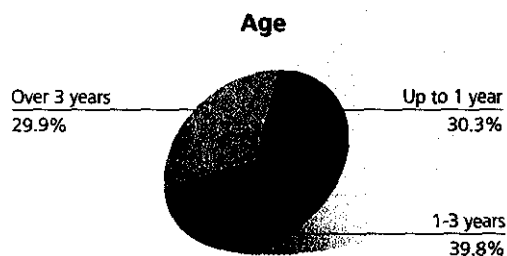
Arrow Therapeutics (£440,000) – developer of antibiotic treatments, Carshalton

Interlube Systems (£880,000) – manufacturer of vehicle lubrication systems, Plymouth

Rademacher Group (£425,000) – developer of oral treatments for diabetes and pre-eclampsia, Oxford

Ai Qualitek (£264,000) – manufacturer of leak detection equipment, Cambridge

Significant follow-on investments were made in **Quadstone (£250,000)**, **IndigoVision Group**



Investment Manager's Review continued

(£200,000), **Shalibane** (£200,000), **Alizyme** (£250,000), **Harrier Packaging** (£229,000) and **Cyclacel** (£333,000).

Other portfolio activity

During the past year the company's portfolio of venture capital investments has continued to mature. Typically the full life cycle of an investment will be in the range from three to seven years, which means that a high proportion of the investments made to date are still at a relatively early stage in their development. However, we are starting to see substantial progress in a number of cases.

The most significant event in the year was the flotation on the London Stock Exchange of **IndigoVision Group** (formerly Indigo Active Vision Systems) in August 2000. The company raised £35 million of new money through a placing in which a number of existing shareholders also sold shares. Northern Venture Trust realised approximately 40% of its holding at the time of the placing and we have subsequently sold further shares in response to strong market demand, which saw the company's share price rise from the placing level of 190p to a peak of over 600p. Up to 30 September 2000 our sale proceeds totalled £3.3 million and our remaining shareholding at that date was valued at £11.2 million, all from an original investment of £842,000. We will seek to reduce the holding further as market conditions permit, in order to reduce the proportion of the total portfolio represented by this single holding.

Also in August, **BioFocus** moved from OFEX to the Alternative Investment Market through a placing of new shares at 290p. We took the opportunity to sell part of our holding (most of which was acquired at 37p per share in 1998) but have retained a substantial stake in the company in the expectation of further progress in the future. **Alizyme** raised £21 million through a placing of new shares on AiM, in which we invested a further £250,000, and since the end of September has obtained a full listing on the London Stock Exchange which should benefit the company's market valuation further.

We invested in **Scipher** in December 1999 in advance of a planned flotation on the London Stock Exchange in February 2000. The shares performed strongly following the flotation and the entire holding was sold in the market for £808,000, almost

twice its cost. We also realised a substantial proportion of the investment in **XKO Group** acquired in February 1999, in response to strong market demand for the shares.

A summary of investment disposals during the year is given in Note 9 on page 28; the overall surplus of proceeds over original cost was £4.7 million, having allowed for the £700,000 write-off of the investment in **Astral Finishes** which went into receivership during the year following a disappointing period of trading performance. Appropriate provisions have been made against several other investments which have not met original expectations.

Valuation policy

Unlisted investments are valued in accordance with the accounting policy set out on page 21, which follows the guidelines laid down by the British Venture Capital Association. As well as making appropriate provision where an investee company is significantly under-performing, no investment is revalued upwards within 12 months of its acquisition, and as an additional safeguard any subsequent revaluation is based on audited historic performance rather than on prospective results.

As at 30 September 2000 the number of investments falling into each valuation category was as follows:

Category	Number of investments
Listed investments at market value:	
London Stock Exchange	2
AiM	6
Unlisted investments:	
at cost	24
at cost less provision	9
at net asset value	1
at valuation based on third party transaction	1
at valuation based on historic earnings	8
Total	51

VCT qualifying status

The company's continuing compliance with the Inland Revenue's conditions for VCT approval is carefully monitored by NVM, the board and the company's tax advisers. One of the principal ongoing requirements is that not less than 70% of the value of the company's investments should comprise

qualifying holdings. The monitoring process is made more complex by the fact that the Inland Revenue's definition of the "value" of an investment is not always the same as that which we adopt in our accounts, added to which there are transitional provisions introduced to cover those VCTs such as Northern Venture Trust which have issued shares in tranches over several years.

The Inland Revenue has confirmed, subject to completion of its normal detailed verification procedures, that at 30 September 2000 the company had met the qualifying holding requirement in respect of those shares issued up to 30 September 1998, and we are confident that the requirement will also be met in due course in respect of the new shares issued during the year just ended.

Outlook

The past year has seen some tangible reward for effort expended in earlier periods. The company is now one of the largest VCTs and we have been able to assemble a well-diversified investment portfolio which continues to mature. We are seeing a good flow of new investment proposals. We will seek opportunities to generate further investment profits for distribution to shareholders and, given a continuation of current conditions in the UK economy, we expect Northern Venture Trust to make further good progress over the next 12 months.

Alastair Conn

Managing Director
Northern Venture Managers Limited

The investment process

Northern Venture Managers currently receives around 60 new investment enquiries each month through its offices in Newcastle upon Tyne, Edinburgh and Reading. Many do not pass the initial screening process, but if the appraisal is positive then NVM will make a proposal to the enquirer setting out some broad terms and conditions for an investment. If the proposal is accepted, NVM carries out a thorough "due diligence" investigation into key aspects of the business. This work is usually done in-house by one or more of NVM's executives, with specialist outside assistance obtained when necessary. If the result 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. The whole process typically takes between six and eight weeks.

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 and Northern 2 VCT PLC, which are also advised by NVM.

Post-investment monitoring

On completion of a new investment one of NVM's executives takes responsibility for the ongoing relationship with the investee company, often by taking a board position as a non-executive director. When appropriate, for instance where a particular area of expertise is called for, an external non-executive director may be brought in. The director will play a key role and must be able to contribute 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.

