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2002

Northern Venture Trust PLC

Annual Report and Accounts 30 September 2002

Contents

Northern Venture Trust is a Venture Capital Trust (VCT) managed by Northern Venture Managers. The trust was one of the first VCTs launched on the London Stock Exchange and has to date raised a total of £44 million from private investors. It invests mainly in unquoted venture capital situations and aims to provide high long-term returns to shareholders through a combination of dividend yield and capital growth.

Financial Summary

Year ended 30 September	**2002**	2001
Net assets	**£32,632,000**	£37,490,000
Net asset value per share	**80.1p**	91.0p
Profit/(loss) on ordinary activities before tax:		
Revenue	**£846,000**	£1,105,000
Capital	**£(696,000)**	£(3,090,000)
Earnings/(loss) per share:		
Revenue	**1.8p**	2.1p
Capital	**(1.4)p**	(7.0)p
Dividend per share:		
Revenue	**2.0p**	2.0p
Capital	**—**	1.5p
Cumulative dividends per share since launch	**27.0p**	25.0p

Net asset value per share
As at 30 September

99.6p	**90.1p**	**131.8p**	**91.0p**	**80.1p**
1998	1999	2000	2001	2002

Dividend per share
Year ended 30 September

3.8p	**2.4p**	**8.0p**	**3.5p**	**2.0p**
1998	1999	2000	2001	2002

Chairman's Statement

Professor Sir Frederick Holliday

During the past year our company has continued operating in an environment hostile to the type of smaller growth company in which venture capital trusts invest. The stock markets have seen further significant falls and the UK economy has suffered from continuing uncertainty, despite the fall in interest rates to a 40 year low. These factors have inevitably affected the valuation of our investments, but the 12% fall in net asset value over the year was substantially less than the 23% fall in the FTSE All-Share index over the same period and we have been able to maintain the revenue dividend of 2.0p per share at the same level as last year.

Net asset value

The net asset value per share at 30 September 2002 was 80.1p. It should be borne in mind that this figure is stated net of capital distributions totalling 7.2p per share which were made in 2000 and 2001. The table below shows the movement in the company's net asset value and share price over the past five years compared with the relevant stock market indices.

Whilst it is disappointing to report a fall in the value of net assets, the portfolio has held up well under the circumstances. Some of our investee companies have made slower progress than might have been expected, and it has been difficult to achieve profitable exits from investments, but we have always made a point of investing in cash-generative "old economy" businesses as well as the IT, telecoms and biotechnology sectors, and this diversification has stood us in good stead.

Earnings and dividend

Total earnings per share for the year amounted to 0.4p, compared with a loss of 4.9p in the preceding year. Comparisons between periods are difficult because realised gains (net of any previously unrealised revaluation adjustments) are included in the earnings figures, under the accounting rules which we are obliged to follow now that our company is no longer an "investment company" as defined by the Companies Act 1985. The Profit and Loss Account and Statement of Total Recognised Gains and Losses for the year are set out on page 20; we would have preferred to replace these with a Statement of Total Return in the format generally used by investment trusts, but we have been advised that this would not be an allowable departure from Companies Act requirements. The annual report again includes a pro forma Statement of Total Return (page 32) which does not form part of the audited accounts but which we hope will assist shareholders' understanding of the company's overall performance during the year.

The revenue element of earnings per share was 1.8p, down from 2.1p in the preceding year. Investment income was down by 21%, mainly due to the general fall in interest rates: the base rate remained at 4% for almost all of the year whereas in the preceding year it varied between 4.75% and

Periods to 30 September 2002:	Net asset value	Share price	FTSE All-Share index	FTSE Small Cap (excl Inv Cos) index
Six months	–14.7%	–6.3%	–29.6%	–29.1%
One year	–12.0%	–6.3%	–23.0%	–16.1%
Three years	–11.1%	+3.4%	–36.3%	–32.3%
Five years	–20.1%	–21.1%	–26.6%	–22.2%

6%. The revenue dividend is maintained at 2.0p per share, including the final dividend of 1.0p which will be paid on 20 December 2002. Regrettably there are no realised capital gains available for distribution this year.

Including the proposed final dividend, subscribers in the original share issue in 1995 will have received cash dividends (including repayable tax credits) of 27p per share. An investor claiming initial income tax relief at 20% and capital gains tax deferral at 40% will therefore have received well over half his net investment back by way of dividend.

Investment portfolio

The Investment Manager's Review on pages 7 and 8 gives details of developments in the investment portfolio during the year. Additions to venture capital investments during the year amounted to £4.6 million and sale proceeds were £2.8 million. At 30 September 2002 the venture capital portfolio comprised 59 holdings with an aggregate value of £27.2 million. We are encouraged by the quality of the continuing flow of new investment opportunities generated by our managers.

The portfolio of listed fixed-interest and equity holdings managed by Chiswell Associates was valued at £6.2 million at the year end and is producing a useful income yield of over 4%. We have decided to reduce the amount allocated to fixed-interest securities within this portfolio by approximately £1 million in order to take advantage of venture capital investment opportunities, and will continue to keep the overall position under review. The £2 million overdraft facility which we have arranged with Bank of Scotland will give us additional flexibility in balancing the flows of cash to and from the unlisted portfolio.

VCT qualifying status

The company's compliance with the VCT qualifying investment conditions laid down by the Inland Revenue continues to be monitored carefully, and we are satisfied that the company continues to meet the relevant requirements. We have recently appointed PricewaterhouseCoopers to act as specialist advisors to the board on matters relating to VCT status.

Shareholder issues

During the year the company bought back and cancelled a total of 495,500 ordinary shares, equivalent to 1.2% of the issued share capital at the start of the year, at an average price of 74p. This has marginally enhanced the net asset value attributable to the remaining shares.

The share price has been volatile in recent months and has at times been quoted at a discount of over 30% to the underlying net asset value, with a wide spread between bid and offer prices. This is understandably frustrating for shareholders and our managers have continued, in conjunction with other VCT management firms, to examine possible ways of improving the liquidity of VCT shares in the secondary market. In the meantime we will continue to buy shares back in the market when appropriate and we will be asking shareholders to renew the directors' authority to purchase shares at the forthcoming annual general meeting.

