



Northern Venture Trust PLC

Annual Report and Financial Statements

31 March 2023



WELCOME

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

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

This report covers the eighteen month period to 31 March 2023.

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Financial summary

	18m period ended 31 March 2023	Unaudited 12m period ended 31 March 2023	Unaudited 12m period ended 31 March 2022	Year ended 30 September 2021
Net assets	£102.5m	£102.5m	£109.9m	£119.3m
Net asset value per share	62.1p	62.1p	68.4p	74.1p
Return per share				
Revenue	(0.3)p	(0.3)p	0.2p	0.2p
Capital	(5.7)p	(2.1)p	(1.5)p	13.7p
Total	(6.0)p	(2.4)p	(1.3)p	13.9p
Dividend per share declared in respect of the period				
Interim dividend	2.0p	2.0p	2.0p	2.0p
Second interim/special dividend	2.0p	2.0p	6.0p	6.0p
Proposed final dividend	2.0p	0.0p	2.0p	2.0p
Total	6.0p	4.0p	10.0p	10.0p
Cumulative return to shareholders since launch				
Net asset value per share	62.1p	62.1p	68.4p	74.1p
Dividends paid per share*	188.5p	188.5p	184.5p	182.5p
Net asset value plus dividends paid per share	250.6p	250.6p	252.9p	256.6p
Mid-market share price at end of period	57.5p	57.5p	66.0p	70.25p
Share price discount to net asset value	7.4%	7.4%	3.5%	5.2%
Annualised tax-free dividend yield**				
Excluding special dividend	5.4%	5.8%	5.0%	5.7%
Including special dividend	5.4%	5.8%	12.5%	14.1%

* Excluding proposed final dividend payable on 18 August 2023

** Based on net asset value per share at the start of the period

Definitions of the terms and alternative performance measures used in this report can be found in the Glossary of terms on page 80.



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

Key dates during 2023

Results announced

15 June

Shares quoted ex dividend

20 July

Record date for final dividend

21 July

Annual General Meeting*

21 July 12:30pm

Final dividend paid

18 August

* To be convened at the offices of Reed Smith LLP, Broadgate Tower, 20 Primrose Street, London EC2A 2RS with remote access for shareholders through an online webinar facility

Venture Capital portfolio summary

£1.4m

Average current value
of investment



11

Number of full
realisations this period



£79.7m

Portfolio valuations at
31 March 2023

**5.5
years**

Average age
of investment



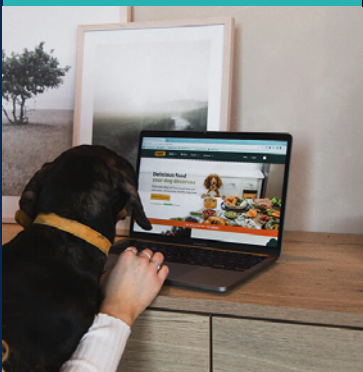
£79.1m

Cost of investments



£1.4m

Average cost
of investment



£26.1m

Proceeds from all
realisations in period

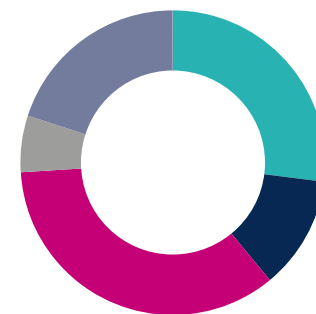
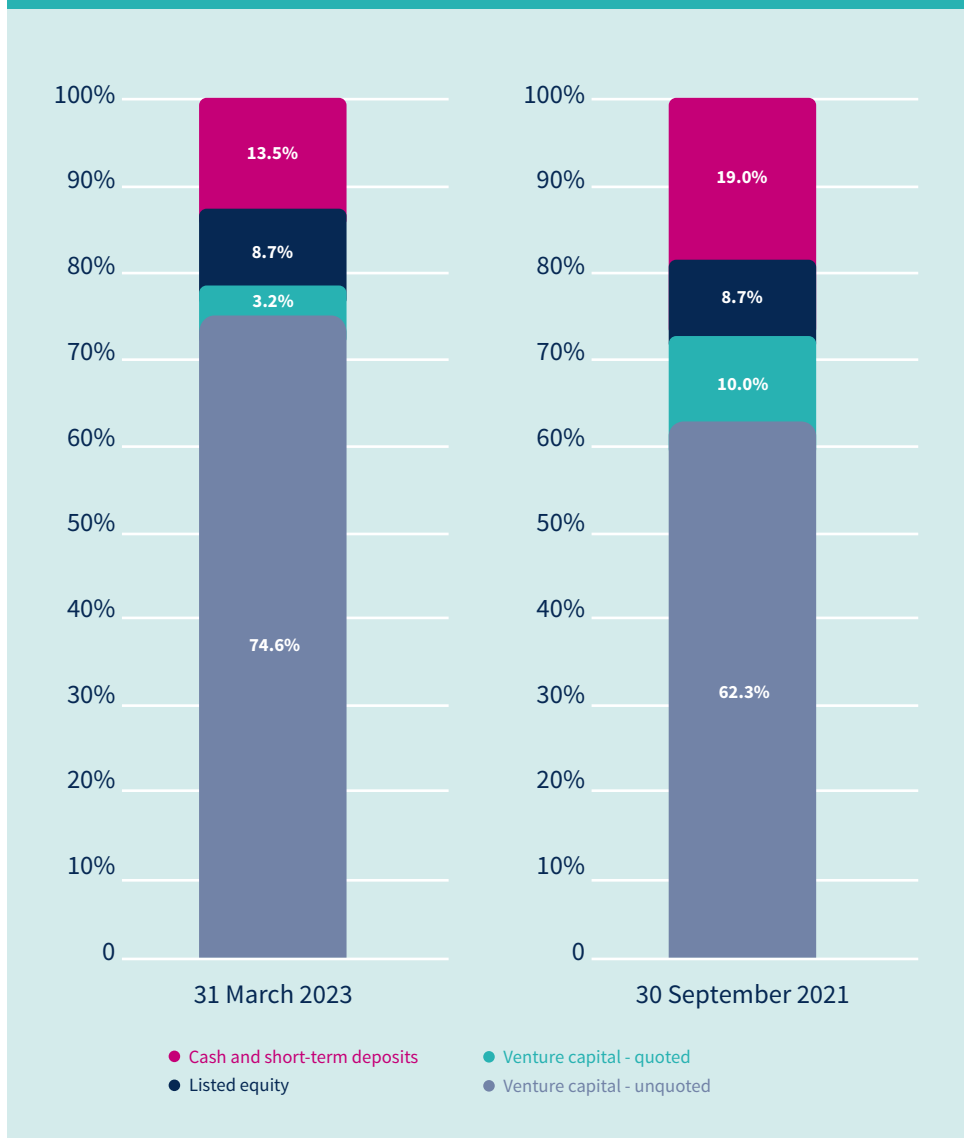
57

Portfolio
companies



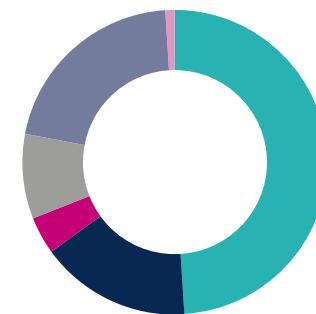
Venture capital portfolio summary *continued*

Asset allocation



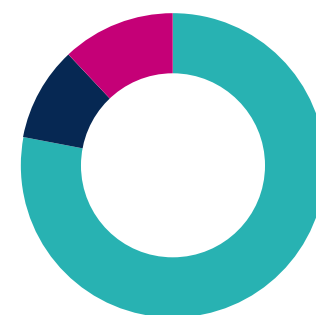
Age of investment

Up to 1 year	27%
1-3 years	12%
3-5 years	35%
5-7 years	6%
7+ years	20%



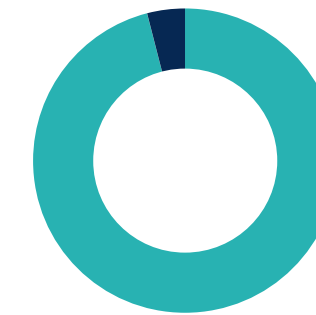
Industry sector

Software/electronics	49%
Consumer	16%
Industrial/manufacturing	4%
Services	9%
Healthcare/biotechnology	21%
Other	1%



Financing stage

Growth capital - post November 2015	78%
Growth capital - pre November 2015	9%
Management buyout - pre November 2015	13%



Quotation

Unquoted	96%
AIM	4%

Note: these charts are calculated by value of investments.

Investment

Reach



Investment adviser office locations

57 Total venture capital holdings

12 North West

1 Wales

3 West Midlands

2 South West

5 Scotland

3 North East

3 Yorkshire/
Humberside

2 East Midlands

2 Anglia

15 London

9 South East



Chair's Statement



Simon Constantine MA ACA
Chair

Overview

Following our change of year end from 30 September to 31 March, this report covers the 18 months ended 31 March 2023.

A great deal has changed in the UK's macroeconomic climate over the past 18 months. At the start of the period, the impact of COVID-19 lingered over supply chains, and as the period progressed the rate of inflation increased rapidly, as did interest rates. This has not come without its challenges to the portfolio, and while our investment adviser has spent considerable time working with management teams, our portfolio valuations in this report reflect how the financial markets have shifted

“Investment activity has reached record levels over the period, with £17.0 million of capital provided to fifteen new venture capital investments and £8.0 million of follow on capital invested into the existing portfolio”

over this period, in particular the re-rating of technology-based and consumer-facing stocks.

Against this backdrop, the portfolio has remained relatively robust, with few failures, and there have been several strong realisations in the past 18 months. The Company has also experienced a record investment period, with £25.0 million deployed including £17.0 million into new opportunities.

The Company raised £12.0 million before fees in the period from two separate offers and intends to raise further funds in the 2023/24 tax year to enable us to continue to invest over the next three years.

Results and dividend

In the 18 months ended 31 March 2023 the Company suffered a negative return on ordinary activities of minus 6.0 pence per share (year ended 30 September 2021: gain of +13.9 pence), representing a total return of minus 8.1% on the opening net asset value (NAV) per share. The majority of this reduction can be attributed to just two holdings, musicMagpie and Oddbox, which over the period saw reductions in their holding values due to poorer than expected trading

and the change in market sentiment towards consumer facing companies. The NAV per share as at 31 March 2023, after deducting dividends paid during the period of 6.0 pence, was 62.1 pence, compared with 74.1 pence at 30 September 2021.

Investment income was lower than the prior year at £0.9 million (2021: £1.4 million), reflecting the move away from income-yielding investments as the portfolio mix continued to pivot towards earlier stage ventures. However, after more than a decade of record-low interest rates, the Company has recently allocated part of its liquidity to a money market fund to diversify its risk and seek a higher return compared to that which is available from traditional banks; this will increase investment income over the coming financial years for as long as interest rates remain higher.

In 2018 we revised our dividend policy in the light of the new VCT rules for investment introduced in 2015 and 2017, which we expected to result in more volatile returns. We introduced an annualised target dividend yield of 5% of opening NAV, which has been exceeded in every period since.

After careful consideration, the Board has proposed a final dividend of 2.0 pence per share, bringing the total dividend for the period to 6.0 pence per share, which represents an annualised tax-free yield of 5.4% on the opening net asset value per share of 74.1 pence. The final dividend, if approved, will be paid on 18 August 2023 to shareholders on the register on 21 July 2023.

Our dividend investment scheme, under which dividends can be re-invested 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 17% participation during the period. Instructions on how to join the scheme are included within the dividend section of our website, which can be found here: mercia.co.uk/vcts/nvt/.

Investment portfolio

Investment activity has reached record levels over the period, with £17.0 million of capital provided to fifteen new venture capital investments and £8.0 million of follow on capital invested into the existing portfolio. The investments into new portfolio companies were made across a variety of sectors including technology and life sciences. We also made strong progress in realising the Company's mature portfolio acquired under the previous VCT rules with the remaining such investments now representing 22% by value of the total venture capital portfolio (30 September 2021: 37%).

The value of the portfolio fell by £9.8 million (6.1 pence per share) in the 18 months, suffering two significant write-downs; the value of musicMagpie, which is listed on AIM fell by £6.2 million (3.8 pence per share) and the value of Oddbox was written down by £4.2 million (2.6 pence per share). The portfolio was further exposed to the volatility of markets with its listed investments reducing by £0.9 million (0.5 pence per share). This is clearly a disappointing result, but it is worth noting that both musicMagpie and Oddbox generated significant realised returns for the portfolio in the preceding period, which exceed the write-downs in this period, through their partial realisations in cash.

In the unquoted portfolio, while we experienced reductions in the valuations of other consumer-facing portfolio companies, which represent only 16% of the total, we also experienced strong performances from others, with Evotix in particular growing rapidly over the period. In this report we have valued Evotix at the value realised shortly after the balance sheet date, resulting in a gain of £8.3 million (5.1 pence per share) in the period and £9.9 million overall, 4.6x our original investment.

It was a busy period for other realisation activity, with several notable transactions. The highlights during the period included the sales of Currentbody.com, Intelling Group and Lineup Systems for lifetime returns of 2.9x, 3.6x and 7.8x respectively. In total £26.1 million was

generated in sales proceeds over the period, representing a blended 1.9x multiple on cost.

Share offers and liquidity

In the period gross proceeds of £6.0 million were received from the fully subscribed 2021/2022 share offer. Additionally, following the public share offer launched in January 2023, 9,741,182 new ordinary shares were issued just after the period end in April 2023 for gross proceeds of a further £6.0 million.

Following the smaller top-up offers in the 2021/22 and 2022/23 tax years, and taking into account the increased rate of investment, the Board is pleased to announce that the Company will launch a prospectus top-up offer in the 2023/24 tax year for £14.0 million, with an over-allotment facility of £6.0 million. This offer will launch in September 2023, and full details will be published shortly.

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 period ended 31 March 2023 a total of 7,335,532 (year ended 30 September 2021: 2,620,797) shares were repurchased by the Company for cancellation at an average price of 61.2 pence (year ended 30 September 2021: 70.2 pence), representing 4.6% (2021: 1.6%) of the opening issued share capital.

Changes to the performance-related management fee ('performance fees')

Following a review of current arrangements by the Board, a resolution is included in the Circular for the General Meeting proposing changes to the investment advisory agreement in relation to the performance fee with the investment adviser. The changes in VCT legislation in 2015 required the Company to focus new investments on earlier stage companies which, by their nature, are higher risk and therefore likely to deliver more volatile investment returns. It has become clear in recent years that the current arrangements no longer work either for the investment adviser or for the Company.

In order to align future performance fees better with shareholder returns and harmonise the methodology and fee rates across the Northern VCTs, a number of changes are proposed. In particular, the definition and operation of the high-water mark, the lowering of both the hurdle rate to 5% and the amount earned above this rate to 14%, will ensure that strong returns delivered consistently, and not just in a single year, will be rewarded appropriately.

As part of these changes the Board has agreed with the investment adviser that 80% of any performance fee generated will be paid to members of the VCT investment team, thereby aligning the personal interests of the investment team directly with those of shareholders.

Full details of the changes are set out in the accompanying Circular for the upcoming General Meeting.

Responsible Investment

The Company is mindful of its Environmental, Social and Governance (ESG) responsibilities and we have outlined our evolving approach on pages 34 to 39.

Geopolitical and other macroeconomic risks

The Company's investments may be affected by regional events or politics. A recent example of this is the high-inflation environment in the aftermath of COVID-19 and the conflict in Ukraine. The Board has no control over such macro events, and as the Company's investments are domiciled in the UK with only a limited presence in the rest of the world, risks are primarily localised to those facing the UK economy. As a result of the conflict in Ukraine, during the period our investment adviser undertook a review of the entire portfolio for links to sanctioned individuals and companies, took appropriate action where required, and continues to monitor the situation carefully. A review of portfolio company exposure to Silicon Valley bank was also performed during the period and appropriate action taken in the days before the bank's UK subsidiary was acquired by HSBC.