Investment Portfolio

as at 30 September 2000

	Cost £000	Valuation £000	% of portfolio by value
Fifteen largest venture capital investments (see pages 11 to 15)			
IndigoVision Group plc*	501	11,202	22.8
Alizyme plc**	934	3,407	6.9
BioFocus plc**	191	2,247	4.6
CGI International Limited	1,000	1,539	3.2
Remsdag Limited	940	1,510	3.1
Claremont Business Environments (Europe) Limited	563	1,132	2.3
TFB Group Limited	1,000	1,000	2.0
Tolwood Limited	1,000	1,000	2.0
Four D Rubber Company Limited	820	995	2.0
XKO Group plc*	332	901	1.8
T&D Packaging Limited	900	900	1.8
Interlube Systems Limited	880	880	1.8
PrismTech Limited	880	880	1.8
Prospect & Peachgate Group Limited	667	797	1.6
Weldex (International) Offshore Limited	360	695	1.5
	10,968	29,085	59.2
Other venture capital investments			
Newall International Limited	675	675	1.4
Cyclacel Limited	667	667	1.4
C&D Industrial Services Limited	211	659	1.3
CQC Limited	602	602	1.2
Highland Timber plc	600	600	1.2
Chorus Application Software Limited	546	546	1.1
Quadstone Limited	321	535	1.1
SECO Aluminium Limited	75	534	1.1
T&R Precision Engineers Limited	533	533	1.1
SMP Multi-Shot Limited	484	484	1.0
Union Snack Limited	289	465	0.9
Box-Carton Limited	450	450	0.9
Arrow Therapeutics Limited	440	440	0.9
Rademacher Group Limited	425	425	0.9
Bowman Power Systems Limited	420	420	0.9
SML Technologies Limited	409	409	0.8
Profile Public Relations Limited	399	399	0.8
ComputerLand UK PLC**	535	370	0.8
Shalbane plc**	1,205	356	0.7
Intec Holdings Limited	333	333	0.7
Barony Universal Products PLC	315	315	0.6
Thomsons World of Furniture Limited	543	271	0.6
Ai Qualitek Limited	264	264	0.5
Ormolu Group Limited	500	250	0.5
Others (valuation less than £250,000)	4,796	1,233	2.5
Total venture capital investments	27,005	41,320	84.1
Listed fixed-interest investments			
£1,400,000 Treasury 6.5% stock 2003	1,427	1,429	2.9
£1,000,000 AMP (UK) 11.5% bonds 2001	1,039	1,037	2.1
£1,000,000 GE Capital Corporation 7% bonds 2002	1,007	1,010	2.1
£1,000,000 Credit Locale de France zero coupon bonds 2001	978	975	2.0
£750,000 Sudwest LB 8.625% bonds 2003	780	780	1.6
£800,000 Abbey National plc 5.25% guaranteed notes 2004	781	771	1.6
£750,000 Southern Water plc variable rate bonds 2008	811	746	1.5
£500,000 Royal Bank of Scotland plc 6.625% bonds 2004	501	503	1.0
£500,000 LCR Finance 4.75% guaranteed bonds 2010	498	457	0.9
£100,000 KFW International 7.625% notes 2000	101	100	0.2
Total fixed-interest investments	7,923	7,808	15.9
TOTAL	34,928	49,128	100.0

* Listed on the London Stock Exchange

** Listed on AIM

Fifteen Largest Venture Capital Investments

IndigoVision Group plc Edinburgh

First investment:	June 1996	Year ended 31 July	2000	1999
Equity held:	3.3%		£000	£000
Cost:	£501,000			
Valuation:	£11,202,000	Sales	917	152
<i>IndigoVision Group is a developer of active digitally networked video systems. The business was backed as a start up venture in June 1996 with equity financing from Northern Venture Trust, Northern Investors Company, Scottish Enterprise and 3i Group. The company floated on the London Stock Exchange in August 2000. Valuation method: Mid-market price less discount. Dividends received during the year: Nil.</i>		Loss before tax	(3,127)	(1,514)
		Retained loss	(3,127)	(1,514)
		Net assets	2,282	29



Alizyme plc Cambridge

First investment:	May 1998	Year ended 31 December	1999	1998
Equity held:	3.3%		£000	£000
Cost:	£934,000			
Valuation:	£3,407,000	Sales	-	-
<i>Alizyme is a biotechnology R&D company which was founded in 1995 and floated on AIM in 1996. Northern Venture Trust has to date invested in three rounds of development finance. Valuation method: Mid-market price. Dividends received during the year: Nil.</i>		Loss before tax	(4,134)	(4,357)
		Retained loss	(4,134)	(4,357)
		Net assets	3,244	2,743



BioFocus plc Sittingbourne

First investment:	July 1998	Year ended 31 December	1999	1998
Equity held:	6.5%		£000	£000
Cost:	£191,000			
Valuation:	£2,247,000	Sales	1,668	550
<i>BioFocus provides combinatorial chemistry services to major pharmaceutical companies. Northern Venture Trust and Northern Investors Company provided £860,000 of expansion finance in two tranches in 1998 and 1999. The company moved from OFEX to AIM in August 2000 and raised £4 million to finance further expansion. Valuation method: Mid-market price. Dividends received during the year: Nil.</i>		Profit/(loss) before tax	88	(628)
		Retained profit/(loss)	83	(628)
		Net assets	928	549



Fifteen Largest Venture Capital Investments continued



CGI International Limited Warrington

First investment:	January 1999	Year ended 31 December	1999	
Equity held:	19.2%		£000	
Cost:	£1,000,000			
Valuation:	£1,539,000	Sales	6,011	
		Profit before tax	1,027	
		Retained profit	386	
		Net assets	4,539	

CGI manufactures fire-resistant glass, trading as Colebrand Glass. Dunedin Capital Partners led a £4.3 million management buy-out in January 1999 in which Northern Venture Trust and Northern Investors Company participated. Valuation method: Multiple of earnings. Dividends received during the year: £72,000.



remsdag

Remsdaq Limited Deeside

First investment:	March 1998	Year ended 31 May	1999	1998
Equity held:	27.5%		£000	£000
Cost:	£940,000			
Valuation:	£1,510,000	Sales	9,578	3,021
		Profit before tax	485	590
		Retained profit	307	379
		Net assets	1,725	1,366

The company manufactures electronic security systems and remote monitoring equipment. The business was acquired in a management buy-out in March 1998, with £1.6 million of equity financing from Northern Venture Trust and Northern Investors Company. Valuation method: Multiple of earnings. Dividends received during the year: £37,000.