Future prospects

Our company has had another difficult year and has emerged from it in reasonably good shape. We have a maturing portfolio of venture capital holdings which should present opportunities for profitable disposals once the UK economy and the stock markets begin to pick up. However the short-term outlook does remain uncertain and we will continue to concentrate on effective management of the portfolio and careful selection of additional investments.

Professor Sir Frederick Holliday

Chairman

Directors

Professor Sir Frederick Holliday CBE FRSE (Chairman), aged 67, is chairman of Northumbrian Water Group PLC and a non-executive director of Northern 2 VCT PLC, Ondeo Services UK plc 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 59, is the chairman of Northern Venture Managers Limited and was previously North-East region director of the National Enterprise Board. He is a non-executive director of Northern Investors Company PLC, Northern 2 VCT PLC, Deep-Sea Leisure PLC and Postern Fund Management Limited and is a past chairman of the British Venture Capital Association.

John Hustler FCA MSI, aged 56, 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 chairman of Northern 3 VCT PLC and a non-executive director of ATA Group plc and of a number of other companies.

Tim Levett MBA, aged 53, is the investment director of Northern Venture Managers Limited. He is a non-executive director of Northern 3 VCT PLC and of several unquoted companies.

Ross Peters MA, aged 59, was a director of Murray Johnstone Limited for fifteen years and chief executive and founder of their venture capital activities. He formed Stevenson Stewart, an advisor to technology based companies, in 1992. He is a non-executive director of a number of other public and private companies.

Primrose Scott CA, aged 62, 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.

Advisers

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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 £44 million.

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 four other listed investment companies, Northern Investors Company PLC, Northern 2 VCT PLC, Northern AIM VCT PLC and Northern 3 VCT PLC, and has a total of over £140 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

Northern Venture Trust PLC has been 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. 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 2003 is as follows:

May 2003	Interim report for half year to 31 March 2003 published
June 2003	Interim dividend paid
November 2003	Final dividend and preliminary results for year to 30 September 2003 announced; annual report and financial statements published
December 2003	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 FT-SE Actuaries classification is "Investment Companies".

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

Investment activity

During the year to 30 September 2002 Northern Venture Trust completed eight new venture capital investments at a total cost of £3.0 million. 12 existing investments received follow-on funding totalling £1.6 million.

The new investments completed during the year were:

- **Stainton Metal Company** (£250,000) - manufacturer of metal masts and lighting poles, Stockton-on-Tees
- **John Fredericks Plastics** (£782,000) - manufacturers of uPVC doors, windows and conservatories, Huddersfield
- **W M Engineering** (£660,000) - provider of asset and plant management support services, Manchester
- **West's Engineering Design** (£495,000) - project management and engineering design for process industries, Darlington
- **IRIS Technology** (£198,000) - remote telemetry data transmission systems, Aberdeen
- **Keith Prowse** (£500,000) - providers of corporate hospitality services, London
- **Oxonica** (£62,000) - developer of nanomaterials technology, Oxford
- **LiquidLogic** (£100,000) - software for business management applications, Leeds

Investment activity was again concentrated in the first half of the financial year, with the second half of the year characterised both by economic uncertainty and by over-pricing of potential new investments. In more recent months the private company market has seen a more realistic valuation environment and we continue to receive a good flow of new opportunities.

Portfolio review

The venture capital investment portfolio at 30 September 2002 comprised 59 holdings with an aggregate value of £27.2 million. A listing of the holdings in the portfolio is given on page 9, with information on the fifteen largest investments on pages 10 to 14. The charts at the foot of pages 7 and 8 give an analysis of the portfolio by age, industry sector, financing stage and whether listed or unlisted.

As in the preceding year, portfolio performance was significantly affected by the decline in the stock markets, with ten of our venture capital investments listed on the London Stock Exchange or the Alternative Investment Market. Four of these holdings (**Deep-Sea Leisure**, **ComputerLand UK**, **ATA Group** and **XKO Group**) actually achieved a marginal improvement in valuation over the year and three others (**BioFocus**, **Bank Restaurant Group** and **Warthog**) suffered modest falls. However **Alizyme**, despite reporting good progress with its portfolio of drug development projects, saw its share price fall by almost 40% and **IndigoVision Group**, a major success in earlier years, fell by 76% in the wake of trading figures which disappointed the market. Since IndigoVision's flotation on the London Stock Exchange in August 2000 most of our holding has been progressively sold, producing total cash proceeds of £7.1 million from our original investment of £0.8 million. The holding in **Mission Testing** was sold in September 2002 following an agreed cash bid by Capita Group at 80p, against an original cost in December 2000 of 220p.

A summary of investment disposals during the year is given in Note 12 on page 29; the overall loss realised against original cost was £1.9 million, but after allowing for provisions already made in previous years the realised loss recognised in the year was only £26,000. Market conditions were generally unhelpful to the achievement of investment disposals and only the sale of **Ai Qualitek** to a North American purchaser generated proceeds in excess of £0.5 million. We also exited from **Tomburn**, **Ormolu Group**, **XtraServe** and **Profile Public Relations**.

The company's unlisted investments have generally made reasonable progress given the economic background. Our largest holdings, **CGI International** and **T J Brent**, have continued to do extremely well. At the other end of the range, inevitably some provisions have been necessary against investments which have not met original expectations.

VCT qualifying status

The company's ongoing compliance with the Inland Revenue's conditions for VCT approval is closely monitored by NVM and the board, and PricewaterhouseCoopers have been retained to report periodically to the board on VCT status. The main continuing requirement is that not less than 70% of the value of the company's investments should comprise qualifying holdings. We consider that at 30 September 2002 the company continued to meet the relevant qualifying holding requirements.

Valuation policy

Unlisted investments are valued in accordance with the accounting policy set out on page 23, which follows the guidelines laid down by the British Venture Capital Association. Where an investee company is significantly under-performing, its value is written down by between 25% and 100% as soon as possible. Investments are not normally revalued upwards within 12 months of acquisition, and revaluations resulting from earnings performance are based on audited historic figures rather than on prospective results.