VCT legislation and qualifying status

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

The upcoming 2025 'sunset clause' was a European state aid requirement when the VCT scheme received state aid approval in 2015, which means that without a change in legislation investors will not receive upfront tax relief when investing in VCTs after this date. While the government has signalled that it will extend the scheme, to date no formal legislation has been introduced to enact this commitment. The Company and the investment adviser will continue to monitor progress in this area. The Board considers that the Company, and VCTs more generally, are successfully delivering in-line with the Government's mandate, which is to channel money into higher-risk, early-stage businesses.

Whilst no further amendments to the VCT legislation were announced by the Chancellor in his 2023 Budget statement, it is possible that further changes will be made in the future. We will continue to work closely with our investment adviser to maintain compliance with the scheme rules at

Chair's Statement *continued*

all times. HMRC has recently clarified the rules relating to the financial health of companies at the time of any investment, which may limit VCTs' ability to make investments in some cases. However a recent review demonstrated that very few of the Company's current investments are likely to be affected in the near term, concluding that our portfolio is not exposed significantly to this.

Annual General Meeting

The Company's AGM will be held at 12.30pm on 21 July 2023. The AGM provides an excellent opportunity for shareholders, Directors and the investment adviser to meet in person, exchange views and comment. We will hold the AGM in person at Reed Smith LLP, Broadgate Tower, 20 Primrose Street, London, EC2A 2RS. Following positive feedback received from the last three years, we also intend to offer remote access for shareholders through an online webinar facility for those who would prefer not to travel. Full details and formal notice of the AGM are set out in a separate document. The General Meeting regarding the proposed changes to the performance-related management fee will be held immediately after the conclusion of the AGM.

Board Retirement

Tim Levett is retiring from the Board and so will not be standing for re-election at the AGM in July. Tim founded our Company almost 30 years ago, having established Northern Venture Managers as one of the leading regional investors in the eighties. He has been instrumental in promoting venture capital trusts in general and the Northern Venture Trusts in particular to government and financial advisers for decades. He was a founding member and recent chairman of the Venture Capital Trust Association, which represents more than 90% of the VCT industry by value. His contribution to the Board has been immeasurable and we will miss his deep knowledge and insight. On behalf of the Board and all shareholders, I would like to thank Tim for his exceptional service to the Company over so many years and wish him well in his retirement.

Outlook

The geopolitical and economic conditions for the next twelve months are likely to continue to be challenging and this provides a good opportunity to invest for the longer term and support our existing portfolio companies. Failure rates remain low and despite some reductions in valuations this year, the Directors remain encouraged by the resilience of the wider portfolio. We remain committed to supporting the development of entrepreneurial early-stage businesses in the UK.

Simon Constantine

Chair
15 June 2023





“ Following the smaller top-up offers in the 2021/22 and 2022/23 tax years, and taking into account the increased rate of investment, the Board are pleased to announce that the Company will launch a prospectus top-up offer in the 2023/24 tax year for £14.0 million, with an overallotment facility of £6.0 million.

Directors

and advisers



Simon Constantine MA ACA
(Chair)

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 chair of Capstone Foster Care Limited and a non-executive director of SourceBio International plc. He was appointed to the Board in 2012 and became chair in 2014.



Richard Green BA FCA CF
(Chair of Audit Committee)

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



Deborah Hudson
MBA MEng MIET

is a founding director of Shackleton Ventures, which specialises in secondary venture and development capital investments and has served on the boards of a number of their investments and other earlier stage companies. She was appointed to the Northern Venture Trust Board on 1 January 2022.



Tim Levett MBA

is the non-executive chair 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

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



Secretary and registered office

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Forward House
17 High Street
Henley-in-Arden B95 5AA

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

Mazars LLP
The Pinnacle
160 Midsummer Boulevard
Milton Keynes MK9 1FF

Taxation adviser

Philip Hare & Associates LLP
6 Snow Hill
London EC1A 2AY

Solicitors

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

Stockbrokers

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

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

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

Santander UK PLC
2 Triton Square
Regent's Place
London NW1 3AN

Registrars

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

Shareholder Information

The Company

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

Northern Venture Trust PLC is advised by Mercia Fund Management Limited (Mercia), a wholly owned subsidiary of Mercia Asset Management PLC (MAM). MAM is a specialist alternative asset manager with over 15 years' experience of providing capital to high-growth UK SMEs, meeting a large, growing and under-served need for long-term investment capital. Mercia offers high-growth UK SMEs a complete capital solution including private equity, debt, seed and venture capital (the latter category accounting for the majority of its investment activity). In being advised by Mercia, the VCTs have the opportunity to co-invest alongside Mercia's own funds that are able to provide replacement capital and invest without the restrictions of the VCT Rules.

Mercia also acts as investment manager of Northern 2 VCT PLC and Northern 3 VCT PLC, in addition to various other investment funds. The Company, Northern 2 VCT PLC and Northern 3 VCT PLC are generally

known in the market as the Northern VCTs and are the only VCTs which Mercia manages or advises.

Mercia Asset Management PLC is quoted on AIM (Alternative Investment Market).

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

Venture Capital Trusts

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

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

Subscribers for shares in VCTs between 6 April 2004 and 5 April 2006 were entitled to income tax relief at 40% rather than 30% and the shares had to be held for at least three years rather than five years. Prior to 6 April 2004, subscribers for shares in VCTs were entitled to income tax relief at 20% and could also obtain capital gains deferral relief. Capital gains deferred by pre-6 April 2004 subscriptions are not affected by the subsequent changes in VCT tax reliefs.

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

The definition of 'qualifying trade' excludes certain activities such as property investment and development, financial services and asset leasing. The Finance (No 2) Act 2015 contained a number of significant changes to the VCT

rules for investments completed after its introduction, designed to secure approval of the VCT scheme by the European Commission. A company whose trade is more than seven years old (ten years for 'knowledge intensive' companies) will generally only qualify for VCT investment if it has previously received State-aided risk finance before the end of the initial investing period or the new investment exceeds 10% of the total turnover for the past five years and the funds are used for new products and/or geographical markets; there is a lifetime limit of £12 million (£20 million for 'knowledge intensive' companies) on the amount of State-aid funding receivable by a company; and VCT funds may not be used by a company to acquire shares in another company or to acquire a business. A breach of the requirements may lead to a loss of VCT status.

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

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

- debt finance provided by VCTs must be made on an unsecured basis;
- a VCT must invest at least 30% of any funds raised in an accounting period commencing on or after 6 April 2018 in qualifying holdings within 12 months of the period end; and
- investments made from 6 April 2019 in qualifying holdings must comprise, in aggregate, at least 70% of eligible shares, regardless of when the money used to fund the investment was raised.

Share price

The Company's share price is carried daily in the Financial Times and the Daily Telegraph. 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 13 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 16 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. A letter is attached alongside this report for all shareholders currently receiving their annual report in print, requesting confirmation of their preferences. Shareholders who wish to change their preferences should visit www.shareview.co.uk (operated by the Company's registrars, Equiniti Limited), register for a Shareview portfolio and select their preferred method of delivery of company communications.

Financial calendar

Subject to regular review by the Directors, the Company's financial calendar for the year ending 31 March 2024 is as follows:

November 2023

Half-yearly financial report for the six months ending 30 September 2023 announced

January 2024

Interim dividend paid

June 2024

Final dividend and results for year ending 31 March 2024 announced

July 2024

Annual report and financial statements published

August 2024

AGM; final dividend paid

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 52 to 56.

Corporate objective

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

Investment policy

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

The Directors intend that the long-term disposition of the Company's assets will be approximately 80% in a portfolio of VCT-qualifying unquoted and AIM-quoted investments, and 20% in other investments selected with a view to producing

an enhanced return while avoiding undue capital volatility, to provide a reserve of liquidity which will maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

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

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

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

Co-investment arrangements

The Company operates within a co-investment and allocation policy that applies to all funds managed by Mercia. Under the terms of this policy, where an investment opportunity is VCT qualifying and the funding requirement is in excess of £2 million, the Company and the other VCTs managed by Mercia are the preferred 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 £500,000.

In relation to follow-on rounds of investment where the Company and other Northern VCTs are existing investors, the Company, alongside the other Northern VCT funds, shall have

priority to determine how much they wish to invest, with no requirement to offer such investment opportunities to the other funds managed or advised by Mercia.

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

Investment management

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

The Board's Management Engagement Committee reviews the terms of Mercia's appointment as investment adviser on a regular basis. Further information about the terms of the management agreement with Mercia and the remuneration payable to Mercia is set out in the directors' report on page 42 and in Note 3 to the financial statements.

Table 1: Venture capital portfolio cash flow

	New investment £000	Disposal proceeds £000	Net cash inflow/ (outflow) £000
Year ended 30 September 2018	12,353	10,781	(1,572)
Year ended 30 September 2019	10,877	10,268	(609)
Year ended 30 September 2020	8,813	1,635	(7,178)
Year ended 30 September 2021	11,707	31,118	19,411
18 month period ended 31 March 2023	25,049	26,095	1,046
Total	68,799	79,897	11,098

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

	£000	Pence per ordinary share
Net asset value at 1 October 2021	119,298	74.1
Net revenue (investment income less revenue expenses and tax)	(478)	(0.3)
Capital surplus arising on investments:		
Realised net gains on disposals	2,944	1.8
Movements in fair value of investments	(9,776)	(5.9)
Management expenses allocated to capital account (net of tax)	(2,613)	(1.6)
Total return for the period as shown in the income statement	(9,923)	(6.0)
Proceeds of issues of new shares (net of expenses)	7,582	-
Shares re-purchased for cancellation	(4,570)	-
Net movement for the period before dividends	(6,911)	(6.0)
Net asset value at 31 March 2023 before dividends recognised	112,387	68.1
Dividends recognised in the financial statements for the period	(9,890)	(6.0)
Net asset value at 31 March 2023	102,497	62.1

Overview of the period

During the 18 month period under review Northern Venture Trust PLC suffered a total return, before dividends, of minus 6.0 pence per share, equivalent to minus 8.1% of the opening net asset value per share of 74.1 pence. The movement in total net assets and net asset value per share is summarised in Table 2. The negative return was driven by an unrealised net decrease in the valuation of the investment portfolio, in particular the listed investments. This trend has been partially offset by realised gains from the disposal of several investments.

Total income from investments during the period decreased to £0.9 million (year ended 30 September 2021: £1.4 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 £3.2 million (year ended 30 September 2021: £2.3 million). There was no performance-related management fee payable in respect of the current period (year ended 30 September 2021: £2.5 million).

The net cash inflow from the venture capital portfolio during the period was £1.05 million, comprising disposal proceeds of £26.10 million less investments of £25.0 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 £9.9 million, the Company's total cash balances decreased over the period by £11.1 million to £14.0 million. In addition the Company holds quoted equity investments valued at £8.9 million.

Dividends

The Directors have declared or proposed dividends totalling 6.0 pence per share in respect of the period, comprising a 0.2 pence revenue dividend and a 5.8 pence capital dividend.

Venture capital investment portfolio

The last eighteen months have been impacted by the lingering impact of COVID-19 measures, supply side shortages, inflationary pressures, rising interest rates and a global economic slowdown. During this period our investment adviser has worked with portfolio management teams to navigate the fast-evolving landscape. In all cases, Mercia has been working very closely with investee management teams to support them to overcome liquidity or operational challenges.

Venture capital investment activity

During the eighteen months ended 31 March 2023, fifteen new venture capital investments were completed at a cost of £17.0 million and additional funding totalling £8.0 million was invested in 22 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 31 March 2023 comprised 57 holdings with an aggregate value of £79.7 million. 21.7% 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 31 March 2023 is given on page 23, with information on the fifteen largest investments on pages 26 to 33.

Strategic report *continued*

New investments

Intechnica (including Netacea) (£1,701,000)

Cyber security consultancy

Project Glow Topco (t/a Currentbody.com) (£1,686,000)

Online retailer for home use beauty products

Social Value Portal (£1,573,000)

Platform to enable corporate and public sector organisations to measure, report and enhance the social value they create

Turbine Simulated Cell Technologies (£1,433,000)

Simulation of cell reaction to the treatment of complex disease

Broker Insights (£1,395,000)

Platform connecting insurers and brokers

Optellum (£1,276,000)

AI platform to diagnose and treat early-stage lung cancer

Centuro Global (£1,038,000)

Technology platform to enable companies' international expansion plans

Pimberly (£1,008,000)

Product information management software

Send Technology Solutions (£974,000)

Platform for insurers, reinsurers and managing general agents

Forensic Analytics (£964,000)

Call data communications analytics software for police forces

Axis Spine Technologies (£955,000)

Developer of next generation spinal implants

Wonderush (t/a HowNow) (£948,000)

Platform for workplace learning

LMC Software (£868,000)

Provider of social care management software for care homes for the elderly or disabled

Sen Corporation (£681,000)

Live streaming of high quality video from space

Synthesized (£510,000)

Data product enterprise software

Investment realisations

Details of investment disposals during the period are given in Note 9 on page 69. The most significant disposals (original cost or sales proceeds in excess of £1.0 million) are summarised in Table 3.

Lineup Systems is a multi channel advertising and media company. The Company exited its investment in March 2023 for proceeds of £7.3 million, representing a return of 7.8x including interest received during the life of the investment.

Currentbody is an online retailer for home-use beauty products. In November 2021, the Company realised part of its investment for cash proceeds of £3.9 million and retained an investment of £1.7 million in the new owner's holding vehicle. Including loan interest received over the life of this investment, this represented a 2.9x lifetime return.

Intelling, a communications specialist providing customer support solutions, secured a significant contract which evolved into part of the COVID-19 Track and Trace initiative. In October 2021 the Company realised its investment for proceeds of £3.6 million. Including loan interest income received over the life of this investment, this represented a 3.6x lifetime return.

Knowledgemotion Ltd (t/a Boclips) is an online educational video and podcast platform. In June 2022 the Company realised its investment for an initial £3.3 million, representing a return of 1.7x.

Mojo Mortgages is an online mortgage broker. The Company exited its investment in November 2021 for proceeds of £2.5 million, representing a return of 1.6x.

Vectura Group is a pharmaceutical company. The Company exited its long-held investment in October 2021 for proceeds of £1.1 million, representing a return of 1.8x.

Intechnica is a cyber security consultancy which demerged into two entities in May 2022 – Intechnica, and Netacea, a provider of cyber security through AI-powered consultancy. In January 2023, Intechnica was acquired by Crosslake Technologies. The initial proceeds received by the Company of £0.6 million represented an initial return of 2.3x.

Ideagen is a provider of quality, audit and risk management software solutions. The AIM-listed business experienced considerable growth over the investment lifetime and in July 2022 was acquired by private equity firm HG Pooled Management. The Company realised their investment for proceeds of £0.4 million, which represented a 10.2x return on cost.

Axial Systems is a provider of security and data solutions. The Company originally invested in 2008 and exited this period for a return, including interest received during the life of the investment, of 0.7x.

Channel Mum was a parenting focused video website which entered liquidation during the period.

No. 1 Lounges was a provider of airport lounges which as a result of Covid-19 airport closures, entered liquidation during the period.

Table 3: Significant investment realisations

Company	Date of original investment	Original cost £000	Sales proceeds £000	Realised surplus/ (deficit) £000
Lineup Systems	2011	975	7,288	6,313
Currentbody	2018	2,050	5,630	3,580
Intelling Group	2017	1,222	3,616	2,394
Knowledgemotion	2017	1,903	3,284	1,381
Mojo Mortgages	2019	1,592	2,480	888
Vectura Group	2001	599	1,074	475
Axial Systems Holdings	2008	1,004	41	(963)
Channel Mum	2016	1,343	–	(1,343)
No. 1 Lounges	2014	2,006	–	(2,006)

Valuation policy

Unquoted investments are valued in accordance with the accounting policy set out on page 62, which follows the International Private Equity and Venture Capital Valuation (IPEV) guidelines, being the industry accepted best practice.