Claremont Business Environments (Europe) Limited Warrington

First investment:	January 1997	Year ended 31 January	2000	1999
Equity held:	20.3%		£000	£000
Cost:	£563,000			
Valuation:	£1,132,000	Sales	21,638	19,682
		Profit before tax	742	547
		Retained profit	529	336
		Net assets	2,289	2,159

Claremont designs and installs office environments for industrial, commercial and public sector clients. The business was acquired in a management buy-in in January 1997, with £1,100,000 of equity financing from Northern Venture Trust and Northern Investors Company. Valuation method: Multiple of earnings. Dividends received during the year: £83,000.



TFB Group Limited Sunbury-on-Thames

First investment:	May 1999	Period ended 30 September	1999
Equity held:	20.8%		£000
Cost:	£1,000,000		
Valuation:	£1,000,000	Sales	4,074
<i>TFB develops and distributes software packages for use in the administration of professional practices. The business was bought out by its management team in May 1999 with £2.4 million of equity funding from Northern Venture Trust, Northern Investors Company and Northern 2 VCT. Valuation method: Cost. Dividends received during the year: Nil.</i>		Profit before tax	478
		Retained profit	291
		Net assets	891



Tolwood Limited Newton Aycliffe, County Durham

First investment:	December 1999	(First audited accounts will be for the period to 31 March 2000.)
Equity held:	16.0%	
Cost:	£1,000,000	
Valuation:	£1,000,000	
<i>Tolwood manufactures pressed steel components for vehicle manufacturers. The business was acquired in a management buy-in/buy-out in December 1999 with £2.5 million of equity funding from Northern Venture Trust, Northern Investors Company and Northern 2 VCT. Valuation method: Cost. Dividends received during the year: Nil.</i>		



Four D Rubber Company Limited Derby

First investment:	October 1998	Period ended 31 December	1999	1998
Equity held:	29.3%		£000	£000
Cost:	£820,000			
Valuation:	£995,000	Sales	1,918	302
<i>Four D Rubber manufactures latex rubber sheet for various industrial and commercial applications. The business was acquired in a management buy-in in October 1998, with £1.2 million of equity financing from Northern Venture Trust and Northern Investors Company. Valuation method: Multiple of earnings. Dividends received during the year: £71,000.</i>		Profit/(loss) before tax	701	(91)
		Retained profit/(loss)	573	(91)
		Net assets	1,326	753



Fifteen Largest Venture Capital Investments continued



XKO Group plc Berkhamsted, Herts

	February 1999	Period ended 31 March	2000	1999
			£000	£000
First investment:	February 1999			
Equity held:	1.1%			
Cost:	£332,000			
Valuation:	£901,000			
		Sales	29,628	5,954
		Loss before tax	(6,037)	(1,603)
		Retained loss	(7,595)	(1,620)
		Net assets	25,124	27,660

The group provides computer services and was formed in 1999 through a merger of three complementary businesses. Northern Venture Trust invested as part of a new share placing on AIM in February 1999 and the company subsequently moved up to a full listing. Valuation method: Mid-market value. Dividends received during the year: £4,000.



PACKAGING LIMITED
Industrial packaging solutions

T&D Packaging Limited Bradford

First investment:	February 2000	(First audited accounts will be for the period to 31 January 2001.)
Equity held:	18.3%	
Cost:	£900,000	
Valuation:	£900,000	

The company is a manufacturer of metal drums. The business was acquired in a management buy-in in February 2000 with £1.7 million of equity provided by Northern Venture Trust and Northern 2 VCT. Valuation method: Cost. Dividends received during the year: Nil.



Interlube Systems Limited Plymouth

First investment:	August 2000	(First audited accounts will be for the period to 31 March 2001.)
Equity held:	17.6%	
Cost:	£880,000	
Valuation:	£880,000	

The company manufactures lubrication systems with applications in the automotive and industrial sectors. The business was acquired in a management buy-in/buy-out in August 2000 with £2 million of equity provided by Northern Venture Trust, Northern Investors Company and Northern 2 VCT. Valuation method: Cost. Dividends received during the year: Nil.

PrismTech Limited Gateshead



First investment:	June 2000	Year ended 31 March	2000	1999
Equity held:	3.6%		£000	£000
Cost:	£880,000			
Valuation:	£880,000	Sales	4,440	4,074
<p>The company is involved in the design and sale of software with applications in the customer relations market. Second round funding of £6 million was led by Northern Venture Managers with a total of £2 million provided by Northern Venture Trust, Northern Investors Company and Northern 2 VCT. Valuation method: Cost. Dividends received during the year: Nil.</p>		(Loss)/profit before tax	(311)	181
		Retained (loss)/profit	(311)	175
		Net assets	729	1,042

Prospect & Peachgate Group Limited Mitcham, Surrey



First investment:	April 1998	Year ended 31 March	1999	1998
Equity held:	17.5%		£000	£000
Cost:	£667,000			
Valuation:	£797,000	Sales	14,290	6,902
<p>The company undertakes contract flooring jobs for commercial customers. The business was acquired in a management buy-in in April 1998, with £1,000,000 of equity financing from Northern Venture Trust and Northern Investors Company. Valuation method: Multiple of earnings. Dividends received during the year: £38,000.</p>		Profit before tax	588	200
		Retained profit	318	152
		Net assets	3,234	2,916

Weldex (International) Offshore Limited Inverness



First investment:	May 1996	Year ended 30 November	1999	1998
Equity held:	15.0%		£000	£000
Cost:	£360,000			
Valuation:	£695,000	Sales	6,892	6,686
<p>Weldex is the UK's largest independent crawler crane hire company. Northern Venture Trust and Northern Investors Company provided £1.2 million of expansion finance in May 1996. Valuation method: Multiple of earnings. Dividends received during the year: £33,000.</p>		Profit before tax	367	487
		Retained profit	200	640
		Net assets	4,049	4,010

Directors' Report

The directors present their report and the audited financial statements for the year ended 30 September 2000.

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 has been listed on the London Stock Exchange since November 1995 and has been approved by the Inland Revenue as a Venture Capital Trust. The chairman's statement on pages 2 and 3 includes a review of developments during the year and of future prospects.

