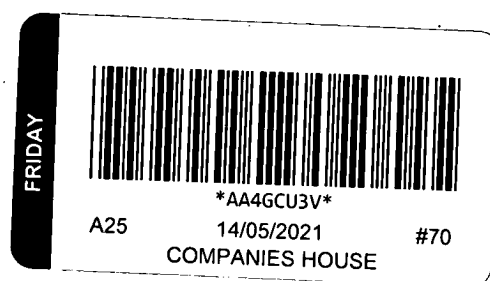


Northern Venture Trust PLC

Annual report and financial statements
30 September 2020



2020

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

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

Contents

Financial summary

Year ended 30 September:	2020	2019
Net assets	£112.8m	£95.7m
Net asset value per share	70.7p	68.9p
Return per share after tax		
Revenue	0.3p	0.8p
Capital	7.0p	1.3p
Total	7.3p	2.1p
Dividend per share for the year		
Interim dividend	1.5p	2.0p
Proposed final dividend	2.5p	2.0p
Total	4.0p	4.0p
Cumulative return to shareholders since launch		
Net asset value per share	70.7p	68.9p
Dividends paid per share*	172.0p	168.5p
Net asset value plus dividends paid per share	242.7p	237.4p
Mid-market share price at end of year	56.5p	64.5p
Tax-free dividend yield (based on the net asset value per share at the start of the year)	5.8%	5.6%

*Excluding proposed final dividend payable on 22 January 2021.

Definitions of the terms and alternative performance measures used in this report can be found in the Glossary of terms on page 45.

Key dates

Results announced

1 December 2020

Shares quoted ex dividend

28 December 2020

Record date for final dividend

29 December 2020

Annual general meeting

15 January 2021, 11.30am

To be convened at Mercia Fund Management Limited,

Forward House, 17 High Street,

Henley-in-Arden B95 5AA

with remote access for shareholders

through an online webinar facility

Final dividend paid

22 January 2021

Chairman's statement

Overview

The global economy and financial markets have been significantly impacted over the past year by the evolving coronavirus (COVID-19) pandemic. The necessary responses to COVID-19 have affected the working and personal lives of practically everyone in the UK and have created a challenging business environment for a number of our portfolio companies. Our investment adviser has been providing close support where required and I am pleased to report that the response from our investee management teams has been thorough and resilient. The effects of the pandemic on individual investments vary greatly as the company benefits from holding a diversified portfolio. Whilst there are some cases which are negatively impacted and in one or two cases very considerably so, a significant number of businesses are seeing either neutral or increased trading in the current environment.

It was most certainly a year of two halves. Our 31 March half year end was only one week after the first lockdown was announced and it was appropriate that we adjusted the holding values of more than half of our portfolio companies downwards amidst the deep uncertainty. Most of our businesses have learned to live with this uncertainty, some must wait for it to be lifted and a few have thrived in it, especially those benefitting from the accelerated trend towards online retailing.

Liquidity remains the lifeblood of early stage investment funds and as a result of the successful share offer which concluded in April 2020, your company is well positioned to continue to support and promote its growing portfolio of entrepreneurial businesses.

Results and dividend

In the year ended 30 September 2020 the company achieved a return on ordinary activities of £10,940,000 (2019: £2,848,000) or 7.3 pence per share (2019: 2.1 pence), representing a total return of 10.6% on the opening net asset value (NAV) per share. This reflects major progress in the performance and hence values at some portfolio companies in the second half, most notably Entertainment Magpie and Agilitas IT Holdings (Agilitas), which was sold subsequent to the year end as referred to below. The result for the year has generated a performance fee to our investment adviser for the first time in four years of £284,000. The NAV per share at 30 September 2020, after deducting dividends paid during the year of 3.5 pence, was 70.7 pence compared with 68.9 pence at 30 September 2019 and 58.2 pence at 31 March 2020.

The cumulative total return to shareholders increased to 242.7 pence (2019: 237.4 pence) per share, which marks the fifteenth consecutive year of growth. Investment income was lower than in the prior year at £1.5 million (2019: £2.2 million), reflecting the disposal of some income-yielding investments and the deferral of interest payments to support some investee companies through the pandemic.

The profile of the unquoted portfolio is continuing to evolve as we acquire investments in earlier stage innovative UK companies with high growth potential. As previously indicated, the profile of the new investments will lead to greater volatility in the timing and quantum of returns, and continuing to pay regular dividends whilst increasing the NAV per share in the medium term remains a priority for your board. In 2018 we revised our dividend policy in the light of the new rules for investment introduced in 2015 and 2017, which we expected to result in more volatile returns. We introduced a target dividend yield of 5% of opening NAV, which has been exceeded in each of the last two years. After careful consideration, the board has proposed a final dividend of 2.5 pence per share, bringing the total dividend for the year to 4.0 pence, which represents a tax-free yield of 5.8% on the opening net asset value per share of 68.9 pence. The final dividend, if approved, will be paid on 22 January 2021 to shareholders on the register on 29 December 2021.

Venture capital investment and realisation activities

Further progress was made on the development of the portfolio during the period with five new investments acquired for total consideration of £3.7 million, four of which were completed in the six months to 31 March 2020. The investment rate including follow-ons was again relatively strong in the first half of the year at £6.0 million, however it did slow down in the second half at only £2.8 million as our investment adviser focussed on portfolio support rather than new investment activity.

Our AIM-quoted holdings in each of Nasstar plc, Brady plc and Summit Therapeutics plc were all disposed of in full through separate transactions which took these companies private. Inevitably in a portfolio of this type there will be some early losses realised, of which we incurred one during the year with the sale of Primal Food for a nominal sum. We also wrote down our investment in No 1 Lounges to nil.

Just over 50% by value of our portfolio at the year-end comprised investments in more mature businesses acquired under previous VCT rules. We expect that these more mature investments will continue to provide an income yield and a series of profitable exits in the years to come, supporting the overall return of the company whilst the earlier-stage portfolio develops. Whilst the period under review was quiet for investment realisations, I am pleased to report the sale of Agilitas after the year end, returning eight times our original invested capital over the life of the investment, the significant uplift for which was included in these results. Mercia is also actively working towards the sale of several other unquoted investments expected to complete over the next 12 months.

Venture capital portfolio update

Following the first reports of COVID-19 during the year, the initial effects in the UK principally impacted businesses with complex supply chains or overseas customers in certain territories. As the spread of the virus led to a global pandemic, the effect on the economy became much more pronounced and measures taken to tackle COVID-19 have had a material impact on almost every business in the UK.

COVID-19 has accelerated certain trends which were already established and is benefitting portfolio companies that employ business strategies such as innovative delivery and distribution and the digitisation of traditional off-line business processes. Your company benefits from holding a diversified portfolio of investments and the areas of the economy which continue to be the most affected, particularly travel, leisure and hospitality, represent less than 10% by cost of the venture capital portfolio. Technology and software sub-sectors have been more resilient during 2020 and investments in these areas represent around 40% by cost of the portfolio. We are also invested in a number of businesses which employ an e-commerce business model and trading in these holdings has generally been extremely strong both during the initial lockdown and subsequently.

We undertake a thorough valuation of the entire portfolio on a quarterly basis and reported significant unrealised reductions as at 31 March 2020 in our interim results. This was at the very start of the first lockdown when the impact of the pandemic was almost impossible to predict. The positive underlying trading trends exhibited by some of our investee companies over the subsequent six months and an increase in publicly available valuation metrics over the same period contributed to a number of unrealised valuation increases during the second half of the year. However, much of the uplift in valuation of the portfolio was in the more mature investments made under the old rules with 20 of the 26 earlier stage investments remaining broadly at the same valuation over the second six months.

Share offers and liquidity

In order to ensure that we had sufficient liquidity to support our portfolio companies, we launched an offer of new ordinary shares in January 2020 which raised gross proceeds of £12.5 million. Commitments were made before COVID-19 took hold but with allotment in the first week of April, we were faced with a very difficult situation in the middle of March. Given the uncertainty and having reference to valuations of quoted shares, which fell dramatically during the month immediately preceding the first lockdown, we revalued our portfolio and issued a supplementary prospectus at what turned out to be the lowest point in the markets, inviting shareholders to reconfirm their interest in the share issue. Around 94% by value proceeded with their applications and on behalf of the board, I would like to thank our shareholders, both existing and new for their support, especially through this difficult time.

Simon Constantine Chairman

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

Cash and liquid investments represented 27% of net asset value at 30 September 2020. We have reviewed the liquidity dynamics with Mercia in detail, considering the resources currently on hand and the significant progress made over the past six months towards likely investment realisations in 2021. As a result of this review, we have decided not to launch a further share offer in the 2020-21 tax year. We will review the position again for the 2021-22 tax year in light of the realisation and investment rates achieved in 2021.

Share buy-backs

We have maintained our policy of being willing to buy back the company's shares in the market, when necessary in order to maintain liquidity, at a 5% discount to NAV. During the year ended 30 September 2020 a total of 2,988,048 (2019: 4,907,101) shares were repurchased by the company for cancellation at an average price of 58.8 pence (2019: 65.1 pence), representing 2.2% (2019: 3.7%) of the opening issued share capital.

VCT legislation and qualifying status

The company has maintained its approved venture capital trust status with HM Revenue & Customs. The company's compliance with the VCT qualifying conditions is closely monitored by the board, who receive regular reports from Mercia and from our VCT taxation advisors, Philip Hare & Associates LLP.

The latest updates to the relevant VCT legislation were announced in November 2017 and the final remaining new measure has applied to the company for the first time in the current financial year. In addition to the 80% minimum proportion of investments required to be held in VCT-qualifying holdings, the company is now required to invest 30% of the proceeds of any share issues within 12 months of the financial year in which the shares are allotted. I am pleased to say that the company has complied fully with this new measure during the year.

The VCT scheme rules have been subject to significant legislative changes over the last five years and whilst there were no further amendments announced in 2020, it is possible that further changes will be made in the future. We will continue to work closely with Mercia to maintain compliance with the scheme rules at all times.

Annual general meeting

The company has historically held its annual general meeting (AGM) in December. Over recent years the production of the annual report and in particular its audit have become more time consuming as the number of investments made has increased and additional requirements have been placed on us and our auditors by regulators. Consequently, the announcement of our results was just over two weeks later than last year and this has caused a delay in the AGM, which will take place on 15 January 2021.

The AGM usually provides an excellent opportunity for shareholders, directors and the investment adviser to meet in person and exchange views and comments. However, the health and wellbeing of both shareholders and colleagues is of upmost importance to the board and therefore in the light of the changeable situation regarding guidance on non-essential travel and social distancing, we have concluded that the AGM should not be open to physical attendance by shareholders. Detailed arrangements are however being made to enable virtual attendance and shareholders will be invited to submit proxy votes and ask questions in advance of as well as at the meeting itself. Details and formal notice of the AGM are provided in the AGM Circular published at the same time as the Annual Report.

Board Succession

We regularly review the composition of your board, taking into account the experience, tenure and contribution of each director individually and together. We are conscious of the nine year guidance under the UK Corporate Governance Code, although believe this to be less relevant in a small investment fund that now typically holds its investments for up to 10 years and where longevity of directors' service has considerable value.

Nevertheless your current directors have served between six and 11 years each and we consider it time to seek fresh input in the near future. Therefore Nigel Beer and Hugh Younger will be retiring from the board at the AGM in 2022 after 12 years' service, which has seen us through some very significant changes, most notably the change in investing rules in 2015 and more recently the transfer of our management and investment advisory agreement from NVM to Mercia in 2019. Their contributions have been invaluable and I am sure will continue to be so over the next year, during which time we will be seeking a new non-executive director with either operational or investment experience in earlier stage, technology driven businesses.

Outlook

Financial markets have been subject to significant volatility during 2020 as market participants have struggled to assess the impact of the pandemic on various sectors and the economy as a whole. Many financial indices have staged a significant recovery from the lows experienced in March 2020. Whilst making a definitive prediction about the future path of the economy in the current environment would be unwise, we are however encouraged by the resilience exhibited by the portfolio overall thus far and have confidence in its diversity.

Access to capital is one of the most important factors contributing to the success of early stage businesses and your board believes that the company is well placed to provide that vital support with a view to increasing long-term shareholder value as we continue to work alongside our existing portfolio companies and increase our focus on finding new exciting businesses to back.



