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COMPANIES HOUSE

Northern Investors Company PLC

Annual report and financial statements 31 March 2018



nvm
private equity

Northern Investors Company PLC is a private equity investment trust managed by NVM Private Equity LLP.

The trust was launched in 1984 and has been listed on the London Stock Exchange since 1990.

In July 2011 shareholders approved a change in investment strategy whereby the trust ceased making new investments and began an orderly realisation of its portfolio with a view to returning capital to shareholders. Since then the trust has returned a total of £90.7 million to shareholders through dividends and capital distributions.

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Results announced

23 May 2018

Annual general meeting

10 July 2018, 11.30am

The Exchange, 6th Floor, Time Central,

32 Gallowgate, Newcastle upon Tyne NE1 4BF

Financial summary

	Year ended 31 March:	2018	2017
Net assets		£5.8m	£12.7m
Number of ordinary shares in issue		2,496,767	2,496,767
Net asset value per share (2018 stated after 257.5p capital distribution in June 2017)		232.1p	508.4p
Cash distributions to shareholders:			
During year		£7.2m	£6.8m
Since change in investment policy (July 2011)		£90.7m	£83.5m
Total return for the year:			
Pence per share		13.5p	99.6p
As % of opening net asset value		2.7%	14.5%
Dividend per share proposed for the year		–	30.0p
Mid-market share price at end of year		224p	525p
Discount/(premium) to net asset value		3.5%	(3.3)%

Chairman's statement

Overview

We have continued to implement the phased run-off of the investment portfolio which was initiated in 2011. During the financial year to 31 March 2018 a further £7.2 million was returned to shareholders, taking the cumulative total since 2011 to £90.7 million. This represents a significant uplift on the £59 million of net assets at the start of the realisation programme. The residual investment portfolio now comprises only four unquoted investments, two of which have reasonable prospects of being realised during 2018.

We are still working towards the eventual appointment of a liquidator to complete the winding-up process through a members' voluntary liquidation of the company. Whilst your directors would ideally prefer to take this step only when all the remaining investments have been sold, we are conscious that maintaining listed investment trust status for a further period of time has cost implications and we need to take a realistic view of the two investments whose sale is unlikely to take place before 2019. Although clearly dependent on progress with realisations, and indeed on the general economic and political climate which has become less favourable over the past six months, in the absence of unforeseen circumstances we envisage that proposals for the appointment of a liquidator will be put to shareholders for approval before the end of 2018, enabling the liquidator to make an early distribution of such funds as are immediately available, with further payments following as the remaining investments are sold.

Financial results

The residual net assets at 31 March 2018 totalled £5.8 million, comprising investments at directors' valuation of £5.7 million and net current assets of £0.1 million. The net asset value (NAV) per share at 31 March 2018 was 232.1 pence which, after adding back the 257.5 pence per share returned to shareholders through a B share redemption in June 2017 and the 30.0 pence per share dividend paid in July 2017, represents a marginal uplift from the corresponding figure of 508.4 pence at 31 March 2017.

The return per share for the year as reported in the income statement was 13.5 pence (preceding year 99.6 pence). Income from the reduced investment portfolio is now running at a much lower level than in previous years, and is no longer sufficient to cover annual running costs. Consequently the return for the year comprises a deficit on the revenue account of 9.1 pence per share, offset by a positive return of 22.6 pence on the capital account.

Dividend

In recent years the annual dividend has been paid in the form of a single final dividend, with no interim dividend being declared. A dividend of 30.0 pence per share was paid in July 2017 in respect of the year ended 31 March 2017. As flagged in the interim report, the directors, having taken into account the low level of investment income received in the year and the relative tax inefficiency for many shareholders of dividend payments now compared with future distributions from the liquidator, have decided not to propose a dividend in respect of the year ended 31 March 2018. No further dividends are likely to be declared unless it becomes necessary to do so in order to preserve the company's authorised investment trust status.

Investment portfolio

During the year the investments in Optilan Group and S&P Coil Products were sold. Optilan Group realised a total of £4.2 million in cash, a highly satisfactory outcome, but S&P Coil Products, which had been carried at nil value for a number of years, was sold for a token consideration with only a limited prospect of further payments in the future. A further £0.8 million was received during the year in deferred proceeds from investments sold in earlier years, principally Kitwave One and Alaric Systems. Since adoption of the portfolio run-off strategy in July 2011, 26 of the original 30 investments have been sold outright and almost £83 million in cash has been realised from the portfolio.

Following the board's latest portfolio review with the managers, we believe that there are good prospects of achieving exits from two of the four remaining holdings within the next nine months. This leaves two investments where a sale is unlikely to be achieved before 2019. Northern Investors is a minority investor in each of these companies and does not have the power to compel an early sale, although we have a good relationship with the other investors and will continue to work with them to obtain an exit on terms satisfactory to all parties.

Corporate strategy

As a result of distributions totalling £7.2 million over the past 12 months, the total cash returned to shareholders since our change of investment policy in July 2011 now exceeds £90 million. This is already an excellent outcome from a portfolio originally valued (together with cash balances) at £59 million in 2011.

Distributions have taken the form of revenue dividends (£6.7 million), tender offers (£71.3 million) and most recently two bonus issues and redemptions of B shares (£12.7 million). The company's capital base is now too small for further tender offers to be practicable, and we have exhausted those balance sheet reserves which could be tax-efficiently paid out in the

form of capital by way of B share redemptions. We have been advised that once the company is in members' voluntary liquidation, distributions by the liquidator will be treated as capital receipts in the hands of shareholders. In the circumstances it seems right that the company should now move towards the liquidation stage, and we expect to write to shareholders with our proposals later in the year.

In the meantime your directors have taken steps to reduce ongoing running costs where possible, so as to minimise any erosion of the company's remaining assets. In particular we have agreed a lower base level for NVM's management and administration fees with effect from 1 April 2018; we have also reduced board and other operating costs and will not be replacing Mark Nicholls when he retires from the board as mentioned below.

Shareholders may recall that in 2011 we estimated that the eventual cash return to shareholders from the realisation process would be in the range from 120% to 160% of the initial net assets of £59 million. Having already exceeded 150%, we are now projecting a total outcome (including distributions from the liquidator, and net of all costs) in the range from 162% to 167%. In cash terms this implies further returns of between £4.9 million and £7.6 million, equivalent to between 196 pence and 304 pence per share. These estimates are given for illustrative purposes and are subject to various uncertainties, including actions that may be taken by the liquidator once appointed, so reliance should not be placed on them.

It is likely that the company's Stock Exchange listing will be cancelled on or shortly after the appointment of a liquidator, and shareholders should be aware that the share register will be frozen at the date of liquidation, with any requests for shares to be transferred needing to be authorised by the liquidator. Those shareholders whose shares are held in ISAs or other investment wrappers should consult with their plan manager in good time so as to determine whether they need to take any action prior to the company going into liquidation.

Manager's remuneration and performance incentive

In recognition of the reduced size of the company, it has been agreed with NVM Private Equity that with effect from 1 April 2018 the fixed element of their management fee will reduce from £100,000 to £75,000 and their secretarial/administration fee will reduce from £35,000 to £25,000.

A further performance incentive fee instalment of £0.7 million was paid to NVM in May 2017 on the basis of cash generated for distribution up to 31 March 2017. The balance sheet as at 31 March 2018 includes a provision of £1.8 million for amounts expected to become payable to NVM in the future, of which £0.5 million is due shortly after publication of the 31 March 2018 financial statements.

Board of directors

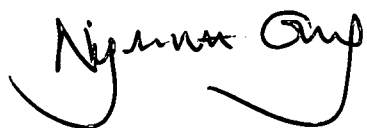
Mark Nicholls, who joined the board in 2006, has indicated that he does not wish to seek re-election as a director at the annual general meeting on 10 July 2018. Mark's knowledge and experience of corporate financial matters have been invaluable to our company through a period of strategic change, and I would like to thank him on behalf of shareholders and board colleagues for his important contribution.

Company secretary

Chris Mellor retired as company secretary on 31 March 2018, having served in that role since 1989. I would like to thank Chris for his excellent service to the company and wish him well in his retirement. We welcome James Bryce, NVM's new head of legal and compliance, as our new company secretary and look forward to working with him.

Outlook

Your directors and manager will continue to focus on the investment realisation process with a view to resolving as many issues as possible before the company goes into liquidation. It is now almost seven years since the run-off process commenced; we believe that shareholders' patience over that period has been well rewarded and we look forward to a very satisfactory final result.



Nigel Guy
Chairman

23 May 2018

Directors and advisers

Directors

Nigel Guy (Chairman), aged 60, has over 20 years' private equity experience and has held senior positions with firms including 3i plc and Baird Capital Partners Europe. He now sits on the board of a number of companies which have either private equity or other financial stakeholder interests. He was appointed to the board as chairman in 2011.

John Barnsley, aged 69, was UK managing partner of Price Waterhouse from 1994 to 1998 and then global leader of business process outsourcing at PricewaterhouseCoopers until his retirement from the firm in 2001. He is a non-executive director of a number of unquoted companies. He was appointed to the board in 2002.

Philip Marsden FCA, aged 66, was formerly a director of 3i plc, specialising in private equity realisations, and managing director of Vantis Corporate Finance. He was appointed to the board in 2011.