The company has been approved by the Inland Revenue as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30 September 1998 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 company was an investment company as defined in Section 266 of the Companies Act 1985 until 3 November 2000 when investment company status was revoked so as to permit the payment of a dividend out of capital profits.

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

Profit on ordinary activities after tax £5,552,000

Appropriated as follows:

Interim dividend paid - 1.0p per share	373,000
Final dividend proposed - 7.0p per share	2,871,000
Profit retained for the year	<u>2,308,000</u>
	<u>£5,552,000</u>

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 2000	1 October 1999
Sir Frederick Holliday <i>Chairman</i>	10,000	10,000
E M P Denny	50,000	30,000
J R Hustler	50,000	35,000
T R Levett	54,000	50,000
I C Ritchie	70,000	70,000
P S Scott	10,000	10,000

All of the directors' share interests shown above were held beneficially. There have been no changes in the directors' share interests between 30 September 2000 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 14 to the financial statements.

Brief biographical notes on the directors are given on page 4. 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. There were no amounts owing to trade creditors at 30 September 2000.

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 3 to the financial statements.

Mr E M P Denny and Mr T R Levett are executive directors of NVM and shareholders in its ultimate parent company Edinburgh Fund Managers Group plc.

Fixed assets

Movements in fixed asset investments during the year are set out in Note 9 to the financial statements.

Purchase and cancellation of own shares

During the year the company purchased for cancellation 5,000 of its own shares with a nominal value of £1,250, representing 0.01% of the called up share capital of the company, for a consideration of £5,000.

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.

Northern Venture Managers Limited and its employees (including Mr E M P Denny and Mr T R Levett) held a total of 345,200 shares, representing 0.84% 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 authority of the directors, in certain limited circumstances, to allot equity shares for cash otherwise than pro rata to existing shareholders, and
- renew the authority of the directors to make market purchases of the company's shares for cancellation.

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

9 November 2000



Corporate Governance

The company is committed to maintaining high standards in corporate governance. The directors consider that the company has throughout the year under review complied in all material respects with the provisions set out in Section 1 of the Combined Code on Corporate Governance published by the London Stock Exchange in June 1998.

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

The board has appointed three standing committees to make recommendations to the board in specific areas:

The **Audit Committee** (chaired by Mr J R Hustler) deals with matters relating to audit, financial reporting and internal control systems. The committee meets three times per year and has direct access to KPMG Audit Plc, the company's auditors.

The **Nomination Committee** (chaired by Miss P S Scott) considers the selection and appointment of directors and makes recommendations to the board as to the level of directors' fees. 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 Note 5 to the financial statements.

The **Management Engagement Committee** (chaired by Professor Sir Frederick Holliday) undertakes a periodic review of the terms of the management agreement with Northern Venture Managers Limited (NVM).

All of the directors have access to the advice and services of Mr C D Mellor, the company secretary, who has administrative responsibility for the meetings of the board and its committees. Directors may also take independent professional advice at the company's expense where necessary in the

performance of their duties. As all of the directors are non-executive, it is not considered appropriate to identify a member of the board as the senior non-executive director of the company.

The company's articles of association require that one third of the directors should retire by rotation each year and seek re-election at the annual general meeting, and that directors appointed by the board should seek re-appointment at the next annual general meeting. The board complies with the requirement of the Combined Code that all directors are required to submit themselves for re-election at least every three years. It is the board's policy that directors will retire from office at the conclusion of the next annual general meeting following their attaining the age of 70 years.

Internal control

In September 1999 the Turnbull Working Party on internal control published its guidance to listed companies in relation to reporting on internal control. Full compliance with this guidance is required for accounting periods ending on or after 23 December 2000. As permitted by the London Stock Exchange, by its letter dated 27 September 1999, the company has for the year ended 30 September 2000 complied with Provision D.2.1 of the Combined Code by reporting on internal financial control in accordance with the guidance issued by the Rutterman Working Group in December 1994.

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 misstatement 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 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 Asset Management and Chiswell Associates Limited.

The directors confirm that by means of the procedures set out above they have reviewed the effectiveness of the company's internal financial controls during the accounting period under review.

The directors consider that these procedures will enable the company to comply with the Turnbull Report guidance in respect of the year ending 30 September 2001.

Risk management

A statement of the company's principal objectives is given on page 1. In order to achieve these objectives the company invests its funds primarily in unlisted equity holdings, which by their nature may entail a higher degree of risk than investments in large listed companies. The directors aim to limit the risk attaching to the portfolio as a whole by careful selection of investments and by maintaining a wide spread of investments in terms of financing stage, industry sector and geographical location.

Management of the company's liquid funds is carried out by external managers in accordance with policy guidelines laid down and regularly reviewed by the directors. The company has not undertaken any borrowings or entered into any derivative transactions and does not expect to do so in the foreseeable future.

Going concern

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

Directors' responsibilities

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 2000 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.

Auditors' Report

TO THE MEMBERS OF NORTHERN VENTURE TRUST PLC

We have audited the financial statements on pages 21 to 33.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 19 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules (formerly the Yellow Book) regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the statement on page 18 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

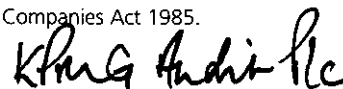
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 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 2000 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor



9 November 2000

Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, 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 (see note 1).

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 arm's-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.

Realised profits and losses on investments and permanent diminutions in value are dealt with in the profit and loss account.

Unrealised profits and losses on investments are dealt with in the revaluation reserve.

c Income

Investment income includes income tax withheld at source. Dividend income is shown net of any related tax credit, in accordance with Financial Reporting Standard 16 "Current taxation". This is a change from the previous accounting policy and the figures for the year ended 30 September 1999 have been re-stated so as to exclude tax credits of £70,000 which were previously included in both income and tax on ordinary activities.

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 the profit and loss account 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.

e Taxation

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.