Simon Constantine
Chairman 1 December 2020

Directors and advisers

Simon Constantine MA ACA (Chairman)

aged 61, has extensive business management experience at board level, particularly in the healthcare and life sciences sectors, and co-led the management buy-in and subsequent trade sale of Life Sciences International plc. He has served as a non-executive director of a number of venture capital and private equity-backed businesses and is currently chairman of Capstone Foster Care Limited and a non-executive director of SourceBio International plc. He was appointed to the board in 2012 and became chairman in 2014.

Nigel Beer BA FCA

aged 66, was formerly London Head of Corporate Finance at KPMG and previously responsible for the software and technology sector within corporate finance, based in the Thames Valley. He has over 20 years' experience in corporate transactions followed by 15 years' experience as a non-executive director, serving on the boards of a number of asset management and investment businesses. He was previously a non-executive director and chairman of the audit committee of Community Health Partnerships Limited which holds substantial property investments in the primary health care sector for the Department of Health. He was appointed to the board in 2009.

Richard Green BA FCA CF

aged 58, joined Kleinwort Benson Development Capital in 1988 and was a founder in 2001 of the spin-out business which became August Equity LLP, where he was managing partner until 2009 and then chairman until his retirement in 2014. He is a past chairman of the British Private Equity & Venture Capital Association and is currently a member of the Advisory Board of the North East Finance Fund, a member of the North East Fund Advisory Panel, the non-executive chairman of Technology Venture Partners LLP and a non-executive director of BGH Capital Offshore GP I Limited. He was appointed to the board in 2014.

Tim Levett MBA

aged 71, is a consultant to Mercia Asset Management and non-executive chairman of NVM Private Equity LLP, whose business he co-founded in 1988. He is a non-executive director of Northern 3 VCT PLC and several unquoted companies and is a member of the AIC's VCT Forum and the British Private Equity & Venture Capital Association's Venture Capital Committee. He was appointed to the board in 2013.

David Mayes

aged 56, is an experienced investment professional and investor with a long-standing involvement in financial markets. He previously managed an emerging markets investment team for Credit Suisse Securities (Europe) Limited. He is currently a trustee director of a major pension fund and vice chair of its investment committee, and is a member of the Salvation Army International Trust Investment Board. He was appointed to the board in 2014.

Hugh Younger LLB

aged 62, is senior partner at Murray Beith Murray, a leading firm of solicitors based in Edinburgh. He has more than 30 years' experience of private client work and brings a perspective on matters relating to wealth management and asset protection. He was appointed to the board in 2009.

Secretary and registered office

James Bryce LLB
Time Central
32 Gallowgate
Newcastle upon Tyne NE1 4SN
Telephone: 0191 244 6000
Fax: 0191 244 6001
E-mail: nvt@nvm.co.uk
Website: nvm.co.uk/investor-area/vcts/nvt

Registered number

03090163

Investment adviser

Mercia Fund Management Limited
Forward House
17 High Street
Henley-in-Arden B95 5AA

Listed investment adviser

Brewin Dolphin Limited
Time Central
32 Gallowgate
Newcastle upon Tyne NE1 4SR

Independent auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Taxation adviser

Philip Hare & Associates LLP
4-6 Staple Inn
London WC1V 7QH

Solicitors

Reed Smith LLP
Broadgate Tower
20 Primrose Street
London EC2A 2RS

Stockbrokers

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

Bankers

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

Registrars

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

Shareholder information

The company

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

Since inception, NVM Private Equity LLP has been appointed as Northern Venture Trust PLC's investment adviser. Following the consent of the Directors, the management and investment advisory agreement under which NVM was appointed was novated on 23 December 2019 to Mercia Fund Management Limited (Mercia), a wholly owned subsidiary of Mercia Asset Management PLC (MAM). MAM is a specialist firm of asset managers headquartered in Henley-in-Arden, with total assets under management of c.£800 million. MAM invests capital across its four categories of PLC balance sheet, venture, private equity and debt capital, providing flexible funding solutions to early stage regional businesses as they scale up.

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

Mercia Asset Management PLC is quoted on AIM with the epic "MERC".

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

Venture Capital Trusts

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

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

Subscribers for shares in VCTs between 6 April 2004 and 5 April 2006 were entitled to income tax relief at 40% rather than 30% and the shares had to be held for at least three years rather than five years.

Prior to 6 April 2004, subscribers for shares in VCTs were entitled to income tax relief at 20% and could also obtain capital gains deferral relief. Capital gains deferred by pre-6 April 2004 subscriptions are not affected by the subsequent changes in VCT tax reliefs.

In order to maintain approved status, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007; in particular, a VCT is required at all times to hold at least 80% by value of its investments in qualifying holdings, of which at least 70% must comprise eligible shares. For this purpose a "qualifying holding" is an investment in new shares or securities of an unquoted company (which may however be quoted on AIM) which has a permanent establishment in the UK, is carrying on a qualifying trade, and whose gross assets and number of employees at the time of investment do not exceed prescribed limits.

The definition of "qualifying trade" excludes certain activities such as property investment and development, financial services and asset leasing. The Finance (No 2) Act 2015 contained a number of significant changes to the VCT rules for investments completed after its introduction, designed to secure approval of the VCT scheme by the European Commission. A company whose trade is more than seven years old (ten years for 'knowledge intensive' companies) will generally only qualify for VCT investment if it has previously received State-aided risk finance before the end of the initial investing period or the new investment exceeds 10% of the total turnover for the past five years and the funds are used for new products and/or geographical markets; there is a lifetime limit of £12 million (£20 million for 'knowledge intensive' companies) on the amount of State-aid funding receivable by a company; and VCT funds may not be used by a company to acquire shares in another company or to acquire a business. A breach of the requirements may lead to a loss of VCT status.

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

- investments made from 15 March 2018 are only qualifying if they meet the risk-to-capital condition. This principles based condition broadly requires the investee company to be an early stage, higher risk, entrepreneurial company which has the potential to grow in the long term;
- debt finance provided by VCTs must be made on an unsecured basis;

- a VCT must invest at least 30% of any funds raised in an accounting period commencing on or after 6 April 2018 in qualifying holdings within 12 months of the period end; and
- investments made from 6 April 2019 in qualifying holdings must comprise, in aggregate, at least 80% of eligible shares, regardless of when the money used to fund the investment was raised.

Financial calendar

Subject to regular review by the directors, the company's financial calendar for the year ending 30 September 2021 is currently as follows:

June 2021

Half-yearly financial report for the six months ending 31 March 2021 published

July 2021

Interim dividend paid

November 2021

Final dividend and results for year ending 30 September 2021 announced; annual report and financial statements published

January 2022

Annual general meeting; final dividend paid

Share price

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

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

Share price information can also be obtained via the company's website.

Dividend investment scheme

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

Electronic communications

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

Strategic report

This report has been prepared by the directors in accordance with the requirements of Section 414 of the Companies Act 2006. The company's independent auditor is required by law to report on whether the information given in the strategic report and directors' report is consistent with the financial statements. The auditor's report is set out on pages 26 to 28.

Corporate objective

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

Investment policy

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

The directors intend that the long-term disposition of the company's assets will be approximately 80% in a portfolio of VCT-qualifying unquoted and AIM-quoted investments, and 20% in other investments selected with a view to producing an enhanced return while avoiding undue capital volatility, to provide a reserve of liquidity which will maximise the company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Within the VCT-qualifying portfolio, investments will be structured using various investment instruments, including ordinary and preference shares, loan stocks and convertible securities, to achieve an appropriate balance of income and capital growth. The selection of new investments will necessarily have regard to the VCT rules, which are designed to focus investment on earlier stage development capital opportunities. The portfolio will be diversified by investing in a broad range of VCT-qualifying industry sectors and by holding investments in companies at different stages of maturity in the corporate development cycle. The normal investment holding period is expected to be in the range from three to ten years.

No single investment will normally represent in excess of 3% of the company's total assets at the time of initial investment. As investments are held with a view to long-term capital growth as well as income, it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available.

Investments will normally be made using the company's equity shareholders' funds and it is not intended that the company will take on any long-term borrowings.

Co-investment arrangements

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

In relation to follow-on rounds of investment where the company and other Northern VCTs are existing investors, the company, alongside the other Northern VCT funds, shall have priority to determine how much they wish to invest, with no requirement to offer such investment opportunity to the other funds managed or advised by Mercia or external parties (although they are free to do so if so determined by the investment adviser).

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

Investment management

During the year, the company consented to the novation of its existing management and investment advisory agreement (management agreement) with NVM Private Equity LLP (NVM) to Mercia Fund Management Limited (Mercia) which became effective on 23 December 2019. As of that date, the NVM VCT team, led by Tim Levett, transferred to Mercia to form a new VCT division within the Mercia group. No material changes were made to the terms of the management agreement.

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

Overview of the year

During the year under review Northern Venture Trust achieved a total return, before dividends, of 7.3 pence per share, equivalent to 10.6% of the opening net asset value per share of 68.9 pence. The movement in total net assets and net asset value per share is summarised in Table 2. Whilst the total return as shown in the income statement is positive, it is the function of two contrasting periods during

the year. A significant unrealised downwards revaluation of the portfolio for the first half was followed by a greater unrealised upwards revaluation in the second half. Due to the timing of the share offer allotment, partway through the year at the NAV low point, the increase in NAV per share before dividends of 5.3 pence was lower than the total return per share as shown in the income statement of 7.3 pence. The latter is calculated by reference to the weighted average number of shares in issue during the year, whereas the year end NAV per share is calculated by reference to the number of shares in issue as at 30 September 2020.

Total income from investments during the year decreased slightly to £1.5 million (2019: £2.2 million). As the proportion of earlier stage investments in the unquoted portfolio increases as intended, it is expected that investment income will continue to decrease as the potential returns targeted become more focused on capital growth rather than income generation. The basic investment management fee payable to the investment adviser was £1.8 million (2019: £1.8 million) and there was a performance-related management fee payable in respect of the current year of £0.3 million (2019: nil).

The net cash outflow from the venture capital portfolio during the year was £7.2 million, comprising disposal proceeds of £1.6 million less investments of £8.8 million. Portfolio cash flow over the past five years is summarised in Table 1.

After taking account of other cash flows, including dividend payments of £5.2 million, the company's total cash balances decreased over the year by £1.5 million to £20.7 million. In addition the company holds quoted equity investments valued at £10.2 million.

Dividends

The directors have declared or proposed dividends totalling 4.0 pence per share in respect of the year, comprising a 0.3 pence revenue dividend and a 3.7 pence capital dividend.

Venture capital investment portfolio

The year was dominated by news of the evolving Coronavirus outbreak (COVID-19) which has presented unprecedented challenges to many of our portfolio management teams. Following the first reports of COVID-19 in Asia in December 2019, the initial effects in the UK were principally felt by businesses with complex international supply chains or overseas customers in certain territories. As the virus spread to further countries, it was characterised as a pandemic by the World Health Organization on 11 March 2020. Measures to control the spread of COVID-19 in the UK announced in March 2020 included restrictions on the movement of people and the requirement to observe social distancing wherever possible.

The short-term impact on individual portfolio companies varies significantly depending on the sector in which they operate and the ability of their employees to work effectively from home. For instance businesses operating in the entertainment and leisure sector such

Table 1: Venture capital portfolio cash flow

Year ended 30 September	New investment £000	Disposal proceeds £000	Net inflow/(outflow) £000
2016	6,158	11,062	4,904
2017	4,818	15,443	10,625
2018	12,353	10,781	(1,572)
2019	10,877	10,268	(609)
2020	8,813	1,635	(7,178)
Total	43,019	49,189	6,170

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

	£000	Pence per ordinary share
Net asset value at 1 October 2019	95,658	68.9
Net revenue (investment income less revenue expenses and tax)	517	0.3
Capital surplus arising on investments:		
Realised net loss on disposals	(3)	–
Movements in fair value of investments	12,043	8.1
Expenses allocated to capital account (net of tax relief)	(1,617)	(1.1)
Total return for the year as shown in the income statement	10,940	7.3
Proceeds of issues of new shares (net of expenses)	13,120	(2.0)
Shares re-purchased for cancellation	(1,756)	–
Net movement for the year before dividends	22,304	5.3
Net asset value at 30 September 2020 before dividends recognised	117,962	74.2
Dividends recognised in the financial statements for the year	(5,171)	(3.5)
Net asset value at 30 September 2020	112,791	70.7

as No.1 Lounges (an airport lounge operator) and Grip UK (an indoor climbing wall operator) were faced with almost immediate site closures when restrictions were announced on 20 March 2020 and an indeterminate period without any income.