Mark Nicholls, aged 69, is a former head of private equity at Royal Bank of Scotland and was previously head of corporate finance at Warburgs. He is chairman of Rathbone Brothers Plc and West Bromwich Building Society. He was appointed to the board in 2006 and has indicated that he does not intend to seek re-election at the annual general meeting on 10 July 2018.

Secretary and registered office

James Bryce LLB
Time Central
32 Gallowgate
Newcastle upon Tyne NE1 4SN

Telephone 0191 244 6000
E-mail nic@nvm.co.uk

Company registered number

1822966

Investment manager

NVM Private Equity LLP
Time Central
32 Gallowgate
Newcastle upon Tyne NE1 4SN

Independent auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Solicitors

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

Stockbrokers

Stifel Nicolaus Europe Limited
150 Cheapside
London EC2V 6ET

Bankers

Barclays Bank PLC
Barclays House
5 St Ann's Street
Newcastle upon Tyne NE1 3DX

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing BN99 6DA

Shareholder helpline 0800 028 2349

Shareholder information

The Company

Northern Investors Company PLC has been listed as an investment company on the London Stock Exchange since 1990 and has been approved as an investment trust by HM Revenue & Customs. In July 2011 shareholders approved a change in investment strategy whereby the company ceased making new investments and began an orderly realisation of its portfolio with a view to returning capital to shareholders. Since then the company has returned a total of £90.7 million to shareholders through dividends and capital distributions.

The company is a member of The Association of Investment Companies (AIC).

Financial calendar

The company's annual general meeting will take place at 11.30am on Tuesday 10 July 2018 at The Exchange, 6th Floor, Time Central, 32 Gallowgate, Newcastle upon Tyne NE1 4SN. The notice of the meeting is set out in a separate circular to shareholders together with explanatory comments on the resolutions.

The company expects to publish its half-yearly report to shareholders for the six months ending 30 September 2018 in November 2018. As explained in the chairman's statement on pages 2 and 3, the implementation of the company's corporate strategy is likely to lead in due course to the appointment of a liquidator, and depending on the timing of this appointment it is possible that no further annual or half-yearly reports will be published after November 2018.

Share price

The company's FTSE Actuaries classification is "Investment Companies – Conventional (Private Equity)".

Share price information can be obtained via the NVM Private Equity website at www.nvm.co.uk.

Strategic report

Introduction

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 is consistent with the financial statements. The auditor's opinion is included in the auditor's report on pages 24 to 27.

Objective and investment policy

The company's investment objective, approved by shareholders at a general meeting in July 2011, is to conduct an orderly realisation of its assets, to be effected in a manner that seeks to achieve a balance between an efficient return of cash to shareholders and maximising the value of the company's investments.

The company may not make any new investments save that (a) investments may be made to honour commitments under existing contractual arrangements, (b) further investment may be made into the company's existing portfolio companies in order to protect or enhance the value of such investments or facilitate the orderly realisation of such investments and (c) cash (including realised cash) may be invested in liquid cash-equivalent securities, including short-dated corporate bonds, government bonds or cash funds, or in bank cash deposits and/or in other permitted investments as set out above, pending its return to shareholders in accordance with the company's investment objective.

No more than 10% of total assets or, if lower, £2 million may be invested in any single cash equivalent instrument or placed on deposit with any single institution except that this limit does not apply to investment in government bonds, which shall be unconstrained.

The company will continue to comply with the restrictions imposed by the Listing Rules in force and ensure compliance with current and future legislation to maintain investment trust status.

The company will maintain a sufficient cash reserve in order to fund any further investments falling within sub-paragraphs (a) and (b) above and to pay dividends and any performance-related management fee which may become payable in due course. The company's use of gearing is limited to a maximum of £5 million and the board will not borrow unless required to do so for short term working capital purposes (for example, to make a dividend payment that is not covered by the cash reserve in order to ensure that investment trust status is maintained).

Investment management

NVM Private Equity LLP (NVM) has acted as the company's investment manager since 1988. NVM has an experienced team of private equity executives based in its offices in Newcastle upon Tyne, Reading, Manchester and Birmingham and currently has over £350 million under management in seven venture capital funds. NVM does not have delegated authority to take investment decisions in relation to the Northern Investors portfolio.

The board's management engagement committee reviews the terms of NVM's appointment as investment manager on a regular basis.

Overview of the year

During the year under review the total return to ordinary shareholders, before dividends, was 13.5 pence per share, equivalent to 2.7% of the opening net asset value of 508.4 pence per share. £6.4 million was returned to shareholders in June 2017 through a bonus issue and subsequent redemption of B preference shares. The movement in total net assets and net asset value per share is shown in Table 1:

Table 1: Movement in net assets and net asset value per share	£000	Pence per share
Net assets at 31 March 2017	12,693	508.4
Net revenue (investment income less revenue expenses and tax)	(228)	(9.1)
Capital surplus arising on investments:		
Realised gains on disposals	776	31.1
Unrealised revaluation movements	26	1.0
Management expenses allocated to capital account	(236)	(9.5)
Total return for the year as shown in income statement	338	13.5
Redemption of B shares (including related expenses)	(6,482)	(259.6)
Net asset value at 31 March 2018 before recognising dividends	6,549	262.3
Dividends recognised in the financial statements for the year	(753)	(30.2)
Net asset value at 31 March 2018	5,796	232.1

The amount of cash distributed to shareholders by way of dividends, tender offers and B share redemptions over the past seven years is as follows:

Table 2: Cash distributions to shareholders	Revenue dividends £000	Tender offers* £000	Redemption of B shares* £000	Total £000
Years ended 31 March				
2012	1,458	12,801	–	14,259
2013	1,028	10,050	–	11,078
2014	1,152	14,110	–	15,262
2015	873	19,142	–	20,015
2016	833	15,260	–	16,093
2017	602	–	6,242	6,844
2018	753	–	6,429	7,182
Total	6,699	71,363	12,671	90,733

*Excluding related expenses

No new investments were made in unquoted companies during the year, reflecting the change in investment policy in 2011. Total proceeds of investment sales amounted to £5.0 million (2017 £4.1 million).

Portfolio additions and disposals over the past seven years are summarised in Table 3.

Table 3: Investment portfolio activity	Sales proceeds £000	New investments £000	Net cash inflow £000
Years ended 31 March			
2012	6,150	735	5,415
2013	9,483	185	9,298
2014	14,162	485	13,677
2015	23,029	–	23,029
2016	20,828	–	20,828
2017	4,100	–	4,100
2018	5,046	–	5,046
Total	82,798	1,405	81,393

The company's cash and cash equivalents at 31 March 2018 totalled £1.9 million, representing approximately 32% of net assets compared with 36% at the beginning of the year.

Revenue and dividends

Investment income recognised in the year was only £0.1 million, reflecting the disposal of significant income-producing investments. The previous year's total of £1.1 million included £0.7 million of arrears of loan interest received from Optilan Group when the company was sold in April 2017. The basic investment management fee payable to NVM reduced from £276,000 to £193,000 under the new terms agreed with effect from 1 April 2016.

No interim dividend was declared during the year and the directors do not propose a final dividend.

Performance-related management fee

When shareholders approved the revised investment policy of the company in July 2011, the terms of the management agreement with NVM were amended with a view to aligning, as far as possible, the interests of the manager with those of shareholders during the period of the orderly realisation process. Accordingly NVM is entitled to receive a performance incentive once the company has made cash distributions to shareholders subsequent to 31 March 2011 equivalent to £58,988,000 (the company's net assets as at 31 March 2011), plus a hurdle at the rate of 7% per annum compound applied to net assets as adjusted for cash distributions. Once this target has been achieved, NVM's performance fee for each financial year will be an amount equivalent to 12.5% of all amounts capable of distribution to shareholders in excess of £58,988,000, based on the audited accounts for the relevant financial year, less any performance fees paid in respect of earlier years.

Performance fee instalments totalling of £3,579,000 were paid to NVM in May 2016 and May 2017, the underlying cash distributions hurdle having been achieved during the year ended 31 March 2016. The amount provided for future performance fee payments in the company's financial statements at 31 March 2018, which assumes that the company's net assets at 31 March 2018 will all become distributable in due course, is £1,783,000. Based on the amounts of cash already distributed or considered capable of distribution as at 31 March 2018, a performance fee instalment of £497,000 will be payable to NVM on the publication of the audited financial statements for the year ended 31 March 2018.

The directors consider that the incentive scheme continues to achieve an effective alignment of the manager's interests with those of shareholders, as demonstrated by the success of the portfolio run-off process to date.

Investment portfolio

The portfolio at 31 March 2018 comprised four holdings with an aggregate value of £5.7 million (31 March 2017: six holdings valued at £10.0 million). Further information about the holdings at 31 March 2018 is given on page 11.

Investment realisations

Investment realisations during the year are summarised in Table 4.

Table 4: Investment realisations during the year			
Company	Sales proceeds £000	Valuation at 31 March 2017 £000	Gain recognised in the year £000
Optilan Group	4,249	4,180	69
Alaric Systems (deferred consideration)	227	–	227
Kitwave One (deferred consideration)	400	–	400
Other	170	90	80
Total	5,046	4,270	776

The only significant realisation during the year was **Optilan Group**, which was sold in a secondary management buy-out transaction. Deferred payments, not previously recognised in the financial statements, were received from the sales of **Alaric Systems** and **Kitwave One** in earlier years.