Profit and Loss Account

for the year ended 30 September 2000

	Notes	Year ended 30 September 2000 £000	Year ended 30 September 1999 (re-stated) £000
Profit/(loss) on disposal of investments	9	4,955	(1,971)
Investment income	2	1,716	1,677
Investment management fee	3	(858)	(837)
Other expenses	4	(236)	(229)
Profit/(loss) on ordinary activities before tax		5,577	(1,360)
Tax on profit/(loss) on ordinary activities	6	(25)	(138)
Profit/(loss) on ordinary activities after tax		5,552	(1,498)
Dividends	7	(3,244)	(821)
Retained profit/(loss) for the financial year	15	2,308	(2,319)
Earnings/(loss) per share	8	14.7p	(4.0)p

- The accompanying notes are an integral part of this statement
- All items in the above statement derive from continuing operations

Statement of Total Recognised Gains and Losses

for the year ended 30 September 2000

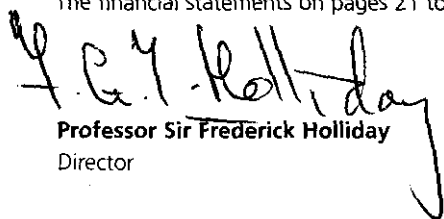
	Year ended 30 September 2000 £000	Year ended 30 September 1999 £000
Profit/(loss) on ordinary activities after tax	5,552	(1,498)
Unrealised gain/(loss) on revaluation of investments	13,961	(1,223)
Total recognised gains and losses for the year	19,513	(2,721)

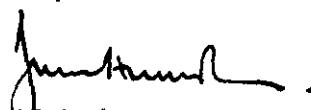
Balance Sheet

as at 30 September 2000

	Notes	30 September 2000 £000	30 September 1999 (re-stated) £000
Fixed assets			
Investments	9	<u>49,128</u>	<u>30,596</u>
Current assets			
Debtors	12	1,376	784
Cash at bank		<u>6,486</u>	<u>2,835</u>
		7,862	3,619
Creditors (amounts falling due within one year)	13	<u>(2,946)</u>	<u>(571)</u>
Net current assets		<u>4,916</u>	<u>3,048</u>
Net assets		<u>54,044</u>	<u>33,644</u>
Capital and reserves			
Called-up equity share capital	14	10,254	9,330
Share premium	15	13,668	10,457
Capital redemption reserve	15	1	—
Revaluation reserve	15	14,200	(41)
Profit and loss account	15	<u>15,921</u>	<u>13,898</u>
Total equity shareholders' funds		<u>54,044</u>	<u>33,644</u>
Net asset value per share	16	131.8p	90.1p

The financial statements on pages 21 to 33 were approved by the directors on 9 November 2000 and are signed on their behalf by:


Professor Sir Frederick Holliday
 Director


J.R. Hustler
 Director

Cash Flow Statement

for the year ended 30 September 2000

	Year ended 30 September 2000		Year ended 30 September 1999 (re-stated)	
	£000	£000	£000	£000
Operating activities				
Profit/(loss) on ordinary activities before tax		5,577		(1,360)
(Increase)/decrease in debtors		(541)		234
Increase/(decrease) in creditors		25		(37)
(Profit)/loss on disposal of investments		(4,955)		1,971
Net cash inflow from operating activities		106		808
Taxation				
Corporation tax paid		(75)		(328)
Financial investment				
Purchase of investments	(15,366)		(15,491)	
Sale/repayment of investments	15,750		15,573	
Net cash inflow from financial investment		384		82
Equity dividends paid				
		(895)		(971)
Financing				
Issue of ordinary shares	4,254		-	
Share issue expenses	(118)		-	
Purchase of ordinary shares for cancellation	(5)		-	
Net cash inflow from financing		4,131		-
Increase/(decrease) in cash at bank		3,651		(409)
Analysis of cash balance				
At 1 October 1999		2,835		3,244
Net cash inflow/(outflow) for the year		3,651		(409)
At 30 September 2000		6,486		2,835

Notes to the Financial Statements

for the year ended 30 September 2000

1 Change in the presentation of financial statements

The company is no longer an investment company as defined by Section 266 of the Companies Act 1985, as investment company status was revoked on 3 November 2000 in order to permit the distribution of capital profits.

The financial statements therefore include a statutory profit and loss account and a statement of total recognised gains and losses in accordance with Schedule 4 of the Companies Act 1985 and Financial Reporting Standard 3 "Reporting Financial Performance".

These statements differ from the statement of total return presented in prior periods as follows:

- realised profits and losses on disposal of investments and permanent diminutions in value are now included in the profit and loss account;
- unrealised profits and losses on revaluation are taken direct to the revaluation reserve and included in the statement of total recognised gains and losses; and
- all investment management fees, other expenses and taxation are charged to the profit and loss account.

The effect of the change in presentation has been to increase the profit on ordinary activities after tax, equivalent to the revenue return on ordinary activities after tax under the previous presentation, by £4,543,000 in respect of the year ended 30 September 2000 and to reduce the corresponding figure in respect of the year ended 30 September 1999 by £2,322,000, reflecting the gain or loss on disposal of investments, investment management fees and other expenses charged to the profit and loss account.

In the balance sheet, the revenue reserve, realised capital reserve and share purchase reserve presented in prior periods have been combined into the profit and loss account. The revaluation reserve records unrealised gains and losses on revaluation which were previously included in the unrealised capital reserve.

2 Income

	Year ended 30 September 2000	Year ended 30 September 1999 (re-stated)
	£000	£000
Franked investment income		
Unlisted companies	451	386
Listed companies	46	54
Interest receivable		
Government stocks and bonds	479	852
Bank deposits	156	128
Loans to unlisted companies	576	254
Sundry income	8	3
	<u>1,716</u>	<u>1,677</u>

3 Investment management fee

	Year ended 30 September 2000	Year ended 30 September 1999
	£000	£000
Investment management fee	730	712
Irrecoverable VAT thereon	128	125
	<u>858</u>	<u>837</u>

Northern Venture Managers Limited (NVM) provides investment management and secretarial services to the company under a management agreement which ran 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 £39,000 per annum (linked to the movement in the RPI), which is included in other expenses (Note 4).