By contrast businesses which trade via an e-commerce model such as Entertainment Magpie (online market place for second hand goods) and Oddbox Delivery (home delivery of fruit and vegetables) experienced an upturn in business during the first 'lockdown' and subsequently. The portfolio also includes a significant exposure (c.41% of portfolio allocation) to technology and software businesses whose work forces are largely able to operate effectively from home, the impact on which is being driven more by the effect of the pandemic on customer demand and the ability to make new sales with reduced customer contact.

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

Venture capital investment activity

During the year ended 30 September 2020, five new venture capital investments were completed at a cost of £3.3 million and additional funding totalling £5.5 million was invested in 13 existing portfolio companies, by way of follow-on funding rounds. The proportion of follow-on investments is increasing in line with the shift in focus to earlier stage companies, which often require multiple rounds of growth finance to realise their potential. The portfolio at 30 September 2020 comprised 54 holdings with an aggregate value of £81.6 million. 54.4% by value of this portfolio is represented by management buy-out and growth capital investments acquired prior to November 2015 when the VCT rules were amended to promote earlier stage investment.

A summary of the venture capital holdings at 30 September 2020 is given on page 11, with information on the fifteen largest investments on pages 12 to 15.

New investments

The new investments completed during the year were:

- **Tutora (trading as Tutorful) (£1,131,000)** – online arrangement and delivery of private tutoring services, Sheffield
- **Atlas Cloud (£704,000)** – IT managed services provider, Newcastle upon Tyne
- **Oddbox Delivery (£704,000)** – supply and home delivery of fruit & vegetables, London
- **Nutshell Software (£352,000)** – enterprise application development, Newcastle upon Tyne
- **Enate (£784,000)** – human and digital workforce management software solution, Cheltenham.

Investment realisations

Details of investment disposals during the year are given in Note 9 on page 38. The most significant disposals (original cost or sales proceeds in excess of £0.15 million) are summarised in Table 3.

Strategic report continued

Age of investment

● Up to 1 year	5.4%
● 1-3 years	28.1%
● 3-5 years	12.7%
● 5-7 years	34.9%
● Over 7 years	18.9%

Industry sector

● Technology/software	41.1%
● Construction	2.3%
● Consumer	28.6%
● Industrial/manufacturing	2.8%
● Services	15.1%
● Healthcare/biotechnology	10.1%

Table 3: Significant investment realisations

Company	Date of original investment	Book cost £000	Disposal proceeds £000	Realised surplus/ (deficit) £000
Brady PLC – agreed takeover	2010	386	100	(286)
Nasstar PLC – agreed takeover	2005	323	831	508
Primal Food – divestment to a trade acquirer	2018	1,063	–	(1,063)
Summit Therapeutics – agreed takeover	2005	195	2	(193)

Table 4: Venture capital investment valuation by category

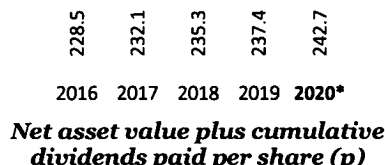
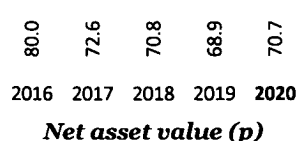
Category	Number of investments	Valuation £000	% of portfolio by value
Unquoted investments at directors' valuation			
Earnings/revenue multiple	21	49,385	60.5
Price of a recent investment subsequently calibrated as appropriate	18	21,484	26.3
Cost subsequently calibrated as appropriate	8	7,654	9.4
Quoted investments at bid price			
Listed on London Stock Exchange	1	669	0.8
Quoted on AIM	6	2,452	3.0
Total	54	81,644	100.0

The period under review was quiet in terms of unquoted investment disposals, however the investment adviser is currently working on the sale of several investments which are expected to complete in the next financial year. Subsequent to the balance sheet date, the investment in **Agilitas IT Holdings** was realised by way of a secondary management buy-out, generating a return of over eight times the original cost over the life of the investment. The process was well progressed as at the balance sheet date and the valuation as at 30 September 2020 therefore represents the sale proceeds ultimately received. We remain committed to building a portfolio of investments in smaller innovative UK companies across a diverse range of sectors with significant growth potential. Inevitably in a portfolio of this type there will be some early losses of which we incurred one in the year with the sale of **Primal Food** for a nominal sum.

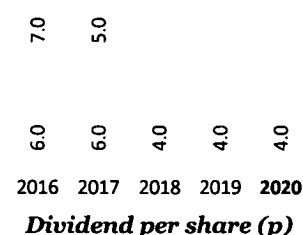
The portfolio of quoted investment funds has produced a satisfactory performance during the year of 3.1% on a total return basis.

Portfolio composition

The pie charts above show the composition of the venture capital portfolio at 30 September 2020 by value according to age, industry sector, financing stage and whether quoted or unquoted. The management buyout investments were completed before updates to the VCT rules prohibiting this type of investment activity were enacted, in November 2015.



*excludes dividends proposed but not yet paid



●●●●● Ordinary dividends
● Special dividends

Financing stage

● Development capital – post November 2015	45.6%
● Development capital – pre November 2015	26.9%
● MBO	27.5%

Quotation

● Unquoted	96.2%
● AIM	3.0%
● LSE	0.8%

Valuation policy

Unquoted investments are valued in accordance with the accounting policy set out on page 34, which follows the International Private Equity and Venture Capital Valuation (IPEV) guidelines, being the industry accepted best practice. The emergence of COVID-19 and the national response to suppress it has heightened the level of estimation uncertainty when assessing the future prospects of individual portfolio companies as at the balance sheet date. IPEV released a supplement to its latest guidance on 31 March 2020 to specifically address the challenges of valuing investments during the COVID-19 pandemic, which the directors have taken account of when undertaking their usual detailed valuation process.

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

As at 30 September 2020 the number of venture capital investments falling into each valuation category was as shown in Table 4.

Key performance indicators

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

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

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

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

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

Risk management

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

Investment and liquidity risk: investment in smaller and unquoted companies, such as

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

Financial risk: most of the company's investments involve a medium to long-term commitment and many are relatively illiquid.

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

151.5	162.5	166.5	170.5	174.5
2016	2017	2018	2019	2020
Cumulative dividends per share (p)				

2.55	2.56	2.33	2.32	2.47
2016	2017	2018	2019	2020
Ongoing charges excluding performance fees (% of average net assets)				

3.62	2.56	2.33	2.32	2.78
2016	2017	2018	2019	2020
Ongoing charges including performance fees (% of average net assets)				

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

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

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

Credit risk: the company holds a number of financial instruments and cash deposits and is dependent on the counterparties discharging their commitment. **Mitigation:** the directors review the creditworthiness of the counterparties to these instruments and cash deposits and seek to ensure there is no undue concentration of credit risk with any one party.

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

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

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

Additional disclosures required by the Companies Act

Section 172 Statement

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

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

In discharging their duties each director has regard to the factors set out above and to other factors which they consider relevant to the decision being made. Those factors may include, for example, the interests and views of our shareholders, suppliers and regulators. The board's aim is to make sure that decisions are consistent and predictable. Details on how the board operates and the way directors reach decisions, including some of the matters discussed and debated during the year, the key stakeholder considerations that were central to those discussions and the way in which directors had regard to the need to foster the company's long-term relationship with shareholders and other stakeholders, are included in the corporate governance section of this report on pages 20 to 24.

Key stakeholders

The company had no employees during the year and all directors are male. As an externally administered investment company, the company is not directly responsible for any greenhouse gas emissions.

Shareholders

The directors recognise the value of maintaining regular communications with shareholders. Formal reports are sent to shareholders at the half-year and year-end stages, and an opportunity is given to shareholders at the annual general meeting to question the board and the investment adviser on matters relating to the company's operation and performance. The investment adviser usually holds an annual VCT investor seminar to which shareholders are invited and the directors attend. Unfortunately the investor seminar originally scheduled to be held in March 2020 was cancelled due to COVID-19, however a virtual event will be held January 2021.

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

Investment adviser

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

Portfolio Companies

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

Future prospects

Whilst uncertainty remains as to the outcome of the negotiations between the UK and the rest of the EU concerning a future trading relationship, we do not expect that this will have a significant impact on the operations of Northern Venture Trust PLC itself.

COVID-19 presents unprecedented challenges for UK businesses and the longer term impact on the economy and individual sectors is currently unknown. The potential effects of this period of heightened uncertainty on portfolio companies differs between cases, however Mercia typically has a representative on the board of each unquoted investment and continues to support investee management teams to plan for a range of possible outcomes. The operations of Northern Venture Trust PLC have necessarily evolved during the year, however the board has continued to hold effective board meetings, largely remotely, making use of video conferencing services. The directors regularly monitor the service received from the company's investment adviser, registrars and custodians who have all enacted contingency plans to deal with COVID-19 and who all continue to operate effectively.

Following a successful share offer during the year, the company remains well capitalised to support its portfolio of entrepreneurial SMEs and to add to it selectively as market conditions permit. The company will continue to maintain the highest standards in the selection of investments to deploy capital effectively and ultimately drive shareholder value.

By order of the Board

J K Bryce
Secretary

1 December 2020

Investment portfolio

as at 30 September 2020

	Cost £000	Valuation £000	% of net assets by value
Fifteen largest venture capital investments (see pages 12 to 15)			
Agilitas IT Holdings	943	12,057	10.7
Entertainment Magpie Group	1,611	10,415	9.2
Lineup Systems	974	5,096	4.5
Currentbody.com	2,050	4,662	4.1
Sorted Holdings	3,022	3,278	2.9
SHE Software Group	2,412	3,147	2.8
Clarilis	1,972	2,565	2.3
It's All Good	1,205	2,511	2.2
Intelling Group	1,223	2,208	2.0
Biological Preparations Group	2,366	2,208	2.0
Volumatic Holdings	734	2,005	1.8
Weldex (International) Offshore Holdings	3,262	1,917	1.7
GRIP-UK t.a. The Climbing Hangar	2,118	1,674	1.5
Knowledgemotion	1,903	1,657	1.5
Medovate	1,593	1,593	1.3
	27,388	56,993	50.5
Other venture capital investments			
Idox*	238	1,436	1.3
Oddbox Delivery	704	1,334	1.2
Buoyant Upholstery	1,173	1,191	1.1
Tutora t.a. Tutorful	1,131	1,131	1.0
Rockar	1,052	1,049	0.9
Thanksbox t.a. Mo	1,046	1,046	0.9
Gentronix	1,104	1,043	0.9
Contego Solutions t.a. NorthRow	1,152	1,042	0.9
Intuitive Holding	1,674	1,031	0.9
Life's Great Group t.a. Mojo Mortgages	1,326	989	0.9
Voxpopme	974	974	0.9
Administrate	1,365	972	0.9
Ridge Pharma	969	969	0.9
Newcells Biotech	531	887	0.8
Enate	784	784	0.7
Soda Software Labs t.a. Hello Soda	1,472	747	0.7
Pure Pet Food	710	710	0.6
Atlas Cloud	704	704	0.6
Vectura Group**	599	669	0.6
Axial Systems Holdings	1,004	540	0.5
Quotevine	780	531	0.5
Seahawk Bidco	513	499	0.4
Channel Mum	1,172	495	0.4
Duke & Dexter	424	424	0.4
Haystack Dryers	1,661	397	0.4
Ablatus Therapeutics	390	390	0.3
Ideagen*	67	379	0.3
Nutshell Software	352	352	0.3
Fresh Approach (UK) Holdings	1,475	337	0.3
Arnlea Holdings	1,305	308	0.3
AVID Technology Group	1,839	300	0.3
Collagen Solutions*	321	287	0.3
Angle*	131	199	0.2
Lending Works	925	192	0.1
Customs Connect Group	1,564	162	0.1
RTC Group*	436	134	—
Velocity Composites*	103	17	—
No 1 Lounges	2,006	—	—
Upp Technologies (previously Volo Commerce)	2,253	—	—
Total venture capital investments	64,816	81,644	72.3
Investment funds (listed equity)	8,950	10,208	9.1
Total fixed asset investments	73,766	91,852	81.4
Net current assets		20,939	18.6
Net assets		112,791	100.0

*Quoted on AIM

**Listed on London Stock Exchange

Fifteen largest venture capital investments

Agilitas IT Holdings

Cost	£943,000
Valuation	£12,057,000
Basis of valuation	Earnings multiple
Equity held	14.3% (NVM funds total 55.3%)
Business/location	Provider of outsourced IT inventory management services, Nottingham
Initial investment	Management buy-out financing, June 2014, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT, NV2 LP
Income in year	Dividends nil, loan stock interest £47,000

Audited financial information:

Year ended 31 March	2019 £m	2018 £m
Sales	12.0	9.5
EBITDA	2.4	2.0
Profit before tax	1.0	0.6
Profit after tax	0.8	0.5
Net assets	1.7	0.9

Entertainment Magpie Group

Cost	£1,611,000
Valuation	£10,415,000
Basis of valuation	Earnings multiple
Equity held	9.8% (NVM funds total 36.7%)
Business/location	Re-commerce website for pre-owned entertainment media and electronic items, Manchester
Initial investment	Management buy-out, September 2015, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT, NV2 LP
Income in year	Dividends nil, loan stock interest £57,000

Audited financial information:

Year ended 31 May*	2018** £m	2017 £m
Sales	109.5	101.1
EBITDA	1.7	2.3
Loss before tax	(2.3)	(1.0)
Loss after tax	(2.3)	(1.0)
Net (liabilities)/assets	(5.2)	0.5

*accounting period to 31 May 2019 extended to 30 November 2019. **excludes discontinued operations.