Where valuations are based on company earnings, audited historic results will be taken into account along with more recent unaudited information and projections where these are considered sufficiently reliable. For investments in earlier stage businesses, where a material

arm's length transaction has recently been concluded, this is usually taken as the starting point for fair value, and subsequently tested and recalibrated to reflect changes in market conditions or company specific performance. Performance is typically considered using a range of metrics such as annual recurring revenue, EBITDA, milestones achieved, customer wins, cash runway and budget accuracy. Provision against cost is made where an investment is under-performing significantly.

As at 31 March 2023 the number of venture capital investments falling into each valuation category was as shown in Table 4.

Table 4: Venture capital investment valuation by category

	Number of investments	Valuation £000	% of portfolio by value
Unquoted investments at directors' valuation			
Revenue/earnings multiple	17	22,657	28%
Price of a recent investment subsequently calibrated as appropriate	35	53,787	68%
Quoted investments at bid price			
Quoted on AIM	5	3,253	4%
Total	57	79,697	100%



Strategic report *continued*

Key performance indicators

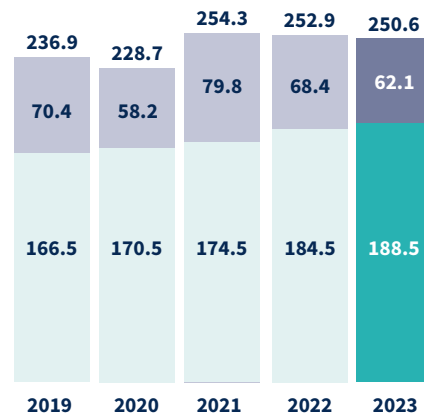
The Directors regard the following as the key indicators pertaining to the Company's performance:

Net asset value and total return to shareholders: the chart opposite shows 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 chart opposite shows the dividends (including proposed final dividend) declared in respect of each of the past five financial years and on a cumulative basis since inception.

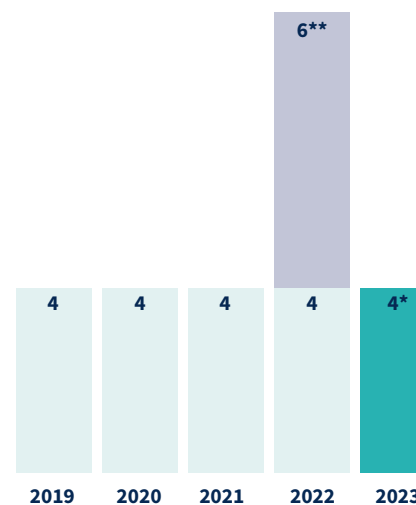
Ongoing charges: the charts opposite show total annual running expenses as a percentage of the average net assets attributable to shareholders for each of the past five financial years.

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



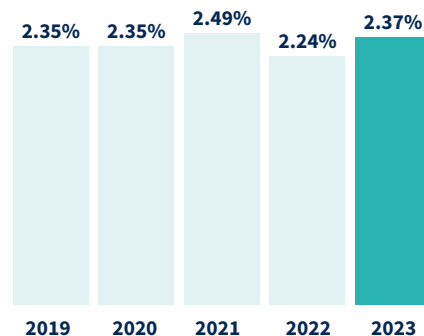
■ NAV per share
■ Cumulative dividends paid per share
*excludes dividends proposed but not yet paid

Declared dividends per share (pence)*

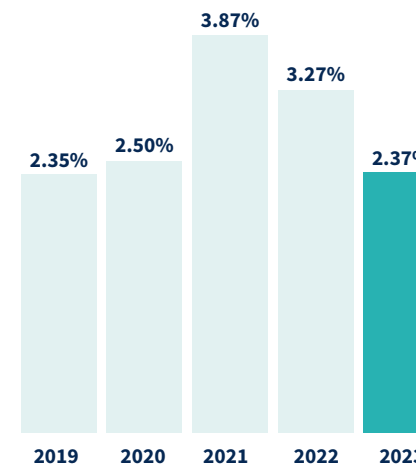


*includes dividends proposed but not yet paid
**special dividend

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



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



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 and emerging risks and uncertainties identified by the Board which might affect the Company's business model and future performance, and the steps taken with a view to their mitigation, are as follows:

Investment and liquidity risk:

investment in smaller and unquoted companies, such as those in which the Company invests, involves a higher degree of risk than investment in larger listed companies because they generally have limited product lines, markets and financial resources and may be more dependent on key individuals. The securities of smaller companies in which the Company invests are typically unlisted, making them illiquid, and this may cause difficulties in valuing and disposing of the securities. The Company may invest in businesses whose shares are quoted on AIM – the fact that a share is quoted on AIM does not mean that it can be readily traded and the spread between the buying and selling prices of such shares may be wide.

Mitigation: the Directors aim to limit the risk attaching to the portfolio as a whole by careful selection, close monitoring and timely realisation of investments, by carrying out rigorous due diligence procedures and maintaining a wide spread of holdings in terms of financing stage and industry sector within the rules of the VCT scheme. The Board reviews the investment portfolio with the investment adviser on a regular basis.

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

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

Economic risk: events such as economic recession or general fluctuation in stock markets, exchange rates and interest rates may affect the valuation of investee companies and their ability to access adequate financial resources, as well as affecting the Company's own share price and discount to net asset value.

The level of economic risk has been elevated most recently by inflationary pressures, interest rate increases, and supply shortages.

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.

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, political activity or global health crises, 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 managers, 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. Changes to UK legislation in the future could have an adverse effect on the Company's ability to achieve satisfactory investment returns whilst retaining its VCT approval.

Mitigation: the Board and the investment adviser monitor political developments and where appropriate seek to make representations either directly or through relevant trade bodies.

Internal control risk: the Company's assets could be at risk in the absence of an appropriate internal control regime which is able to operate effectively even during times of disruption.

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.

Strategic report *continued*

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
- need to act fairly as between members of the Company.

In discharging their duties each Director has regard to the factors set out above and to other factors which they consider relevant to the decision being made. Those factors may include, for example, the interests and views of our shareholders, advisers and regulators. The Board's aim is to make sure that decisions are consistent and predictable. Details on how the Board operates and the way Directors reach decisions, including some of the matters discussed and debated during the period, 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 46 to 50. An example of a key decision reached by the Board during the period is the level of dividends paid or proposed, which totalled 6 pence per share. In reaching their final decision on this matter, the Board considered the level of returns generated by the Company, the potential timing of investment realisations, the potential future capital requirements of portfolio companies and continuing compliance with the VCT scheme rules.

Key stakeholders

Employees and Directors

The Company had no employees during the period and there are five directors.

Shareholders

The Directors recognise the value of maintaining regular communications with shareholders. Formal reports are published at the half-year and year-end stages, and an opportunity is given to shareholders at the annual general meeting to question the Board and the investment adviser on matters relating to the Company's operation and performance. The investment adviser usually holds

an annual VCT investor seminar to which shareholders are invited and the Directors attend.

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

Investment adviser

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

The content discussed at each meeting is over a wide range of topics from company operations to issues faced by portfolio companies.

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. More details can be found on page 39.

Key decisions in period

Payment of dividend: despite achieving a total return loss in the period, the Board maintained the annual dividend in excess of its target as realisation proceeds more than exceeded the value of dividends paid. In doing so, the Board considered commitments previously made to Shareholders, and assessed its short term liquidity requirements.

New performance related management fee: the discussions over the proposed new methodology was discussed at length with the investment adviser both formally at board meetings and between meetings, with a great deal of time spent on modelling and analysing the impact of different approaches. The final proposal was agreed as in the Board's view it improved transparency and favoured long term sustainable growth over short term volatility. Shareholders will be consulted on plans at the general meeting that will take place immediately after the close of the the next Annual General Meeting.

Environmental, Social and Governance ('ESG') considerations

For full details on the Company's approach to ESG and mandatory reporting requirements, please see page 34.

Future prospects

The slowdown of the domestic and global economy, increased interest rates and supply side pressures continue to present challenges for UK businesses. Your Directors have been encouraged by the resilience exhibited by the portfolio as a whole. The directors regularly monitor the service received from the Company's investment adviser, registrars and custodians who all continue to operate effectively.

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

By order of the Board

Mercia Company Secretarial Services Limited

Company Secretary
15 June 2023

Investment portfolio

Fifteen largest venture capital investments (see pages 26 to 33)		Cost £000	Valuation £000	Like for like valuation increase/ (decrease) over period**	% of net assets by value
1	Evotix (formerly SHE)	2,766	12,658	188.6%	12.3%
2	Grip-UK (t/a Climbing Hangar)	3,530	3,530	0.0%	3.4%
3	Volumatic Holdings	216	3,275	17.1%	3.2%
4	Gentronix	1,362	3,082	111.5%	3.0%
5	Tutora (t/a Tutorful)	2,722	2,837	4.7%	2.8%
6	Rockar	1,877	2,795	36.9%	2.7%
7	Newcells Biotech	2,479	2,519	(10.8)%	2.5%
8	Biological Preparations Group	2,366	2,267	(17.7)%	2.2%
9	Adludio	2,103	2,103	0.0%	2.1%
10	Clarilis	1,972	1,972	(22.8)%	1.9%
11	IDOX*	238	1,970	(10.9)%	1.9%
12	Administrata	2,374	1,901	5.6%	1.9%
13	Buoyant Upholstery	1,173	1,895	(31.6)%	1.8%
14	Pure Pet Food	1,774	1,845	0.3%	1.8%
15	Netacea	1,781	1,781	0.0%	1.7%
Other venture capital investments					
16	Project Glow Topco (t/a Currentbody.com)	1,686	1,686	0.0%	1.6%
17	Social Value Portal	1,573	1,573	0.0%	1.5%
18	Estate	1,516	1,516	0.0%	1.5%
19	Ridge Pharma	1,497	1,500	0.2%	1.5%
20	Forensic Analytics	1,490	1,490	0.0%	1.5%
21	Turbine Simulated Cell Technologies	1,433	1,433	0.0%	1.4%
22	Broker Insights	1,395	1,395	0.0%	1.4%
23	Optellum	1,276	1,276	0.0%	1.2%

Investment portfolio

Other venture capital investments		Cost £000	Valuation £000	Like for like valuation increase/ (decrease) over period**	% of net assets by value
24	Duke & Dexter	1,237	1,246	0.7%	1.2%
25	VoxPopMe	1,218	1,205	(12.6)%	1.2%
26	Weldex (International) Offshore Holdings	3,262	1,137	(41.0)%	1.1%
27	musicMagpie*	238	1,111	(85.4)%	1.1%
28	Centuro Global	1,038	1,038	0.0%	1.0%
29	Pimberly	1,008	1,008	0.0%	1.0%
30	Send Technology Solutions	974	974	0.0%	1.0%
31	Axis Spine Technologies	955	955	0.0%	0.9%
32	Wonderush (t/a Hownow)	947	947	0.0%	0.9%
33	LMC Software	929	929	0.0%	0.9%
34	Fresh Approach (UK) Holdings	965	899	(0.3)%	0.9%
35	Locate Bio	876	876	0.0%	0.9%
36	Moonshot	874	874	0.0%	0.9%
37	Naitive Technologies	787	787	0.0%	0.8%
38	Oddbox	1,093	753	(84.7)%	0.7%
39	Northrow	1,427	730	(45.7)%	0.7%
40	Atlas Cloud	704	704	1.1%	0.7%
41	Intuitive Holding	1,674	686	(5.4)%	0.7%
42	Sen Corporation	681	681	0.0%	0.7%
43	Medovate	1,770	534	(67.5)%	0.5%
44	Thanksbox (t/a Mo)	1,559	518	(52.3)%	0.5%
45	Synthesized	510	510	0.0%	0.5%
46	Rego Technologies (t/a Upp) (formerly Volo)	2,369	470	(13.5)%	0.5%
47	Seahawk Bidco	513	467	(21.3)%	0.5%
48	Nutshell	734	385	(47.6)%	0.4%

Other venture capital investments		Cost £000	Valuation £000	Like for like valuation increase/ (decrease) over period**	% of net assets by value
49	Haystack Dryers	1,661	242	2.8%	0.2%
50	Arnlea Holdings	1,305	226	17.9%	0.2%
51	Sorted Holdings	3,022	212	(87.5)%	0.2%
52	Customs Connect Group	1,525	121	57.1%	0.1%
53	Angle*	131	73	(61.0)%	0.1%
54	RTC Group*	436	57	(64.3)%	0.0%
55	Velocity Composites*	108	43	(14.9)%	0.0%
56	Quotevine	1,311	–	(100.0)%	0.0%
57	Ablatus Therapeutics	612	–	(100.0)%	0.0%
Total venture capital investments		79,052	79,697		77.8%
Listed equity investments		7,859	8,912		8.7%
Total fixed asset investments		86,911	88,609		86.5%
Net current assets			13,888		13.5%
Net assets			102,497		100.0%

*Listed on AIM

**This percentage change in 'like for like' valuations is a comparison of the 31 March 2023 valuations with the 30 September 2021 valuations (or where a new investment has been made in the period, the investment amount), having adjusted for any partial disposals, loan stock repayments or new and follow-on investments in the period.

15 largest

venture capital investments



1

Evotix (formerly SHE Software Group)

£2,766,000 | £12,658,000

Cost	Valuation
Basis of valuation	Revenue multiple
Equity held	11.1% (Mercia funds total 31.2%)
Business/location	Health & Safety platform provider, East Kilbride
History	Investment in February 2018, led by NVM Private Equity
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest nil

Audited financial information:

Year ended	2022	2021
31 March	£m	£m
Sales	8.5	6.7
EBITDA	(0.1)	(2.8)
Loss before tax	(1.0)	(3.0)
Loss after tax	(0.7)	(2.9)
Net assets	0.9	0.7

EVOTIX



2

Grip UK (t/a Climbing Hangar)

£3,530,000 | £3,530,000

Cost	Valuation
Basis of valuation	Price of a recent investment
Equity held	20.8% (Mercia funds total 61.4%)
Business/location	Operator of indoor climbing and leisure facilities, London
History	Development capital financing, July 2018, led by NVM Private Equity
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest nil

Audited financial information:

Year ended	2021	2020
30 September	£m	£m
Sales	2.3	2.0
EBITDA	(1.5)	(1.0)
Loss before tax	(1.5)	(1.0)
Loss after tax	(1.5)	(0.9)
Net assets	6.7	4.2

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**CLIMBING
HANGAR**



Volumatic Holdings

£216,000 | £3,275,000

Cost	Valuation
Basis of valuation	Earnings multiple
Equity held	24.8% (Mercia funds total 77.7%)
Business/location	Manufacturer of intelligent cash handling equipment, Coventry
History	Management buy-out, March 2012, led by NVM Private Equity
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends £92,000, loan stock interest nil

Audited financial information:

Year ended	2022	2021
31 March	£m	£m
Sales	15.5	10.6
EBITDA	3.3	2.5
Profit before tax	3.2	2.4
Profit after tax	2.9	2.2
Net assets	11.7	8.8



Gentronix

£1,362,000 | £3,082,000

Cost	Valuation
Basis of valuation	Revenue multiple
Equity held	34.9% (Mercia funds total 86.6%)
Business/location	Technology for carcinogenic drug identification, Manchester
History	Development capital financing, February 2007, led by NVM Private Equity
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest £18,000

Audited financial information:

Year ended	2022	2021
31 August	£m	£m
Sales	3.7	2.5
EBITDA	(0.6)	(0.3)
Loss before tax	(0.7)	(0.1)
Loss after tax	(0.7)	(0.1)
Net assets	1.5	1.5



15 largest venture capital investments *continued*



5

Tutora (t/a Tutorful)