As at 30 September 2002 the number of investments falling into each valuation category was as follows:

Category	Number of investments
Listed investments at market value:	
London Stock Exchange	3
Alternative Investment Market	6
Unlisted investments:	
at cost	30
at cost less provision	11
at valuation based on third party transaction	2
at valuation based on historic earnings	7
Total	**59**

Outlook

Economic prospects remain uncertain, with only modest growth forecast by most analysts for 2002 and 2003. The UK economy has benefited recently from strong public sector and consumer spending, but it cannot be assumed that this will continue indefinitely. We are therefore taking a cautious approach to new investment and are focussing on businesses with strong market positions and good cash flow generation. The portfolio continues to be closely managed and we believe that there is good upside potential to be realised when conditions in the economy and the financial markets improve.

Alastair Conn
Managing Director,
Northern Venture Managers Limited

Investment Portfolio

as at 30 September 2002

	Cost £000	Valuation £000	% of net assets by value
Fifteen largest investments (see pages 10 to 14)			
CGI International	631	2,110	6.5
T J Brent	1,000	1,549	4.7
Weldex (International) Offshore	200	1,050	3.2
Tolwood	1,000	1,000	3.1
TFB Group	1,000	1,000	3.1
BioFocus**	191	939	2.9
Cyclacel	683	904	2.8
T&D Packaging	900	900	2.8
Remsdaq	878	878	2.7
DxS	835	835	2.6
John Fredericks Plastics	782	782	2.4
Alizyme*	934	741	2.3
Chorus Application Software	735	735	2.2
SML Technologies	584	730	2.2
Interlube Systems	959	719	2.2
	11,312	**14,872**	**45.7**
Other venture capital investments			
Prospect & Peachgate Group	667	667	2.0
W M Engineering	660	660	2.0
Alaric Systems	1,303	652	2.0
Bowman Power	618	618	1.9
Highland Timber	600	600	1.8
BBI Holdings	529	529	1.6
Keith Prowse	500	500	1.5
West's Engineering Design	495	495	1.5
T&R Precision Engineers	460	460	1.4
Arrow Therapeutics	440	440	1.3
CLM Building Services	440	440	1.3
Union Snack	121	422	1.3
DMN Installations	250	413	1.3
Intec Holdings	387	387	1.2
Box-Carton	385	385	1.2
ComputerLand UK**	535	363	1.1
Vectura	345	345	1.1
Stainton Metal Company	250	334	1.0
PrismTech	1,308	327	1.0
Barony Universal Products	315	315	1.0
ATA Group**	435	308	0.9
Cedalion	300	300	0.9
Metris Therapeutics	285	285	0.9
Others (valuation less than £250,000)	6,705	2,048	6.3
Total venture capital investments	**29,645**	**27,165**	**83.2**
¤375,000 Government of Canada 5.5% bonds 2009	227	242	0.8
£320,000 DEPFA 7.125% bonds 2003	325	330	1.0
£295,000 Halifax 6.5% bonds 2004	299	305	0.9
£295,000 AIG SunAmerica 6.5% bonds 2004	301	308	0.9
£252,000 Treasury 5% stock 2012	257	264	0.8
£240,000 Treasury 8% stock 2013	300	315	1.0
£225,000 Treasury 6.25% stock 2010	243	254	0.8
£200,000 Treasury 8.5% stock 2007	230	237	0.7
£170,000 Treasury 8% stock 2015	219	230	0.7
¤128,500 Bundesobligation 4.25% bonds 2004	88	83	0.3
Listed fixed-interest investments	**2,489**	**2,568**	**7.9**
Other listed investments	**5,602**	**3,677**	**11.3**
Total fixed asset investments	**37,736**	**33,410**	**102.4**
Net current liabilities		(778)	(2.4)
Net assets		**32,632**	**100.0**

* Listed on London Stock Exchange

** Listed on Alternative Investment Market

Fifteen Largest Venture Capital Investments

CGI INTERNATIONAL LIMITED

Cost	**£631,000**
Valuation	**£2,110,000**
Basis of valuation	Earnings multiple
Equity held	17.2%
Business/location	Manufacture of fire-resistant and safety glass, Warrington
History	Management buy-out from Colebrand of London, February 1999, led by Dunedin Capital
Other NVM funds investing	Northern Investors Company
Dividends in year	£56,000

Audited financial information:

Year ended 31 December	**2001 £m**	2000 £m
Sales	**7.6**	7.2
Profit before tax	**1.8**	1.5
Retained profit	**0.8**	0.7
Net assets	**5.3**	5.2

T J BRENT LIMITED

Cost	**£1,000,000**
Valuation	**£1,549,000**
Basis of valuation	Earnings multiple
Equity held	8.5%
Business/location	Sub-contract civil engineering services to utility companies, Bodmin
History	Management buy-out from Pennon Group, December 2000, led by NVM
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern AIM VCT
Dividends in year	Nil

Audited financial information:

Year ended 31 March	**2002 £m**	2001* £m
Sales	**63.8**	16.7
Profit/(loss) before tax	**0.8**	(0.2)
Retained profit	**0.3**	—
Net assets	**1.7**	0.9

*3 months ended 31 March 2001

WELDEX (INTERNATIONAL) OFFSHORE LIMITED

Cost	**£200,000**
Valuation	**£1,050,000**
Basis of valuation	Earnings multiple
Equity held	15.0%
Business/location	Crawler crane hire company, Inverness
History	Development capital investment in May 1996
Other NVM funds investing	Northern Investors Company
Dividends in year	£36,000

Audited financial information:

Year ended 30 November	**2001 £m**	2000 £m
Sales	**12.8**	13.0
Profit before tax	**1.4**	1.4
Retained profit	**1.2**	1.2
Net assets	**6.1**	5.1

Fifteen Largest Venture Capital Investments

TOLWOOD LIMITED

Cost	**£1,000,000**
Valuation	**£1,000,000**
Basis of valuation	Cost
Equity held	16.0%
Business/location	Manufacture of pressed steel components for automotive industry, Newton Aycliffe
History	Management buy-in/buy-out from private ownership, December 1999, led by NVM
Other NVM funds investing	Northern Investors Company, Northern 2 VCT
Dividends in year	Nil

Audited financial information:

Period ended 31 July	**2001 £m**	2000* £m
Sales	**11.3**	1.8
Loss before tax	**(0.1)**	(0.1)
Retained loss	**(0.1)**	(0.1)
Net assets	**0.6**	0.7

*period ended 31 March 2000

TFB GROUP LIMITED

Cost	**£1,000,000**
Valuation	**£1,000,000**
Basis of valuation	Cost
Equity held	20.8%
Business/location	Development of software for professional practice administration, Fareham
History	Management buy-out from private ownership, May 1999, led by NVM
Other NVM funds investing	Northern Investors Company, Northern 2 VCT
Dividends in year	Nil

Audited financial information:

Year ended 30 September	**2000 £m**	1999 £m
Sales	**6.3**	4.1
(Loss)/profit before tax	**(0.1)**	0.5
Retained (loss)/profit	**(0.2)**	0.3
Net assets	**0.7**	0.9

BIOFOCUS PLC

Cost	**£191,000**
Valuation	**£939,000**
Basis of valuation	Mid-market price (AiM)
Equity held	3.1%
Business/location	Drug discovery support services, Sittingbourne/Cambridge
History	Development capital investment in July 1998; the company floated on AiM in August 2000
Other NVM funds investing	Northern Investors Company, Northern 2 VCT
Dividends in year	Nil

Audited financial information:

Year ended 31 December	**2001 £m**	2000 £m
Sales	**10.9**	5.6
Profit before tax	**1.3**	1.4
Retained profit	**1.0**	1.4
Net assets	**34.4**	6.2

Fifteen Largest Venture Capital Investments

CYCLACEL LIMITED

Cost	**£683,000**
Valuation	**£904,000**
Basis of valuation	Third party transaction
Equity held	1.1%
Business/location	Discovery and development of therapeutics for cancer, Dundee
History	Early stage investment in May 1999, led by Merlin Biosciences
Other NVM funds investing	Northern Investors Company
Dividends in year	Nil

Audited financial information:

Year ended 31 March	2002 £m	2001 £m
Sales	**0.8**	—
Loss before tax	**(8.9)**	(6.9)
Retained loss	**(8.9)**	(6.9)
Net assets/(liabilities)	**22.3**	(1.8)

T&D PACKAGING LIMITED

Cost	**£900,000**
Valuation	**£900,000**
Basis of valuation	Cost
Equity held	18.3%
Business/location	Manufacture of metal drums, Bradford
History	Management buy-out from T&D Industries, February 2000, led by NVM
Other NVM funds investing	Northern 2 VCT
Dividends in year	Nil

Audited financial information:

Year ended 31 January	2002 £m	2001 £m
Sales	**11.1**	13.2
Profit before tax	**—**	0.4
Retained profit	**0.1**	0.3
Net assets	**1.6**	1.5

REMSDAQ LIMITED

Cost	**£878,000**
Valuation	**£878,000**
Basis of valuation	Cost
Equity held	27.5%
Business/location	Manufacture of electronic security systems and remote monitoring equipment, Deeside
History	Management buy-out in from Daq Electronics, March 1998, led by NVM
Other NVM funds investing	Northern Investors Company
Dividends in year	£31,000

Audited financial information:

Year ended 31 May	2001 £m	2000 £m
Sales	**8.1**	9.7
Profit before tax	**0.5**	0.6
Retained profit	**0.4**	0.4
Net assets	**2.2**	2.1

Fifteen Largest Venture Capital Investments

DXS LIMITED

Cost	**£835,000**
Valuation	**£835,000**
Basis of valuation	Cost
Equity held	20.5%
Business/location	Provider of pharmacogenomic services to the healthcare industry, Manchester
History	Start-up investment in May 2001, led by NVM
Other NVM funds investing	Northern Investors Company, Northern 2 VCT
Dividends in year	Nil

Audited financial information:

First audited accounts will be for the period to 30 June 2002.

JOHN FREDERICKS PLASTICS LIMITED

Cost	**£782,000**
Valuation	**£782,000**
Basis of valuation	Cost
Equity held	11.9%
Business/location	Manufacture of uPVC windows, doors and conservatories, Huddersfield
History	Management buy-in from private ownership, October 2001, led by NVM
Other NVM funds investing	Northern Investors Company, Northern 2 VCT
Dividends in year	£49,000

Audited financial information:

First audited accounts will be for the period to 31 October 2002.

ALIZYME PLC

Cost	**£934,000**
Valuation	**£741,000**
Basis of valuation	Mid-market price (London Stock Exchange)
Equity held	3.3%
Business/location	Biotechnology research and development, Cambridge
History	Floated on AiM in 1996; Northern Venture Trust invested in a share placing in May 1998; moved to London Stock Exchange in October 2000
Other NVM funds investing	Northern Investors Company, Northern 2 VCT
Dividends in year	Nil

Audited financial information:

Year ended 31 December	**2001 £m**	2000 £m
Sales	**—**	—
Loss before tax	**(7.8)**	(5.6)
Retained loss	**(6.6)**	(5.6)
Net assets	**14.1**	20.6

Fifteen Largest Venture Capital Investments

CHORUS APPLICATION SOFTWARE LIMITED

Cost	**£735,000**
Valuation	**£735,000**
Basis of valuation	Cost
Equity held	20.2%
Business/location	Accounting and financial management software, Barnstaple
History	Management buy-out from Guernsey-based group, November 1999, led by NVM
Other NVM funds investing	Northern Investors Company, Northern 2 VCT
Dividends in year	Nil

Audited financial information:

Year ended 31 December	**2001 £m**	2000 £m
Sales	**2.9**	2.3
Profit/(loss) before tax	**0.1**	(2.0)
Retained profit/(loss)	**0.1**	(2.0)
Net liabilities	**(1.5)**	(1.6)

SML TECHNOLOGIES LIMITED

Cost	**£584,000**
Valuation	**£730,000**
Basis of valuation	Earnings multiple
Equity held	16.7%
Business/location	Developer of electronic charting and vessel tracking systems, Fareham
History	Early stage investment, October 1995, led by NVM
Other NVM funds investing	Northern Investors Company
Dividends in year	Nil

Audited financial information:

Year ended 31 March	**2001 £m**	2000* £m
Sales	**2.6**	3.5
Profit before tax	**0.1**	0.2
Profit after tax	**0.1**	0.2
Net assets	**0.5**	0.4

*18 months ended 31 March 2000

INTERLUBE SYSTEMS LIMITED

Cost	**£959,000**
Valuation	**£719,000**
Basis of valuation	Cost less provision
Equity held	17.6%
Business/location	Centralised lubrication systems for automotive and industrial use, Plymouth
History	Management buy-in/buy-out from Invensys plc, August 2000, led by NVM
Other NVM funds investing	Northern Investors Company, Northern 2 VCT
Dividends in year	Nil

Audited financial information:

Year ended 31 March	**2002 £m**	2001 £m
Sales	**4.2**	3.6
Loss before tax	**(0.5)**	(0.6)
Retained loss	**(0.5)**	(0.6)
Net liabilities	**(0.8)**	(0.3)

Directors' Report

The directors present their report and the audited financial statements for the year ended 30 September 2002.