Notes to the Financial Statements continued

for the year ended 30 September 2000

4 Other expenses

	Year ended 30 September 2000 £000	Year ended 30 September 1999 £000
Administrative and secretarial services	39	38
Directors' remuneration (Note 5)	59	53
Auditors' remuneration – audit services	9	9
-- non-audit services	6	3
Legal and professional expenses	28	33
Irrecoverable VAT	24	23
Other expenses	71	70
	<u>236</u>	<u>229</u>

5 Directors' remuneration

	Year ended 30 September 2000 £000	Year ended 30 September 1999 £000
Fees paid to directors	46	29
Amounts paid to third parties in consideration for the services of directors	13	24
	<u>59</u>	<u>53</u>

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

	£	£
Sir Frederick Holliday (Chairman)	15,500	15,500
E M P Denny	6,250	–
J R Hustler	12,500	12,500
T R Levett	–	–
I C Ritchie	12,500	12,500
P S Scott	12,500	12,500

None of the directors received any other remuneration or benefit during the year. Mr T R Levett waived his entitlement to directors' fees for the year and Mr E M P Denny waived his entitlement for the period from 1 October 1999 to 31 March 2000.

Mr E M P Denny and Mr T R Levett are potential beneficiaries under the Subscription Rights Agreement referred to in Note 14.

6 Tax on profit/(loss) on ordinary activities

	Year ended 30 September 2000	Year ended 30 September 1999 (re-stated)
	£000	£000
Corporation tax payable	25	71
Advance corporation tax written off	—	67
	<u>25</u>	<u>138</u>

7 Dividends

	Year ended 30 September 2000	Year ended 30 September 1999
	£000	£000
Interim paid – 1.0p (1999 0.8p) per share	373	299
Final proposed – 7.0p (1999 1.4p) per share	2,871	522
	<u>3,244</u>	<u>821</u>

8 Earnings per share

The return per share is based on profit on ordinary activities after tax of £5,552,000 (1999 loss of £1,498,000) and on 37,863,725 (1999 37,321,396) shares, being the weighted average number of shares in issue during the year.

9 Fixed asset investments

	30 September 2000	30 September 1999
	£000	£000
Venture capital investments – unlisted	22,502	17,374
– listed	18,818	3,974
Listed fixed-interest investments	7,808	9,248
	<u>49,128</u>	<u>30,596</u>

Notes to the Financial Statements continued

for the year ended 30 September 2000

9 Fixed asset investments (continued)

Movements in investments during the year are summarised as follows:

	Venture capital	Venture capital	Listed	Total
	– unlisted	– listed	fixed-interest	
	£000	£000	£000	£000
Book cost at 1 October 1999	16,665	4,474	9,498	30,637
Unrealised appreciation at 1 October 1999	709	(500)	(250)	(41)
Valuation at 1 October 1999	17,374	3,974	9,248	30,596
Movements in the year:				
Purchases at cost	8,468	1,756	5,142	15,366
Disposals – proceeds	(2,045)	(7,005)	(6,700)	(15,750)
– realised profits less losses on disposal	(145)	5,061	39	4,955
Increase/(decrease) in unrealised appreciation	(1,150)	15,032	79	13,961
Valuation at 30 September 2000	22,502	18,818	7,808	49,128
Book cost at 30 September 2000	22,503	4,502	7,923	34,928
Unrealised appreciation at 30 September 2000	(1)	14,316	(115)	14,200
	22,502	18,818	7,808	49,128

Disposals of investments during the year were as follows:

	Disposal proceeds	Carrying value prior to disposal	Profit/(loss) on disposal
	£000	£000	£000
Alizyme plc*	225	71	154
Astral Finishes Limited	–	350	(350)
BioFocus plc*	1,420	445	975
IndigoVision Group plc*	3,302	341	2,961
Market Link Publishing plc	260	244	16
Scipher plc	808	444	364
XKO Group plc*	1,114	550	564
Listed fixed interest portfolio	6,700	6,661	39
Others	1,921	1,689	232
	15,750	10,795	4,955

*part disposal

At 30 September 2000 there were commitments totalling £3,140,000 (1999 £685,000) in respect of investments approved by the board but not yet completed.

10 Unlisted investments

The cost and carrying value of material investments in unlisted companies held at 30 September 2000 are shown below. For this purpose any unlisted investment included in the table of the fifteen largest equity investments on page 10 or in the corresponding table in the previous year's annual report is regarded as material.

	30 September 2000		30 September 1999	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
CGI International Limited				
Ordinary shares	103	642	103	103
Redeemable preference shares	897	897	897	897
	<u>1,000</u>	<u>1,539</u>	<u>1,000</u>	<u>1,000</u>
Remsdaq Limited				
Ordinary shares	236	806	236	938
Redeemable preference shares	307	307	367	367
Loan stock	397	397	397	397
	<u>940</u>	<u>1,510</u>	<u>1,000</u>	<u>1,702</u>
Claremont Business Environment (Europe) Limited				
Ordinary shares	188	757	188	594
Redeemable preference shares	375	375	500	500
	<u>563</u>	<u>1,132</u>	<u>688</u>	<u>1,094</u>
TFB Group Limited				
Ordinary shares	167	167	167	167
Loan stock	833	833	833	833
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Tolwood Limited				
Ordinary shares	200	200	-	-
Loan stock	800	800	-	-
	<u>1,000</u>	<u>1,000</u>	-	-
Four D Rubber Company Limited				
Ordinary shares	67	242	67	67
Redeemable preference shares	420	420	420	420
Loan stock	333	333	333	333
	<u>820</u>	<u>995</u>	<u>820</u>	<u>820</u>
T&D Packaging Limited				
Ordinary shares	300	300	-	-
Loan stock	600	600	-	-
	<u>900</u>	<u>900</u>	-	-
PrismTech Limited				
Ordinary shares	587	587	-	-
Loan stock	293	293	-	-
	<u>880</u>	<u>880</u>	-	-
Interlube Systems Limited				
Ordinary shares	88	88	-	-
Loan stock	792	792	-	-
	<u>880</u>	<u>880</u>	-	-
Prospect & Peachgate Group Limited				
Ordinary shares	333	463	333	546
Loan stock	334	334	334	334
	<u>667</u>	<u>797</u>	<u>667</u>	<u>880</u>