£2,722,000 | £2,837,000

Cost	Valuation
Basis of valuation	Revenue multiple
Equity held	13.4% (Mercia funds total 37.9%)
Business/location	Online platform for private tutors, Sheffield
History	Development capital financing, October 2019, led by Mercia Fund Management
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 31 December	2021 £m	2020 £m
Sales	3.1	2.5
EBITDA	(3.6)	(1.0)
Loss before tax	(2.7)	(1.0)
Loss after tax	(2.6)	(0.9)
Net (liabilities)/assets	(0.5)	2.1

tutorful



6

Rockar

£1,877,000 | £2,795,000

Cost	Valuation
Basis of valuation	Price of a recent investment
Equity held	8.1% (Mercia funds total 23.0%)
Business/location	E-Commerce & fulfilment platform for the new car sales industry, Hull
History	Management buy-out financing, July 2016, led by NVM Private Equity
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest £48,000

Audited financial information:

Year ended 31 December	2022 £m	2021 £m
Sales	7.5	6.2
EBITDA	1.1	1.3
Profit before tax	0.8	0.8
Profit after tax	1.2	1.0
Net assets	4.2	3.0

Rockar



7

Newcells Biotech

£2,479,000 | £2,519,000

Cost	Valuation
Basis of valuation	Price of a recent investment
Equity held	14.7% (Mercia funds total 41.4%)
Business/location	Supplies assay products to the drug and chemical development markets, Newcastle
History	Development capital financing, June 2018, led by NVM Private Equity
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest nil

Audited financial information:

Year ended	2022	2021
31 January	£m	£m
Sales	1.3	1.3
EBITDA	(2.0)	(1.2)
Loss before tax	(2.4)	(1.3)
Loss after tax	(2.1)	(1.1)
Net assets	2.8	4.9



8

Biological Preparations Group

£2,366,000 | £2,267,000

Cost	Valuation
Basis of valuation	Earnings multiple
Equity held	25.3% (Mercia funds total 71.2%)
Business/location	Developer and supplier of products based on microbial, antimicrobial, plant extract and enzyme technology, Cardiff
History	Management buy-out financing, March 2015, led by NVM Private Equity
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest nil

Audited financial information:

Year ended	2021	2020
31 December	£m	£m
Sales	7.0	9.6
EBITDA	(0.4)	1.0
(Loss) before tax	(0.5)	(0.4)
(Loss) after tax	(0.4)	(0.5)
Net assets	2.2	(3.3)



15 largest venture capital investments *continued*



9

Adludio

£2,103,000 | £2,103,000

Cost	Valuation
Basis of valuation	Price of a recent investment
Equity held	14.2% (Mercia funds total 40.5%)
Business/location	Marketing services provider helping brands run online campaigns, London
History	Development capital financing, August 2021, led by Mercia Fund Management
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest nil

Unaudited financial information:

Year ended 31 December	2022 £m	2021 £m
Sales	7.4	6.9
EBITDA	(1.3)	(1.6)
(Loss) before tax	(1.4)	(1.7)
(Loss) after tax	(1.5)	(2.0)
Net assets	2.7	4.0



10

Clarilis

£1,972,000 | £1,972,000

Cost	Valuation
Basis of valuation	Price of a recent investment
Equity held	9.9% (Mercia funds total 28.0%)
Business/location	Provides automated legal document preparation software, Leamington Spa
History	Development capital financing, June 2018, led by NVM Private Equity
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest nil

Unaudited financial information:

Year ended 31 December	2021 £m	2020 £m
Sales	1.8	1.6
EBITDA	(1.9)	(1.3)
Loss before tax	(1.9)	(1.3)
Loss after tax	(1.7)	(1.1)
Net assets	3.4	5.1





11

Idox

£238,000 | £1,970,000

Cost	Valuation
Basis of valuation	Bid price (AIM)
Equity held	0.7% (Mercia funds total 1.7%)
Business/location	Document content software, London
History	Holding acquired through a share placing on AIM in 2000
Other Mercia funds investing	Northern 3 VCT
Income in period	Dividends £13,000, loan stock interest nil

Audited financial information:

Year ended	2022	2021
31 October	£m	£m
Sales	66.2	62.2
EBITDA	8.7	19.5
Profit before tax	6.6	7.2
Profit after tax	5.6	11.8
Net assets	67.4	60.8



12

Administrate

£2,374,000 | £1,901,000

Cost	Valuation
Basis of valuation	Price of a recent investment
Equity held	10.3% (Mercia funds total 29.0%)
Business/location	SaaS training management and LMS platform, Edinburgh
History	Development capital financing, December 2018, led by NVM Private Equity
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest nil

Unaudited financial information:

Year ended	2022	2021
31 December	£m	£m
Sales	4.3	3.6
EBITDA	(5.0)	(3.4)
Loss before tax	(5.0)	(3.4)
Loss after tax	(4.8)	(3.0)
Net (liabilities)/assets	(1.3)	0.2



15 largest venture capital investments *continued*



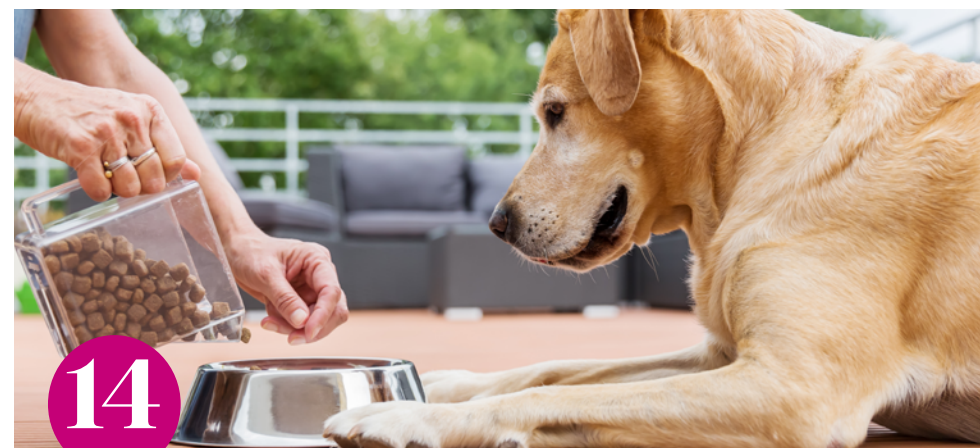
Buoyant Upholstery

£1,173,000 | £1,895,000

Cost	Valuation
Basis of valuation	Earnings multiple
Equity held	12.8% (Mercia funds total 35.9%)
Business/location	Design and manufacture of upholstered furniture, Nelson
History	Development capital financing, July 2013, led by NVM Private Equity
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest £120,000

Audited financial information:

Year ended 31 December	2021 £m	2020 £m
Sales	50.6	36.3
EBITDA	2.7	1.5
Profit/(loss) before tax	1.5	0.0
Profit/(loss) after tax	1.1	0.0
Net assets	5.7	4.7



Pure Pet Food

£1,774,000 | £1,845,000

Cost	Valuation
Basis of valuation	Price of a recent investment
Equity held	26.5% (Mercia funds total 74.4%)
Business/location	Production of organic pet food, Halifax
History	Development capital financing, March 2019, led by NVM Private Equity
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Dividends nil, loan stock interest nil

Audited financial information:

Year ended 31 March	2022 £m	2021 £m
Sales	3.4	1.8
EBITDA	(1.7)	(0.9)
Loss before tax	(1.7)	(0.9)
Loss after tax	(1.7)	(0.9)
Net assets/(liabilities)	1.1	(0.2)





Netacea

£1,781,000 | £1,781,000

Cost	Valuation
Basis of valuation	Revenue multiple
Equity held	3.6% (Mercia funds total 34.6%)
Business/location	Protects websites, mobile apps and APIs using an intelligent detection engine. Manchester
History	Development capital financing into Intechnica, December 2021, subsequent de-merger into Netacea, May 2022, led by Mercia Fund Management
Other Mercia funds investing	Northern 2 VCT, Northern 3 VCT, Mercia Investment Plan LP, Northern Powerhouse Investment Fund, North West Fund for Venture Capital
Income in period	Dividends nil, loan stock interest nil

Audited financial information:

Year ended [·]	2022 £m	2021 £m
Sales	N/A	N/A
EBITDA	N/A	N/A
Loss before tax	N/A	N/A
Loss after tax	N/A	N/A
Net liabilities	N/A	N/A

NETACEA

Responsible Investment

Environmental, social and governance

The Company is committed to conducting its affairs responsibly and, alongside the investment adviser, considers environmental, social and governance (ESG) issues as part of its operations.

In addition to its commitment to financial performance, the Board is mindful of the impact of the Company and its investments on the environment alongside its social and corporate governance responsibilities. We recognise that the ESG regulatory and reporting landscape is subject to rapid change, and therefore the Company works closely with the investment adviser to ensure compliance and develop initiatives.

The Company is required, under the Companies Act 2006, to provide details of environmental performance, social, human rights, employee, community issues; including information about any policies it has in relation to these matters and the effectiveness of these policies. As the Company does not have any employees, nor its own premises, the Company does not maintain specific policies in relation to these matters, however the investment adviser maintains its own policies as appropriate.

Responsible Investment ESG KPIs

78%

KPI:

Percentage of shareholders signed up for electronic communications

Impact:

Reducing the company's carbon emissions from its own operations

Theme:

Environmental

Impact Assessed

KPI:

The carbon emissions of the investment adviser were measured in the year to 31 March 2023 and a long-term reduction plan is being enacted

Impact:

Reducing the carbon impact of our operations performed through the investment adviser

Theme:

Environmental

20%

KPI:

Proportion of the Board identifying as female

Impact:

Promoting diversity in leadership

Theme:

Social

74%

KPI:

Investments made outside of London

Impact:

Improving access to capital across the UK, benefiting local communities

Theme:

Social

52%

KPI:

Number of post-2015 portfolio companies that completed the ESG_VC questionnaire

Impact:

Increasing engagement with ESG issues within the Company' portfolio

Theme:

Governance

36

KPI:

Number of portfolio companies where the investment adviser has a member of staff as a statutory director

Impact:

Encouraging best practice directly at board level of each portfolio company

Theme:

Governance

70%

KPI:

Percentage of portfolio companies that have formally raised ESG on the Board agenda in the year

Impact:

Encouraging portfolio engagement with ESG principles

Theme:

Governance

11

KPI:

Number of portfolio companies where we have assisted in identifying board / c-suite members in the year

Impact:

Improving governance in portfolio companies

Theme:

Governance

Highlights and initiatives

Below is a summary of some of the progress made this period:

Portfolio Engagement

After a successful pilot scheme in 2021, this was the second period that the investment adviser worked with portfolio companies to complete ESG surveys using the venture capital specific framework developed by ESG_VC. The questionnaire is designed to assist unquoted portfolio companies respond to ESG risks and opportunities and how these are considered as part of their operations. The survey asks portfolio companies a range of questions across key environmental, social and governance factors. It also asks them to indicate the relevance of those to their business, as well as their ability to influence those factors.

The investment adviser believes that this engagement with the portfolio is important due to the following reasons:

- It encourages early-stage portfolio companies to begin to engage with ESG, or if later-stage, map their current position and flag potential focus areas.
- It produces a data set for tracking our performance in influencing ESG factors within the portfolio, and changes on a portfolio basis over time.

- It enables comparison between portfolio companies, and when aggregated with the anonymised data of other venture capital portfolio companies, allows the investment adviser to determine how best to target its support.

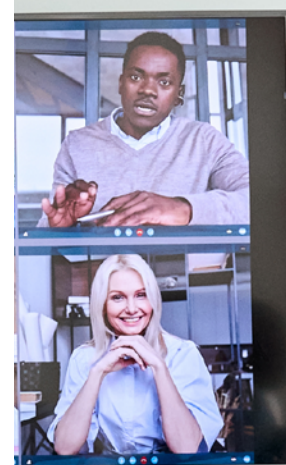
Over time the investment adviser will use the insights gained from these questionnaires to inform how we target support for portfolio companies, and the types of investments it makes.

Shareholder communications

As part of the Board's ongoing commitment to reducing the Company's carbon emissions, and in line with the process performed in late 2021, letters requesting that shareholders confirm their mailing preferences are included alongside all distributed printed copies of this annual report. By reducing the number of hard copy documents the Board aims to reduce the Company's emissions from printing and postage. As of the signing date of this report, 78% of shareholders are signed up for electronic communications. If a shareholder has elected to receive paper communications, the Company is no longer printing the interim report but will advise them when this report is available on the investment adviser's website.

Further investments into sustainability-focused companies

The Company continued to invest in a number of sustainability-focused and purpose-led companies in the period and follow on investments were also made into existing portfolio companies. More detail on the investment into Social Value Portal is provided on page 38.



The investment adviser's approach to responsible investment

The investment adviser to responsible investment, which is an investment approach that considers environmental, social, and governance (ESG) factors in the investment decision-making process. The investment adviser provides growth capital and tailored investment solutions to thriving regional businesses to create long-term shareholder value. It has formed a responsible investment committee, which meets monthly and comprises a number of employees from across the business, including a number from the VCT investment team.

The investment adviser's responsible investment committee ensures delivery against three guiding principles, inspired by the UN's Sustainable Development Goals ('SDGs'):

Sustainable economic growth

- Provide support for entrepreneurship and SME growth
- Support and promote job creation and talent development
- Focus on technological innovation

Reducing inequalities within our communities

- Reduce inequalities across the UK and within UK regions
- Empower and promote diversity and inclusion

Health & wellbeing for all

- Promote health and well-being
- Support R&D of effective and essential treatments and other healthcare services

Policies

The investment adviser has a number of ESG-focused policies, including:

- Origination and Investment Policy
- Portfolio Value Creation Policy
- Internal Values and Culture Policy

These policies guide the way in which we invest and engage with portfolio companies outlining best practice. The investment adviser is currently in the process of refreshing these policies with a view to publishing them in the next financial year.

Investment Process

ESG matters are considered when reviewing investment opportunities. Every investment paper has a section where the investment team consider any relevant ESG matters, which are then discussed, where relevant, by the investment committee before each investment is approved.

Embedding an 'ESG mindset'

All of the investment adviser's staff have ESG objectives that are agreed with their line manager as part of the annual performance appraisal process, and regular training sessions are organised to develop the investment team's awareness of key issues.

Outlook

The investment adviser will continue to support the Company to develop initiatives and support the Board's ESG agenda.



Environmental

The Company is committed to investing in companies that are aware of their impact on the environment. As part of the investment adviser's investment process, environmental risks associated with potential portfolio companies are evaluated. The investment adviser encourages portfolio companies to adopt environmentally friendly practices where possible by using the influence of its investment team on each of the portfolio company's boards.

Carbon emission reporting and SECR

The Streamlined Energy and Carbon Reporting (SECR) is a UK regulation that requires some large companies to report on their energy use, greenhouse gas emissions, and energy efficiency measures in their annual reports. The Company does not own or lease its own premises and does not employ any staff directly and as the Company consumes under 40MWh of energy per year, it is deemed a 'low energy user' and is therefore out of scope for SECR reporting. The Company's registered office is at the investment adviser's head office, who have measured their carbon emissions and offset them in the most recent financial year.

Investment adviser's carbon emissions

The investment adviser's parent company, Mercia Asset Management PLC, is in the process of finalising its second annual review of corporate carbon emissions, in collaboration with Positive Planet. It offset its emissions for the year to March 2022, and will look to do so again in 2023. More information can be found in its annual report.

Task Force on Climate-related Financial Disclosures

The Company is not in scope for TCFD and the investment adviser, due to its total assets under management being under £5 billion, is also out of scope. The Company will seek to voluntarily adopt any recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) which fall within its investment mandate as soon as reasonably practical.