Lineup Systems

Cost	£975,000
Valuation	£5,096,000
Basis of valuation	Revenue multiple
Equity held	17.4% (NVM funds total 52.2%)
Business/location	Multi-channel advertising and media software, London
Initial investment	Development capital financing, December 2011, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £24,000

Audited financial information:

Year ended 30 June	2019 £m	2018 £m
Sales	11.1	9.3
EBITDA	0.4	0.6
(Loss)/profit before tax	(0.1)	0.1
(Loss)/profit after tax	–	0.1
Net liabilities	(0.1)	(0.1)

Currentbody.com

Cost	£2,050,000
Valuation	£4,662,000
Basis of valuation	Revenue multiple
Equity held	9.1% (NVM funds total 25.7%)
Business/location	Online marketplace for home use beauty devices, Cheadle
Initial investment	Development capital financing, March 2018, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 30 January	2020 £m	2019 £m
Sales	15.8	9.4
EBITDA	(0.6)	(0.6)
Loss before tax	(1.1)	(1.2)
Loss after tax	(0.7)	(1.2)
Net assets/(liabilities)	1.0	(1.0)

Note: "EBITDA" is defined as earnings before interest, tax, depreciation and amortisation.

Sorted Holdings

Cost	£3,022,000
Valuation	£3,278,000
Basis of valuation	Price of a recent investment
Equity held	6.6% (NVM funds total 18.0%)
Business/location	Delivery management software platform serving the e-commerce market, Manchester
Initial investment	Development capital financing, May 2016, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £81,000

Audited financial information:

Year ended 31 May*	2019 £m	2018 £m
Sales	2.7	2.2
EBITDA	(5.6)	(3.6)
Loss before tax	(7.8)	(5.3)
Loss after tax	(6.7)	(5.3)
Net assets/(liabilities)	2.9	(1.0)

*accounting period to 31 May 2020 extended to 30 September 2020

SHE Software Group

Cost	£2,412,000
Valuation	£3,147,000
Basis of valuation	Price of a recent investment
Equity held	11.3% (NVM funds total 28.8%)
Business/location	Health and safety platform provider, East Kilbride
Initial investment	Development capital financing, February 2018, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 31 March	2020 £m	2019 £m
Sales	5.4	3.5
EBITDA	0.2	(1.1)
Loss before tax	(0.3)	(1.1)
Loss after tax	(0.2)	(0.8)
Net assets	12.0	5.8

Clarilis

Cost	£1,972,000
Valuation	£2,565,000
Basis of valuation	Price of a recent investment
Equity held	9.8% (NVM funds total 28.1%)
Business/location	Provides automated legal document preparation software, Leamington Spa
Initial investment	Development capital financing, June 2018, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 31 December	2019 £m	2018 £m
Sales	1.2	0.9
EBITDA	(1.6)	(1.1)
Loss before tax	(1.6)	(1.1)
Loss after tax	(1.3)	(1.1)
Net assets	0.4	1.6

It's All Good

Cost	£1,205,000
Valuation	£2,511,000
Basis of valuation	Earnings multiple
Equity held	10.4% (NVM funds total 30.2%)
Business/location	Manufacturer of premium savoury snack products, Gateshead
Initial investment	Development capital financing, February 2014, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £163,000

Audited financial information:

Year ended 31 December	2019 £m	2018 £m
Sales	33.4	27.4
EBITDA	1.5	1.8
(Loss)/profit before tax	(0.1)	0.5
(Loss)/profit after tax	-	0.7
Net assets	2.1	2.1

Fifteen largest venture capital investments continued

Intelling Group

Cost	£1,222,000
Valuation	£2,208,000
Basis of valuation	Earnings multiple
Equity held	13.2% (NVM funds total 37.7%)
Business/location	Customer handling and support specialist, Manchester
Initial investment	Development capital financing, March 2017, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £255,000

Audited financial information:

Year ended 31 July	2019 £m	2018 £m
Sales	16.3	13.0
EBITDA	2.5	0.1
Profit/(loss) before tax	0.2	(1.7)
Profit/(loss) after tax	0.5	(1.6)
Net liabilities	(2.1)	(2.7)

Biological Preparations Group

Cost	£2,366,000
Valuation	£2,208,000
Basis of valuation	Earnings multiple
Equity held	17.4% (NVM funds total 47.5%)
Business/location	Developer and supplier of products based on microbial, antimicrobial, plant extract and enzyme technology, Cardiff
Initial investment	Management buy-out financing, March 2015, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends £22,000, loan stock interest £191,000

Audited financial information:

Year ended 31 December	2018 £m	2017* £m
Sales	7.2	6.3
EBITDA	0.9	0.7
Loss before tax	(0.6)	(0.8)
Loss after tax	(0.7)	(0.9)
Net liabilities	(2.1)	(1.4)

*excludes exceptional costs.

Volumatic Holdings

Cost	£733,000
Valuation	£2,005,000
Basis of valuation	Earnings multiple
Equity held	18.5% (NVM funds total 55.4%)
Business/location	Manufacturer of intelligent cash handling equipment, Coventry
Initial investment	Management buy-out financing, March 2012, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends £25,000, loan stock interest £51,000

Audited financial information:

Year ended 31 March	2019 £m	2018 £m
Sales	5.6	5.6
EBITDA	0.6	0.6
Loss before tax	(0.3)	(0.3)
Loss after tax	(0.3)	(0.3)
Net assets	1.4	1.4

Weldex (International) Offshore Holdings

Cost	£3,262,000
Valuation	£1,917,000
Basis of valuation	Provision against cost
Equity held	5.1% (NVM funds total 10.2%)
Business/location	Hire of large crawler cranes to the construction industry, Inverness
Initial investment	Institutional buy-out, June 2010, led by Dunedin Capital Partners
Other NVM funds investing	Northern Investors Company
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 30 November	2019 £m	2018 £m
Sales	16.5	22.5
EBITDA	6.4	10.8
(Loss)/profit before tax	(3.6)	0.1
(Loss)/profit after tax	(3.2)	0.1
Net assets	46.7	49.9

Note: "EBITDA" is defined as earnings before interest, tax, depreciation and amortisation.

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

Cost	£2,118,000
Valuation	£1,674,000
Basis of valuation	Price of a recent investment
Equity held	16.2% (NVM funds total 45.5%)
Business/location	Operator of indoor climbing walls, Liverpool
Initial investment	Development capital financing, August 2018, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 30 September	2019 £m	2018 £m
Sales	2.4	0.9
EBITDA	(0.5)	(0.4)
Loss before tax	(0.6)	(0.5)
Loss after tax	(0.6)	(0.4)
Net assets	2.1	2.7

Knowledgemotion

Cost	£1,903,000
Valuation	£1,657,000
Basis of valuation	Price of a recent investment
Equity held	9.1% (NVM funds total 25.8%)
Business/location	Online educational content platform, London
Initial investment	Development capital financing, July 2017, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 31 December*	2018 £m	2017 £m
Sales	1.4	0.6
EBITDA	(1.4)	(1.1)
Loss before tax	(1.4)	(1.1)
Loss after tax	(1.4)	(0.9)
Net assets	0.4	1.8

*accounting period to 31 December 2019
extended to 30 June 2020

Medovate

Cost	£1,593,000
Valuation	£1,593,000
Basis of valuation	Cost
Equity held	9.8% (NVM funds total 27.5%)
Business/location	Medical services developer, Cambridge
Initial investment	Development capital financing, November 2017, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest nil

Audited financial information:

Period ended 31 December	2019 £m	2018* £m
Sales	—	—
EBITDA	(1.4)	(0.9)
Loss before tax	(1.5)	(1.0)
Loss after tax	(1.4)	(1.0)
Net assets	3.2	4.7

*18 month period.

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2020.

Activities and status

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

The directors have managed the affairs of the company with the intention of maintaining its status as an approved venture capital trust for the purposes of Section 274 of the Income Tax Act 2007. The directors consider that the company was not at any time up to the date of this report a close company within the meaning of Chapter 2 of Part 10 of the Corporation Tax Act 2010. The company's registered number is 03090163.

The directors are required by the articles of association to propose an ordinary resolution at the company's annual general meeting in 2025 that the company should continue as a venture capital trust for a further five year period, and at each fifth subsequent annual general meeting thereafter. If any such resolution is not passed, the directors shall within four months convene an extraordinary general meeting to consider proposals for the reorganisation or winding-up of the company.

Corporate governance

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

Results and dividend

The return on ordinary activities after tax for the year of £10,940,000 has been transferred to reserves.

The final dividend of 2.0 pence per share in respect of the year ended 30 September 2019 and interim dividend of 1.5 pence per share in respect of the year ended 30 September 2020 were paid during the year at a cost of £5,171,000 and have been charged to reserves.

The proposed final dividend of 2.5 pence per share for the year ended 30 September 2020 will, if approved by shareholders at the annual general meeting, be paid on 22 January 2021 to shareholders on the register on 29 December 2020.

Provision of information to auditor

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

Statement on long-term viability

In accordance with the requirements of the AIC Code of Corporate Governance, the directors have assessed the prospects of the company over the three year period to September 2023. The directors consider that for the purpose of this exercise it is not practical or meaningful to look forward over a period of more than three years and that the period is appropriate for a business of the company's nature and size.

In making their assessment the directors have carried out a robust review of the risk environment in which the company operates, including those risks which might threaten its business model or future performance and the steps taken with a view to their mitigation (see pages 9 and 10 for further details on risk management). The directors have considered the ability of the company to comply on an ongoing basis with the conditions for maintaining VCT approved status. The directors have also considered the nature of the company's business, including its substantial reserve of cash and near-cash investments, the potential of its venture capital portfolio to generate future income and capital proceeds and the ability of the directors to control the level of future cash outflows arising from share buy-backs, dividends and investments. When assessing the potential future cashflows of the company, the directors have considered various scenarios including a 'downside case' where potential cash inflows are severely impacted by economic disruption caused by COVID-19. As detailed on page 22, the management engagement committee has also considered the company's relationship with the investment adviser, Mercia, by reference to the performance of the venture capital portfolio and the expertise demonstrated by Mercia in venture capital investment.

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

Going concern

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

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

- the investments and liquid resources held by the company;
- the fact that the company has no debt or capital commitments;
- the ability of the company to meet all of its liabilities and ongoing expenses from its assets, including its year-end cash balance;

- revenue and operating cost forecasts for the forthcoming year;
- the ability of third-party service providers to continue to provide services; and
- potential downside scenarios including a fall in the valuation of the investment portfolio or levels of investment income.

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

Directors

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

Directors' and officers' liability insurance

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

Management

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

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

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

Remuneration receivable by the investment adviser

The remuneration receivable by the investment adviser by virtue of the management agreement with Northern Venture Trust comprises the following (note: the fees in respect of the period up until the novation of the management agreement on 23 December 2019 were received by NVM, and the fees in respect of the remainder of the year were due to Mercia):

Remuneration payable by Northern Venture Trust

Basic management fee: the investment adviser is entitled to receive a basic annual management fee equivalent to 2.06% of net assets, calculated half-yearly as at 31 March and 30 September. In consenting to the novation of the management agreement to Mercia in December 2019, it has been agreed that the fee due on the value of liquid assets above the threshold of £20 million will continue to attract a reduced rate of 1% per annum on a permanent basis. In the year ended 30 September 2020 the basic annual management fee was £1,850,000 (preceding year: £1,779,000).