Notes to the Financial Statements continued

for the year ended 30 September 2000

10 Unlisted investments (continued)

	30 September 2000		30 September 1999	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Weldex (International) Offshore Limited				
Ordinary shares	200	535	200	506
Redeemable preference shares	160	160	240	240
	<u>360</u>	<u>695</u>	<u>440</u>	<u>746</u>
Newall International Limited				
Ordinary shares	68	68	68	68
Loan stock	607	607	607	607
	<u>675</u>	<u>675</u>	<u>675</u>	<u>675</u>
C&D Industrial Services Limited				
Ordinary shares	100	548	100	828
Redeemable preference shares	111	111	185	185
	<u>211</u>	<u>659</u>	<u>285</u>	<u>1,013</u>
Highland Timber plc				
Convertible loan stock	600	600	600	600
SECO Aluminium Limited				
Ordinary shares	75	534	75	524
Redeemable preference shares	-	-	35	35
	<u>75</u>	<u>534</u>	<u>110</u>	<u>559</u>
T&R Precision Engineers Limited				
Ordinary shares	36	36	36	36
Redeemable preference shares	248	248	248	248
Loan stock	249	249	249	249
	<u>533</u>	<u>533</u>	<u>533</u>	<u>533</u>
Astral Finishes Limited				
Ordinary shares	-	-	233	-
Loan stock	-	-	467	350
	<u>-</u>	<u>-</u>	<u>700</u>	<u>350</u>

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

Additional information relating to investments in unlisted companies is given on pages 10 to 15.

11 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
Ai Qualitek Limited	Ordinary (10p)	44,000	17.6%
	Redeemable preference	220,000	44.0%
Avel Lindberg Group Limited	Ordinary (10p)	100,000	21.0%
	Redeemable preference	400,000	66.7%
Barony Universal Products plc	Ordinary (10p)	205,800	20.6%
Box-Carton Limited	Ordinary	43,235	24.5%
	Redeemable preference	315,000	50.0%
C&D Industrial Services Limited	Ordinary (10p)	500,000	20.0%
	Redeemable preference	111,000	50.0%
CGI International Limited	A ordinary	103,333	19.2%
	Redeemable preference (1p)	896,667	24.6%
Chorus Application Software Limited	Ordinary	37,252	18.7%
Claremont Business Environments (Europe) Limited	Ordinary (10p)	107,226	20.3%
	Redeemable preference	375,000	62.5%
Corsair Manufacturing Limited	Ordinary (10p)	10,540	13.0%
	Redeemable preference	120,000	25.0%
CQC Limited	Ordinary (10p)	28,667	17.2%
Dragon Coal Corporation Limited	Ordinary (10p)	169,336	28.2%
	Redeemable preference	166,667	66.7%
	B redeemable preference	50,000	66.7%
Four D Rubber Company Limited	Ordinary	36,667	29.3%
	Deferred	5,833	66.7%
	A redeemable preference	420,000	66.7%
Harrier Packaging Limited	Ordinary (10p)	121,648	15.0%
Intec Holdings Limited	B ordinary (10p)	66,667	26.7%
Interlube Systems Limited	Ordinary	88,000	17.6%
Interlux Limited	A ordinary	25,927	13.3%
	Redeemable preference	133,500	22.2%
Manby Park Westropp Limited	Ordinary	109,311	24.9%
	Deferred	600,000	33.3%
Newall International Limited	Ordinary	26,250	15.8%
Ormolu Group Limited	Ordinary (10p)	20,000	20.0%
Profile Public Relations Limited	Ordinary	4,444	16.7%
	A redeemable preference	338,890	66.7%
Prospect & Peachgate Group Limited	Ordinary (25p)	166,667	17.5%
Remsdaq Limited	Ordinary (50p)	91,319	27.5%
	Redeemable preference	305,679	61.0%
SECO Aluminium Limited	B ordinary	10,228	11.3%
	Redeemable preference	35,000	25.0%
Shalibane plc	Ordinary (5p)	725,454	11.6%
	Redeemable preference	2,666,670	23.5%
SML Technologies Limited	Ordinary	62,857	16.7%
	Redeemable preference	75,000	50.0%
SMP Multi-Shot Limited	Ordinary (10p)	42,274	22.3%
SP Offshore Composites Limited	Ordinary	33,175	33.2%
T&D Packaging Limited	Ordinary (10p)	182,601	18.3%
T&R Precision Engineers Limited	Ordinary (50p)	35,897	23.3%
	Redeemable preference	248,718	66.7%
TFB Group Limited	Ordinary (10p)	83,333	20.8%
Thomsons World of Furniture Limited	A ordinary (1p)	28,856	11.5%
	Redeemable preference (1p)	408,712	30.0%
Tolwood Limited	Ordinary	72,000	16.0%
Tomburn Limited	Ordinary (10p)	10,416	12.5%
	Redeemable preference	50,000	50.0%
Union Snack Limited	Ordinary (10p)	77,610	10.6%
Weldex (International) Offshore Limited	Ordinary	3,711	15.0%
	Redeemable preference	160,000	50.0%

Notes to the Financial Statements continued
for the year ended 30 September 2000

12 Debtors

	30 September 2000 £000	30 September 1999 £000
Prepayments and accrued income	943	418
Corporation tax recoverable	433	366
	<u>1,376</u>	<u>784</u>

13 Creditors (amounts falling due within one year)

	30 September 2000 £000	30 September 1999 £000
Trade creditors and accruals	75	49
Proposed dividend	2,871	522
	<u>2,946</u>	<u>571</u>

14 Called-up equity share capital

	30 September 2000 £000	30 September 1999 £000
Authorised: 50,000,000 ordinary shares of 25p	12,500	12,500
Allotted and fully paid: 41,016,396 (1999 37,321,396) ordinary shares of 25p	10,254	9,330

Under the terms of a Subscription Rights Agreement dated 5 October 1995, certain executives of Northern Venture Managers Limited may become entitled to subscribe for new ordinary shares provided that a performance target is achieved, i.e. if the mid-market price of an ordinary share on 31 October in 2001 or a subsequent year exceeds an amount equal to 100p less the cumulative gross amount of distributions and adjusted in line with the movement in the FTSE 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 subscribers. The Agreement contains similar provisions in respect of subsequent share issues.

15 Reserves

	Share premium £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
At 1 October 1999	10,457	-	(41)	13,898
Premium on issue of ordinary shares	3,339	-	-	-
Share issue expenses	(128)	-	-	-
Shares purchased for cancellation	-	1	-	(5)
Net increase in unrealised appreciation	-	-	13,961	-
Previously recognised losses now realised	-	-	280	(280)
Retained profit for the year	-	-	-	2,308
At 30 September 2000	<u>13,668</u>	<u>1</u>	<u>14,200</u>	<u>15,921</u>

16 Net asset value per share

The calculation of net asset value per share as at 30 September 2000 is based on net assets of £54,044,000 (1999 £33,644,000) divided by the 41,016,396 (1999 37,321,396) ordinary shares in issue.