Portfolio carbon emissions reporting

Your board is acutely aware of the importance of measuring and reporting the impact of the Company's complete carbon impact, including the impact of its investments in portfolio companies. Due to the early stage of its investee companies, many do not have the systems or resources in place to accurately record emissions. The investment adviser is therefore currently focused on engaging with management teams directly, raising engagement and awareness through initiatives such as the ESG_VC questionnaire. Instead of providing emissions data based on a large number of assumptions, the investment adviser will continue to monitor developments in carbon reporting frameworks and engage with third parties with the aim of reporting on portfolio company level activity once meaningful, auditable data can be provided for the majority of the portfolio.

Environmental, social and governance *continued*

Social

Diversity

Your Directors understand the importance of promoting diversity of the Company's board. The ongoing board succession plan seeks to create a diverse group of experienced individuals. The Board has 20% representation from female directors.

The investment adviser has also committed to encouraging diversity, with several initiatives in place such as:

- Signing up to the Investing in Women Code, a commitment to support the advancement of female entrepreneurship in the United Kingdom by improving female entrepreneurs' access to tools, resources and finance from the financial services sector.
- Committing to improving diversity in its hiring practices, this has resulted in two new female hires to its dedicated VCT investment team in the year to 31 March 2023.
- It adheres to an Equal Opportunities policy which values and respects all employees, irrespective of role, gender, race, age, sexual orientation or religious belief.

National focus

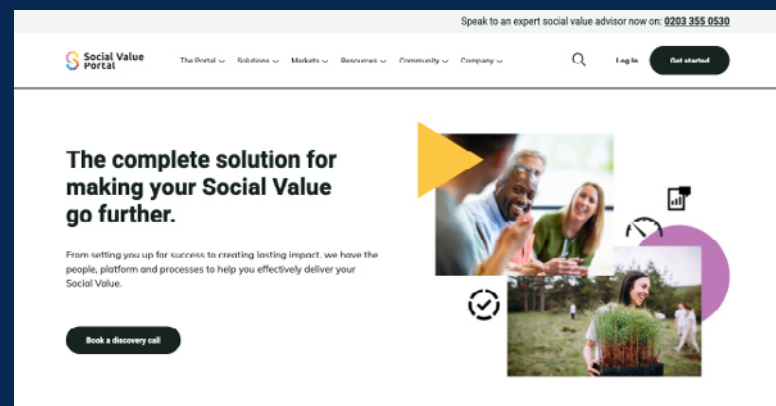
The investment adviser has offices across the UK, enabling local access to its investment team by management teams. This enables the Company to invest in companies spread across the country, not just in London. In total, 70% of the Company's investment, measured by value, is outside of London.

Other initiatives

The investment adviser has a number of programmes designed to support social initiatives:

- It actively encourages employees to become involved in volunteering and charitable community projects through initiatives such as Mercia Spirit.
- It seeks to engage with outreach programmes to promote diversity & inclusion within communities.
- It seeks input from all of its employees to ensure ongoing balanced representation through a formal committee structure.

Case Study: Social Value Portal



Social Value Portal is a software business that enables organisations to measure their social value, using its proprietary framework and technology platform. Social value is defined as the positive value businesses create for the economy, communities and society as a whole. Quantification of social value is now mandatory for those bidding for public sector work, however the 'S' in ESG reporting has often been overlooked due to challenges in ascribing a pounds and pence value to this nuanced, multi-faceted and often complex area.

Amount invested

The Northern VCTs invested £5.0 million in February 2023 alongside a £1.5 million of co-investment from Mercia's EIS funds.

Use of funds

Funding from this round will enable the business to expand on its efforts in the UK private sector and capitalise on the in-bound demand it has seen from its customers to offer its framework internationally.

Governance

As providers of Venture Capital with a dedicated investment team of 15 professionals that attend portfolio company board meetings, governance is the area that your board and the investment adviser strongly believe the Company can make the biggest difference.

Investment process

As part of our standard investment process we look for companies with independent and diverse boards, robust internal controls, and a commitment to ethical behaviour and transparency. Management due diligence is performed as part of the investment process, feeding into the decision process on whether to invest. In addition, each investment recommendation from the investment adviser includes a dedicated section discussing ESG specific risks and value creation opportunities, encouraging the investment adviser's investment team and management teams to engage.

Portfolio talent and operating partners

The investment adviser has appointed a Head of Portfolio Talent to its dedicated VCT investment team, which will strengthen the team's credentials appointing and retaining the most appropriate people in portfolio companies. This forms part of a wider strategy to create value, and aligns the Board's view that strong corporate governance is essential for long-term success. By supporting portfolio companies and surrounding them with experienced individuals we seek to strengthen each portfolio company's internal governance framework and provide a strong culture to 'do the right thing'.

Encouraging best practice and value creation

By attending board meetings and engaging with management teams, the investment adviser aims to encourage best practice. Examples of this over the past 18 months have been:

- working with management teams to ensure they had support during the recent banking sector issues, including strengthening their treasury policies
- enacting the investment adviser's KPI for the year to 31 March 2023 to ensure that ESG was raised at least once on a formal board agenda for all companies
- bringing portfolio CEOs together for events to network and learn from each other

Directors' Report

The Directors present their report and the audited financial statements for the 18 month period ended 31 March 2023.

Activities and status

The principal activity of the Company during the period 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 2027 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. Shareholders will be asked to approve an amendment to the Company's articles of association to extend the date of the annual general meeting at which such ordinary resolution will be proposed to 2029. This will postpone the continuation resolution until a period of five years has elapsed from the allotment of shares pursuant

to the proposed prospectus top-up offer in the tax year 2023/24. If any such resolution is not passed, the Directors shall within four months convene an extraordinary general meeting to consider proposals for the reorganisation or winding-up of the Company.

A consideration of the environmental impact of the Company's activities is set out on page 37.

Corporate Governance

The statement on Corporate Governance set out on pages 46 to 50 is included in the directors' report by reference.

Results and dividend

The return after tax for the period of minus £9,923,000 has been deducted from reserves.

The final dividend of 2.0 pence per share in respect of the 18 month period ended 30 September 2021, and the two interim dividends totalling 4.0 pence per share, in respect of the 18 month period ended 31 March 2023 were paid during the period at a cost of £9,890,000 and have been charged to reserves.

The proposed final dividend of 2.0 pence per share for the 18 month period ended 31 March 2023 will, if approved by shareholders at the Annual General Meeting, be paid on 18 August 2023 to shareholders on the register on 21 July 2023.

Provision of information to the auditor

Each of the Directors who held office at the date of approval of this directors' report confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and that they have taken all the steps that they could reasonably be expected to have taken as directors in order to make themselves 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 March 2026. The Directors consider that for the purpose of this exercise it is not practical or meaningful to look forward over a period of more than three years and that the period is appropriate for a business of the Company's nature and size.

In making their assessment the Directors have carried out a robust review of the risk environment in which the Company operates, including those risks which might threaten its business model or future performance and the steps taken with a view to their mitigation (see page 21 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 that equity funds raised, investment realisations and investment income all fall to nil. As detailed on page 48, 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 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 period-end cash balance;
- revenue and operating cost forecasts for the forthcoming year;
- the ability of third-party service providers to continue to provide services; and
- potential downside scenarios including a fall in the valuation of the investment portfolio or levels of investment income.

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

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

Directors

None of the Directors has a service contract with the Company but each Director is provided with a letter of appointment. Except as mentioned below under the heading 'Management', no contract or arrangement subsisted during or at the end of the period in which any director was materially interested and which was significant in relation to the Company's business. A list of each director who has served during the period is given on page 45.

Director Diversity

In accordance with Listing Rules 9.8.6R(10), 9.8.6I G, 14.3.33R(2) and 14.3.36G, the Company confirms that each of the Directors of the Company was asked to confirm the gender that they identify with and their ethnicity, as of 31 March 2023. The responses have been collated and reflect the following data:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	4	80%	100%	N/A	N/A
Women	1	20%	0%	N/A	N/A
Non-binary				N/A	N/A
All other gender identities				N/A	N/A
Prefer not to say				N/A	N/A

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority white groups)	5	100%	1	N/A	N/A
Mixed/multiple ethnic groups				N/A	N/A
Asian/Asian British				N/A	N/A
Black/African/ Caribbean/Black British				N/A	N/A
Other ethnic group, including Arab				N/A	N/A
Prefer not to say				N/A	N/A

In accordance with Listing Rules 9.8.6R(9) and 14.4.33R(1), the Company confirms that it has not met the following targets:

- At least 40% of the Board are women.
- At least one of the senior Board positions (Chair, Chief Executive Officer, Senior Independent Director or Chief Financial Officer) is a woman.
- At least one member of the Board is from a minority ethnic background, excluding those listed as coming from a white ethnic background.

The Board recognises the importance, value and strength of having a diverse membership. Although the key objective with any board appointment is to recruit the best person for the job, the Board has strengthened its diversity in the most recent Board appointment(s) and will continue to do so by ensuring the candidate search process utilises proven methods of appealing to a diverse mix of applicants.

The Board is exclusively non-executive and as such only the position of Chair is relevant to the Board. Further the Company has not elected to appoint a Senior Independent Director.

Directors' report *continued*

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 on 23 December 2019 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. Prior to 31 March 2022 Mercia had contractually delegated certain of its duties to provide financial, administrative and company secretarial advice and services to NVM. As of 31 March 2022 this agreement ceased and all previously delegated functions are now performed by employees of Mercia.

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 PLC comprises the following:

Remuneration payable by Northern Venture Trust PLC

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 18 month period ended 31 March 2023 the basic annual management fee was £3,243,000 (12 month ended 30 September 2021: £2,316,000).

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 annualised hurdle rate for the 18 month period ended 31 March 2023 was 6.1% (preceding year: 6.0%). There was no performance-related management fee due for the 18 month period ended 31 March 2023 (year ended 30 September 2021: £2,538,000). There are amendments proposed to the operation of the fee, which are described in the Chair's Statement and the accompanying circular.

Accounting and secretarial fee: the investment adviser is responsible for providing accounting, administrative and secretarial services to the Company for a fee for the period of £119,000 (preceding year: £74,000), linked to the movement in the RPI.

The total remuneration payable in aggregate to the investment adviser by Northern Venture Trust PLC in respect of the period, comprising the basic management fee, the performance related management fee and the accounting and secretarial fee, was £3,362,000 (year ended 30 September 2021: £4,928,000).

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 annualised running costs of the Company for the 18 month period ended 31 March 2023 were equivalent to 2.37% of average net assets (year ended 30 September 2021: 2.33%).

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 18 month period ended 31 March 2023 the arrangement fees receivable by the investment adviser from investee companies which were attributable to investments made by Northern Venture Trust PLC amounted to £573,000 (year ended 30 September 2021: £358,000), and directors' and monitoring fees amounted to £572,000 (year ended 30 September 2021: £418,000).

Executive co-investment scheme

Since 2006 the Company has, together with the other VCT funds managed by Mercia, participated in a co-investment scheme with the objective of enabling the investment adviser to recruit, retain and incentivise its key investment personnel. Under the scheme executives are required to invest personally (and on the same terms as the Company and other VCT funds managed by Mercia) in the ordinary share capital of every unquoted investee company in which the Company invests. Since the novation of the management agreement to Mercia, Mercia has managed a new co-investment scheme. The shares held by executives can only be sold at such time as the VCT funds advised by Mercia sell their shares and any prior ranking loan notes or preference shares held by the funds having been repaid. The executives participating in the scheme jointly subscribe for 5.0% of the non-yielding ordinary shares available to the Northern VCT funds, except in the case of investments where there is no class of yielding securities, in which case the executives jointly subscribe for 1.0% of the non-yielding ordinary shares available to the Northern VCT funds. At 31 March 2023 the Mercia co-investment scheme held investments in 42 investee companies acquired at a total cost of £567,000, of which £176,000 was attributable to investments made by the Company.

Share capital – purchase of shares

During the period the Company purchased for cancellation 7,335,532 of its own shares, representing 4.6% of the called-up share capital of the Company at the beginning of the period, for a total consideration of £4,570,000. Purchases were made in line with the Company's policy of purchasing available shares at a discount to net asset value. At the general meeting held in January 2023 shareholders authorised the Company to purchase in the market up to 16,712,392 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 31 March 2023 this authority remained effective in respect of 15,525,973 shares; the authority will lapse at the conclusion of the Annual General Meeting of the Company on 21 July 2023. The rights attached to shares are detailed in the Corporate Governance section on page 49.

Share capital – issue of shares

During the period the Company issued a total of 11,185,395 new ordinary shares, for a cash consideration of £7,670,000. At the 2022 annual general meeting, held on 7 January 2022, shareholders authorised the Company to allot shares up to a maximum nominal value of £10,610,265 (being 42,441,060 ordinary shares) as if any rights of pre-emption did not apply to such allotment. That authority was due to lapse on the earlier of the next annual general meeting of the Company or 30 April 2023. To ensure that the Company had sufficient and continuing authority to allot new ordinary shares, at the general meeting of the Company held on 12 January 2023, in substitution of the authority granted at the 2022 annual general meeting, shareholders authorised the Company to allot shares up to a maximum nominal value of £8,356,196 (being 33,424,784 ordinary shares) as if any rights of pre-emption did not apply to such allotment. As at 31 March 2023 this authority remained effective in respect of 32,437,379 shares; the authority will lapse at the conclusion of the 2023 Annual General Meeting of the Company on 21 July 2023. The rights attaching to shares are detailed in the Corporate Governance section on page 49.

Fixed assets

Movements in fixed asset investments during the period 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.

Energy and carbon

The Company consumes under 40MWh of energy per year and is deemed a 'low energy user' for the Streamlined Energy and Carbon Reporting (SECR) UK regulation, see page 37 for more details.

Events after the balance sheet date

Details of events after the balance sheet date are in note 20 of the financial statements on page 79.

Annual General Meeting

Notice of the 2023 Annual General Meeting to be held on 21 July 2023 is set out in a separate circular to shareholders along with explanatory comments on the resolutions.

Substantial shareholdings

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

Independent auditor

Mazars LLP have indicated their willingness to continue as auditor of the Company and resolutions to re-appoint them and to authorise the Audit Committee to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Mercia Company Secretarial Services Limited

15 June 2023

Directors' Remuneration Report

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 will be proposed at the Annual General Meeting on 21 July 2023.

The Company's independent auditor, Mazars LLP, is required to give its opinion on certain information included in this report, as indicated below. The auditor's report on these and other matters is set out on pages 52 to 56.

Directors' remuneration policy

The Board currently comprises five 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.

The Board considers that directors' fees should reflect the time commitment required and the high level of responsibility borne

by directors. It is not considered appropriate that either new or existing directors' remuneration should be performance-related, and none of the Directors are 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 was formerly a consultant to Mercia, the Company's investment adviser, has an interest in the co-investment scheme referred to in the directors' report on page 43.

The articles of association place an overall limit (currently £200,000 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 re-appointed 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 have 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 18 month period ended 31 March 2023 (audited information)

The fees paid to individual Directors in respect of the eighteen months to 31 March 2023 and year ended 30 September 2021, which represent the entire remuneration payable to Directors, are shown in Table 1.

Table 1: Directors' fees

	18 month period ended 31 Mar 2023 £	Year ended 30 Sep 2021 £	Year ended 30 Sep 2020 £	2023 change***	2021 change	2020 change
S J Constantine (Chair)	57,500	35,000	35,000	10%	-	-
N J Beer*	7,269	27,000	27,000	(82)%	-	-
R J Green	47,858	25,000	25,000	28%	-	-
D N Hudson**	36,250	-	-	-	-	-
T R Levett	30,000	-	-	-	-	-
D A Mayes	42,500	25,000	25,000	13%	-	-
H P Younger*	6,731	25,000	25,000	(82)%	-	-
Total	228,108	137,000	137,000	11%	-	-

* N J Beer and H P Younger resigned on 7 January 2022

** D N Hudson was appointed on 1 January 2022

*** 18 month period ended 31 March 2023 fees annualised for the purpose of this calculation

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 period and at the date of this report, are shown in Table 2.