Performance-related management fee: the investment adviser is entitled to receive an annual performance related management fee equivalent to 15% of the total return in excess of a formula-driven hurdle rate, details of whose composition are set out in Note 3 to the financial statements. The hurdle rate for the year ended 30 September 2020 was 6.0% (preceding year: 6.0%). There was a performance-related management fee due for the year ended 30 September 2020 of £284,000 (preceding year: nil).

Accounting and secretarial fee: the investment adviser is responsible for providing accounting, administrative and secretarial services to the company for an annual fee of £73,000 (preceding year was £72,000), linked to the movement in the RPI.

The total remuneration payable in aggregate to the investment adviser by Northern Venture Trust in respect of the year, comprising the basic management fee, the performance fee and the accounting and secretarial fee, was £2,207,000 (preceding year £1,851,000).

Under current tax legislation the fees paid by the company to the investment adviser are not subject to VAT. The total annual running costs of the company, including the basic management fee and the accounting and secretarial fee but excluding the performance-related management fee, are capped at 2.9% of average net assets and any excess will be refunded to the company by way of a reduction in the investment adviser's basic management fee. The annual running costs of the company for the year ended 30 September 2020 were equivalent to 2.47% of average net assets (preceding year: 2.32%).

Remuneration payable by investee companies

Under the management agreement, the investment adviser is entitled to receive fees from investee companies in respect of the arrangement of investments and the provision of non-executive directors and other advisory services. The investment adviser is responsible for paying the due diligence and other costs incurred in connection with proposed investments which for whatever reason do not proceed to completion. In the year ended 30 September 2020 the arrangement fees receivable by the adviser from investee companies which were attributable to investments made by Northern Venture Trust amounted to £244,000 (preceding year: £317,000), and directors' and monitoring fees amounted to £383,000 (preceding year: £382,000).

Executive co-investment scheme

Since 2006 the company has, together with the other VCT funds previously advised by NVM, participated in a co-investment scheme with the objective of enabling the investment adviser to recruit, retain and incentivise its key investment personnel. Under the scheme, which has been continued by Mercia, the VCT investment team and certain key executives of Mercia, are required to invest personally (and on the same terms as the company and other VCT funds managed by Mercia) in the ordinary share capital of every unquoted investee company in which the company invests. The shares held by co-investment scheme participants can only be sold at such time as the VCT funds advised by Mercia sell their shares and any prior ranking loan notes or preference shares held by the funds having been repaid. The participants in the scheme jointly subscribe for 5.0% of the non-yielding ordinary shares available to the Northern VCT funds, except in the case of investments where there is no class of yielding securities, in which case the executives jointly subscribe for 1.0% of the non-yielding ordinary shares available to the Northern VCT funds. At 30 September 2020 the co-investment scheme held investments in 51 investee companies acquired at a total cost of £1,270,000, of which £417,000 was attributable to investments made by Northern Venture Trust. The directors estimate that in the year ended 30 September 2020, the effect of the co-investment scheme on the company's performance was to decrease the return on ordinary activities attributable to shareholders by £798,000 (2019: decrease of £190,000). The decrease in return is equivalent to 0.5 pence per share (2019: decrease of 0.1 pence), based on the weighted average number of shares in issue during the year.

Share capital – purchase of shares

During the year the company purchased for cancellation 2,988,048 of its own shares, representing 2.2% of the called-up share capital of the company at the beginning of the year, for a consideration of £1,756,000.

Purchases were made in line with the company's policy of purchasing available shares at a discount to net asset value. At the 2019 annual general meeting held in December 2019 shareholders authorised the company to purchase in the market

up to 13,877,361 ordinary shares (equivalent to approximately 10% of the then issued ordinary share capital) at a minimum price of 25 pence per share and a maximum price per share of not more than 105% of the average market value for the ordinary shares in the company for the five business days prior to the date on which the ordinary shares were purchased. As at 30 September 2020 this authority remained effective in respect of 10,889,313 shares; the authority will lapse at the conclusion of the annual general meeting of the company on 15 January 2021.

Share capital – issue of shares

During the year the company issued a total of 23,834,426 new ordinary shares, 22,352,851 of which were allotted as a result of the prospectus share offer which closed in April 2020. 1,481,575 new ordinary shares were issued pursuant to the company's dividend investment scheme.

Fixed assets

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

Financial Instruments

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

Annual general meeting

Notice of the 2020 annual general meeting to be held on 15 January 2021 is set out in a separate circular to shareholders along with explanatory comments on the resolutions.

Substantial shareholdings

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

Independent auditor

The audit committee is responsible for considering the external audit arrangements. KPMG LLP is not seeking reappointment as auditor of the company. Following the conclusion of an audit tender process, resolutions proposing the appointment of Mazars LLP as auditor of the company and giving authority to the audit committee to determine their remuneration be will be submitted at the AGM to be held on 15 January 2021.

By order of the Board

J K Bryce
Secretary

1 December 2020

Directors' remuneration report

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

This report has been prepared by the directors in accordance with the requirements of Section 410 of the Companies Act 2006. A resolution to approve the directors' remuneration report and statement of the directors' remuneration policy will be proposed at the annual general meeting on 15 January 2021.

The company's independent auditor, KPMG LLP, is required to give its opinion on certain information included in this report, as indicated below. The auditor's report on these and other matters is set out on pages 26 to 28.

Directors' remuneration policy

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

The board considers that directors' fees should reflect the time commitment required and the high level of responsibility borne by directors, and should be broadly comparable to those paid by similar companies. It is not considered appropriate that directors' remuneration should be performance-related, and none of the directors is eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive directors of the company. Mr T R Levett, who is a consultant to Mercia, the company's investment adviser from 23 December 2019, has an interest in the co-investment scheme referred to in the directors' report on page 17.

The articles of association place an overall limit (currently £150,000 per annum) on directors' remuneration. The articles of association provide that directors shall retire and be subject to re-election at the first annual general meeting after their appointment and that any director who was not appointed or reappointed at one of the preceding two annual general meetings shall retire and be subject to re-election at each annual general meeting. As a matter of good practice, the board has adopted the 2019 AIC code recommendation that all directors should seek annual re-election. None of the directors has a service contract with the company. On being appointed or re-elected, directors receive a letter from the company setting out the terms of their appointment and their specific duties and responsibilities. A director's appointment may be terminated on three months' notice being given by the company and in certain other circumstances. A director who ceases to hold office is not entitled to receive any payment other than accrued fees (if any) for past services.

Directors' remuneration for the year ended 30 September 2020 (audited information)

The fees paid to individual directors in respect of the years ended 30 September 2020 and 30 September 2019, which represent the entire remuneration payable to directors, are shown in Table 1.

Directors' share interests (audited information)

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

All of the directors' share interests were held beneficially.

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

Relative importance of spend on pay

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

Company performance

The graph opposite compares the total return (assuming re-investment of all dividends) to shareholders in the company over the five years ended 30 September 2020 with the total return from a broad UK equity market index over the same period.

Statement of voting at annual general meeting

At the annual general meeting on 14 December 2019 the resolution to approve the directors' remuneration report for the year ended 30 September 2019 was approved by a show of hands. 97.1% of the proxy votes received in relation to the resolution were either for or discretionary.

Statement by the chairman of the nomination committee

In accordance with the directors' remuneration policy, directors' fees were reviewed by the nomination committee during its meeting on 16 September 2020, when it was recommended that fees should remain the same for the year to 30 September 2021.

By order of the Board


S J Constantine
Chairman of
the Nomination
Committee

1 December 2020

Table 1: Directors' fees

	Year ended 30 September 2020	Year ended 30 September 2019
S J Constantine (Chairman)	35,000	35,000
N J Beer	27,000	27,000
R J Green	25,000	25,000
T R Levett*	–	–
D A Mayes	25,000	25,000
H P Younger	25,000	25,000
Total	137,000	137,000

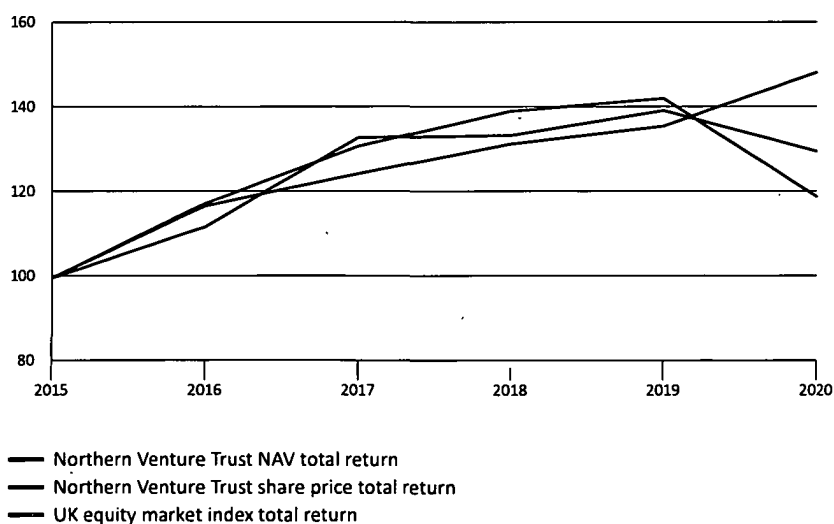
*Mr T R Levett waived his entitlement to directors' fees in respect of both years.

Table 2: Directors' interests in ordinary shares

	1 December 2020	30 September 2020	1 October 2019
S J Constantine (Chairman)	327,783	327,783	327,783
N J Beer	272,087	272,087	227,216
R J Green	296,247	296,247	193,402
T R Levett	467,785	467,785	431,796
D A Mayes	1,010,850	1,010,850	650,960
H P Younger	162,220	162,220	136,147

Return to shareholders in Northern Venture Trust PLC

Five years to 30 September 2020 (September 2015 = 100)



Corporate governance

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

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

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

The company complied with the Principles and Provisions of the AIC Code, except as set out below. The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

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

Board of directors

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

The board is responsible to shareholders for the effective stewardship of the company's affairs and has a formal schedule of matters specifically reserved for its decision which include:

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

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

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

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

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

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

The articles of association provide that directors shall retire and be subject to re-election at the first annual general meeting after their appointment and that any director who was not appointed or reappointed at one of the preceding two annual general meetings shall retire and be subject to re-election at each annual general meeting. However the board has as a matter of good practice adopted the AIC Code recommendation that all directors should seek annual re-election.

Independence of directors

The board regularly reviews the independence of its members and is satisfied that the company's directors are independent in character and judgement and there are no relationships or circumstances which could affect their objectivity (with the exception of Mr T R Levett who was an equity partner in NVM, the company's investment adviser until 23 December 2019 and is a consultant to Mercia, the company's investment adviser from 23 December 2019). Mr Levett does not sit on the audit committee or the management engagement committee of the board, which are comprised wholly of independent directors.

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

Board committees

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

Audit Committee

During the year the audit committee comprised:

Mr N J Beer (Chairman)
Mr S J Constantine
Mr R J Green
Mr D A Mayes
Mr H P Younger

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

- monitoring and making recommendations to the board in relation to the company's published financial statements and other formal announcements relating to the company's financial performance;
- monitoring and making recommendations to the board in relation to the valuation of the company's unquoted investments;
- monitoring and making recommendations to the board in relation to the company's internal control (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the board in relation to the appointment, reappointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that the investment adviser has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

The committee reviews its terms of reference and its effectiveness annually and recommends to the board any changes required as a result of the review. The terms of reference are available on request from the company secretary and on the NVM website, www.nvm.co.uk. The audit committee ordinarily meets three times per year and has direct access to KPMG LLP, the company's external auditor. The board considers that the members of the committee are independent and have collectively the skills and experience required to discharge their duties effectively, and that the chairman of the committee meets the requirements of the UK Code as to recent and relevant financial experience. We note that the chairman, Mr S J Constantine, is a member of the audit committee. Whilst this is not compliant with the provisions of the UK Code, it is compliant with the provisions of the AIC Code. As all members of the audit committee are independent non-executive directors, we believe that this is appropriate.

During the year ended 30 September 2020 the company did not have an independent internal audit function as it is not deemed necessary given the size of the company and the nature of the company's business. However, the committee considers annually whether there is a need for such a function and if so would recommend this to the board.

