SIGNED ACCOUNTS

Northern Venture Trust PLC

Annual report and financial statements
30 September 2012

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What Investment
BEST VENTURE CAPITAL TRUST
NORTHERN VENTURE TRUST PLC

nvm private equity

Northern Venture Trust PLC is a Venture Capital Trust (VCT) managed by NVM Private Equity Limited.

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

Contents

Financial summary

Year ended 30 September.	2012	2011
Net assets	**£63.5m**	£62 6m
Net asset value per share	**88.9p**	87 8p
Return per share		
Revenue	**1.3p**	1 5p
Capital	**5.8p**	8 8p
Total	**7.1p**	10 3p
Dividend per share declared in respect of the year	**6.0p**	6 0p
Cumulative return to shareholders since launch		
Net asset value per share	**88 9p**	87 8p
Dividends paid per share*	**102 5p**	96 5p
Net asset value plus dividends paid per share	**191 4p**	184 3p
Mid-market share price at end of year	**75 0p**	77 0p
Share price discount to net asset value	**15 6%**	12 3%

*Excluding proposed final dividend

Key dates

Results announced
8 November 2012

Shares quoted ex dividend
28 November 2012

Annual general meeting
14 December 2012 (11 30am, The Balmoral,
1 Princes Street, Edinburgh EH2 2EQ)

Final dividend paid (to shareholders on register on 30 November 2012)
21 December 2012

Chairman's statement

The portfolio of unquoted and AIM-quoted investments continues to perform well overall.

I am glad to report that your company's annual results once again disclose a positive outcome despite the difficult economic environment NAV per share has increased for the fourth successive year, whilst the dividend has been maintained at our target level of 6 0p per annum The portfolio of unquoted and AIM-quoted investments continues to perform well overall, and the company's strong long-term performance record was recognised when it was named Best Venture Capital Trust in the *What Investment* Investment Trust Awards for 2012

Results and dividend

The NAV per ordinary share at 30 September 2012 was 88 9p, compared with 87 8p at 30 September 2011 The return per share before dividends as shown in the income statement was 7 1p, equivalent to 8 1% of the opening net asset value, which represents a reduction from the return of 10 3p achieved a year earlier Several factors contributed to this fall Investment income was down by approximately 5% from the preceding year, reflecting one particularly large non-recurring receipt in 2011 The total expense ratio increased marginally to 2 62% of average net assets, but remains well below the sector average for generalist VCTs Finally, whilst the net realised gain on investment disposals increased from £1 3 million last year to £1 9 million, the annual increase in the unrealised revaluation surplus fell from £5 1 million to £3 0 million Nevertheless we believe that in the prevailing economic conditions the results are creditable

Shareholders will recall that it is the board's stated objective to declare an annual dividend of at least 6 0p per share An interim dividend of 3 0p per share for the year ended 30 September 2012 was paid in June 2012 and we are now recommending a final dividend also of 3 0p, making a total of 6 0p for the year This represents an effective yield on the company's current NAV of 6 8%, which of course is tax-free to shareholders

Investment portfolio

The business review on pages 6 to 10 gives details of movements in the venture capital portfolio during the year New investment activity was at a normal level, with three new holdings acquired at a cost of £3 8 million and an additional £2 3 million invested in existing portfolio companies The recent removal of the long-standing £1 million annual limit on qualifying investments is already leading to an increase in the average size of new investments The portfolio generated sale proceeds of £6 7 million, of which the largest single component was the £3 0 million received on the successful sale of Closerstill Holdings in May 2012 As we begin our new financial year several other companies are in active sale processes which it is hoped will lead in due course to satisfactory exits However it is clear that any recovery in the UK economy will be gradual, and in taking our usual cautious approach to the valuation of our unquoted investments we have reduced the carrying value of a number of individual holdings

In the light of the continuing low interest rates available from bank deposits and the bond market, we have continued to hold part of the company's surplus liquidity in a portfolio of higher-yielding FTSE 350 listed equities and funds, which has produced a satisfactory yield as well as a modest capital appreciation over the year

Shareholder issues

During the year 610,267 new ordinary shares were issued through the company's dividend investment scheme and 449,175 shares were re-purchased in the market for cancellation The latter figure represents well under 1% of the issued share capital, and reflects the fact that such shares as do come onto the market tend to be taken up by secondary investors rather than being left to be bought back by the company The company's established policy is to re-purchase shares at a 15% discount to NAV, which we believe provides suitable support to the secondary market whilst balancing the interests of would-be sellers with those of continuing shareholders

As the company presently has ample funds available for investment, we do not intend to undertake any large-scale fund-raising in the 2012/13 tax year The board is considering the possibility of a small top-up issue of new shares in response to shareholder demand and it is expected that a further announcement will be made in due course

***John Hustler** Chairman*

VCT qualifying status

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

Board of directors

Michael Denny and Ross Peters have both indicated that they will be retiring from the board at the close of the annual general meeting in December 2012 Michael was one of the founding directors of the company in 1995 and was executive chairman of NVM Private Equity from 1988 to 2008 as well as serving a term as chairman of the British Venture Capital Association Ross joined the board in 2001 after a successful career in venture capital with Murray Johnstone I would like to thank both Michael and Ross for the significant contribution they have made to the success of our company and we wish them well for the future

A number of potential new directors have been interviewed, as a result of which I am delighted to report that Simon Constantine accepted an invitation to join the board and was appointed as a director on 31 October 2012 Simon is an experienced non-executive director with a strong financial background in public and private markets and we look forward to working with him