All of the Directors' share interests were held beneficially.

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

Relative importance of spend on pay

As the Company has no employees, the Directors do not consider it appropriate to present tables comparing employee pay to that of the Directors, or comparing remuneration paid to employees with distributions to shareholders.

Company performance

The graph opposite compares the total return (assuming re-investment of all dividends) to shareholders in the Company over the five years ended 30 September 2021 with the total return from a broad UK equity market index over the same period.

Statement of voting at annual general meeting

At the annual general meeting on 7 January 2022 the resolution to approve the Directors' Remuneration Report for the year ended 30 September 2021 was approved by a show of hands. 96.7% of the proxy votes received in relation to the resolution were either for or discretionary. At a general meeting on 12 January 2023 the resolution to approve the Directors' remuneration policy was approved by a show of hands. 82.7% of the proxy votes received in relation to the resolution were either for or discretionary.

Statement by the Chair of the Nomination Committee

In accordance with the Directors' remuneration policy, Directors' fees were reviewed by the Nomination Committee during its meeting on 24 February 2023. The Directors decided there would be no increase in Director's fees which remain at the levels effective since 1 April 2022, £40,000 per annum for the Chair, £35,000 per annum for the Chair of the Audit Committee and £30,000 per annum for other Directors.

By order of the Board

S J Constantine

Chair of the Nomination Committee
15 June 2023

Table 2: Directors' interests in ordinary shares

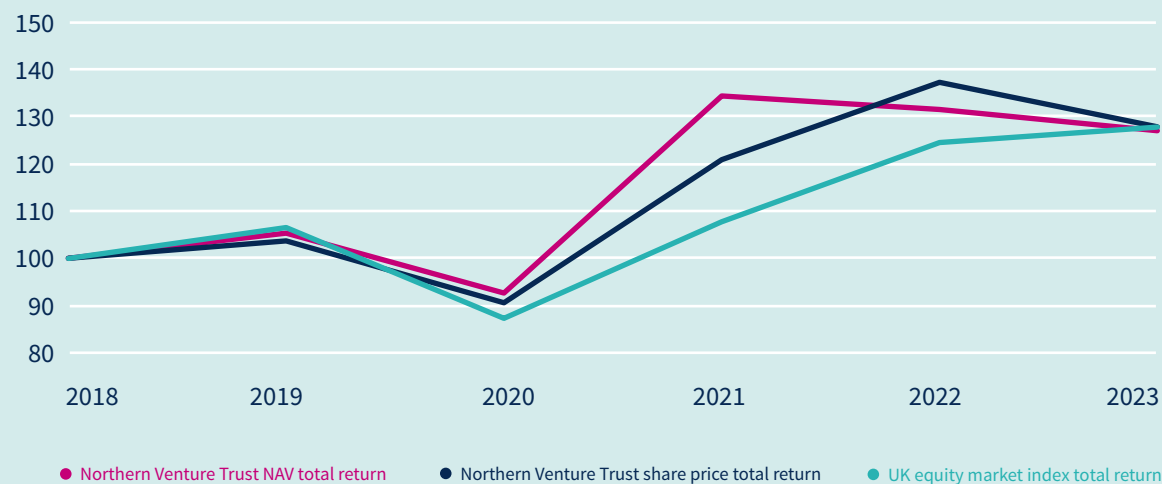
	15 June 2023 Number of shares	31 March 2023 Number of shares	30 September 2021 Number of shares
S J Constantine (Chair)	498,428	376,335	376,335
N J Beer*	N/A	N/A	313,013
R J Green	296,247	296,247	296,247
D N Hudson**	42,086	42,086	N/A
T R Levett	467,785	467,785	467,785
D A Mayes	1,618,445	1,292,864	1,010,850
H P Younger*	N/A	N/A	186,621

* N J Beer and H P Younger resigned on 7 January 2022

** D N Hudson was appointed on 1 January 2022

Return to shareholders in Northern Venture Trust PLC

Five years to 31 March 2023 (March 2018= 100)



Corporate Governance

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

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

The Company is committed to maintaining high standards in corporate governance and during the eighteen months ended 31 March 2023 has complied with the Principles and Provisions of the AIC Code, except as set out below. The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The UK Corporate Governance Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Code, and in the preamble to the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of

Northern Venture Trust PLC, which is an externally administered venture capital trust. The Company has therefore not reported further in respect of these provisions.

Board of directors

The Company has a board of five non-executive directors, the majority of whom are considered to be independent of the Company's investment adviser, Mercia Fund Management Limited (Mercia) and the majority of whom are considered to be independent of the Company's previous investment adviser, NVM Private Equity. The Board meets regularly in person or by conference call six times each year, and on other occasions as required. The Board is responsible to shareholders for the effective stewardship of the Company's affairs and has a formal schedule of matters specifically reserved for its decision which include:

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

A brief biographical summary of each director is given on pages 12 and 13.

The Chair, Mr S J Constantine, leads the Board in the determination of its strategy and in the achievement of its objectives. The Chair 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 Chair, 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 Chair is evaluated by a meeting of the other board members under the leadership of Mr R J Green.

The Company Secretary, Mercia Company Secretarial Services Limited is responsible for advising the Board through the Chair on all governance matters. All of the Directors have access to the advice and services of the Company Secretary, who has administrative responsibility for the meetings of the Board and its Committees. Directors may also take independent professional advice at the Company's expense where necessary in the performance of their duties. As all of the Directors are non-executive, it is not considered appropriate to identify a member of the Board as the senior non-executive director of the Company.

Regarding principle 6.2 (14) of the AIC Code which recommends the appointment of a senior independent non-executive director to provide a sounding board for the Chair and serve as an intermediary for the other directors and shareholders, the Board has opted not to do so. This matter is discussed annually by the Nomination Committee, and the recommendation considered by the Board. The Board has concluded that given the size and composition of the Board (consisting entirely of experienced non-executive directors):

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

The Company's articles of association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the Board.

The articles of association provide that Directors shall retire and be subject to re-election at the first annual general meeting after their appointment and that any director who was not appointed or re-appointed 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 a consultant to Mercia, the Company's investment adviser from 23 December 2019 to 31 March 2022).

The AIC Code recommends that where a director has served for more than nine years, the Board should state its reasons for believing that the individual remains independent. The Board is of the view that a term of service in excess of nine years is not in itself prejudicial to a director's or chair's ability to carry out their duties effectively and from an

independent perspective; the nature of the Company's business is such that individual Directors' experience and continuity of board membership can significantly enhance the effectiveness of the Board as a whole. The AIC Code (principle 7.22 (24)) recommends determining and disclosing a policy on the tenure of the Chair. The Company does not have a set limit on the tenure of the members of the Board or the Chair, however the Chair does follow principle 12 of the AIC code, namely that he avoids relationships which might compromise independence throughout their tenure. The Board has as a matter of good practice adopted the AIC Code recommendation that all Directors should seek annual re-election, and acknowledges that regular refreshment of its membership is desirable.

Board Committees

The Board has appointed three standing Committees to make recommendations to the Board in specific areas. The Board does not have a separate Remuneration Committee, as the Company has no employees or executive directors. Detailed information relating to the remuneration of directors is given in the Directors' Remuneration Report on pages 44 and 45.

Audit Committee

During the period, the Audit Committee comprised:

Mr R J Green (Chair)
 Mr S J Constantine
 Mr N J Beer (resigned 7 January 2022)
 Ms D N Hudson (appointed 1 January 2022)
 Mr T R Levett
 (appointed to the Committee 26 May 2022)
 Mr D A Mayes
 Mr H P Younger (resigned 7 January 2022)

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, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;

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

The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review. The terms of reference are available on request from the Company Secretary and on the Company's website. The Audit Committee ordinarily meets three times per year and has direct access to Mazars, the Company's external auditor. The Board considers that the members of the Committee are independent and have collectively the skills and experience required to discharge their duties effectively, and that the Chair of the Committee meets the requirements of the UK Corporate Governance Code as to recent and relevant financial experience. We note that the Chair, Mr S J Constantine, is a member of the Audit Committee. Whilst this is not compliant with the provisions of the 2018 UK Corporate Governance Code, it is compliant with the

provisions of the AIC Code. As all members of the Audit Committee are independent non-executive directors, we believe that this is appropriate.

During the 18 month period ended 31 March 2023 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 18 month period ended 31 March 2023 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;

Corporate governance *continued*

- 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.

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 in July 2022), 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 period. The position was also confirmed and reported on by Philip Hare & Associates LLP in its capacity as adviser to the Company on taxation matters and the relevant report was reviewed by the Audit Committee.

The investment adviser and auditor confirmed to the Audit Committee that they were not aware of any material misstatements. Having reviewed the reports received from the investment adviser and auditor,

the Audit Committee is satisfied that the key areas of risk and judgement have been appropriately addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. The Committee considers that Mazars LLP has carried out its duties as auditor in a diligent and professional manner.

Following a detailed review of the draft annual report, the Audit Committee concluded that, taken as a whole, it was considered 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. Mazars LLP has confirmed that it is independent of the Company and has complied with the applicable auditing standards. In accordance with professional guidelines the engagement leader is rotated after at most five years, this is the third 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 period.

Nomination Committee

During the period the Nomination Committee comprised:

Mr S J Constantine (Chair)
Mr N J Beer (resigned 7 January 2022)
Mr R J Green
Ms D N Hudson (appointed 1 January 2022)
Mr T R Levett
Mr D A Mayes
Mr H P Younger (resigned 7 January 2022)

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 period the Management Engagement Committee comprised:

Mr S J Constantine (Chair)
Mr N J Beer (resigned 7 January 2022)
Mr R J Green
Ms D N Hudson (appointed 1 January 2022)
Mr T R Levett
(appointed to the Committee 7 February 2023)
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 64.

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 performed its company secretarial and accounting duties efficiently and effectively.

Attendance at Board and Committee meetings

Table 1 sets out the number of substantive Board and Committee meetings held during the 18 month period ended 31 March 2023 and the number attended by each director compared with the maximum possible attendance.

Table 1: Directors' attendance at meetings

	Board	Audit committee	Nomination committee	Management engagement committee
Number of meetings held	7*	6	2	2
Attendance (actual/possible):				
S J Constantine (Chairman)	7/7	6/6	2/2	2/2
N J Beer (resigned 7 January 2022)	1/1	1/1	N/A	1/1
R J Green	7/7	6/6	2/2	2/2
D N Hudson (appointed 1 January 2022)	6/6	5/5	2/2	2/2
T R Levett	6/7	3/4	1/2	2/2**
D A Mayes	6/7	5/6	2/2	2/2
H P Younger (resigned 7 January 2022)	1/1	1/1	N/A	N/A

*In addition to the six meetings of the Board held in person during the year, there were a further twenty nine meetings held by conference call

** Mr Levett attended one meeting as an attendee and one meeting as a Committee member

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

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

Internal control

The Directors have overall responsibility for ensuring that there are in place robust systems of internal control, both financial and non-financial, and for reviewing their effectiveness. The purpose of the internal financial controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system

can provide only reasonable and not absolute assurance against material misstatement or loss. The Board regularly reviews financial performance and results with the investment adviser. Responsibility for accounting and secretarial services has been contractually delegated to Mercia under the management agreement. Mercia has established its own system of internal controls in relation to these matters, details of which have been reviewed by the Audit Committee.

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

The Directors confirm that by means of the procedures set out above, and in accordance with 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', published by the Financial Reporting Council, 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 page 21.

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

As at 31 March 2023 there were 164,920,166 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

Corporate governance *continued*

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

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

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

A member may choose whether their 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 their 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 re-appointed 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 re-appointment 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 their 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 their appointment. At each annual general meeting of the Company, any director who was not appointed or re-appointed at one of the preceding two annual general meetings shall retire and be subject to re-election. As a matter of good practice, the Board has adopted the AIC code recommendation that all Directors should seek annual re-election.

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

A person also ceases to be a director if he or she resigns in writing, ceases to be a Director by virtue of any provision of the Companies Act, 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 2022 annual general meeting to make market purchases of up to 16,712,392 ordinary shares at any time up to the 2023 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 21 July 2023 as set out in a separate circular.

By order of the Board

Mercia Company Secretarial Services Limited

15 June 2023

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 period. 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 18 month period ended 31 March 2023

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

Mercia Company Secretarial Services Limited

15 June 2023

Independent Auditor's Report

Opinion

We have audited the financial statements of Northern Venture Trust PLC ('the company') for the 18 month period ended 31 March 2023 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of the company's return for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities

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

Conclusions relating to going concern

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

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

- undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- reviewing the directors' going concern assessment that includes the analysis of the company's, medium term viability over the

three years to 31 March 2026, as well as a 'most likely' (base case) scenario and a 'downside case' scenario, as approved by the Board of Directors on 26 May 2023;

- making enquiries of the directors to understand the period of assessment they considered, the assumptions made, the completeness of adjustments made, and the implication of those when assessing the 'base case' scenario and the 'downside case' scenario. This included examining the minimum cash inflow and committed outgoings;
- assessing the cash flow forecasts for the 'base case' and 'downside case' scenarios and evaluating whether the directors' conclusion on the liquidity position of the company under both scenarios is reasonable;
- considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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

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

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

Key audit matters

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

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

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

Key Audit Matter

Valuation and existence of the unquoted investments portfolio

(as described on page 48 in the Audit Committee Report and as per the accounting policy note set out on page 62)

Unquoted investments held as of 31 March 2023 were valued at £76,444,000 as at 31 March 2023 (Year ended September 2021: £74,312,000)

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

There is therefore a risk that the judgements made under each methodology may lead to a material misstatement of the investment values. Additionally, there is a risk that investments recorded might not exist.

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

How our scope addressed this matter

Our audit work included but was not limited to:

- understanding and evaluating management's process around investment recording and valuations;
- we engaging our internal valuation specialists as part of the audit team to perform the below procedures:
- considering whether the techniques and methodologies applied for valuing the sample of unquoted investments were in accordance with published guidance, principally the International Private Equity and Venture Capital Valuation Guidelines. This included reviewing and challenging the principles and assumptions used in the valuation of investments;
- for investments valued using the recent transaction method, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be carried out on an arms-length basis and therefore suitable as an input to the valuation;
- for investments valued using the earning multiple, we reviewed the reasonableness of the multiple used when compared to similar companies in the market. We also agreed the inputs, such as holdings and earning figures used, to supporting evidence;
- for investments valued after latest funding round, we recalculated the enterprise value used by obtaining supporting evidence (i.e. share and loan certificates and bank statements).
- examining past date comparison points to understand variations in data and valuation model drivers;
- ascertaining the existence of investment holdings by agreeing the holdings to share certificates and loan certificates, and reviewing Companies House documentation to verify total share capital of the investees; and
- reviewing the adequacy and appropriateness of disclosures of unquoted investments in accordance with relevant accounting standards, including considerations of the potential effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Our observations

Based on the work performed and evidence obtained, we found that the valuation of the unquoted investments as at 31 March 2023 to be reasonable and are performed in accordance with guidelines stated above.