During the year ended 30 September 2020 the audit committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement, remuneration and independence;
- reviewing the external auditor's plan for the audit of the company's financial statements, including identification of key risks and confirmation of auditor independence;
- reviewing the investment adviser's statement of internal controls operated in relation to the company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of the investment adviser's compliance procedures;
- reviewing the appropriateness of the company's accounting policies;
- reviewing the company's draft annual financial statements and half-yearly results statement prior to board approval, including the proposed fair value of investments;
- reviewing the external auditor's detailed reports to the committee on the annual financial statements;
- reviewing the taxation advisers' VCT status monitoring and compliance reports; and
- considering the effectiveness of the external audit process

The key area of risk that has been identified and considered by the audit committee in relation to the business activities and financial statements of the company is the valuation and existence of unquoted investments, particularly in light of the significant economic uncertainty caused by COVID-19. Another important area of risk that is considered by the audit committee is compliance with HM Revenue & Customs conditions for maintenance of approved venture capital trust status.

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

Corporate governance continued

Valuation of unquoted investments: the investment adviser confirmed to the audit committee that the investment valuations had been carried out consistently with prior periods and in accordance with published industry guidelines, (including the supplementary guidance issued by IPEV on 31 March 2020), taking account of the latest available information about investee companies and current market data. The investment adviser highlighted that the assessment of the future prospects of portfolio companies was subject to heightened estimation uncertainty due to the COVID-19 pandemic. The audit committee reviewed the estimates and judgements used in the investment valuations and was satisfied that the final valuations are appropriate.

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

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

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

The committee regularly reviews and monitors the auditor's effectiveness and independence. KPMG LLP has confirmed that it is independent of the company and has complied with the applicable auditing standards. KPMG LLP together with its predecessor KPMG Audit Plc has held office as auditor for 25 years; in accordance with professional guidelines the engagement leader is rotated after at most five years, and this is the first year that the current partner has served.

As part of its review, the committee considers the nature and extent of non-audit services supplied by the auditor, all of which must be approved by the committee.

There were no non-audit services contracted for during the year. The audit committee regularly reviews requirements and deadlines for mandatory audit tendering and rotation; under current regulations the last period for which KPMG LLP would be permitted to act as auditor of the company would be the year ending 30 September 2023. In the interest of good governance, the audit committee conducted a tender process in November 2020. Having considered the results of the tender, the audit committee recommended the appointment of Mazars LLP, an international firm of chartered accountants, as statutory auditor of the company for the year ending 30 September 2021. A resolution to approve this appointment will be proposed at the AGM to be held on 15 January 2021.

Nomination Committee

During the year the nomination committee comprised:

Mr S J Constantine (Chairman)
Mr N J Beer
Mr R J Green
Mr T R Levett
Mr D A Mayes
Mr H P Younger

The nomination committee considers the selection and appointment of directors and makes annual recommendations to the board as to the level of directors' fees. The committee monitors the balance of skills, knowledge, diversity and experience offered by board members, and satisfies itself that they are able to devote sufficient time to carry out their role efficiently and effectively. When recommending new appointments to the board the committee draws on its members' extensive business experience and range of contacts to identify suitable candidates; and would consider the use of formal advertisements and external consultants where appropriate. The committee recognises the benefits of diversity in the constitution of the board and it is the committee's intention that the diversity of representation on the board will continue to increase over time. New directors are provided with briefing material relating to the company, its investment adviser and the venture capital industry as well as to their own legal responsibilities as directors. The committee has written terms of reference which are reviewed annually and are available on request from the company secretary and on the company's website.

Management Engagement Committee

During the year the management engagement committee comprised:

Mr R J Green (Chairman)
Mr N J Beer
Mr S J Constantine
Mr D A Mayes
Mr H P Younger

The management engagement committee undertakes a periodic review of the performance of the investment adviser, Mercia, and of the terms of the management agreement including the level of fees payable and the length of the notice period. The principal terms of the agreement are set out in Note 3 to the financial statements on page 35.

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

Attendance at board and committee meetings

Table 1 sets out the number of substantive board and committee meetings held during the year ended 30 September 2020 and the number attended by each director compared with the maximum possible attendance.

Corporate responsibility

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

Investor relations

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

Further information can also be obtained via the company's website.

Table 1: Directors' attendance at meetings

	Board	Audit committee	Nomination committee	Management engagement committee
Number of meetings held	7*	4	1	1
Attendance (actual/possible):				
S J Constantine (Chairman)	6/7	4/4	1/1	1/1
N J Beer	7/7	4/4	1/1	1/1
R J Green	7/7	4/4	1/1	1/1
T R Levett	6/7	N/A	1/1	N/A
D A Mayes	6/7	4/4	1/1	1/1
H P Younger	6/7	4/4	1/1	1/1

*In addition to the seven meetings of the board held in person during the year, there were a further 16 meetings held by conference call.

Internal control

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

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

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

Risk management

Risk management is discussed in the strategic report on pages 9 and 10.

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

As at 30 September 2020 there were 159,619,990 ordinary shares in issue (as at that date none of the issued shares were held by the company as treasury shares). Subject to any suspension or abrogation of rights pursuant to relevant law or the company's articles of association, the shares confer on their holders (other than the company in respect of any treasury shares) the following principal rights:

- the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the board as approved by shareholders in general meeting or in the case of an interim dividend in an amount determined by the board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the company;
- the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the company remaining after payment of its liabilities *pari passu* with the other holders of ordinary shares; and

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

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

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

Corporate governance continued

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

Amendment of articles of association

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

Appointment and replacement of directors

A person may be appointed as a director of the company by the shareholders in a general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) or by the directors; no person, other than a director retiring by rotation or otherwise, shall be appointed or reappointed as director at any general meeting unless he or she is recommended by the directors or, not less than seven or more than 42 clear days before the date appointed for the meeting, notice is given to the company of the intention to propose that person for appointment or reappointment in the form and manner set out in the company's articles of association.

Each director who is appointed by the directors (and who has not been elected as a director of the company by the members at a general meeting held in the interval since his appointment as a director of the company) is to be subject to election as a director of the company by the members at the first annual general meeting of the company following his appointment. At each annual general meeting of the company, any director who was not appointed or reappointed at one of the preceding two annual general meetings shall retire and be subject to re-election.

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

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

Powers of the directors

The company's articles of association specify that, subject to the provisions of the Companies Act 2006 and articles of association of the company and any directions given by shareholders by special resolution, the business of the company is to be managed by the directors, who may exercise all the powers of the company, whether relating to the management of the business or not, except where the Companies Act 2006 or the articles of association of the company otherwise require. In particular the directors may exercise on behalf of the company its powers to purchase its own shares to the extent permitted by shareholders. Authority was given at the company's 2019 annual general meeting to make market purchases of up to 13,877,361 ordinary shares at any time up to the 2020 annual general meeting and otherwise on the terms set out in the relevant resolution, and authority is being sought at the annual general meeting to be held on 15 January 2021 as set out in a separate circular.

By order of the Board

Nigel Beer
Chair of the audit committee
1 December 2020

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 *"The Financial Reporting Standard applicable in the UK and Republic of Ireland"*.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

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

Responsibility statement of the directors in respect of the annual report and financial statements for the year ended 30 September 2020

We confirm that to the best of our knowledge:

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

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

By order of the Board

J K Bryce
Secretary

1 December 2020

Independent auditor's report to the members of Northern Venture Trust PLC

1. Our opinion is unmodified

We have audited the financial statements of Northern Venture Trust PLC ("the Company") for the year ended 30 September 2020 which comprise the income statement, balance sheet, statement of changes in equity, statement of cash flows, and the related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders in 1995. The period of total uninterrupted engagement is for the 25 financial years ended 30 September 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality (financial statements as a whole)

- £1,100,000 (2019: £946,000)
- 1.0% (2019: 1.0%) of total assets

Key audit matter

Recurring risks

- Valuation of unquoted investments

vs 2019

- Increased risk due to impact of COVID-19

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of unquoted investments (£78.5 million; 2019: £59.1 million)

Refer to page 21 (audit committee report), page 34 (accounting policy) and pages 37 and 38 (financial disclosures).

The risk

Subjective valuation

69.4% of the company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, earnings multiples and net assets. There is a significant risk over valuation of these investments.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of unquoted investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 17) disclose the sensitivity estimated by the company.

Our response

Our procedures included:

- **Historical comparisons:** Assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the company's approach to valuations;
- **Methodology choice:** In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected;
- **Our valuations experience:** Challenging the investment adviser on key judgements affecting investee company valuations, such as discount factors and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable and we obtained an understanding of existing and prospective investee company cashflows to understand whether borrowings can be serviced or whether refinancing may be required. We performed retrospective reviews against audited financial statements (where available) in order to assess the accuracy of unaudited information provided by investee companies. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;
- **Comparing valuations:** Where a recent transaction has been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation; and
- **Assessing transparency:** Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Our results: We found the company's valuation of unquoted investments to be acceptable (2019: acceptable).

We continue to perform procedures over the impact of the UK exiting the European Union. However, following the fact that the UK has now left the European Union, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

Materiality for the financial statements as a whole was set at £1,100,000 (2019: £946,000), determined with reference to a benchmark of total assets, of which it represents 1.0% (2019: 1.0%).

We agreed to report to the audit committee any corrected or uncorrected identified misstatements exceeding £55,000 (2019: £47,000), in addition to other identified misstatements that warranted reporting on qualitative grounds. Our audit of the company was undertaken to the materiality level specified above and was performed by a single audit team.

4. We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 16 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the directors' report, page 16, that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency and liquidity;
- the risk management disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the statement on long-term viability of how they have assessed the prospects of the company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the statement of long-term viability. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

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

We are required to report to you if the corporate governance statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Independent auditor's report to the members of Northern Venture Trust PLC

continued

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 25, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards). We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

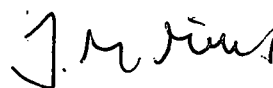
Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), and its qualification as a Venture Capital Trust under UK tax legislation, any breach of which could lead to the company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the Listing Rules and certain aspects of company legislation recognising the financial and regulated nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

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



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

1 December 2020

Financial statements

- 30 Income statement
- 31 Balance sheet
- 32 Statement of changes in equity
- 33 Statement of cash flows
- 34 Notes to the financial statements

Income statement

for the year ended 30 September 2020

	Notes	Year ended 30 September 2020			Year ended 30 September 2019		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments	8	–	(3)	(3)	–	1,244	1,244
Movements in fair value of investments	8	–	12,043	12,043	–	1,673	1,673
		–	12,040	12,040	–	2,917	2,917
Income	2	1,509	–	1,509	2,166	–	2,166
Investment management fee	3	(462)	(1,672)	(2,134)	(445)	(1,334)	(1,779)
Other expenses	4	(475)	–	(475)	(456)	–	(456)
Return on ordinary activities before tax		572	10,368	10,940	1,265	1,583	2,848
Tax on return on ordinary activities	5	(55)	55	–	(168)	168	–
Return on ordinary activities after tax		517	10,423	10,940	1,097	1,751	2,848
Return per share	7	0.3p	7.0p	7.3p	0.8p	1.3p	2.1p

- The total column of the income statement is the statement of total comprehensive income of the company prepared in accordance with FRS 102 *"The Financial Reporting Standard applicable in the UK and Republic of Ireland"*. The supplemental revenue return and capital return columns have been prepared in accordance with the Statement of Recommended Practice *"Financial Statements of Investment Trust Companies and Venture Capital Trusts"* issued in October 2019 by the Association of Investment Companies (*"AIC SORP"*).
- There are no recognised gains or losses other than those disclosed in the income statement.
- All items in the above statement derive from continuing operations.
- The accompanying notes are an integral part of this statement.