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 as a venture capital trust by the Inland Revenue. The Chairman's Statement on pages 2 and 3 includes a review of developments during the year and of future prospects.

The directors have managed the affairs of the company with the intention of maintaining its status as an approved venture capital trust for the purposes of Section 842AA of the Income and Corporation Taxes Act 1988. 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 taxation	£150,000
Appropriated as follows:	
Interim dividend paid - 1.0p per share	410,000
Final dividend proposed - 1.0p per share	407,000
Transferred from reserves	(667,000)
	£150,000

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 2002	1 October 2001
Sir Frederick Holliday (Chairman)	**10,000**	10,000
E M P Denny	**50,000**	50,000
J R Hustler	**50,000**	50,000
T R Levett	**54,000**	54,000
R S Peters	—	—
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 2002 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 16 to the financial statements.

Brief biographical notes on the directors are given on page 4. Professor Sir Frederick Holliday and Mr T R Levett 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

Directors' Report

business is transacted and to settle accounts in accordance with those terms. There were no amounts owing to trade creditors at 30 September 2002.

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 4 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 10 to the financial statements.

Purchase and cancellation of own shares

During the year the company purchased for cancellation 495,500 of its own shares with a nominal value of £123,875, representing approximately 1.22% of the called-up share capital of the company, for a consideration of £368,000.

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.

Employees of Northern Venture Managers Limited (including Mr E M P Denny and Mr T R Levett) held a total of 384,839 shares, representing 0.94% 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.

Independent 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

11 November 2002

Corporate Governance

The company is committed to maintaining high standards in corporate governance. The directors consider that the company has throughout the period 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 UK Listing Authority 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 independent 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 6 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 (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

The directors have overall responsibility for keeping under review the effectiveness of the company's systems of internal 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 with the directors of the investment manager.

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.

The directors confirm that by means of the procedures set out above, and in accordance with "Internal Controls: Guidance for Directors on the

Corporate Governance

Combined Code", published by the Institute of Chartered Accountants in England and Wales, they have established a continuing process for identifying, evaluating and managing the significant potential risks faced by the company and have reviewed the effectiveness of the internal control systems. This process has been in place throughout and subsequent to the accounting period under review.

Risk management

The company aims to provide long-term returns to shareholders through a combination of income yield and capital growth. In order to achieve this objective 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 little exposure to foreign currency risk. The financial liabilities held at the balance sheet date include a bank overdraft, which has a floating interest rate. The benchmark rate, which determines the interest payments on the overdraft, is the bank base rate.

The company has not entered into any derivative transactions and does not expect to do so in the foreseeable future.

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 2002 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.

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.

Independent Auditors' Report

To the members of NORTHERN VENTURE TRUST PLC

We have audited the financial statements on pages 20 to 31.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 18, 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 1985. 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 regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the statement on page 17 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 2002 and of the loss of the company 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
Registered Auditors
Edinburgh 11 November 2002

Profit and Loss Account

for the year ended 30 September 2002

	Notes	Year ended 30 September 2002 Revenue £000	Capital £000	Total £000	Year ended 30 September 2001 Revenue £000	Capital £000	Total £000
(Losses)/profits on realisation of investments		—	(1,928)	(1,928)	—	980	980
Revaluation losses/(gains) previously recognised		—	1,902	1,902	—	(3,202)	(3,202)
Losses recognised in the year on realisation of investments	12	—	(26)	(26)	—	(2,222)	(2,222)
Income	3	1,299	—	1,299	1,643	—	1,643
Investment management fee	4	(223)	(670)	(893)	(289)	(868)	(1,157)
Other expenses	5	(230)	—	(230)	(249)	—	(249)
Profit/(loss) on ordinary activities before tax		846	(696)	150	1,105	(3,090)	(1,985)
Tax on profit/(loss) on ordinary activities	7	(126)	126	—	(252)	227	(25)
Profit/(loss) on ordinary activities after tax for the financial year		720	(570)	150	853	(2,863)	(2,010)
Dividends	8	(817)	—	(817)	(819)	(611)	(1,430)
Retained (loss)/profit for the year		(97)	(570)	(667)	34	(3,474)	(3,440)
Earnings/(loss) per share	9	1.8p	(1.4)p	0.4p	2.1p	(7.0)p	(4.9)p
Dividend per share	8	2.0p	—	2.0p	2.0p	1.5p	3.5p

- 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 2002

	Notes	Year ended 30 September 2002 Revenue £000	Capital £000	Total £000	Year ended 30 September 2001 Revenue £000	Capital £000	Total £000
Profit/(loss) on ordinary activities after tax		720	(570)	150	853	(2,863)	(2,010)
Unrealised gains/(losses) on revaluation of investments	17	—	(3,853)	(3,853)	—	(13,373)	(13,373)
Total recognised gains and losses during the year		720	(4,423)	(3,703)	853	(16,236)	(15,383)

Balance Sheet

as at 30 September 2002

	Notes	30 September 2002 £000	30 September 2001 £000
Fixed assets			
Investments	10	**33,410**	34,304
Current assets			
Debtors	14	**436**	430
Cash at bank		**256**	3,299
		692	3,729
Creditors (amounts falling due within one year)	15	**(1,470)**	(543)
Net current assets/(liabilities)		**(778)**	3,186
Net assets		**32,632**	37,490
Capital and reserves			
Called-up equity share capital	16	**10,183**	10,300
Share premium	17	**14,286**	14,263
Capital redemption reserve	17	**263**	139
Revaluation reserve	17	**(4,326)**	(2,375)
Profit and loss account	17	**12,226**	15,163
Total equity shareholders' funds		**32,632**	37,490
Net asset value per share	18	**80.1p**	91.0p