Key Audit Matter

Risk of fraud in revenue recognition

(as per the accounting policy note set out on page 62)

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

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

How our scope addressed this matter

Our audit work included but was not limited to:

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

Our observations

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

Independent Auditor's Report *continued*

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

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

Overall materiality	£998,000 (Year ended September 2021: £1,218,360)
How we determined it	The overall materiality level has been calculated with reference to the company's net assets, of which it represents approximately 1% (Year ended September 2021: 1% of net assets).
Rationale for benchmark applied	Net assets have been identified as the principal benchmark within the financial statements as they are considered to be the main focus of the shareholders. The significant degree of judgements underpinning the valuation of unquoted investments is the main rationale behind the risk of error we identified in the valuations that could give rise to a material misstatement. 1% has been chosen as it is a generally accepted auditing practice for investment trust audits and the Company is a public interest entity.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Based on our risk assessments, together with our assessment of the overall control environment and the consideration of our previous audit experience with the company, our performance materiality was set at £749,000 (Year ended September 2021: £36,551), which is approximately 75% of overall materiality (Year ended September 2021: 65%).
Reporting threshold	We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £30,000 (Year ended September 2021: £36,551) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the strategic report and the directors' report for the period for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial

reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and

- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

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

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

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

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

Corporate governance statement

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

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

- directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 41;
- directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why this is appropriate set out on page 40.
- directors' statement on fair, balanced and understandable set out on page 51;
- board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 49;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 21; and;
- the section describing the work of the audit committee set out on page 47.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from

fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Listing Rules, HMRC Investment Trust rules, the UK Corporate Governance Code, the AIC code of Corporate Governance, the Companies Act 2006 and UK tax legislation. We identified the risk of

Independent Auditor's Report *continued*

non-compliance with the provisions of Section 274 of the Income Tax Act 2007, as well as the conditions under the Finance Act 2018 for the maintenance of the VCT approved status, as the principal area of laws and regulations that could have a material impact on the continuance of the company. We engaged internal tax experts to review of the company's compliance with the applicable regulations

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

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

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

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

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

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Audit Committee on 22 December 2020 to audit the financial statements for the year ended 30 September 2021 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the 18 month period ended 31 March 2023.

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

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

Use of the audit report

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

Stephen Eames (Senior Statutory Auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Date: 15 June 2023

Income Statement

for the 18 month period ended 31 March 2023

	Notes	Period ended 31 March 2023			Year ended 30 September 2021		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain/(loss) on disposal of investments	8	–	2,944	2,944	–	8,380	8,380
Unrealised fair value gains/(losses) on investments	8	–	(9,776)	(9,776)	–	17,660	17,660
		–	(6,832)	(6,832)	–	26,040	26,040
Dividend and interest income	2	948	–	948	1,372	–	1,372
Investment management fee	3	(811)	(2,432)	(3,243)	(579)	(4,275)	(4,854)
Other expenses	4	(796)	–	(796)	(472)	–	(472)
Return before tax		(659)	(9,264)	(9,923)	321	21,765	22,086
Tax on return	5	181	(181)	–	(15)	15	–
Return after tax		(478)	(9,445)	(9,923)	306	21,780	22,086
Return per share	7	(0.3)p	(5.7)p	(6.0)p	0.2p	13.7p	13.9p

- 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 July 2022 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.
- No items were recognised in other comprehensive income during the current period or prior year.
- The accompanying notes are an integral part of this statement.

Balance Sheet

as at 31 March 2023

	Notes	31 March 2023 £000	30 September 2021 £000
Fixed assets			
Investments	8	88,609	96,563
Current assets			
Debtors	12	70	308
Cash and deposits		14,001	25,106
		14,071	25,414
Creditors (amounts falling due within one year)	13	(183)	(2,679)
Net current assets		13,888	22,735
Net assets		102,497	119,298
Capital and reserves			
Called-up equity share capital	14	41,230	40,268
Share premium	15	19,394	14,608
Capital redemption reserve	15	5,342	3,508
Capital reserve	15	34,433	38,325
Revaluation reserve	15	1,698	21,430
Revenue reserve	15	400	1,159
Total equity shareholders' funds		102,497	119,298
Net asset value per share	16	62.1p	74.1p

The accompanying notes are an integral part of this statement.

The financial statements on pages 57 to 79 were approved by the Directors on 15 June 2023 and are signed on their behalf by:

S J Constantine

Director

Statement of changes in equity

for the 18 month period ended 31 March 2023

	Notes	Non distributable reserves				Distributable reserves		Total £000
		Called-up share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve* £000	Capital reserve £000	Revenue reserve £000	
At 1 October 2021		40,268	14,608	3,508	21,430	38,325	1,159	119,298
Return after tax		-	-	-	(19,732)	10,287	(478)	(9,923)
Dividends paid	6	-	-	-	-	(9,609)	(281)	(9,890)
Net proceeds of share issues	15	2,796	4,786	-	-	-	-	7,582
Shares purchased for cancellation	15	(1,834)	-	1,834	-	(4,570)	-	(4,570)
At 31 March 2023		41,230	19,394	5,342	1,698	34,433	400	102,497

Year ended 30 September 2021

	Notes	Non distributable reserves				Distributable reserves		Total £000
		Called-up share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve* £000	Capital reserve £000	Revenue reserve £000	
At 1 October 2020		39,905	12,745	2,853	18,086	37,872	1,330	112,791
Return after tax		-	-	-	3,344	18,436	306	22,086
Dividends paid	6	-	-	-	-	(16,144)	(477)	(16,621)
Net proceeds of share issues	15	1,018	1,863	-	-	-	-	2,881
Shares purchased for cancellation	15	(655)	-	655	-	(1,839)	-	(1,839)
At 30 September 2021		40,268	14,608	3,508	21,430	38,325	1,159	119,298

- 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 18 month period ended 31 March 2023

	Notes	Period ended 31 March 2023 £000	Year ended 30 September 2021 £000
Cash flows from operating activities			
Return before tax		(9,923)	22,086
Adjustments for:			
(Gain)/loss on disposal of investments		(2,944)	(8,380)
Movements in fair value of investments		9,776	(17,660)
Decrease in debtors	12	238	366
Decrease in creditors	13	(2,496)	2,251
Net cash outflow from operating activities		(5,349)	(1,337)
Cash flows from investing activities			
Purchase of investments	8	(27,450)	(13,506)
Proceeds on disposal of investments	8	28,572	34,835
Net cash inflow/(outflow) from investing activities		1,122	21,329
Cash flows from financing activities			
Issue of ordinary shares		7,796	2,921
Share issue expenses	15	(214)	(40)
Purchase of ordinary shares for cancellation	15	(4,570)	(1,839)
Equity dividends paid	6	(9,890)	(16,621)
Net cash (outflow)/inflow from financing activities		(6,878)	(15,579)
Increase/(decrease) in cash and cash equivalents		(11,105)	4,413
Cash and cash equivalents at beginning of period		25,106	20,693
Cash and cash equivalents at end of period		14,001	25,106

Notes to the financial statements

for the 18 month period ended 31 March 2023

1. Accounting policies

A summary of the principal accounting policies, all of which have been consistently applied throughout the period 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 July 2022 by the Association of Investment Companies ('AIC SORP').

The Company's accounting reference date has been changed from 30 September to 31 March. This report covers the 18 month period to 31 March 2023, and moving forward all subsequent reporting will be produced on this reference date.

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

The financial statements have been prepared on a going concern basis under the historical cost convention except investments which are stated at their fair value.

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 period-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 75.

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.

Notes to the financial statements *continued*

(c) Valuation of investments

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

As permitted by FRS 102 chapters 11 and 12, the Company's investments are recorded at fair value as the point of acquisition and are measured at subsequent reporting dates at fair value, with any changes being recognised in profit or loss. In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending on the convention of the exchange on which the investment is quoted. In the case of unquoted investments, fair value is established in accordance with IPEV guidelines by using measurements of value such as calibrating to the price of recent investment and earnings or revenue multiples; where no reliable fair value can be estimated using such techniques, unquoted investments are carried at cost subject to provision for impairment where necessary. The key assumption when using the price of a recent investment as an input to the valuation is that the price obtained remains a reasonable proxy for fair value for a period of time such that an enterprise value can be inferred and subsequently recalibrated where necessary to take account of changes to either the prevailing market conditions or performance of the investee. The price of a recent investment is not a default position for establishing fair value as at the measurement date and when this technique is employed, the resultant valuations are cross-checked for reasonableness by employing an alternative valuation technique. The key assumptions for the multiples approach are the selection of the most appropriate earnings or revenue measure (historic or forecast) and the selection of the multiple itself which may be influenced by the multiples achieved by a range of comparable companies in either private or public transactions.

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

The disclosure requirements relating to capital management under Section 34 paragraph 31 of FRS 102 are met in the strategic report on pages 16 to 22 and in note 8 to the financial statements.

(d) Cash and cash equivalents

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

(e) Income

Dividends receivable on quoted equity shares are recognised on the ex-dividend date. Dividends receivable on the portfolio of quoted equity investments held for liquidity purposes are recognised on the date of receipt due to the nature of how this portfolio is managed. Dividends receivable on unquoted equity shares are recognised when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed income returns on non-equity shares and debt securities are recognised on an effective interest rate basis, provided there is no reasonable doubt that payment will be received in due course.

(f) Expenses

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

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

(g) Revenue and capital

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

(h) Taxation

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

(i) Dividends payable

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

(j) Provisions

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

(k) Share capital account

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

(l) Share premium

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

(m) Capital redemption reserve

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

(n) Revaluation reserve

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

(o) Capital reserve

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

(p) Revenue reserve

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

(q) Segmental reporting

The Company has a single operating segment carrying out the investment activity of the Company. All venture investments are based in the UK.

Notes to the financial statements *continued*

2. Income

	18 month period ended 31 March 2023 £000	Year ended 30 September 2021 £000
Investment income:		
Dividends from unquoted companies	105	11
Dividends from quoted companies and investment funds	191	229
Interest receivable:		
Bank deposits*	101	24
Loans to unquoted companies	551	1,108
	948	1,372

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

3. Investment management fee

	18 month period ended 31 March 2023			Year ended 30 September 2021		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Investment management fee						
Basic	811	2,432	3,243	579	1,737	2,316
Performance-related	-	-	-	-	2,538	2,538
	811	2,432	3,243	579	4,275	4,854

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

The investment adviser receives a basic management fee, payable quarterly in advance, at the rate of 2.06% per annum of net assets calculated half-yearly as at 31 March and 30 September. The fee due on the value of liquid assets above the threshold of £20 million attracts a reduced rate of 1% per annum. The investment adviser bears the cost of the fees of Brewin Dolphin for managing the listed interest-bearing and equity portfolios. The investment adviser also arranges the administrative and secretarial services for the Company for a fee of £81,000 per annum (linked to the movement in the RPI). This fee is included in other expenses (see Note 4).

The investment adviser is also entitled to receive a performance-related management fee, which is payable only when the total return per share (defined as the movement in net asset value plus dividends paid) for the year, expressed as a percentage of the opening net asset value per share, exceeds a specified hurdle. The hurdle is a composite rate based on (a) 7% on average long-term investments and (b) the higher of (i) base rate and (ii) 3% on average cash and near-cash investments during the year. That part of the Company's investments to which the 'higher of base rate and 3%' hurdle applies is restricted to a maximum of 25% of total investments, so that any excess of cash or near-cash over 25% of total investments will be subject to the higher hurdle of 7%. The hurdle rate for the 18 month period ended 31 March 2023 was 6.1% (year ended 30 September 2021: 6.0%).

The performance-related management fee in each financial period 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-related management fee such that an amount equivalent to the negative return will be deducted from subsequent years' total returns prior to any further performance-related management fee calculation taking place. The performance-related management fee is capped at 2.25% of opening net asset value for the relevant financial year. The performance-related management fee due in respect of the 18 months ended 30 March 2023 was nil (year to September 2021: £2,538,000).

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

4. Other expenses

	18 month period ended 31 March 2023 £000	Year ended 30 September 2021 £000
Administrative and secretarial services	119	74
Directors' remuneration	228	137
National Insurance contributions	31	14
Auditor's remuneration – audit services	60	42
Legal and professional expenses	31	31
Share issue promoter's commission	63	42
Other expenses	264	132
	796	472

Information on Directors' remuneration is given in the Directors' Remuneration report on pages 44 and 45.

Notes to the financial statements *continued*

5. Tax on return

	Period ended 31 March 2023			Year ended 30 September 2021		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(a) Analysis of charge/(credit) for the period						
UK corporation tax payable/(recoverable) on the return for the period	(181)	181	-	15	(15)	-
(b) Tax reconciliation						
Return before tax	(659)	(9,264)	(9,923)	321	21,765	22,086
Return multiplied by the standard rate of UK corporation tax of 19.0% (2021: 19.0%)	(125)	(1,760)	(1,885)	61	4,135	4,196
Effect of:						
UK dividends not subject to tax	(56)	-	(56)	(46)	-	(46)
Capital returns not subject to tax	-	(559)	(559)	-	(1,592)	(1,592)
Movements in fair value of investments not subject to tax	-	1,858	1,858	-	(3,355)	(3,355)
Increase in surplus management expenses	-	642	642	-	797	797
Tax charge/(credit) for the period	(181)	181	-	15	(15)	-

(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 £9,527,000 (30 September 2021: £6,136,000), 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

	18 month period ended 31 March 2023			Year ended 30 September 2021		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(a) Recognised as distributions in the financial statements for the period						
Previous year's final dividend	281	2,932	3,213	477	3,497	3,974
Current period's interim & special dividends	-	6,677	6,677	-	12,647	12,647
	281	9,609	9,890	477	16,144	16,621
(b) Paid and proposed in respect of the period						
Interim & special - 4.0p (2021: 8.0p) per share	-	6,677	6,677	-	12,647	12,647
Final proposed - 2.0p (2021: 2.0p) per share	-	3,298	3,298	282	2,940	3,222
	-	9,975	9,975	282	15,587	15,869

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

7. Return per share

The calculation of the return per share is based on the return after tax for the period of minus £9,923,000 (2021: £22,086,000) and on 165,209,895 (2021: 159,349,187) shares, being the weighted average number of shares in issue during the period.

8. Investments

All investments are accounted for as fair value through profit or loss on initial recognition, therefore all gains and losses arising on these investments are reflected through the profit or loss.

FRS 102, including subsequent amendments, 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.

Notes to the financial statements *continued*

	31 March 2023 £000	30 September 2021 £000
Level 1		
Quoted venture capital investments	3,253	11,572
Listed equity investment funds	8,912	10,368
Level 2		
Quoted venture capital investments	–	311
Level 3		
Unquoted venture capital investments	76,444	74,312
	88,609	96,563

Movements in investments during the period 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 2021	65,763	34	1,745	7,591	75,133
Fair value adjustment at 1 October 2021	8,549	277	9,827	2,777	21,430
Fair value at 1 October 2021	74,312	311	11,572	10,368	96,563
Movements in the period:					
Purchases at cost	25,049	–	–	2,401	27,450
Disposals - proceeds	(24,677)	(344)	(1,074)	(2,477)	(28,572)
- net realised gains on disposal	3,430	33	3	(522)	2,944
Movements in fair value	(1,670)	–	(7,248)	(858)	(9,776)
Fair value at 31 March 2023	76,444	–	3,253	8,912	88,609
Comprising:					
Book cost at 31 March 2023	77,668	–	1,384	7,859	86,911
Fair value adjustment at 31 March 2023	(1,224)	–	1,869	1,053	1,698
	76,444	–	3,253	8,912	88,609
Equity shares	55,212	–	3,253	8,912	67,377
Preference shares	8,012	–	–	–	8,012
Interest-bearing securities	13,220	–	–	–	13,220
	76,444	–	3,253	8,912	88,609

The gains and losses included in the above table have all been recognised in the income statement on page 57. The listed equity category in the table above comprises quoted investment funds which hold listed equity securities.

FRS 102 requires disclosure, by class of financial instrument, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of each investee company. See note 17 for details of the impact of sensitivity analysis on the financial statements.

Details of movements in the venture investment portfolio during the period is provided in the investment portfolio section on page 23.

At 31 March 2023 there were no commitments (30 September 2021: £nil) in respect of investments approved by the investment adviser but not yet completed.