Balance sheet

as at 30 September 2020

	Notes	30 September 2020 £000	30 September 2019 £000
Fixed assets			
Investments	8	91,852	72,409
Current assets			
Debtors	12	674	1,182
Cash and deposits		20,693	22,160
		21,367	23,342
Creditors (amounts falling due within one year)	13	(428)	(93)
Net current assets		20,939	23,249
Net assets		112,791	95,658
Capital and reserves			
Called-up equity share capital	14	39,905	34,693
Share premium	15	12,745	5,584
Capital redemption reserve	15	2,853	2,106
Capital reserve	15	37,872	46,820
Revaluation reserve	15	18,086	4,948
Revenue reserve	15	1,330	1,507
Total equity shareholders' funds		112,791	95,658
Net asset value per share	16	70.7p	68.9p

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

The financial statements on pages 30 to 44 were approved by the directors on 1 December 2020 and are signed on their behalf by:



S J Constantine
Director



N J Beer
Director

Statement of changes in equity

for the year ended 30 September 2020

	Notes	Non-distributable reserves				Distributable reserves		Total
		Called-up share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve* £000	Capital reserve £000	Revenue reserve £000	
At 1 October 2019		34,693	5,584	2,106	4,948	46,820	1,507	95,658
Return on ordinary activities after tax		—	—	—	13,138	(2,715)	517	10,940
Dividends paid	6	—	—	—	—	(4,477)	(694)	(5,171)
Net proceeds of share issues	14	5,959	7,161	—	—	—	—	13,120
Shares purchased for cancellation	14	(747)	—	747	—	(1,756)	—	(1,756)
At 30 September 2020		39,905	12,745	2,853	18,086	37,872	1,330	112,971

	Notes	Non-distributable reserves				Distributable reserves		Total
		Called-up share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve* £000	Capital reserve £000	Revenue reserve £000	
At 1 October 2018		33,142	817	879	6,346	51,617	1,109	93,910
Return on ordinary activities after tax		—	—	—	(1,398)	3,149	1,097	2,848
Dividends paid	6	—	—	—	—	(4,749)	(699)	(5,448)
Net proceeds of share issues	14	2,778	4,767	—	—	—	—	7,545
Shares purchased for cancellation	14	(1,227)	—	1,227	—	(3,197)	—	(3,197)
At 30 September 2019		34,693	5,584	2,106	4,948	46,820	1,507	95,658

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

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

Statement of cash flows

for the year ended 30 September 2020

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Cash flows from operating activities		
Return on ordinary activities before tax	10,940	2,848
Adjustments for:		
Gain on disposal of investments	3	(1,244)
Movements in fair value of investments	(12,043)	(1,673)
Decrease/(increase) in debtors	508	(1,041)
Increase/(decrease) in creditors	336	(13)
Net cash outflow from operating activities	(256)	(1,123)
Cash flows from investing activities		
Purchase of investments	(10,480)	(18,705)
Sale/repayment of investments	3,077	18,531
Net cash outflow from investing activities	(7,403)	(174)
Cash flows from financing activities		
Issue of ordinary shares	13,423	7,692
Share issue expenses	(304)	(147)
Purchase of ordinary shares for cancellation	(1,756)	(3,197)
Equity dividends paid	(5,171)	(5,448)
Net cash inflow/(outflow) from financing activities	6,192	(1,100)
Decrease in cash and cash equivalents	(1,467)	(2,397)
Cash and cash equivalents at beginning of year	22,160	24,557
Cash and cash equivalents at end of year	20,693	22,160

Notes to the financial statements

for the year ended 30 September 2020

1. Accounting policies

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

(a) Basis of accounting

The financial statements have been prepared under FRS 102 *"The Financial Reporting Standard applicable in the UK and Republic of Ireland"* and in accordance with the Statement of Recommended Practice *"Financial Statements of Investment Trust Companies and Venture Capital Trusts"* issued in October 2019 by the Association of Investment Companies ("AIC SORP").

The company has adopted "Amendments to FRS 102 – Fair value hierarchy disclosures" issued by the Financial Reporting Council in March 2016.

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

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

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

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

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

(b) Significant estimates and judgements

Disclosure is required of judgements and estimates made by management in applying the accounting policies that have a significant effect on the financial statements. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates.

A price sensitivity analysis is provided in the other price risk sensitivity section of Note 17 on page 42.

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

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

(c) Valuation of investments

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

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

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

Those venture capital investments that may be termed associated undertakings are carried at fair value as determined by the directors in accordance with the company's normal policy and are not equity accounted as required by the Companies Act 2006. The directors consider that, as these investments are held as part of the company's portfolio with a view to the ultimate realisation of capital gains, equity accounting would not give a true and fair view of the company's interests in these investments. Quantification of the effect of this departure is not practicable. Carrying investments at fair value is specifically permitted under FRS 102 (Section 14.4B), where venture capital entities hold investments as part of a portfolio.

(d) Income

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

(e) Expenses

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

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

(f) Revenue and capital

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

(g) Taxation

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

(h) Dividends payable

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

(i) Provisions

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

(j) Capital reserve

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

(k) Revaluation reserve

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

2. Income

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Investment income:		
Dividends from unquoted companies	48	207
Dividends from quoted companies and investment funds	238	172
Interest receivable:		
Bank deposits*	57	131
Loans to unquoted companies	1,166	1,632
Listed interest-bearing investments	–	24
	1,509	2,166

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

3. Investment management fee

	Year ended 30 September 2020			Year ended 30 September 2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Investment management fee:						
Basic	462	1,388	1,850	445	1,334	1,779
Performance-related	–	284	284	–	–	–
	462	1,672	2,134	445	1,334	1,779

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

The adviser receives a basic management fee, payable quarterly in advance, at the rate of 2.06% per annum of net assets calculated half-yearly as at 31 March and 30 September. The fee due on the value of liquid assets above the threshold of £20 million attracts a reduced rate of 1% per annum. The adviser bears the cost of the fees of Brewin Dolphin for managing the listed interest-bearing and equity portfolios. The adviser also arranges administrative and secretarial services to the company for a fee of £73,000 per annum (linked to the movement in the RPI). This fee is included in other expenses (see Note 4).

The adviser is also entitled to receive a performance-related management fee, which is payable only when the total return per share (defined as the movement in net asset value plus dividends paid) for the year, expressed as a percentage of the opening net asset value per share, exceeds a specified hurdle. The hurdle is a composite rate based on (a) 7% on average long-term investments and (b) the higher of (i) base rate and (ii) 3% on average cash and near-cash investments during the year. That part of the company's investments to which the "higher of base rate and 3%" hurdle applies is restricted to a maximum of 25% of total investments, so that any excess of cash or near-cash over 25% of total investments will be subject to the higher hurdle of 7%. The hurdle rate for the year ended 30 September 2020 was 6.0% (year ended 30 September 2019: 6.0%).

The performance fee in each financial year is equivalent to 15% of the amount by which the total return per share exceeds the hurdle, multiplied by the weighted average number of shares in issue. Following a period in which total return is negative, a high water mark will apply to the calculation of the performance fee such that an amount equivalent to the negative return will be deducted from subsequent years' total returns prior to any further performance fee calculation taking place. The performance fee is capped at 2.25% of opening net asset value for the relevant financial year. The performance fee due in respect of the year ended 30 September 2020 was £284,000 (2019: nil).

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

Notes to the financial statements continued

for the year ended 30 September 2020

4. Other expenses

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Administrative and secretarial services	73	72
Directors' remuneration	137	137
Auditor's remuneration – audit services	51	26
Legal and professional expenses	26	16
Share issue promoter's commission	39	34
Irrecoverable VAT	30	32
Other expenses	119	139
	475	456

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

5. Tax on return on ordinary activities

	Year ended 30 September 2020			Year ended 30 September 2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(a) Analysis of charge/(credit) for the year						
UK corporation tax payable/(recoverable) on the return for the year	55	(55)	–	168	(168)	–
(b) Tax reconciliation						
Return on ordinary activities before tax	572	10,368	10,940	1,265	1,583	2,848
Return on ordinary activities multiplied by the standard rate of UK corporation tax of 19.0% (2019: 19.0%)	109	1,970	2,079	240	301	541
Effect of:						
UK dividends not subject to tax	(54)	–	(54)	(72)	–	(72)
Capital returns not subject to tax	–	1	1	–	(236)	(236)
Movements in fair value of investments not subject to tax	–	(2,288)	(2,288)	–	(318)	(318)
Increase in surplus management expenses	–	262	262	–	85	85
Tax charge/(credit) for the year	55	(55)	–	168	(168)	–

(c) Factors which may affect future tax charges

The company has not recognised a deferred tax asset in respect of surplus management expenses carried forward of £1,958,000 (30 September 2019: £567,000), as the company may not generate sufficient taxable income in the foreseeable future to utilise these expenses. There is no other unprovided deferred taxation.

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

6. Dividends

	Year ended 30 September 2020			Year ended 30 September 2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(a) Recognised as distributions in the financial statements for the year						
Previous year's final dividend	694	2,082	2,776	–	2,651	2,651
Current year's interim dividend	–	2,395	2,395	699	2,098	2,797
	694	4,477	5,171	699	4,749	5,448
(b) Paid and proposed in respect of the year						
Interim paid – 1.5p (2019: 2.0p) per share	–	2,395	2,395	699	2,098	2,797
Final proposed – 2.5p (2019: 2.0p) per share	479	3,512	3,991	694	2,081	2,775
	479	5,907	6,386	1,393	4,179	5,572

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

7. Return per share

The calculation of the return per share is based on the return on ordinary activities after tax for the year of £10,940,000 (2019: £2,848,000) and on 149,267,332 (2019: 135,869,327) shares, being the weighted average number of shares in issue during the year.

8. Fixed asset investments

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

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

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

	30 September 2020 £000	30 September 2019 £000
Level 1		
Quoted venture capital investments	2,742	3,224
Listed equity investment funds	10,208	9,845
Level 2		
Quoted venture capital investments	379	192
Level 3		
Unquoted venture capital investments	78,523	59,148
	91,852	72,409

Notes to the financial statements continued

for the year ended 30 September 2020

8. Fixed asset investments *continued*

Movements in investments during the year are summarised as follows:

	Venture capital – unquoted Level 3 £000	Venture capital – quoted Level 2 £000	Venture capital – quoted Level 1 £000	Listed equity Level 1 £000	Total £000
Book cost at 1 October 2019	55,701	436	2,385	8,939	67,461
Fair value adjustment at 1 October 2019	3,447	(244)	839	906	4,948
Fair value at 1 October 2019	59,148	192	3,224	9,845	72,409
Movements in the year:					
Purchases at cost	8,813	–	–	1,667	10,480
Disposals – proceeds	(584)	–	(1,051)	(1,442)	(3,077)
– net realised gains on disposal	52	–	195	(250)	(3)
Transfer between levels	–	96	(96)	–	–
Movements in fair value	11,094	91	470	388	12,043
Fair value at 30 September 2020	78,523	379	2,742	10,208	91,852
Comprising:					
Book cost at 30 September 2020	62,921	67	1,828	8,950	73,766
Fair value adjustment at 30 September 2020	15,602	312	914	1,258	18,086
	78,523	379	2,742	10,208	91,852
Equity shares	57,382	379	2,742	10,208	70,711
Preference shares	3,314	–	–	–	3,314
Interest-bearing securities	17,827	–	–	–	17,827
	78,523	379	2,742	10,208	91,852

The gains and losses included in the table above have all been recognised in the income statement on page 30. The listed equity category in the table above comprises quoted investment funds which hold listed equity securities. The listed interest-bearing category in the table above comprises quoted investment funds which hold listed interest-bearing securities.

FRS 102 requires disclosure, by class of financial instrument, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of each investee company. See Note 17 for details of the impact of sensitivity analysis on the financial statements. At 30 September 2020 there were no commitments (30 September 2019: £1,131,000) in respect of investments approved by the board but not yet completed.

9. Investment disposals

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

	Original cost £000	Directors' valuation at 30 September 2019 £000	Disposal proceeds £000	Realised gain/(loss) against carrying value £000
Brady PLC – disposal of entire holding	386	50	100	50
Nasstar PLC – disposal of entire holding	323	710	831	121
Primal Food – disposal of entire holding	1,063	–	–	–
Summit Therapeutics – disposal of entire holding	195	2	2	–
Other	554	627	702	75
	2,521	1,389	1,635	246

10. Unquoted investments

The cost and carrying value of material investments in unquoted companies held at 30 September 2020 are shown below. For this purpose any investment included in the table of the fifteen largest venture capital investments on pages 12 to 15, or in the corresponding table in the previous year's annual report, is regarded as material.