The financial statements on pages 20 to 31 were approved by the directors on 11 November 2002 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 2002

	Year ended 30 September 2002 £000	£000	Year ended 30 September 2001 £000	£000
Reconciliation of profit before tax to net cash flow from operating activities				
Profit/(loss) on ordinary activities before tax		**150**		(1,985)
(Increase)/decrease in debtors		**(217)**		732
Decrease in creditors		**(41)**		(163)
Loss recognised on realisation of investments		**26**		2,222
Net cash (outflow)/inflow from operating activities		**(82)**		806
Cash flow statement				
Net cash (outflow)/inflow from operating activities		**(82)**		806
Taxation				
Corporation tax recovered		**211**		408
Financial investment				
Purchase of investments	**(7,484)**		(15,107)	
Sale/repayment of investments	**4,499**		14,336	
Net cash outflow from financial investment		**(2,985)**		(771)
Equity dividends paid		**(822)**		(3,889)
Net cash outflow before financing		**(3,678)**		(3,446)
Financing				
Issue of ordinary shares	**30**		809	
Share issue expenses	**—**		(30)	
Purchase of ordinary shares for cancellation	**(368)**		(520)	
Net cash (outflow)/inflow from financing		**(338)**		259
Decrease in cash at bank		**(4,016)**		(3,187)

Analysis of movement in net funds

	1 October 2001 £000	Cash flows £000	30 September 2002 £000
Cash at bank	**3,299**	**(3,043)**	**256**
Bank overdraft	**—**	**(973)**	**(973)**
Net funds	**3,299**	**(4,016)**	**(717)**

Notes to the Financial Statements

for the year ended 30 September 2002

1 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 2).

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, in accordance with Financial Reporting Standard 9 "Associates and Joint Ventures" the company does not 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 gains 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.

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. Within the profit and loss account the investment management fee is allocated 25% to revenue and 75% to capital.

e Taxation

Deferred tax is recognised in respect of all timing differences which have originated but not yet reversed by the balance sheet date.

Notes to the Financial Statements

for the year ended 30 September 2002

2 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 usually presented by investment trust companies in the following respects:

- Gains and losses on disposal of investments and permanent diminutions in value are included in the profit and loss account;
- Unrealised gains and losses on disposal 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.

3 Income	Year ended 30 September 2002 £000	Year ended 30 September 2001 £000
Franked investment income		
Listed companies	**126**	29
Unlisted companies	**275**	329
Interest receivable		
Government stocks and bonds	**150**	337
Bank deposits	**48**	207
Loans to unlisted companies	**699**	741
Sundry income	**1**	—
	1,299	1,643

4 Investment management fee	Year ended 30 September 2002 Revenue £000	Year ended 30 September 2002 Capital £000	Year ended 30 September 2001 Revenue £000	Year ended 30 September 2001 Capital £000
Investment management fee	**190**	**570**	246	739
Irrecoverable VAT thereon	**33**	**100**	43	129
	223	**670**	289	868

Northern Venture Managers Limited (NVM) provides investment management and secretarial services to the company under a management agreement which ran for an initial four year period 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 £41,000 per annum (linked to the movement in the RPI), which is included in other expenses (Note 5).

5 Other expenses	Year ended 30 September 2002 £000	Year ended 30 September 2001 £000
Administrative and secretarial services	**41**	40
Directors' remuneration (Note 6)	**73**	66
Auditors' remuneration - audit services	**9**	10
- non-audit services	**—**	6
Legal and professional expenses	**25**	24
Irrecoverable VAT	**19**	21
Other expenses	**63**	82
	230	249

6 Directors' remuneration	Year ended 30 September 2002 £000	Year ended 30 September 2001 £000
Fees paid to directors	**59**	51
Amounts paid to third parties in consideration for the services of directors	**14**	15
	73	66

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

	£	£
Sir Frederick Holliday (Chairman)	**17,000**	16,500
E M P Denny	**14,000**	13,500
J R Hustler	**14,000**	13,500
T R Levett	**—**	—
R S Peters (appointed 5 September 2001)	**14,000**	925
P S Scott	**14,000**	13,500

None of the directors received any other remuneration or benefit during the year. Mr T R Levett waived his entitlement to a director's fee.

7 Tax on profit/(loss) on ordinary activities	Year ended 30 September 2002 Revenue £000	Year ended 30 September 2002 Capital £000	Year ended 30 September 2001 Revenue £000	Year ended 30 September 2001 Capital £000
(a) Analysis of charge for the year				
Corporation tax payable/(recoverable)	**126**	**(126)**	252	(227)
(b) Tax reconciliation				
Profit/(loss) on ordinary activities before tax	**846**	**(696)**	1,105	(3,090)
Profit/(loss) on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2001 30%)	**254**	**(209)**	332	(927)
Effect of:				
UK dividends not subject to tax	**(120)**	**—**	(107)	—
Capital returns not subject to tax	**—**	**8**	—	662
Increase in excess management charges	**—**	**67**	—	38
Other	**(8)**	**8**	27	—
Current tax charge/(credit) for the year	**126**	**(126)**	252	(227)

Notes to the Financial Statements

for the year ended 30 September 2002

8 Dividends	Year ended 30 September 2002 Revenue £000	Year ended 30 September 2002 Capital £000	Year ended 30 September 2001 Revenue £000	Year ended 30 September 2001 Capital £000
Interim paid - 1.0p (2001 2.5p) per share	**410**	**—**	407	611
Final proposed - 1.0p (2001 1.0p) per share	**407**	**—**	412	—
	817	**—**	819	611

9 Earnings/(loss) per share

The earnings/(loss) per share is based on the profit on ordinary activities after tax of £150,000 (2001 loss of £2,010,000) and on 41,008,605 (2001 40,806,574) shares, being the weighted average number of shares in issue during the year.