The directors continue to keep the portfolio exit strategy under close review with the manager. Since the adoption of the phased realisation policy in July 2011 the number of holdings in the portfolio has been reduced from 30 to four. The directors and manager have recently updated their projection of the outcome of the portfolio realisation strategy; Table 5 shows the key numbers compared with the corresponding estimates made when the November 2011 tender offer circular was published.

Table 5: Portfolio realisation projections

	May 2018 estimate	Original (November 2011) estimate
Proportion of net assets at commencement to be returned as cash to shareholders:		
By March 2015	103% (actual)	60%-80%
On completion of realisation process	162%-167%	120%-160%

It is emphasised that the above estimates are inevitably subject to some uncertainties including timing, general market conditions, the future performance of investee companies, the behaviour of other shareholders in investee companies and the level of activity in the mergers and acquisitions market.

Valuation policy

The remaining unquoted investments are valued in accordance with the accounting policy set out on page 32, which takes account of current industry guidelines for the valuation of private equity portfolios. Where valuations are based on company earnings, audited historic results are taken into account along with more recent unaudited information and projections where these are considered sufficiently reliable.

Key performance indicators

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

Cash distributions to shareholders: total cash distributed to shareholders by way of dividends, tender offers and B share redemptions in each of the past seven financial years is shown in Table 2.

Net asset value and share price total return: Table 6 shows the company's net asset value and share price total return over the past one, three and five years compared to a broad UK equity market index.

Table 6: Net asset value and share price total return*	Net asset value total return	Share price total return	UK equity market index
Periods to 31 March 2018			
One year	£104	£78	£101
Three years	£163	£126	£119
Five years	£247	£231	£137

*Return on £100 invested, with dividends re-invested

Risk management

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

Investment and liquidity risk: the company's investments comprise minority holdings in small and medium-sized unquoted companies, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. The company's ability to exert influence over these investments may be limited relative to other shareholders. **Mitigation:** the investment manager aims to limit the risk attaching to the portfolio as a whole by close monitoring of individual holdings, including the appointment of investor directors where appropriate. The board reviews the portfolio, including the schedule of projected exits, with the investment manager on a regular basis with a view to ensuring that the orderly realisation process remains on track.

Portfolio concentration risk: following the adoption of the company's revised investment policy in July 2011, the portfolio has and will continue to become more concentrated as investments are realised and cash is returned to shareholders. This will increase the proportionate impact of changes in the value of individual investments on the value of the company as a whole. The directors' valuation of the company's investments represents their best assessment of the fair value of the investments as at the valuation date and the amounts eventually realised from such investments may be more or less than the directors' valuation. **Mitigation:** the directors and manager keep the changing composition of the portfolio under review and focus closely on those holdings which represent the largest proportions of total value.

Financial risk: the company's investments are relatively illiquid. **Mitigation:** the directors consider that it is inappropriate to finance the company's activities through borrowing except on an occasional short-term basis. Accordingly they seek to maintain a proportion of the company's assets in cash or cash equivalents in order to be in a position to meet expenditure

commitments including any investments which may be made under the company's revised investment policy. The company has very little exposure to foreign currency risk and does not enter into derivative transactions.

Economic risk: events such as economic recession or general fluctuations in stock markets 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. **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 should this be necessary.

Liquidation risk: in order to complete the implementation of the company's corporate strategy it is envisaged that a liquidator will be appointed and that the company's shares will cease to be listed on the London Stock Exchange. This may result in shareholders having a lesser degree of influence over the affairs of the company than previously and to a loss of liquidity as regards their shareholdings. **Mitigation:** the directors will keep shareholders informed as to intended strategic developments and will liaise with the prospective liquidator with a view to ensuring a smooth transition.

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.

Internal control risk: the company's assets could be at risk in the absence of an appropriate internal control regime. **Mitigation:** the board regularly reviews the system of internal controls, both financial and non-financial, operated by the company and the manager. These include controls designed to ensure that the company's assets are safeguarded and that proper accounting records are maintained.

Additional disclosures required by the Companies Act

The company had no employees during the year and all the directors are male.

As an externally managed investment company, the company is not directly responsible for any greenhouse gas emissions.

Future prospects

The directors and manager will continue to progress the portfolio realisation strategy with a view to making further returns of cash to shareholders.

By order of the Board



J K Bryce
Secretary

23 May 2018

Investment portfolio

	Cost £000	Valuation £000	% of net assets by value
Weldex (International) Offshore Holdings	3,252	1,921	33.1
CGI Group Holdings	1,908	1,656	28.6
Axial Systems Holdings	2,311	1,483	25.6
Lanner Group	471	677	11.7
Total fixed asset investments	7,942	5,737	99.0

Weldex (International) Offshore Holdings			
Cost	£3,252,000		
Valuation	£1,921,000		
Basis of valuation	Earnings multiple		
Equity held	5.1% (NVM funds total 10.2%)		
Business/location	Crawler crane hire and heavy lifting consultancy, Inverness		
History	Institutional buy-out in June 2010 led by Dunedin Capital Partners		
Other NVM funds investing	Northern Venture Trust		
Income in year	Nil		
Audited financial information:			
Year ended 30 November	2016	2015	
Sales	21.1	22.3	
Operating profit	3.1	4.3	
Profit/(loss) before tax	(4.4)	(3.2)	
Profit/(loss) after tax	(4.8)	(2.1)	
Net assets/(liabilities)	(5.4)	(0.6)	

CGI Group Holdings		
Cost	£1,908,000	
Valuation	£1,656,000	
Basis of valuation	Earnings multiple	
Equity held	8.8% (NVM funds total 26.4%)	
Business/location	Manufacture of fire-resistant and safety glass, Warrington	
History	Recapitalisation of CGI Group in April 2008 led by Dunedin Capital Partners	
Other NVM funds investing	Northern Venture Trust	
Income in year	Loan stock interest £9,000	
<i>Audited financial information:</i>		
Year ended 31 December	2016	2015
Sales	17.2	15.8
Operating profit/(loss)	(1.3)	(0.5)
Profit/(loss) before tax	(3.0)	(2.1)
Profit/(loss) after tax	(3.0)	(2.0)
Net assets/(liabilities)	(5.5)	(2.6)

Axial Systems Holdings			
Cost	£2,311,000		
Valuation	£1,483,000		
Basis of valuation	Provision against cost		
Equity held	24.4% (NVM funds total 58.9%)		
Business/location	Distributed network management solutions, Maidenhead		
History	Management buy-out in March 2008 led by NVM Private Equity		
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern 3 VCT		
Income in year	Loan stock interest £87,000		
Audited financial information:			
Year ended 31 May	2017	2016	
Sales	19.9	27.4	
Operating profit/(loss)	(0.2)	1.1	
Profit/(loss) before tax	(0.6)	0.8	
Profit/(loss) after tax	(0.6)	0.5	
Net assets	0.5	1.0	

Lanner Group			
Cost	£471,000		
Valuation	£677,000		
Basis of valuation	Earnings multiple		
Equity held	13.1% (NVM funds total 43.8%)		
Business/location	Developer of predictive simulation modelling software, Redditch		
History	Management buy-out in March 2010 led by NVM Private Equity		
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern 3 VCT		
Income in year	Loan stock interest £29,000		
Audited financial information:			
Year ended 31 December	2016	2015	
Sales	3.6	4.1	
Operating profit	0.5	0.9	
Profit before tax	0.2	0.5	
Profit after tax	0.5	0.5	
Net assets/(liabilities)	(1.6)	(2.1)	

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Activities and status

The company is an investment company as defined in Section 833 of the Companies Act 2006, and has been listed as an investment company on the London Stock Exchange since April 1990. The objective of the company is to achieve an orderly realisation of its portfolio with a view to returning capital to shareholders. The company's registered number is 1822966.

In the opinion of the directors, the company has conducted its affairs during the period under review, and subsequently, so as to maintain its status as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010. The company has made a successful application under Regulation 5 of the Investment Trust (Approved Company) (Tax) Regulations 2011 for investment trust status to apply to all accounting periods starting on or after 1 April 2012, subject to the company continuing to meet the eligibility conditions contained in Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements outlined in Chapter 3 of Part 2 of the Regulations. 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.

Corporate governance

The statement on corporate governance set out on pages 17 to 22 is included in this directors' report by reference.

Results and dividend

The return on ordinary activities after tax for the year of £338,000 has been transferred to reserves.

The final dividend of 30.0 pence per ordinary share in respect of the year ended 31 March 2017 was paid during the year at a cost of £749,000 and has been charged to reserves. The directors do not propose a final dividend in respect of the year.

Provision of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as each of them is aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

The financial statements have not been prepared on a going concern basis, since the company's current objective is to conduct an orderly realisation of the investment portfolio and return cash to shareholders. No adjustments were necessary to the investment valuations or other assets and liabilities included in the financial statements as a consequence of the change in the basis of preparation. The financial statements do not include any provision for liquidation costs.

Statement on long-term viability

As required by the UK Corporate Governance Code, the directors have assessed the future prospects of the company, taking into account the company's current position and principal risks, and have concluded that there is a reasonable prospect that the company will be able to continue in operation and meet its liabilities as they fall due over its remaining life, which the directors consider to be the two year period to 31 March 2020, subject to the possible appointment of a liquidator pursuant to the company's stated corporate strategy. The directors consider that for the purposes of this exercise, given the company's present strategy of running off its investment portfolio prior to being liquidated, it is not practical or meaningful to look forward for a period of more than 24 months.