	30 September 2020		30 September 2019	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Agilitas IT Holdings				
Ordinary shares	224	11,338	224	3,302
Loan stock	719	719	1,078	1,078
	943	12,057	1,302	4,380
Entertainment Magpie Group				
Ordinary shares	180	8,729	179	422
Preference shares	297	297	297	297
Loan stock	1,134	1,389	1,134	1,134
	1,611	10,415	1,610	1,853
Lineup Systems				
Ordinary shares	174	4,296	174	3,704
Loan stock	800	800	800	800
	974	5,096	974	4,504
Currentbody.com				
Ordinary shares	734	3,129	203	1,140
Loan stock	1,316	1,533	1,210	1,210
	2,050	4,662	1,413	2,350
Sorted Holdings				
Ordinary shares	2,840	3,096	2,840	3,851
Loan stock	182	182	182	182
	3,022	3,278	3,022	4,033
SHE Software Group				
Ordinary shares	2,058	2,793	2,058	2,317
Preference shares	354	354	–	–
	2,412	3,147	2,058	2,317
Clarilis				
Ordinary shares	1,972	2,565	1,092	1,092
	1,972	2,565	1,092	1,092
It's All Good				
Ordinary shares	124	1,430	124	660
Loan stock	1,081	1,081	1,081	1,081
	1,205	2,511	1,205	1,741
Biological Preparations Group				
Ordinary shares	241	83	241	–
Preference shares	366	366	366	102
Loan stock	1,759	1,759	1,759	1,759
	2,366	2,208	2,366	1,861
Intelling Group				
Ordinary shares	117	1,102	117	543
Preference shares	246	246	246	246
Loan stock	860	860	860	860
	1,223	2,208	1,223	1,649

Notes to the financial statements continued

for the year ended 30 September 2020

10. Unquoted investments *continued*

	30 September 2020		30 September 2019	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Volumatic Holdings				
Ordinary shares	216	1,488	216	1,350
Loan stock	518	517	690	690
	734	2,005	906	2,040
Weldex (International) Offshore Holdings				
Ordinary shares	51	–	51	–
Loan stock	3,211	1,917	3,211	1,670
	3,262	1,917	3,262	1,670
GRIP-UK (t.a. The Climbing Hangar)				
Ordinary shares	338	–	169	169
Preference shares	1,780	1,674	890	890
	2,118	1,674	1,059	1,059
Knowledgemotion				
Ordinary shares	1,903	1,657	1,903	2,038
	1,903	1,657	1,903	2,038
Medovate				
Ordinary shares	881	881	881	881
Loan stock	712	712	712	712
	1,593	1,593	1,593	1,593
AVID Technology Group				
Ordinary shares	397	–	397	777
Preference shares	916	–	429	473
Loan stock	526	300	526	526
	1,839	300	1,352	1,776
No 1 Lounges				
Ordinary shares	181	–	181	108
Loan stock	1,825	–	1,825	1,825
	2,006	–	2,006	1,933

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

11. Significant interests

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

Company	Investment type	Class of shares	Number held	Proportion of class held	Net assets/ (liabilities)	Results for the year ended
Gentronix	Unquoted	B ordinary	19,405	37.5%	670	31-Aug-19
Gentronix	Unquoted	C ordinary	19,684	34.8%	670	31-Aug-19
Ingleby (1895) Limited	Unquoted	Ordinary	127,908	35.5%	(3,840)	31-Dec-19
Ingleby (1895) Limited	Unquoted	C ordinary	4,465	35.5%	(3,840)	31-Dec-19
Ingleby (1895) Limited	Unquoted	D ordinary	83,927	37.0%	(3,840)	31-Dec-19

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

12. Debtors

	30 September 2020 £000	30 September 2019 £000
Prepayments and accrued income	674	51
Amounts held on deposit by solicitors pending investment	–	1,131
	674	1,182

13. Creditors (amounts falling due within one year)

	30 September 2020 £000	30 September 2019 £000
Accruals and deferred income	428	93

14. Called-up equity share capital

	30 September 2020 £000	30 September 2019 £000
Allotted and fully paid: 159,619,990 (2019: 138,773,612) ordinary shares of 25p	39,905	34,693

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

During the year the company issued 23,834,426 ordinary shares of 25 pence for cash at an average premium of 31.3 pence per share. 2,988,048 ordinary shares were re-purchased for cancellation during the year at a cost of £1,756,000.

15. Reserves

	Share premium £000	Capital redemption reserve £000	Capital reserve £000	Revaluation reserve £000	Revenue reserve £000
At 1 October 2019	5,584	2,106	46,820	4,948	1,507
Premium on issue of ordinary shares	7,465	–	–	–	–
Share issue expenses	(304)	–	–	–	–
Shares purchased for cancellation	–	747	(1,756)	–	–
Realised on disposal of investments	–	–	(3)	–	–
Transfer on disposal of investments	–	–	(1,095)	1,095	–
Movements in fair value of investments	–	–	–	12,043	–
Management fee charged to capital net of associated tax	–	–	(1,617)	–	–
Revenue return on ordinary activities after tax	–	–	–	–	517
Dividends recognised in the year	–	–	(4,477)	–	(694)
At 30 September 2020	12,745	2,853	37,872	18,086	1,330

At 30 September 2020, distributable reserves amounted to £40,460,000 (30 September 2019: £49,233,000), comprising the capital reserve, the revenue reserve and that part of the revaluation reserve relating to gains/losses on readily realisable quoted investments.

Notes to the financial statements continued

for the year ended 30 September 2020

16. Net asset value per share

The calculation of net asset value per share as at 30 September 2020 is based on net assets of £112,791,000 (30 September 2019: £95,658,000) divided by the 159,619,990 (30 September 2019: 138,773,612) shares in issue at that date.

17. Financial instruments

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

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

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

Market risk

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

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

11.8% (30 September 2019: 13.9%) by value of the company's net assets comprises equity securities listed on the London Stock Exchange or quoted on AIM. A 5% increase in the bid prices of securities as at 30 September 2020 would have increased net assets and the total return for the year by £666,000 (30 September 2019: £663,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

Other price risk sensitivity

69.6% (2019: 61.8%) by value of the company's net assets comprises investments in unquoted companies held at fair value. A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve subjectivity in the selection of the key inputs, as described in the valuation policy on page 34. Although the directors believe that the estimates of fair value are appropriate, the use of different methodologies or assumptions regarding the inputs could lead to different measurements of fair value. The emergence of the COVID-19 pandemic has heightened the estimation uncertainty for each of the unquoted investments held as at 30 September 2020. Each portfolio company has been categorised as being subject to potentially higher or lower estimation uncertainty by considering a range of factors including the potential disruption to business activities caused by measures adopted to tackle the spread of COVID-19 and the availability and extent of cash resources. A greater sensitivity factor has been applied to those investments assessed as being susceptible to higher estimation uncertainty. Whilst the sensitivities applied illustrate the impact of varying the key inputs by the levels specified, it is possible that applying reasonable alternative assumptions to individual investments could lead to measurements of fair value which vary to a greater extent than that illustrated.

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

*Impact on net assets and net return after taxation.

17. Financial instruments *continued*

Interest rate risk

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

(a) Fixed rate investments

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

	30 September 2020			30 September 2019		
	Total fixed rate portfolio £000	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Total fixed rate portfolio £000	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Fixed-rate investments in unquoted companies	11,757	8.0	1.6	11,605	8.1	2.5

As the interest rates for these instruments is fixed, an increase or decrease of 25 basis points in market interest rates as at the reporting date would have no impact on the company's net assets or total return for the year.

(b) Floating rate investments

The company's floating rate investments comprise floating-rate loans to unquoted companies and cash held in interest-bearing deposit accounts. The benchmark rate which determines the rate of interest receivable is the UK bank base rate for interest bearing deposit accounts, which was 0.1% at 30 September 2020 (30 September 2019: 0.75%) and the LIBOR three month GBP rate for floating rate loans to unquoted companies, which was 0.06% at 30 September 2020 (30 September 2019 0.76%). It is considered that an increase or decrease of 25 basis points in interest rates as at the reporting date would not have a significant effect on the company's net assets or total return for the year.

The amounts held in floating rate investments at the balance sheet date were as follows:

	30 September 2020 £000	30 September 2019 £000
Floating rate loans to unquoted companies	6,069	9,952
Interest-bearing deposit accounts	20,693	22,160
	26,762	32,112

Credit risk

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

At 30 September 2020 the company's financial assets exposed to credit risk comprised the following:

	30 September 2020 £000	30 September 2019 £000
Fixed-rate investments in unquoted companies	11,757	11,605
Floating rate loans to unquoted companies	6,069	9,952
Interest-bearing deposit accounts	20,693	22,160
Accrued dividends and interest receivable	668	38
	39,187	43,755

Notes to the financial statements continued

for the year ended 30 September 2020

17. Financial instruments *continued*

Credit risk *continued*

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

Those assets of the company which are traded on recognised stock exchanges and quoted investment funds are held on the company's behalf by a third party custodian, a nominee company of Brewin Dolphin Limited. Bankruptcy or insolvency of a custodian could cause the company's rights with respect to securities held by the custodian to be delayed or limited.

The company's interest-bearing deposit accounts are maintained with major banks of high creditworthiness. There was no significant concentration of credit risk to counterparties at 30 September 2020 or 30 September 2019.

Liquidity risk

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

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

The company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30 September 2020 these investments were valued at £30,901,000 (30 September 2019: £32,005,000).

18. Contingencies

At 30 September 2020 contingent assets not recognised in the financial statements in respect of potential deferred proceeds from the sale of investee companies amounted to approximately £338,000 (30 September 2019: £375,000). The extent to which these amounts will become receivable in due course is dependent on future events.

The company had no contingent liabilities at 30 September 2020 or 2019.

19. Related party transactions

Fees payable during the year to the directors and their interest in shares of the company are disclosed within the directors' remuneration report on pages 18 and 19. There were no amounts outstanding and due to the directors as at 30 September 2020 (30 September 2019: nil).

Glossary of terms

Alternative performance measure or APM

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

Cumulative return per share (APM)

The sum of the published NAV per share plus cumulative dividends paid per share since the company was launched. We use this measure as it enables comparisons to be made between different VCTs over the whole life of each fund. The cumulative return per share for Northern Venture Trust as at 30 September 2020 comprises the NAV per share of 70.7 pence (2019: 68.9 pence) plus the cumulative dividends paid of 172.0 pence (2019: 168.5 pence) giving a result of 242.7 pence per share (2019: 237.4 pence per share).

Cumulative dividends paid

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

Distributable reserves

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

Dividend yield (APM)

The sum of dividends proposed or paid in respect of the last 12 months as at a given date expressed as a percentage of the net asset value per share at the start of the period. We use this measure as it shows the dividend income receivable by shareholders over a 12 month period expressed as a theoretical yield based on acquiring a single share at the NAV per share at the start of the period. The dividend yield as at 30 September 2020 is calculated by dividing the dividend per share paid or proposed over the preceding 12 months of 4.0 pence (2019: 4.0 pence) by the NAV per share at the start of the period of 68.9 pence (2019: 70.8 pence) giving a result of 5.8% (2019: 5.6%).

Ex-dividend date

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

Gain/loss on disposal of investments

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

NAV total return (APM)

The theoretical return to a shareholder over a given period based on acquiring shares at the start of the period at the latest published NAV per share then utilising the proceeds of each dividend paid during the period to acquire further shares at the latest published NAV per share as at each ex-dividend date. We use this measure as it enables comparisons to be drawn against an investment index in order to benchmark performance. The result is plotted on page 19 and the calculation follows the method prescribed by the Association of Investment Companies.

	30 Sept 2020	30 Sept 2019	
Closing NAV per share (p)	70.7p	68.9p	a
Dividends paid out (p)	3.5p	4.0p	b
Effect of re-investing dividends (p)	0.5p	0.1p	c
Adjusted NAV per share (p)	74.7p	73.0p	d=a+b+c
Opening NAV per share (p)	68.9p	70.8p	e
NAV total return (%)	8.4%	3.1%	=(d/e)-1

Net asset value or NAV

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

Net asset value per share or NAV per share

Net asset value divided by the number of ordinary shares.

Ongoing charges excluding performance fees (APM)

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

	30 Sept 2020 £000	30 Sept 2019 £000
Investment management fee	1,850	1,779
Other expenses	475	456
Total expenses (a)	2,325	2,235
Annualised average net assets (b)	94,012	96,183
Ongoing charges (a) / (b) (expressed as a percentage)	2.47%	2.32%

Record date

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

Share price total return (APM)

The theoretical return to a shareholder over a given period based on acquiring shares at the start of the period at the prevailing mid-market share price then utilising the proceeds of each dividend paid during the period to acquire further shares at the share price as at each ex-dividend date. We use this measure as it enables comparisons to be drawn against an investment index in order to benchmark performance. The result is plotted on page 19 and the calculation follows the method prescribed by the Association of Investment Companies.

	30 Sept 2020	30 Sept 2019	
Closing price per share (p)	56.5p	64.5p	a
Dividends paid out (p)	3.5p	4.0p	b
Effect of re-investing dividends (p)	(0.2)p	0.0p	c
Adjusted price per share (p)	59.8p	68.5p	d=a+b+c
Opening price per share (p)	64.5p	66.0p	e
Share price total return (%)	(7.3)%	3.9%	=(d/e)-1

Total return for the year

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

Northern Venture Trust PLC

Time Central
32 Gallowgate
Newcastle upon Tyne NE1 4SN

T 0191 244 6000

F 0191 244 6001

E nvt@nvm.co.uk

www.nvm.co.uk/investor-area/vcts/nvt