10 Fixed asset investments	30 September 2002 £000	30 September 2001 £000
Venture capital investments - unlisted	**24,184**	23,535
- listed	**2,981**	4,501
Other listed investments	**6,245**	6,268
	33,410	34,304

Movements in investments during the year are summarised as follows:

	Venture capital - unlisted £000	Venture capital - listed £000	Other listed investments £000	Total £000
Book cost at 1 October 2001	**25,605**	**4,080**	**6,994**	**36,679**
Unrealised appreciation at 1 October 2001	**(2,070)**	**421**	**(726)**	**(2,375)**
Valuation at 1 October 2001	**23,535**	**4,501**	**6,268**	**34,304**
Movements in the year:				
Purchases at cost	**4,609**	**—**	**2,875**	**7,484**
Disposals - proceeds	**(2,192)**	**(646)**	**(1,661)**	**(4,499)**
- net realised (losses)/gains	**(162)**	**169**	**(33)**	**(26)**
Movement in unrealised appreciation	**(1,606)**	**(1,043)**	**(1,204)**	**(3,853)**
Valuation at 30 September 2002	**24,184**	**2,981**	**6,245**	**33,410**
Comprising:				
Book cost at 30 September 2002	**25,973**	**3,672**	**8,091**	**37,736**
Unrealised appreciation at 30 September 2002	**(1,789)**	**(691)**	**(1,846)**	**(4,326)**
	24,184	**2,981**	**6,245**	**33,410**

At 30 September 2002 there were commitments totalling £177,000 (30 September 2001 £1,761,000) in respect of investments approved by the board but not yet completed.

11 Unlisted investments

The cost and carrying value of material investments in unlisted companies held at 30 September 2002 are shown below. For this purpose any unlisted investment included in the table of the fifteen largest equity investments on pages 10 to 14, or in the corresponding table in the previous year's annual report, is regarded as material.

	30 September 2002		30 September 2001	
	Total cost £000	**Carrying value £000**	Total cost £000	Carrying value £000
CGI International Limited				
Ordinary shares	**103**	**1,582**	103	1,201
Redeemable preference shares	**528**	**528**	897	897
	631	**2,110**	1,000	2,098
T J Brent Limited				
Ordinary shares	**138**	**687**	138	138
Loan stock	**862**	**862**	862	862
	1,000	**1,549**	1,000	1,000
Weldex (International) Offshore Limited				
Ordinary shares	**200**	**1,050**	200	1,095
Redeemable preference shares	**—**	**—**	80	80
	200	**1,050**	280	1,175
Tolwood Limited				
Ordinary shares	**200**	**200**	200	200
Loan stock	**800**	**800**	800	800
	1,000	**1,000**	1,000	1,000
TFB Group Limited				
Ordinary shares	**167**	**167**	167	167
Loan stock	**833**	**833**	833	833
	1,000	**1,000**	1,000	1,000
Cyclacel Limited				
Ordinary shares	**683**	**904**	683	904
T&D Packaging Limited				
Ordinary shares	**300**	**300**	300	300
Loan stock	**600**	**600**	600	600
	900	**900**	900	900
Remsdaq Limited				
Ordinary shares	**236**	**236**	236	549
Redeemable preference shares	**245**	**245**	245	245
Loan stock	**397**	**397**	397	397
	878	**878**	878	1,191

Notes to the Financial Statements

for the year ended 30 September 2002

11 **Unlisted investments** continued	30 September 2002 Total cost £000	30 September 2002 Carrying value £000	30 September 2001 Total cost £000	30 September 2001 Carrying value £000
DxS Limited				
Ordinary shares	**85**	**85**	85	85
Preference shares	**315**	**315**	315	315
Loan stock	**435**	**435**	125	125
	835	**835**	525	525
John Fredericks Plastics Limited				
Ordinary shares	**85**	**85**	—	—
Preference shares	**340**	**340**	—	—
Loan stock	**357**	**357**	—	—
	782	**782**	—	—
Chorus Application Software Limited				
Ordinary shares	**105**	**105**	105	105
Loan stock	**630**	**630**	630	630
	735	**735**	735	735
SML Technologies Limited				
Ordinary shares	**139**	**285**	139	139
Preference shares	**75**	**75**	75	75
Loan stock	**370**	**370**	370	370
	584	**730**	584	584
Interlube Systems Limited				
Ordinary shares	**88**	**—**	88	—
Loan stock	**871**	**719**	792	660
	959	**719**	880	660
Prospect & Peachgate Group Limited				
Ordinary shares	**333**	**333**	333	333
Loan stock	**334**	**334**	334	334
	667	**667**	667	667
Alaric Systems Limited				
Ordinary shares	**1,303**	**652**	1,000	1,000

Additional information relating to material investments in unlisted companies is given on pages 10 to 14.

12 Investment disposals

	Carrying value prior to disposal £000	Disposal proceeds £000	Realised gain/(loss) on disposal £000
Disposals of investments during the year were as follows:			
IndigoVision Group plc*	**240**	**480**	**240**
Warthog plc*	**36**	**59**	**23**
Claremont Business Environments (Europe) Limited	**188**	**225**	**37**
Ormolu Group Limited	**125**	**167**	**42**
Tomburn Limited	**50**	**100**	**50**
XtraServe plc	**413**	**42**	**(371)**
Ai Qualitek Limited	**411**	**650**	**239**
Profile Public Relations Limited	**199**	**23**	**(176)**
Mission Testing plc	**201**	**108**	**(93)**
Listed fixed-interest portfolio	**1,582**	**1,573**	**(9)**
Other	**1,080**	**1,072**	**(8)**
	4,525	**4,499**	**(26)**