In making their assessment the directors have taken into account the principal risks and their mitigating factors identified in the strategic report on pages 9 and 10, the nature of the company's business, including its reserve of cash and near-cash investments, the potential of its venture capital portfolio to generate future income and capital proceeds during the current orderly realisation process and the ability of the directors to minimise the level of cash outflows should this be necessary.

Directors

None of the directors has a contract of service with the company and no contract or arrangement subsisted during or at the end of the year in which any director was materially interested and which was significant in relation to the company's business.

Directors' and officers' liability insurance

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

Management

NVM Private Equity (NVM) has acted as investment adviser and manager to the company since October 1988. The principal terms of the company's management agreement with NVM are set out in Note 3 to the financial statements.

As required by the Listing Rules, the directors confirm that in their opinion the continuing appointment of NVM as investment manager is in the interests of shareholders as a whole. In reaching this conclusion the directors have taken into account the long-term performance of the investment portfolio, NVM's experience in realising unquoted investments in smaller unquoted companies, NVM's role as manager of the other funds co-invested with the company and the efficient and effective service provided by NVM to the company.

Remuneration receivable by NVM

The remuneration receivable by NVM and its executives by virtue of the company's management agreement with NVM comprises the following:

Remuneration payable by Northern Investors Company

Basic management fee: NVM is entitled to receive an annual basic fee for providing investment advisory services, comprising a fixed fee and a variable fee. The fixed fee, which is payable quarterly in advance, was £100,000 for the year ended 31 March 2018. The variable fee is equivalent to 1.0% per annum of the company's net assets as shown in its published financial statements, updated every six months as at 31 March and 30 September each year, and is payable quarterly in arrears. For the year ended 31 March 2018 the total basic management fee was £193,000 (year ended 31 March 2017 £276,000). With effect from 1 April 2018 the fixed fee has been reduced to £75,000 per annum.

Performance-related management fee: NVM is entitled to receive a performance fee subject to the company having made cash distributions to shareholders subsequent to 31 March 2011 equivalent to £58,988,000 (the company's net assets as at 31 March 2011), plus a hurdle at the rate of 7% per annum compound applied to net assets as adjusted for cash distributions. NVM's performance fee for each financial year is an amount equivalent to 12.5% of all amounts capable of distribution to shareholders in excess of £58,988,000, based on the audited accounts for the relevant financial year, less any performance fees paid in respect of earlier years.

As at 31 March 2016 cumulative cash distributions plus amounts capable of distribution exceeded the target (including the hurdle), and the performance fees payable to NVM for the years ended 31 March 2016 and 31 March 2017 were £2,808,000 and £771,000 respectively. As at 31 March 2018 a further fee of £497,000 had become payable on the publication of the audited accounts for the year ended 31 March 2018. The company's policy is to make provision in its financial statements each year for the total performance fees which would become payable in the event that all of the company's remaining assets were converted to cash at their carrying value. At 31 March 2018 the balance sheet provision for performance-related management fees was £1,783,000 (31 March 2017 £2,515,000).

Accounting and secretarial fee: NVM provides accounting, administrative and secretarial services to the company for a fee of £35,000 per annum. With effect from 1 April 2018 the fee has been reduced to £25,000 per annum.

The total charge recognised in the financial statements for the year ended 31 March 2018 in respect of remuneration payable to NVM by the company, comprising the basic and performance-related management fees and the accounting and secretarial fee, was £268,000 (year ended 31 March 2017 £658,000).

Remuneration payable by investee companies

Under the management agreement, NVM is entitled to receive fees from investee companies for the provision of non-executive directors and other advisory services. In the year ended 31 March 2018 such fees attributable to the company's investments amounted to £52,000 (year ended 31 March 2017 £87,000).

Executive co-investment scheme

Since 2006 the company has, together with the other funds managed by NVM, participated in a co-investment scheme with the objective of enabling NVM to recruit, retain and incentivise its key investment executives. Under the scheme, executives are required to invest personally (and on the same terms as the company and other funds managed by NVM) in the ordinary share capital of every unquoted investee company in which the company invests. The shares held by executives can only be sold at such time as the funds managed by NVM sell their shares, 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 NVM funds, except in the case of investments where there is no class of yielding securities, where the executives jointly subscribe for 1.0% of the non-yielding ordinary shares available to the NVM funds. At 31 March 2018 NVM executives held investments in 44 investee companies acquired at a total cost of £1,031,000, of which £26,000 was attributable to two investments made by Northern Investors Company.

Share capital – purchase of shares

At the 2017 annual general meeting held on 11 July 2017 shareholders authorised the company to purchase in the market up to 249,676 ordinary shares (equivalent to approximately 10% of the then issued ordinary share capital) at a minimum price of 25p 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 2018 this authority remained effective in respect of 249,676 shares; the authority will lapse at the conclusion of the 2018 annual general meeting of the company to be held on 10 July 2018, when a renewed authority over 10% of the issued ordinary share capital will be sought.

Share capital – issue and redemption of shares

No new ordinary shares were allotted by the company during the year. On 30 May 2017 the company allotted 12,858,266 B preference shares to ordinary shareholders by means of a bonus issue pro rata to their holdings of ordinary shares. The B preference shares were redeemed on 5 June 2017 in accordance with their terms at a price of 50 pence per share.

Fixed assets

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

Substantial shareholdings

The substantial shareholdings disclosed to the company under Disclosure and Transparency Rule 5 (Vote Holder and Issuer Notification Rules) and of which the company is aware are as follows:

	No of ordinary shares of 25p	%
Tyne & Wear County Pension Fund	175,937	7.05
Brewin Dolphin Limited	129,993	5.21
A M Conn	128,674	5.15
Church Commissioners for England	105,650	4.23
T R Levett	76,319	3.06

At 31 March 2018 members and employees of NVM Private Equity LLP, including Mr A M Conn and Mr T R Levett, were beneficially interested in a total of 228,532 shares representing 9.15% of the company's issued share capital.

Creditor payment policy

The company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. There were no amounts owing to trade creditors as at 31 March 2018.

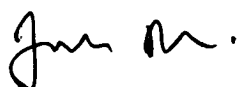
Annual general meeting

Notice of the annual general meeting to be held on 10 July 2018 is set out in a separate circular to shareholders along with explanatory comments on the resolutions. Mr M P Nicholls has informed the board that he does not wish to seek re-election as a director at the annual general meeting.

Independent auditor

KPMG LLP have indicated their willingness to continue in office as auditor of the company and resolutions to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting. The company has taken advantage of exemption on grounds of size from the Audit Regulation requirement to put the audit appointment out to tender, and in accepting the recommendation of the audit committee that KPMG be re-appointed the directors confirm that the recommendation is free from influence by a third party and that no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the company.

By order of the Board



J K Bryce
Secretary

23 May 2018

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 report will be proposed at the annual general meeting.

The company's independent auditor, KPMG LLP, is required to give an 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 24 to 27.

Directors' remuneration policy

The company is required by the Companies Act 2006 to seek shareholders' approval of the directors' remuneration policy at least every three years, or in the event of a change in the policy if sooner. The directors' remuneration policy was approved by shareholders at the annual general meeting held on 11 July 2017 and accordingly the next resolution for the approval of the directors' remuneration policy is due to be proposed at the annual general meeting to be held in 2020.

The board currently comprises four 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 N R A Guy and comprising all the directors, which meets annually (or more frequently if required) to consider the selection and appointment of directors and to make recommendations to the board as to the level of directors' fees. The board has not retained external advisers in relation to remuneration matters but has access to information about directors' fees paid by other companies of a similar size and type. No views which are relevant to the formulation of the directors' remuneration policy have been expressed to the company by shareholders, whether at a general meeting or otherwise.

The board considers that directors' fees should reflect the time commitment required and the high level of responsibility borne by directors, and should be broadly comparable to those paid by similar companies. It is not considered appropriate that directors' remuneration should be performance-related, and none of the directors is eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive directors of the company.

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. None of the directors has a service contract with the company. On being appointed or re-elected, directors receive a letter from the company setting out the terms of their appointment and their specific duties and responsibilities. A director's appointment may be terminated on three months' notice being given by the company and in certain other circumstances. A director who ceases to hold office is not entitled to receive any payment other than accrued fees (if any) for past services.

Directors' remuneration for the year ended 31 March 2018 (audited information)

The fees paid to individual directors in respect of the years ended 31 March 2018 and 2017, which represent the entire remuneration payable to directors, were as follows:

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
N R A Guy (Chairman)	47,250	47,250
J C Barnsley (Audit Committee Chairman)	26,250	26,250
P W F Marsden	22,050	22,050
M P Nicholls	22,050	22,050

Directors' share interests

The interests of the directors of the company (including the interests of their connected persons) in the issued ordinary shares of 25p of the company, at the beginning and end of the year and at the date of this report, were as follows:

	23 May 2018	31 March 2018	1 April 2017
N R A Guy (Chairman)	–	–	–
J C Barnsley	25,795	25,795	25,795
P W F Marsden	3,571	3,571	3,571
M P Nicholls	3,571	3,571	3,571

All of the directors' share interests were held beneficially.

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

Relative importance of spend on pay

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

Company performance

The graph below compares the total return (assuming all dividends are re-invested) to ordinary shareholders in the company over the five years ended 31 March 2018 with the total return from a notional investment in a broad UK equity market index over the same period.