9. Investment disposals

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

	Original cost £000	Directors' valuation at 30 September 2021 £000	Disposal proceeds £000	Realised gain/ (loss) against carrying value £000
Lineup Systems – disposal of entire holding	975	5,968	7,288	1,320
Currentbody.com – disposal of entire holding	2,050	5,845	5,630	(215)
Intelling Group – disposal of entire holding	1,222	3,505	3,616	111
Knowledgemotion (t/a Boclips) – disposal of entire holding	1,903	1,938	3,284	1,346
Life's Great Group (t/a Mojo Mortgages) – disposal of entire holding	1,592	2,466	2,480	14
Vectura Group – disposal of entire holding	599	1,071	1,074	3
Soda Software Labs (t/a Hello Soda) – disposal of entire holding	–	–	895	895
Intechnica Holdings – disposal of entire holding	261	261	594	333
Ideagen plc – disposal of entire holding	34	311	344	33
Fresh Approach (UK) Holdings – partial disposal	510	503	510	7
AVID Technology Group – disposal of entire holding	–	–	280	280
Axial Systems Holdings – disposal of entire holding	1,004	515	41	(474)
Customs Connect Group – partial disposal	39	–	40	40
S&P Coil – disposal of entire holding	–	–	19	19
Channel Mum – in liquidation	1,343	246	–	(246)
No1 Lounges – in liquidation	2,006	–	–	–
	13,538	22,629	26,095	3,466

Notes to the financial statements *continued*

10. Unquoted investments

The cost and carrying value of material investments in unquoted companies held at 31 March 2023 are shown below. For this purpose any investment included in the table of the fifteen largest venture capital investments on pages 26 to 33, or in the corresponding table in the previous year's annual report, is regarded as material.

	31 March 2023		30 September 2021	
	Cost £'000	Valuation £'000	Cost £'000	Valuation £'000
Evotix (formerly SHE)				
Ordinary shares	2,766	12,658	2,058	3,678
Loan Stock	–	–	354	354
	2,766	12,658	2,412	4,032
Grip-UK (t/a Climbing Hangar)				
Ordinary shares	563	563	563	563
Preference shares	2,967	2,967	2,967	2,967
	3,530	3,530	3,530	3,530
Volumatic Holdings				
Ordinary shares	216	3,275	216	2,797
	216	3,275	216	2,797
Gentronix				
Ordinary shares	1,240	2,960	982	1,076
Loan Stock	122	122	122	122
	1,362	3,082	1,104	1,198
Tutora (t/a Tutorful)				
Ordinary shares	1,838	1,838	1,131	1,111
Loan Stock	884	999	884	892
	2,722	2,837	2,015	2,003
Rockar				
Ordinary shares	1,504	1,886	1,504	1,295
Loan Stock	373	909	296	669
	1,877	2,795	1,800	1,964
Newcells Biotech				
Ordinary shares	1,771	1,771	1,771	2,115
Loan Stock	708	748	–	–
	2,479	2,519	1,771	2,115

	31 March 2023		30 September 2021	
	Cost £'000	Valuation £'000	Cost £'000	Valuation £'000
Biological Preparations Group				
Ordinary shares	241	–	241	–
Preference shares	366	–	366	171
Loan Stock	1,759	2,267	1,759	2,026
	2,366	2,267	2,366	2,197
Adludio				
Ordinary shares	2,103	2,103	1,402	1,402
	2,103	2,103	1,402	1,402
Clarilis				
Ordinary shares	1,972	1,972	1,972	2,553
	1,972	1,972	1,972	2,553
Administrate				
Ordinary shares	2,374	1,901	1,806	1,232
	2,374	1,901	1,806	1,232
Buoyant Upholstery				
Ordinary shares	170	892	170	1,770
Loan Stock	1,003	1,003	1,003	1,003
	1,173	1,895	1,173	2,773
Pure Pet Food				
Ordinary shares	1,419	1,483	1,419	1,486
Loan Stock	355	362	–	–
	1,774	1,845	1,419	1,486
Netacea				
Ordinary shares	1,441	1,441	–	–
Loan Stock	340	340	–	–
	1,781	1,781	–	–
Weldex (International) Offshore Holdings				
Ordinary shares	51	–	51	–
Loan Stock	3,211	1,137	3,211	1,927
	3,262	1,137	3,262	1,927

Notes to the financial statements *continued*

	31 March 2023		30 September 2021	
	Cost £'000	Valuation £'000	Cost £'000	Valuation £'000
Oddbox				
Ordinary shares	386	26	386	4,216
Loan Stock	707	727	-	-
	1,093	753	386	4,216
Sorted Holdings				
Ordinary shares	2,840	-	2,840	1,504
Loan Stock	182	212	182	190
	3,022	212	3,022	1,694
Medovate				
Ordinary shares	1,770	534	1,593	1,464
	1,770	534	1,593	1,464
Lineup Systems				
Ordinary shares	-	-	175	5,168
Loan Stock	-	-	800	800
	-	-	975	5,968
Currentbody				
Ordinary shares	-	-	734	4,225
Loan Stock	-	-	1,316	1,621
	-	-	2,050	5,846
Intelling				
Ordinary shares	-	-	117	2,362
Preference shares	-	-	246	283
Loan Stock	-	-	860	860
	-	-	1,223	3,505
Life's Great Group (t/a Mojo Mortgages)				
Ordinary shares	-	-	1,326	2,200
Loan Stock	-	-	266	266
	-	-	1,592	2,466
Knowledgemotion				
Ordinary shares	-	-	1,903	1,938
	-	-	1,903	1,938

Additional information relating to material investments in unquoted companies is given on pages 26 to 33.

11. Significant interests

At 31 March 2023 the Company held significant investments, amounting to 20% or more of the equity capital of an undertaking, in the following companies:

Company	Registered office address	Investment type	Equity £000	Debt £000	Total investment cost £000
GRIP-UK (t/a The Climbing Hangar)	12 Jordan Street, Liverpool L1 0BP	Unquoted	3,530	–	3,530
Gentronix	Block 23 Mereside, Alderley Park, Alderley Edge, Cheshire SK10 4TG	Unquoted	1,240	122	1,362
Biological Preparations Group	Unit 12 A-C Pantglas Industrial Estate, Bedwas, Caerphilly CF83 8DR	Unquoted	607	1,759	2,366
Volumatic Holdings	Taurus House, Endemere Road, Coventry CV6 5PY	Unquoted	216	–	216
Pure Pet Food	Unit 4 Chain Bar Road, Cleckheaton BD19 3QF	Unquoted	1,419	355	1,774
Haystack Dryers	Unit 1 Pintail Business Park, 165 Christchurch Road, Ringwood, Hampshire BH24 3AL	Unquoted	169	1,492	1,661

During the period Northern Venture Trust PLC received loan note interest totalling £15,000 from Gentronix Limited. No amounts were received from the other significant investments.

12. Debtors

	31 March 2023 £000	30 September 2021 £000
Prepayments and accrued income	70	308
	70	308

13. Creditors (amounts falling due within one year)

	31 March 2023 £000	30 September 2021 £000
Accruals and deferred income	183	2,679

Notes to the financial statements *continued*

14. Called-up equity share capital

	31 March 2023 £000	30 September 2021 £000
Allotted and fully paid:		
164,920,166 (2021:161,070,303) ordinary shares of 25p	41,230	40,268

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 16.

The Company is not subject to externally imposed capital requirements.

During the period the Company issued 11,185,395 (year ended 30 September 2021: 4,071,110) ordinary shares of 25 pence for cash at an average premium of 43.6 (2021: 46.8) pence per share. 7,335,532 (2021: 2,620,797) ordinary shares were re-purchased for cancellation during the period at a cost of £4,546,568 (2021: £1,826,197).

15. Reserves

	Share premium £000	Capital redemption reserve £000	Capital reserve £000	Revaluation reserve £000	Revenue reserve £000
At 1 October 2021	14,608	3,508	38,325	21,430	1,159
Premium on issue of ordinary shares	5,000	-	-	-	-
Share issue expenses	(214)	-	-	-	-
Shares purchased for cancellation	-	1,834	(4,570)	-	-
Realised on disposal of investments	-	-	2,944	-	-
Transfer on disposal of investments	-	-	9,956	(9,956)	-
Movements in fair value of investments	-	-	-	(9,776)	-
Management fee charged to capital net of associated tax	-	-	(2,613)	-	-
Revenue return after tax	-	-	-	-	(478)
Dividends recognised in the period	-	-	(9,609)	-	(281)
At 31 March 2023	19,394	5,342	34,433	1,698	400

At 31 March 2022, distributable reserves amounted to £35,886,000 (30 September 2021: £42,261,000), comprising the capital reserve, the revenue reserve and that part of the revaluation reserve relating to gains/losses on readily realisable quoted investments.

16. Net asset value per share

The calculation of net asset value per share as at 31 March 2023 is based on net assets of £102,497,000 (30 September 2021: £119,298,000) divided by the 164,920,166 (30 September 2021: 161,070,303) 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 46 to 50, 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 23. An analysis of investments between debt and equity instruments is given in Note 8.

11.9% (30 September 2021: 18.7%) 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 31 March 2023 would have increased net assets and the total return for the period by £608,000 (30 September 2021: £1,113,000); a corresponding fall would have reduced net assets and the total return for the period by the same amount.

Other price risk sensitivity

74.6% (2021: 62.3%) 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 62. 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. Each portfolio company has been categorised as being subject to potentially higher or lower estimation uncertainty by considering a range of factors 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.

Notes to the financial statements *continued*

As at 31 March 2023 Valuation basis	Fair value of unquoted investments £000	Variable input sensitivity	Impact: increase*		Impact: decrease*	
			£000*	% of net assets	£000*	% of net assets
Earnings/revenue multiple						
Higher sensitivity	1,741	+/- 20%	276	0.3%	168	0.2%
Lower sensitivity	20,916	+/- 10%	1,521	1.5%	1,856	1.8%
Price of a recent investment subsequently calibrated as appropriate						
Higher sensitivity	16,550	+/- 20%	679	0.7%	495	0.5%
Lower sensitivity	37,237	+/- 10%	3,155	3.1%	2,958	2.9%
Total unquoted investments	76,444		5,631	5.6%	5,477	5.4%
As at 30 September 2021 Valuation basis						
Earnings/revenue multiple						
Higher sensitivity	9,859	+/- 20%	2,580	2.2%	2,580	2.2%
Lower sensitivity	26,651	+/- 10%	3,059	2.6%	2,598	2.2%
Price of a recent investment subsequently calibrated as appropriate						
Higher sensitivity	13,072	+/- 20%	1,299	1.1%	552	0.5%
Lower sensitivity	19,738	+/- 10%	1,749	1.5%	1,399	1.2%
Original cost subsequently calibrated as appropriate						
Higher sensitivity	–	+/- 20%	–	0.0%	–	0.0%
Lower sensitivity	4,992	+/- 10%	428	0.4%	428	0.4%
Total unquoted investments	74,312		9,115	7.8%	7,557	6.5%

- Impact on net assets and net return after taxation.

Interest rate risk

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

(a) Fixed rate investments

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

	31 March 2023			30 September 2021		
	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	9,798	8.4%	2.2	8,366	8.0%	1.0

Although the Company holds investments in loan stocks that pay interest, the Board does not consider it appropriate to assess the impact of interest rate changes in isolation upon the value of the unquoted investment portfolio, as interest rate changes are only one factor affecting the market price movements that are discussed above under market price risk.

(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 4.25% at 31 March 2023 (30 September 2021: 0.1%) and the LIBOR three month GBP rate for floating rate loans to unquoted companies, which was 4.42% at 31 March 2023 (30 September 2021: 0.08%). It is considered that an increase or decrease of 100 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 period. The amounts held in floating rate investments at the balance sheet date were as follows:

	31 March 2023 £000	30 September 2021 £000
Floating rate loans to unquoted companies	3,422	4,428
Interest bearing deposit accounts	14,001	25,106
	17,423	29,534

Notes to the financial statements *continued*

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 31 March 2023 the Company's financial assets exposed to credit risk comprised the following:

	31 March 2023 £000	30 September 2021 £000
Fixed-rate investments in unquoted companies (above)	9,798	8,366
Floating rate loans to unquoted companies (above)	3,422	4,428
Interest-bearing deposit accounts	14,001	25,106
Accrued dividends and interest receivable	39	282
	27,260	38,182

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 31 March 2023 or 30 September 2021.

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 31 March 2023 these holdings were valued at £22,913,000 (30 September 2021: £35,474,000).

18. Contingencies

At 31 March 2023 contingent assets not recognised in the financial statements in respect of potential deferred proceeds from the sale of investee companies amounted to approximately £1,048,000 (30 September 2021: £771,000). The extent to which these amounts will become receivable in due course is dependent on future events.

The Company had no contingent liabilities at 31 March 2023 or 30 September 2021.

19. Related party transactions

Fees payable during the period to the Directors and their interest in shares of the Company are disclosed within the Directors' Remuneration Report on pages 44 and 45.

There were no amounts outstanding and due to the Directors as at 31 March 2023 (30 September 2021: nil).

20. Post balance sheet events

After the period end, on 4 April 2023, the Company issued 9,741,182 ordinary shares for a consideration of £5,864,354 as a result of a prospectus share offer launched during the 18 month period ended 31 March 2023.

On 12 April 2023, the Company invested £442,000 in existing portfolio company, Voxpopme, by way of a follow on funding round.

On 28 April 2023, the Company invested £1,594,000 in new portfolio company Camena Bioscience, a provider of synthetic DNA.

On 16 May 2023, the investment in Evotix (formerly SHE Software) was sold. The transaction was advanced at the balance sheet date, and as a result the valuation of the investment has been included at the sales price achieved.

On 18 May 2023, the Company invested £255,000 in existing portfolio company, Netacea, by way of a follow on funding round.

On 01 June 2023, the Company realised its portfolio of readily realisable investments, and placed the proceeds into the money market fund.

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 31 March 2023 comprises the NAV per share of 62.1 pence (2021: 74.1 pence) plus the cumulative dividends paid of 188.5 pence (2021: 182.5 pence) giving a result of 250.6 pence per share (2021: 256.6 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 31 March 2023 is calculated by dividing the dividend per share paid or proposed over the preceding 12 months of 6.0 pence (2021: 10.0 pence) by the NAV per share at the start of the period of 74.1 pence (2021: 70.7 pence) giving a result of 8.1% (2021: 14.1%).

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 period 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 45 and the calculation follows the method prescribed by the Association of Investment Companies.

	18m period to 31 March 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 30 September 2021	Calculation
Closing NAV per share (p)	62.1p	62.1p	68.4p	74.1p	a
Dividends paid out (p)	6.0p	4.0p	10.0p	10.5p	b
Impact of re-investing dividends (p)	(0.2)p	0.0p	(0.4)p	0.6p	c
Adjusted NAV per share (p)	67.9p	66.1p	78.0p	85.2p	d = a + b + c
Opening NAV per share (p)	74.1p	68.4p	79.8p	70.7p	e
NAV total return (%)	(8.4)%	(3.4)%	(2.2)%	20.6%	= (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-related management 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.

	18m period to 31 March 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 30 September 2021
Investment management fee (annualised)	3,243	2,139	2,262	2,316
Other expenses	796	542	491	472
Total expenses (a)	4,039	2,681	2,753	2,788
Annualised average net assets (b)	113,753	110,981	123,018	119,764
Ongoing charges (a)/(b) (expressed as a percentage)	2.37%	2.42%	2.24%	2.33%

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 as it enables comparisons to be drawn against an investment index in order to benchmark performance. The result is plotted on page 45 and the calculation follows the method prescribed by the Association of Investment Companies.

	18m period to 31 March 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 30 September 2021	Calculation
Closing price per (p)	57.5p	57.5p	66.0p	70.3p	a
Dividends paid out (p)*	6.0p	4.0p	10.0p	10.5p	b
Impact of re-investing dividends (p)	(0.4)p	(0.1)p	(0.7)p	0.6p	c
Adjusted price per share (p)	63.1p	61.4p	75.3p	81.3p	d = a + b + c
Opening price per share (p)	70.3p	66.0p	66.5p	56.5p	e
Share price total return %	(10.1)%	(7.0)%	13.2%	44.0%	=(d / e)-1

Total return for the period

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

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