17 Reconciliation of movements in equity shareholders' funds

	Year ended 30 September 2000 £000	Year ended 30 September 1999 £000
Profit/(loss) on ordinary activities after tax	5,552	(1,498)
Dividends	(3,244)	(821)
Profit/(loss) retained for the year	2,308	(2,319)
Other recognised gains and losses	13,961	(1,223)
Net proceeds of share issues	4,136	-
Shares purchased for cancellation	(5)	-
Net increase/(decrease) in shareholders' funds	20,400	(3,542)
Shareholders' funds at 1 October 2000	33,644	37,186
Shareholders' funds at 30 September 2000	54,044	33,644

Unaudited Statement of Total Return

for the year ended 30 September 2000

A pro forma statement of total return in the form set out in the Statement of Recommended Practice "Financial statements of investment trust companies" is shown below for the information of shareholders.

	Year ended 30 September 2000			Year ended 30 September 1999		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains/(losses) on investments	-	18,916	18,916	-	(3,194)	(3,194)
Income	1,716	-	1,716	1,677	-	1,677
Investment management fee	(343)	(515)	(858)	(335)	(502)	(837)
Other expenses	(236)	-	(236)	(229)	-	(229)
Return on ordinary activities before tax	1,137	18,401	19,538	1,113	(3,696)	(2,583)
Tax on ordinary activities	(128)	103	(25)	(289)	151	(138)
Return on ordinary activities after tax	1,009	18,504	19,513	824	(3,545)	(2,721)
Dividends	(943)	(2,301)	(3,244)	(821)	-	(821)
Transfer to/(from) reserves	66	16,203	16,269	3	(3,545)	(3,542)
Return per share	2.7p	48.8p	51.5p	2.2p	(9.5)p	(7.3)p

Notice of Annual General Meeting

Notice is hereby given that the fifth annual general meeting of Northern Venture Trust PLC will be held at The Balmoral Hotel, 1 Princes Street, Edinburgh at 11.30am on Wednesday 13 December 2000 for the following purposes:

As ordinary business

- 1 To receive, consider and adopt the financial statements for the year ended 30 September 2000 and the directors' and auditors' reports thereon.
- 2 To declare a final dividend of 7.0p per share.
- 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

To consider and, if thought fit, to pass the following resolutions, which will be proposed in the case of resolution 7 as an ordinary resolution and in the case of resolutions 8 and 9 as special resolutions of the company:

- 7 That, pursuant to Article 98(a) of the Articles of Association of the company, the aggregate ordinary remuneration of the directors of the company shall until otherwise determined be an amount not exceeding £100,000.
- 8 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 7 passed at the annual general meeting of the company held on 15 December 1998 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 paragraph a or b above) of equity securities up to an aggregate nominal value of £1,025,409

Notice of Annual General Meeting continued

and shall expire on the conclusion of the next annual general meeting of the company after the passing of this resolution or, if earlier, on the expiry of 15 months from 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.

- 9 That the company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of Section 163(3) of that Act) on the London Stock Exchange Limited of ordinary shares of 25p each in the capital of the company provided that:
- a the maximum number of ordinary shares hereby authorised to be purchased is 4,101,639, representing 10% of the company's issued ordinary share capital;
 - b the minimum price which may be paid for an ordinary share shall be 25p per share;
 - c the maximum price which may be paid for an ordinary share shall be not more than the lower of (i) net asset value per share and (ii) 105% of the average of the middle market quotations for an ordinary share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary shares are purchased; and
 - d unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the conclusion of the next annual general meeting of the company or, if earlier, on the expiry of 15 months from 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

9 November 2000

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.
- 2 To be valid, a form of proxy together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be received by the company at its registered office not later than 11.30 am on Monday 11 December 2000.
- 3 The company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered in the register of members of the Company as at 6.00 pm on Tuesday 12 December 2000 shall be entitled to attend or vote (whether on a show of hands or on a poll) at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after 6.00 pm on Tuesday 12 December 2000 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 4 None of the directors has a contract of service with the company. The register of directors' interests will be available for inspection on the day of the above meeting, at the place of the meeting, from at least 15 minutes prior to the meeting until its conclusion.

Proxy Form

NORTHERN VENTURE TRUST PLC

Annual General Meeting – 13 December 2000

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 fifth annual general meeting of the company to be held on 13 December 2000, notice of which was sent to shareholders with the directors' report and the financial statements for the year ended 30 September 2000, 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 the financial statements for the year ended 30 September 2000 | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 | To declare a final dividend of 7.0p per share | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 | To re-elect Professor Sir Frederick Holliday as a director | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 | To re-elect Mr J R Hustler as a director | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 | To re-appoint KPMG Audit Plc as auditors and authorise the directors to fix their remuneration | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 | To determine the maximum aggregate ordinary remuneration of the directors | <input type="checkbox"/> | <input type="checkbox"/> |
| 8 | To disapply Section 89 of the Companies Act 1985 in relation to certain allotments of equity securities | <input type="checkbox"/> | <input type="checkbox"/> |
| 9 | To authorise the company to make market purchases of ordinary shares in accordance with Section 166 of the Companies Act 1985 | <input type="checkbox"/> | <input type="checkbox"/> |

Signed: Date:2000

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 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, together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be received at the registered office of the company, Northumberland House, Princess Square, Newcastle upon Tyne, NE1 8ER, not later than 11.30 am on Monday 11 December 2000.

Attendance indication

Shareholders who intend to attend the annual general meeting are requested to place a tick in the box below in order to assist with administrative arrangements.

I intend to attend the annual general meeting at 11.30 am on Wednesday 13 December 2000 at The Balmoral Hotel, Edinburgh

Signed: Date:2000



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

12 006

Northern Venture Trust PLC

Northumberland House
Princess Square
Newcastle upon Tyne
NE1 8ER

Tel: 0191 244 6000
Fax: 0191 244 6001
E-mail: nvt@nvm.co.uk
Web: www.nvm.co.uk