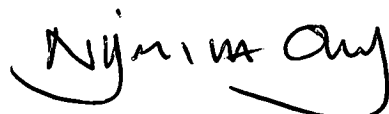
Statement of voting at annual general meeting

At the annual general meeting on 11 July 2017 the resolution to approve the directors' remuneration report for the year ended 31 March 2017 was approved unanimously.

Statement by the chairman of the nomination committee

In accordance with the directors' remuneration policy, directors' fees were reviewed by the nomination committee during its meeting on 16 May 2018, when it was recommended that fees should be set at £42,525 (previously £47,250) per annum for the chairman, £26,250 (unchanged) per annum for the chairman of the audit committee and £22,050 (unchanged) per annum for other directors with effect from 1 April 2018. The level of the chairman's fee will continue to be reviewed annually by the nomination committee and this review will take into account any expected changes in the time commitment required from the chairman in the following financial year.

By order of the Board



N R A Guy
Chairman of the Nomination Committee

23 May 2018

Corporate governance

The board of Northern Investors Company PLC has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the company. The AIC Code can be viewed at www.theaic.co.uk/aic-code-of-corporate-governance-0.

The board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The company is committed to maintaining high standards in corporate governance and during the year ended 31 March 2018 complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

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 Guide, and in the preamble to the UK Corporate Governance Code, the board considers these provisions are not relevant to the position of Northern Investors Company PLC, which is an externally managed investment trust. The company has therefore not reported further in respect of these provisions.

Board of directors

The company has a board of four non-executive directors, which meets regularly on a quarterly basis, 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;
- final decision on recommendations from the manager concerning the acquisition or disposal of investments;
- valuation of the unquoted investment portfolio; and
- ensuring the company's compliance with good practice in corporate governance matters.

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

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

The board has established a formal process, led by the chairman, for the annual evaluation of the performance of the board, its committees and individual directors. Directors are made aware on appointment to the board that their performance will be subject to regular evaluation. The performance of the chairman was evaluated by other directors under the leadership of Mr J C Barnsley, the senior independent director of the company.

The company secretary, Mr J K Bryce, who was appointed to succeed Mr C D Mellor on 31 March 2018, has administrative responsibility for the meetings of the board and its committees and is responsible for advising the board through the chairman on all governance matters. All of the directors have access to the advice and services of the company secretary. Directors may also take independent professional advice at the company's expense where necessary in the performance of their duties.

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 full board.

The company's articles of association require that one third of the directors should retire by rotation each year and seek re-election at the annual general meeting, and that directors newly appointed by the board should seek re-appointment at the next annual general meeting. The board complies with the requirement of the UK Corporate Governance Code that all directors are required to submit themselves for re-election at least every three years.

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. Mr J C Barnsley is non-executive chairman of and a shareholder in Customs Connect Group Limited, an investee company of other funds managed by NVM Private Equity.

The AIC Code recommends that where a director has served for more than nine years, the board should state its reasons for believing that the individual remains independent. The board is of the view that a term of service in excess of nine years is not in itself prejudicial to a director's ability to carry out his/her 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. However the board has as a matter of good practice adopted the AIC Code recommendation that directors who have served for more than nine years should seek annual re-election, and acknowledges that periodic refreshment of its membership is desirable.

Board committees

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

Audit Committee

During the year the audit committee comprised:

Mr J C Barnsley (Chairman)
Mr P W F Marsden
Mr M P Nicholls

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

- reviewing 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;
- reviewing and making recommendations to the board in relation to the valuation of the company's unquoted investments;
- reviewing 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 manager 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 terms of reference are reviewed annually and are available on request from the company secretary and on the NVM Private Equity website, www.nvm.co.uk. The audit committee meets three times per year and has direct access to KPMG LLP, the company's external auditor. The board considers that the members of the committee are independent and have collectively the skills and experience required to discharge their duties effectively, and that the chairman of the committee meets the requirements of the UK Corporate Governance Code as to recent and relevant financial experience.

The company does not have an independent internal audit function as it is not deemed appropriate given the size of the company and the nature of the company's business.

During the year ended 31 March 2018 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 NVM's statement of internal controls operated in relation to the company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of NVM'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;
- reviewing the external auditor's detailed report to the committee on the annual financial statements;
- considering the effectiveness of the external audit process; and
- recommending to the board and shareholders the re-appointment of KPMG LLP as the external auditor of the company.

After discussion with the investment manager and the auditor, the key areas of risk that have been identified and considered by the audit committee in relation to the business activities and financial statements of the company are as follows:

- valuation of unquoted investments;
- applicability of the going concern basis of accounting;
- compliance with HM Revenue & Customs conditions for maintenance of approved investment trust status;

- investment income recognition; and
- calculation and recognition of the performance-related management fee.

These issues were discussed with the investment manager 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 manager confirmed to the audit committee that the investment valuations had been carried out consistently with prior periods and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. The audit committee reviewed the estimates and judgements made in arriving at the investment valuations and concluded that they were appropriate.

Going concern: having regard to the current investment policy of the company, with the objective of conducting an orderly realisation of the assets of the company leading ultimately to the liquidation of the company, it was concluded that the financial statements should not be prepared on a going concern basis. No adjustments were necessary to the investment valuations or other assets and liabilities included in the financial statements as a consequence of the basis of preparation. The auditor's report contains an "emphasis of matter" paragraph referring to the non-going concern basis of preparation.

Investment trust status: the investment manager confirmed to the audit committee that the conditions for maintaining the company's status as an approved investment trust had been complied with throughout the year.

Investment income recognition: the auditor reported that based on a review of the financial statements and discussions with management, it was satisfied that income recognition during the year complied with the company's stated accounting policy.

Performance-related management fee: the audit committee reviewed the latest estimates of the outcome of the portfolio realisation process and concluded that provision should be made in the financial statements for future performance-related management fee payments calculated on the basis of cumulative cash distributions and residual assets held at 31 March 2018.

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

As part of the review of auditor effectiveness and independence, KPMG LLP has confirmed that it is independent of the company and has complied with applicable auditing standards. KPMG LLP and its predecessor firm KPMG Audit Plc have held office as auditor for 12 years; in accordance with professional guidelines the engagement leader is rotated after at most five years, and the current director has served for three years. Having completed its review the audit committee is satisfied that KPMG LLP remained effective and independent in carrying out its responsibilities up to the date of signing this report. The audit committee is satisfied that KPMG LLP is independent and that it would not be appropriate to put the audit appointment out to tender at the present time. Under impending UK legislation, listed companies will in the future be subject to mandatory rotation of auditors. The last period for which KPMG LLP will be permitted to act as auditor of the company will be the year ending 31 March 2025.

As part of its review, the audit committee considers the nature and extent of services supplied by the auditor. The non-audit services contracted for during the year were tax compliance services (iXBRL tagging of the financial statements). The fees for the non-audit services were relatively small compared to those for the audit services and the services were provided by a separate team.

Nomination Committee

During the year the nomination committee comprised:

Mr N R A Guy (Chairman)
 Mr J C Barnsley
 Mr P W F Marsden
 Mr M P Nicholls

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 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, as well as using external consultants; the use of formal advertisements is not considered cost-effective given the company's size. New directors are provided with briefing material relating to the company, its investment managers and the private equity 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 NVM Private Equity website, www.nvm.co.uk.

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 15 and 16.

Management Engagement Committee

During the year the management engagement committee comprised:

Mr N R A Guy (Chairman)
Mr J C Barnsley
Mr P W F Marsden
Mr M P Nicholls

The management engagement committee undertakes a periodic review of the performance of the investment manager, NVM, and of the terms of the management agreement including the level of fees payable (both basic and performance-related) 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 34.

Following the latest review by the committee in the light of the amended investment policy of the company, the board concluded that the continuing appointment of NVM was in the interests of the company and its shareholders as a whole. NVM has demonstrated its commitment to and expertise in managing and exiting from private equity investments over an extended period, as a result of which the company has established a strong long-term performance record. NVM has also performed its company secretarial and accounting duties efficiently and effectively.

Attendance at board and committee meetings

The table below sets out the number of formal meetings of the board and its committees which were held during the year ended 31 March 2018 and the number attended by each director compared with the maximum possible attendance during the part of the year for which that person was a director or a member of the relevant committee.

	Board	Audit committee	Nomination committee	Management engagement committee
Number of meetings held	4	3	1	1
<i>Attendance (actual/possible):</i>				
N R A Guy (Chairman)	4/4	N/A	1/1	1/1
J C Barnsley	4/4	3/3	1/1	1/1
P W F Marsden	4/4	3/3	1/1	1/1
M P Nicholls	4/4	3/3	1/1	1/1

In addition to the formal meetings shown in the table, the board held six meetings by telephone conference call.

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

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 at the annual general meeting to question the board and the investment manager. Proxy voting figures for each resolution are announced at the annual general meeting. The investment manager together with the chairman or another board member meets regularly with principal shareholders to discuss relevant issues as they arise, and in fulfilment of the chairman's obligations under the UK Corporate Governance Code, the chairman gives feedback to the board on 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.

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 is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The board regularly reviews financial performance and results with the investment manager.

Responsibility for accounting and secretarial services has been contractually delegated to NVM under the management agreement. NVM has established its own system of internal controls in relation to these matters, which is subject to continuing review and updating. The internal control system is regularly reviewed by the board and no material weaknesses have been identified as a result of this process.