*Part disposal

13 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 stated)	Number held	Proportion of class held
Aiza Limited	Ordinary (10p)	13,002	10.8%
Alaric Systems Limited	Ordinary (1p)	1,077,140	14.2%
Barony Universal Products plc	Ordinary (10p)	205,800	20.6%
Box-Carton Limited	Ordinary	43,235	24.5%
	Redeemable preference	250,000	25.0%
C&D Industrial Services Limited	Ordinary (10p)	500,000	20.0%
CGI International Limited	A Ordinary	103,333	17.2%
	Redeemable preference	527,617	18.2%
Chorus Application Software Limited	Ordinary (10p)	62,087	20.2%
CLM Building Services Limited	Ordinary	18,598	18.5%
Corsair Manufacturing Limited	Ordinary (10p)	10,540	13.0%
	Redeemable preference	107,500	50.0%
CQC Limited	Ordinary (10p)	28,667	17.2%
DxS Limited	Ordinary (10p)	44,520	20.5%
	Redeemable preference	315,000	42.0%
Intec Holdings Limited	B ordinary (10p)	119,867	26.7%
Interlube Systems Limited	Ordinary	88,000	17.6%
John Fredericks Plastics Limited	Ordinary	68,425	11.9%
	Redeemable preference	340,000	17.0%
Manby Park Westropp Limited	Ordinary	109,331	24.9%
	Deferred	600,000	33.3%

Notes to the Financial Statements

for the year ended 30 September 2002

13 Significant interests continued

Company	Class of shares (nominal value £1 unless stated)	Number held	Proportion of class held
Prospect & Peachgate Limited	Ordinary	166,667	17.5%
Remsdaq Limited	Ordinary (50p)	91,319	27.5%
	Redeemable preference	244,543	48.8%
SML Technologies Limited	Ordinary	62,857	16.7%
	Redeemable preference	75,000	50.0%
SECO Aluminium Limited	B ordinary	10,228	11.3%
SMP Multi-Shot Limited	Ordinary (10p)	42,274	22.3%
T&D Packaging Limited	Ordinary (10p)	182,601	18.3%
T&R Precision Engineers Limited	Ordinary (50p)	35,897	23.3%
	Redeemable preference	175,801	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%
Union Snack Limited	Ordinary (10p)	77,608	11.9%
Weldex (International) Offshore Limited	Ordinary	3,711	15.0%
West's Engineering Design Limited	Ordinary	29,700	13.2%

14 Debtors	**30 September 2002 £000**	30 September 2001 £000
Corporation tax recoverable	**7**	219
Prepayments and accrued income	**429**	211
	436	430

15 Creditors (amounts falling due within one year)	**30 September 2002 £000**	30 September 2001 £000
Trade creditors and accruals	**90**	131
Proposed dividend	**407**	412
Bank overdraft	**973**	—
	1,470	543

16 Called-up equity share capital	**30 September 2002 £000**	30 September 2001 £000
Authorised:		
50,000,000 ordinary shares of 25p	**12,500**	12,500
Allotted and fully paid:		
40,733,428 (2001 41,201,860) ordinary shares of 25p	**10,183**	10,300

16 Called-up equity share capital continued

During the year 27,068 shares were allotted for cash at a price of 110p per share. 495,500 shares were repurchased for cancellation, at an average cost of 74.3p per share.

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 2002 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 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.

17 Reserves

	Share premium £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
At 1 October 2001	**14,263**	**139**	**(2,375)**	**15,163**
Premium on issue of ordinary shares	**23**	—	—	—
Shares purchased for cancellation	—	**124**	—	**(368)**
Net decrease in unrealised appreciation	—	—	**(3,853)**	—
Previously recognised gains/(losses) now realised	—	—	**1,902**	**(1,902)**
Retained loss for the year	—	—	—	**(667)**
At 30 September 2002	**14,286**	**263**	**(4,326)**	**12,226**

18 Net asset value per share

The calculation of the net asset value per share as at 30 September 2002 is based on net assets of £32,632,000 (30 September 2001 £37,490,000) divided by the 40,733,428 (30 September 2001 41,201,860) ordinary shares in issue.

19 Reconciliation of movements in shareholders' funds

	Year ended 30 September 2002 £000	Year ended 30 September 2001 £000
Profit/(loss) on ordinary activities after tax	**150**	(2,010)
Dividends	**(817)**	(1,430)
Loss retained for the year	**(667)**	(3,440)
Other recognised gains and losses	**(3,853)**	(13,373)
Net proceeds of share issues	**30**	779
Shares purchased for cancellation	**(368)**	(520)
Net decrease in shareholders' funds	**(4,858)**	(16,554)
Shareholders' funds at 1 October 2001	**37,490**	54,044
Shareholders' funds at 30 September 2002	**32,632**	37,490

Unaudited Statement of Total Return

for the year ended 30 September 2002

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 2002			Year ended 30 September 2001		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Losses on investments	—	(3,879)	(3,879)	—	(15,595)	(15,595)
Income	1,299	—	1,299	1,643	—	1,643
Investment management fee	(223)	(670)	(893)	(289)	(868)	(1,157)
Other expenses	(230)	—	(230)	(249)	—	(249)
Return on ordinary activities before tax	846	(4,549)	(3,702)	1,105	(16,463)	(15,358)
Tax on ordinary activities	(126)	126	—	(252)	227	(25)
Return on ordinary activities after tax	720	(4,423)	(3,703)	853	(16,236)	(15,383)
Dividends	(817)	—	(817)	(819)	(611)	(1,430)
Transfer (from)/to reserves	(97)	(4,423)	(4,520)	34	(16,847)	(16,813)
Return per share	1.8p	(10.8)p	(9.0)p	2.1p	(39.8)p	(37.7)p
Dividend per share	2.0p	—	2.0p	2.0p	1.5p	3.5p

Notice of Annual General Meeting

Notice is hereby given that the seventh annual general meeting of Northern Venture Trust PLC will be held at The Balmoral Hotel, 1 Princes Street, Edinburgh at 11.30am on Friday 13 December 2002 for the following purposes:

As ordinary business

1. To receive the financial statements for the year ended 30 September 2002 and the directors' and auditors' reports thereon.

2. To declare a final dividend of 1.0p per share in respect of the year ended 30 September 2002.

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 T R Levett 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 independent 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 as special resolutions of the company:

7. "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 £1,017,351;

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."

8. "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 4,069,405, representing 10% of the company's issued ordinary share capital;

Notice of Annual General Meeting

(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 11 November 2002

Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER

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 Lloyds TSB Registrars at The Causeway, Worthing, BN99 6DA not later than 11.30am on Wednesday 11 December 2002.

3 The company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the register of members of the company as at 6.00pm on Thursday 12 December 2002 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 6.00pm on Thursday 12 December 2002 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.