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

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

Risk management

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

Share capital

As at 31 March 2018 2,496,767 ordinary shares of 25p each were in issue (none of which 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 company's ordinary shares confer on their holders (other than the company in respect of any treasury shares) the following principal rights:

- (a) 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 directors and approved by shareholders by ordinary resolution or in the case of an interim dividend in an amount determined by the directors). 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;
- (b) 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
- (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 more than 48 hours after it is demanded, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll or, in the case where a poll is not taken immediately but is taken not more than 48 hours after it is demanded, be delivered at the meeting at which the poll is demanded.

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 company law (principally the Companies Act 2006 and, so far as still applicable, the Companies Act 1985).

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (uncertificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in the company's articles of association or in the case of uncertificated shares to the regulations governing the operation of CREST (which allow the directors to refuse to register a

transfer as therein set out) and any regulations laid down by the directors pursuant to the company's articles of association. 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. 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 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 a director at any general meeting unless he is recommended by the directors or, not less than seven nor 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 is to be subject to election as a director of the company by the members at the first annual general meeting of the company following his appointment. At each annual general meeting of the company one third of the directors for the time being, or if their number is not three or a multiple of three the number nearest to one-third, are to be subject to re-election.

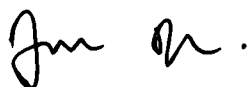
The Companies Act 2006 allows shareholders in general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) to remove any director before the expiration of his or her period of office, but without prejudice to any claim for damages which the director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

A person also ceases to be a director if he or she resigns in writing, or ceases to be a director by virtue of any provision of the Companies Act 2006, or becomes prohibited by law from being a director, or becomes bankrupt or is the subject of a relevant insolvency procedure, or (in certain circumstances) suffers from mental disorder, or if the board so decides following at least six months' absence without leave, or if, being an executive director, he or she is dismissed from such office, or if he or she is requested by all the other directors to resign, as set out in the company's articles of association.

Powers of the directors

Subject to the provisions of the Companies Act 2006, the memorandum and articles of association of the company and any directions given by shareholders by special resolution, the articles of association specify that 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 Acts 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 2017 annual general meeting to make market purchases of up to 249,676 ordinary shares at any time up to the 2018 annual general meeting and otherwise on the terms set out in the relevant resolution, and authority is being sought at the 2018 annual general meeting as set out in a separate circular.

By order of the Board



J K Bryce
Secretary

23 May 2018

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the 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 the directors have elected 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 the profit or loss of the company for the year. In preparing these financial statements, the directors are required to:

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

As explained in Note 1 to the financial statements, the directors do not believe it is appropriate to prepare the financial statements for the year ended 31 March 2018 on a going concern basis.

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 financial report

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 directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

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

By order of the Board


J K Bryce
Secretary

23 May 2018

Independent auditor's report

To the members of Northern Investors Company PLC only

1 Our opinion is unmodified

We have audited the financial statements of Northern Investors Company PLC ("the Company") for the year ended 31 March 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were appointed as auditor by the directors in 2007. The period of total uninterrupted engagement is for the 12 financial years ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Emphasis of matter – non-going concern basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1a to the financial statements which explains that the financial statements are not prepared on the going concern basis for the reason set out in that note.

3 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2017) in arriving at our audit opinion above, together with our key audit procedures to address that matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of unquoted investments - £5.7 million (2017 £10.0 million) - refer to pages 18 and 19 (audit committee section of the corporate governance statement), page 32 (accounting policy) and pages 28 to 42 (financial disclosures).

The risk: Subjective valuation - 75% of the company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as price of recent orderly transactions, earnings multiples and net assets. There is a significant risk over the valuation of these investments.

Our response: Our procedures included:

- Historical comparisons: assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the company's approach to valuations;
- Methodology choice: in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected;
- Our valuations experience: challenging the investment manager on key judgements affecting investee company valuations, such as discount factors and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable and we obtained an understanding of existing and prospective investee

company cash flows to understand whether borrowings can be serviced or refinancing may be required. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;

- Assessing transparency: consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Our results: We found the company's valuation of unquoted investments to be acceptable (2017: acceptable).

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

Materiality for the financial statements as a whole was set at £76,230 (2017: £153,000), determined with reference to a benchmark of total assets, of which it represents 1% (2017 1%).

We agreed to report to the audit committee any corrected or uncorrected misstatements exceeding £3,794 (2017 £7,650), in addition to other audit misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was performed at the offices of the manager, NVM Private Equity LLP, in Newcastle upon Tyne and KPMG LLP in Edinburgh.

5 We have nothing to report on the other information contained in the Annual Report

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

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

Strategic Report and Directors' Report

Based solely on our work on the other information:

- We have not identified material misstatements in the Strategic Report and the Directors' Report;
- In our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosure of principal risks and longer-term viability

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

- the directors' confirmation within the Directors' Report, page 12, that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Directors' Responsibilities Statement disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Statement of Long-Term Viability of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Statement of Long-term Viability. We have nothing to report in this respect.

Corporate Governance disclosures

We are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy; or

- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 23, the directors are responsible for:

- the preparation of the financial statements including being satisfied that they give a true and fair view;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) as well as the company's qualification as an investment trust under UK tax legislation, any breach of which could lead to the company losing various deductions and exemptions from UK corporation tax. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

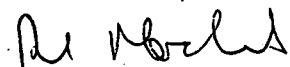
With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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



Philip Merchant (Senior Statutory Auditor)
for and on behalf of **KPMG LLP**, Statutory Auditor
Chartered Accountants

Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

23 May 2018

Income statement

for the year ended 31 March 2018

	Notes	Year ended 31 March 2018			Year ended 31 March 2017		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments	8	–	776	776	–	2,056	2,056
Movements in fair value of investments	8	–	26	26	–	305	305
		–	802	802	–	2,361	2,361
Income	2	130	–	130	1,093	–	1,093
Investment management fee	3	(39)	(194)	(233)	(55)	(568)	(623)
Other expenses	4	(319)	(42)	(361)	(322)	(22)	(344)
Return on ordinary activities before tax and total comprehensive income for the year		(228)	566	338	716	1,771	2,487
Tax on return on ordinary activities	5	–	–	–	(143)	143	–
Return on ordinary activities after tax		(228)	566	338	573	1,914	2,487
Return per share	7	(9.1)p	22.6p	13.5p	22.9p	76.7p	99.6p

- 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 supplementary 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 November 2014 and updated in February 2018 with consequential amendments by the Association of Investment Companies (AIC SORP).
- There are no recognised gains or losses other than those included in the income statement.
- All items included in the income statement derive from continuing operations.
- The accompanying notes are an integral part of this statement.

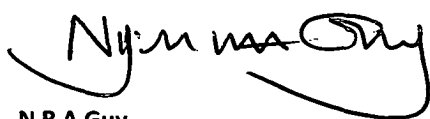
Balance sheet

as at 31 March 2018

	Notes	31 March 2018 £000	31 March 2017 £000
Fixed assets			
Investments	8	5,737	9,981
Current assets			
Debtors	11	19	791
Cash and cash equivalents		1,867	4,570
		1,886	5,361
Creditors (amounts falling due within one year)	12	(1,827)	(2,649)
Net current assets		59	2,712
Net assets		5,796	12,693
Capital and reserves			
Called-up equity share capital	13	624	624
Capital redemption reserve	14	–	6,242
Capital reserve	14	6,437	(7,018)
Special reserve	14	–	10,941
Revaluation reserve	14	(2,205)	(17)
Revenue reserve	14	940	1,921
Total equity shareholders' funds		5,796	12,693
Net asset value per share	15	232.1p	508.4p

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

The financial statements on pages 28 to 42 were approved by the directors on 23 May 2018 and are signed on their behalf by:



N R A Guy
Director

Statement of changes in equity

for the year ended 31 March 2018

	Non-distributable reserves			Distributable reserves			Total
	Share capital £000	Capital redemption reserve £000	Re-valuation reserve £000	Capital reserve £000	Special reserve £000	Revenue reserve £000	
At 1 April 2017	624	6,242	(17)	(7,018)	10,941	1,921	12,693
Return on ordinary activities after tax	–	–	(2,188)	2,796	(42)	(228)	338
Cancellation of capital redemption reserve	–	(12,671)	–	–	12,671	–	–
Bonus issue of B shares	–	–	–	–	(6,429)	–	(6,429)
Redemption of B shares	–	6,429	–	(6,429)	–	–	–
B share redemption expenses	–	–	–	(53)	–	–	(53)
Transfer to capital reserve	–	–	–	17,141	(17,141)	–	–
Dividends paid	–	–	–	–	–	(753)	(753)
At 31 March 2018	624	–	(2,205)	6,437	–	940	5,796

for the year ended 31 March 2017

	Non-distributable reserves			Distributable reserves			Total
	Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Capital reserve £000	Special reserve £000	Revenue reserve £000	
At 1 April 2016	624	4,531	251	(2,918)	12,674	1,950	17,112
Return on ordinary activities after tax	–	–	(268)	2,204	(22)	573	2,487
Cancellation of capital redemption reserve	–	(4,531)	–	–	4,531	–	–
Bonus issue of B shares	–	–	–	–	(6,242)	–	(6,242)
Redemption of B shares	–	6,242	–	(6,242)	–	–	–
B share redemption expenses	–	–	–	(62)	–	–	(62)
Dividends paid	–	–	–	–	–	(602)	(602)
At 31 March 2017	624	6,242	(17)	(7,018)	10,941	1,921	12,693

Statement of cash flows

for the year ended 31 March 2018

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Cash flows from operating activities		
Return on ordinary activities before tax for the year	338	2,487
Adjustments for:		
Gain on disposal of investments	(776)	(2,056)
Movement in fair value of investments	(26)	(305)
(Increase)/decrease in debtors	772	(766)
Increase/(decrease) in creditors	(822)	(2,448)
Net cash outflow from operating activities	(514)	(3,088)
Cash flows from investing activities		
Purchase of investments	–	–
Sale/repayment of investments	5,046	4,100
Net cash inflow from investing activities	5,046	4,100
Cash flows from financing activities		
Redemption of B shares	(6,429)	(6,242)
Expenses associated with redemption of B shares	(53)	(62)
Dividends paid on ordinary and B shares	(753)	(602)
Net cash outflow from financing activities	(7,235)	(6,906)
Net decrease in cash and cash equivalents	(2,703)	(5,894)
Cash and cash equivalents at beginning of year	4,570	10,464
Cash and cash equivalents at end of year	1,867	4,570

Notes to the financial statements

for the year ended 31 March 2018

1 Accounting policies

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

a Basis of accounting

The financial statements have been prepared under FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and in accordance with the Statement of Recommended Practice *Financial Statements of Investment Trust Companies and Venture Capital Trusts*, issued by the Association of Investment Companies in November 2014 and updated in February 2018 (AIC SORP).

In July 2011 shareholders approved a change in the investment policy of the company, with the objective of conducting an orderly realisation of the assets of the company in a manner that seeks to achieve a balance between an efficient return of cash to shareholders and maximising the value of the company's investments. As it is likely that this process will ultimately lead to the liquidation of the company, the financial statements have not been prepared on a going concern basis. No adjustments were necessary to the investment valuations or other assets and liabilities included in the financial statements as a consequence of the change in the basis of preparation.

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

b Valuation of investments

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

The company's investments have been designated by the directors as fair value through profit or loss at the time of acquisition and are measured at subsequent reporting dates at fair value. In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending on the convention of the exchange on which the investment is quoted. In the case of unquoted investments, fair value is established in accordance with industry guidelines (International Private Equity and Venture Capital Valuation) by using measurements of value such as price of recent transaction, earnings multiple and net assets; 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 valuation of unquoted investments involves significant estimates and judgements by the directors.

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 realised or unrealised capital reserve as appropriate. Transaction costs attributable to the acquisition or disposal of investments are charged to capital return within the income statement.

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

c Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed 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.

d Expenses

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

- expenses incidental to the acquisition or disposal of an investment are charged to capital return as incurred; and
- expenses are split and presented partly as capital items 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 20% to revenue return and 80% 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 (where applicable) is charged 100% to capital return.

e 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. Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full at the balance sheet date.

f Taxation

UK corporation tax payable is provided on taxable profits at the current rate. The tax charge for the year is allocated between revenue return and capital return on the "marginal basis" as recommended in the SORP.

Provision is made for deferred taxation on all timing differences calculated at the current rate of tax relevant to the benefit or liability.

g Dividends payable

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

h 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. Where the amount payable is uncertain, the amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. 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.

i Capital reserve

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

j Revaluation reserve

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

k 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. The area involving a higher degree of judgement and estimates is the valuation of unquoted investments as explained in Note 1b.

2 Income

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Income from investments designated as fair value through profit or loss:		
Interest on loans to unlisted companies	125	1,067
Other income:		
Bank deposit interest	5	26
	130	1,093

3 Investment management fee

	Year ended 31 March 2018		Year ended 31 March 2017	
	Revenue £000	Capital £000	Revenue £000	Capital £000
Investment management fee:				
Basic	39	154	55	221
Performance-related	–	40	–	347
	39	194	55	568

NVM Private Equity (NVM) provides investment management and secretarial services to the company under an agreement dated 18 April 1990, as amended by a side letter dated 16 February 2016. The agreement runs until terminated by not less than six months' notice given by either party. The company may also terminate the agreement without notice in the event of a change of control of NVM.

Under the management agreement NVM is entitled to receive an annual fee for providing investment advisory services. With effect from 1 April 2016 the advisory fee comprises a fixed basic fee and a variable fee. The fixed basic fee, which is payable quarterly in advance, is £100,000 per annum. The variable fee is equivalent to 1.0% per annum of the company's net assets as shown in its published financial statements, updated every six months as at 31 March and 30 September each year. The variable fee accrues from day to day and is payable quarterly in arrears on 30 June, 30 September, 31 December and 31 March in respect of the quarters ending on those dates. The fixed basic fee will be reduced to £75,000 per annum with effect from 1 April 2018.

When shareholders approved the revised investment policy of the company in July 2011, the terms of the management agreement with NVM were amended with a view to aligning, as far as possible, the interests of the manager with those of shareholders during the period of the orderly realisation process. Accordingly NVM is entitled to receive a performance incentive once the company has made cash distributions to shareholders subsequent to 31 March 2011 equivalent to £58,988,000 (the company's net assets as at 31 March 2011), plus a hurdle at the rate of 7% per annum compound applied to net assets as adjusted for cash distributions. Once this target has been achieved, NVM's performance fee for each financial year will be an amount equivalent to 12.5% of all amounts capable of distribution to shareholders in excess of £58,988,000, based on the audited accounts for the relevant financial year, less any performance fees paid in respect of earlier years.

Performance fee instalments totalling £3,579,000 were paid to NVM in May 2016 and May 2017, the underlying cash distributions hurdle having been achieved during the year ended 31 March 2016. The amount provided for future performance fee payments in the company's financial statements at 31 March 2018, which assumes that the company's net assets at 31 March 2018 will all become distributable in due course, is £1,783,000 (31 March 2017 £2,515,000). Based on the amounts of cash already distributed or considered capable of distribution as at 31 March 2018, a further performance fee instalment of £497,000 will be payable to NVM on the publication of the audited financial statements for the year ended 31 March 2018.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Cash distributions to shareholders since 31 March 2011	90,734	83,552
Residual net assets at 31 March 2018 (after adding back cumulative performance fees)	11,159	18,018
Cumulative cash distributions plus residual net assets	101,893	101,570
Less: net assets at 31 March 2011	(58,988)	(58,988)
Excess of cumulative cash distributions plus residual net assets over net assets at 31 March 2011	42,905	42,582
Notional performance fee payable at 12.5%	5,363	5,323
Less: performance fee expense recognised in previous years	(5,323)	(4,976)
Performance fee expense recognised in current financial year	40	347

4 Other expenses

	Year ended 31 March 2018		Year ended 31 March 2017	
	Revenue £000	Capital £000	Revenue £000	Capital £000
Administrative and secretarial services	35	–	35	–
Directors' remuneration	118	–	118	–
Auditor's remuneration:				
Audit services	18	–	18	–
Other services relating to taxation	–	–	6	–
Legal and professional expenses	54	42	37	22
Sundry expenses	72	–	85	–
Irrecoverable VAT	22	–	23	–
	319	42	322	22

Details of directors' remuneration are given in the directors' remuneration report on pages 15 and 16.

5 Tax on return on ordinary activities

a Analysis of charge/credit for the year

	Year ended 31 March 2018		Year ended 31 March 2017	
	Revenue £000	Capital £000	Revenue £000	Capital £000
UK corporation tax payable/(recoverable) on the return for the year	–	–	143	(143)

b Factors affecting tax charge for the year

The effective tax rate for the year is lower than the standard rate of UK corporation tax. The differences are explained below:

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Return on ordinary activities before tax	338	2,487
Return on ordinary activities multiplied by the standard rate of UK corporation tax – 19% (2017 20%)	65	497
Effect of:		
Capital returns not subject to tax	(145)	(471)
Expenses not allowable for tax	8	4
Increase/(decrease) in surplus management expenses	72	(30)
Current tax charge/(credit) for the year	–	–

c Factors which may affect future tax charges

The company has not recognised a potential deferred tax asset of £862,000 (31 March 2017 £823,000) in respect of surplus management expenses carried forward, as the company is not expected to generate sufficient taxable income in the foreseeable future to utilise these expenses. There is no other unprovided deferred taxation.

Approved investment 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 an investment trust, no deferred tax has been provided in respect of any capital gains or losses arising on the revaluation or disposal of investments.

The Government has announced that the UK corporation tax rate will reduce to 17% by 1 April 2020.

6 Dividends

	Year ended 31 March 2018		Year ended 31 March 2017	
	Pence per ordinary share	£000	Pence per ordinary share	£000
(a) Recognised as distributions in the financial statements for the year				
B preference dividend paid	N/A	4	N/A	3
Previous year's final ordinary dividend paid	30.0	749	24.0	599
		753		602
(b) Paid and proposed in respect of the year				
B preference dividend paid	N/A	4	N/A	3
Current year's final ordinary dividend proposed	–	–	30.0	749
		4		752

The ordinary dividends paid and proposed in respect of the year form the basis for determining whether the company has complied with the requirements of Chapter 4 of Part 24 of the Corporation Tax Act 2010 as to the distribution of investment income.

7 Return per share

The calculation of return per ordinary share is based on the return on ordinary activities after tax for the year of £338,000 (2017 £2,487,000) and on 2,496,767 (2017 2,496,767) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

8 Investments

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

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

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

	31 March 2018 £000	31 March 2017 £000
Levels 1 and 2		
None	–	–
Level 3		
Unquoted private equity investments	5,737	9,981
	5,737	9,981

Movements in investments during the year are summarised as follows:

	Private equity - unquoted Level 3 £000
Book cost at 1 April 2017	9,998
Fair value adjustment at 1 April 2017	(17)
Valuation at 1 April 2017	9,981
Movements in the year:	
Additions at cost	–
Disposals - proceeds	(5,046)
- net realised gains on disposal	776
Movements in fair value	26
Valuation at 31 March 2018	5,737
Comprising:	
Book cost at 31 March 2018	7,942
Fair value adjustment at 31 March 2018	(2,205)
	5,737
Equity shares	377
Interest-bearing securities	5,360
	5,737

The gains and losses included in the above table have all been recognised in the income statement on page 28.

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 the determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of each investee company. On that basis the directors consider that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would be unlikely to increase or decrease the fair value of Level 3 investments by more than 5%. The effect on the financial statements of such a change is shown in Note 16.

Disposals of private equity investments during the year were as follows:

	Cost £000	Directors' valuation at 31 March 2017 £000	Disposal proceeds £000	Realised gain on disposal £000
Optilan Group	1,900	4,180	4,249	69
Alaric Systems (deferred consideration)	–	–	227	227
Kitwave One (deferred consideration)	–	–	400	400
Other	156	90	170	80
	2,056	4,270	5,046	776

9 Unquoted investments

The cost and carrying value of investments in unquoted companies held at 31 March 2018 are shown below.

	31 March 2018		31 March 2017	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Axial Systems Holdings				
Ordinary shares	334	–	334	691
Loan stock	1,977	1,483	1,977	1,977
	2,311	1,483	2,311	2,668
CGI Group Holdings				
Ordinary shares	87	–	87	–
Loan stock	1,821	1,656	1,821	582
	1,908	1,656	1,908	582
Lanner Group				
Ordinary shares	171	377	171	240
Loan stock	300	300	390	390
	471	677	561	630
Optilan Group				
Ordinary shares	–	–	342	2,622
Loan stock	–	–	1,558	1,558
	–	–	1,900	4,180
S&P Coil Products				
Ordinary shares	–	–	66	–
Weldex (International) Offshore Holdings				
Ordinary shares	51	–	51	–
Loan stock	3,201	1,921	3,201	1,921
	3,252	1,921	3,252	1,921

Additional information relating to unquoted companies is given on page 11.

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

At 31 March 2018 there were no commitments (31 March 2017 £18,000) in respect of investments approved by the board but not yet completed.

10 Significant interests

Details of shareholdings in those companies where the company's holding at 31 March 2018 represents (1) more than 10% of the allotted equity share capital of any class, (2) more than 10% of the total allotted share capital or (3) more than 10% of the assets of the company itself, are given below. All of the companies named are incorporated in Great Britain.

Company	Class of shares (nominal value £1 unless stated)	Number held	Proportion of class held
Axial Systems Holdings Limited	A ordinary	333,892	40.6%
CGI Group Holdings Limited	A ordinary	87,385	11.2%
Lanner Group Limited	D ordinary (1p)	684,000	28.5%
	E ordinary (0.001p)	16,416,000	28.5%

None of the above holdings represents a participating interest as defined in the Companies Act 2006.

Investee companies may issue a number of different classes of share. The percentage of the total issued ordinary share capital held by the company in the investee companies listed above may therefore be less than the percentage of the share classes shown.

11 Debtors

	31 March 2018 £000	31 March 2017 £000
Prepayments and accrued income	19	791

12 Creditors (amounts falling due within one year)

	31 March 2018 £000	31 March 2017 £000
Trade creditors and accruals	44	134
Provision for performance-related management fee (Note 3)	1,783	2,515
	1,827	2,649

As explained in Note 3, a payment of £497,000 (31 March 2017 £771,000) in respect of the manager's performance-related fee will become due on the publication of the audited financial statements for the year ended 31 March 2018. Further payments are subject to certain conditions which may not be satisfied within one year from the balance sheet date.

13 Called-up equity share capital

	31 March 2018 £000	31 March 2017 £000
Allotted and fully paid:		
2,496,767 (2017 2,496,767) ordinary shares of 25 pence	624	624

On 30 May 2017 the company allotted 12,858,350 B preference shares to ordinary shareholders by means of a bonus issue pro rata to their holdings of ordinary shares. The B preference shares were redeemed on 5 June 2017 in accordance with their terms at a price of 50 pence per share, equivalent to a return of capital of 257.5 pence per ordinary share.

14 Reserves

	Capital redemption reserve £000	Capital reserve £000	Special reserve £000	Revaluation reserve £000	Revenue reserve £000
At 1 April 2017	6,242	(7,018)	10,941	(17)	1,921
Cancellation of capital redemption reserve	(12,671)	–	12,671	–	–
Related expenses	–	–	(42)	–	–
Bonus issue of B preference shares (Note 13)	–	–	(6,429)	–	–
Redemption of B preference shares (Note 13)	6,429	(6,429)	–	–	–
Related expenses	–	(53)	–	–	–
Realised on disposal of investments	–	776	–	–	–
Transfer on disposal of investments	–	2,214	–	(2,214)	–
Management fee charged to capital reserve	–	(194)	–	–	–
Transfer from special reserve to capital reserve	–	17,141	(17,141)	–	–
Movement in unrealised fair value of investments	–	–	–	26	–
Revenue return on ordinary activities after tax	–	–	–	–	(228)
Dividends recognised as distributions in the year	–	–	–	–	(753)
At 31 March 2018	–	6,437	–	(2,205)	940

The capital reserve, the special reserve and the revenue reserve are distributable reserves.

At a general meeting on 19 January 2017 shareholders approved a special resolution to cancel the capital redemption reserve expected to arise on the redemption of 12,483,825 B preference shares on 24 January 2017. Court consent to the cancellation was granted on 12 April 2017 and accordingly on that date the capital redemption reserve was cancelled and the sum of £6,242,000 was credited to the special reserve.

At a general meeting on 11 July 2017 shareholders approved a special resolution to cancel the capital redemption reserve which arose on the redemption of 12,858,350 B preference shares on 5 June 2017, as described in Note 13 above. Court consent to the cancellation was granted on 23 August 2017 and accordingly on that date the capital redemption reserve was cancelled and the sum of £6,429,000 was credited to the special reserve.

15 Net asset value per share

The calculation of basic net asset value per share as at 31 March 2018 is based on net assets of £5,796,000 (31 March 2017 £12,693,000) divided by the 2,496,767 (31 March 2017 2,496,767) ordinary shares in issue at that date.

16 Financial instruments

The company's financial instruments comprise equity and fixed-interest 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 private equity investments in UK unquoted companies, 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, 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 17 to 22, 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. Following the adoption of the company's revised investment policy in July 2011, the portfolio is becoming more concentrated as investments are realised and cash is returned to shareholders. The investment manager aims to limit the risk attaching to the portfolio as a whole by close monitoring of individual holdings, including appointment of investor directors where appropriate. The board reviews the portfolio with the investment manager on a regular basis.

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

An amount equivalent to 99.0% (31 March 2017 78.6%) by value of the company's net assets comprises investments in unquoted companies held at fair value. The valuation methods used by the company include the application of a *price/earnings ratio derived from listed companies with similar characteristics*, and consequently the value of the unquoted element of the portfolio can be indirectly affected by price movements on the London Stock Exchange. A 5% overall increase in the valuation of the unquoted investments at 31 March 2018 would have increased net assets and the total return for the year by £287,000 (31 March 2017 £499,000); an equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount.

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:

	Total fixed-rate portfolio £000	Weighted average interest rate %	31 March 2018 Weighted average period for which rate is fixed Years	Total fixed-rate portfolio £000	Weighted average interest rate %	31 March 2017 Weighted average period for which rate is fixed Years
Fixed-rate investments in unquoted companies	3,877	6.9%	1.0	3,190	6.7%	1.7

(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 on such investments is the UK bank base rate, which was 0.5% at 31 March 2018 (31 March 2017 0.25%). The amounts held in floating rate investments at 31 March 2018 were as follows:

	31 March 2018 £000	31 March 2017 £000
Floating-rate loans to unquoted companies	1,483	3,535
Interest-bearing deposit accounts	1,867	4,570
	3,350	8,105

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 manager 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 2018 the company's financial assets exposed to credit risk comprised the following:

	31 March 2018 £000	31 March 2017 £000
Fixed-rate investments in unquoted companies	3,877	2,893
Floating-rate loans to unquoted companies	1,483	3,535
Interest-bearing deposit accounts	1,867	4,570
Accrued dividends and interest receivable	6	737
	7,233	11,735

Credit risk relating to loans to unquoted companies is considered to be part of market risk.

The company's interest-bearing deposit accounts are maintained with UK clearing banks.

There were no significant concentrations of credit risk to counterparties at 31 March 2018 or 31 March 2017. No individual financial asset exposed to credit risk exceeded 33.1% of the company's net assets at 31 March 2018 (31 March 2017 35.1%).

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 manager 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 2018 these investments were valued at £1,867,000 (31 March 2017 £4,570,000).

17 Contingencies

There were no unprovided contingent liabilities at 31 March 2018 or 31 March 2017.

At 31 March 2018 contingent assets not recognised in the financial statements in respect of potential deferred proceeds from the sale of investee companies amounted to £180,000 (31 March 2017 £626,000). The directors consider that the probability of any of these amounts being received is low.