Legislative and regulatory developments

Your board has spent much time in recent months considering the impact of a number of legislative and regulatory issues

We reported at the half-year stage on the uncertainty created by the 2012 Finance Bill, which purported to relax the limits on the size of qualifying companies and to increase the amount of funding which companies can raise from VCTs to £10 million per annum Disappointingly, the European Commission subsequently imposed a reduced limit of £5 million on the amount a qualifying company can raise in any 12 month period from state-aided sources, including VCTs There are also draconian penalties for any VCT which invests in a company which exceeds the fund-raising limit However your board and managers have learned over many years to work within the changing legislative framework and I have no doubt we will continue to do so

On the regulatory front we are still evaluating the potential effects of the FSA's Retail Distribution Review, which is likely to bring about significant changes in the way VCTs raise funds through new share issues The position has been further clouded by the publication in August 2012 of the FSA's consultation paper on the retail distribution of unregulated collective investment schemes, apparently designed inter alia to restrict the population of retail investors to whom financial advisers can promote VCT share issues We are perplexed by this proposal and do not believe that our shareholders would encourage it The strength of demand for our shares in the secondary market, which would not be affected by this change to the regulations, would seem to support our view Therefore, together with the other Northern VCTs, we have made vigorous representations against this proposal and are now awaiting the FSA's next move

Annual general meeting and shareholder presentation

The 2012 annual general meeting will take place in Edinburgh on Friday 14 December 2012 Details of the formal business of the meeting are set out in a separate circular which is being sent to shareholders with the annual report We look forward to meeting shareholders on that occasion and also at NVM Private Equity's VCT seminar in London on Friday 18 January 2013

Outlook

Northern Venture Trust has grown to become a substantial company with over £60 million of assets and some 3,500 shareholders, many of whom have made a significant investment whether by subscribing for new shares or by purchasing in the market Your directors are aware of the importance which you as investors attach to the maintenance of a consistent performance record, especially in relation to the dividend, and despite the distractions already referred to we have a strong focus on keeping your company where it belongs among the leading performers in the VCT sector

John Hustler
Chairman
8 November 2012

Directors and advisers

John Hustler FCA MCSI CF (Chairman)

aged 66, was for ten years a corporate finance partner at KPMG, where he was head of venture capital, he formed Hustler Venture Partners Limited, a specialist adviser to small firms, in 1993 He is non executive chairman of Octopus Titan VCT 2 PLC and a non-executive director of Hygea VCT plc He was appointed to the board in 1995 and became chairman in 2009

Nigel Beer FCA

aged 58, was formerly London Head of Corporate Finance at KPMG He has over 20 years' experience of private equity and corporate transactions and investments Currently he acts as a consultant and non-executive director to various companies including Community Health Partnerships Limited, which invests in health sector infrastructure He was appointed to the board in 2009

Simon Constantine MA ACA

aged 53, has extensive business management experience at board level, particularly in the healthcare and life sciences sectors, and co-led the management buy-in and subsequent trade sale of Life Sciences International plc He has served as a non-executive director of a number of venture capital and private equity backed businesses and is currently chairman of Capstone Foster Care Limited and Reinnervate Limited and a non-executive director of Bioquell PLC He was appointed to the board in October 2012

Michael Denny

aged 69, was chairman of NVM Private Equity Limited until his retirement in 2008 He is a non-executive director of Northern 2 VCT PLC and is a past chairman of the British Private Equity and Venture Capital Association He was appointed to the board in 1995 and will be retiring at the close of the 2012 annual general meeting

Ross Peters MA

aged 69, was a director of Murray Johnstone Limited for fifteen years and chief executive and founder of their venture capital activities He formed Stevenson Stewart, an adviser to technology based companies, in 1992 He is a non-executive director of a number of private companies He was appointed to the board in 2001 and will be retiring at the close of the 2012 annual general meeting

Hugh Younger LLB

aged 54, is senior partner at Murray Beith Murray, a leading firm of solicitors based in Edinburgh He has more than 25 years' experience of private client work and brings a perspective on matters relating to wealth management and asset protection He was appointed to the board in 2009

Secretary and registered office

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Registered number

3090163

Investment manager

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Northumberland House
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Investment advisers

Sarasin & Partners LLP
Juxon House
100 St Paul's Churchyard
London EC4M 8BU

Speirs & Jeffrey Limited
36 Renfield Street
Glasgow G2 1NA

Independent auditor

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

Taxation advisers

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Solicitors

SJ Berwin LLP
10 Queen Street Place
London EC4R 1BE

Stockbrokers

Nplus1 Singer Advisory LLP
1 Hanover Street
London W1S 1YZ

Bankers

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

Registrars

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

Shareholder information

The trust invests mainly in unquoted venture capital holdings.

The Company

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

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

Northern Venture Trust is managed by NVM Private Equity Limited (NVM), an independent specialist firm of venture capital managers based in Newcastle upon Tyne and Reading NVM also acts as manager of three other listed investment companies, Northern Investors Company PLC, Northern 2 VCT PLC and Northern 3 VCT PLC, and a limited partnership, NV1 LP NVM has a total of over £200 million under management

Venture Capital Trusts

Venture Capital Trusts (VCTs) were introduced by the Chancellor of the Exchequer in the November 1994 Budget, the relevant legislation being contained in the Finance Act 1995 VCTs are intended to provide a means whereby private individuals can invest in small unquoted trading companies in the UK, with an incentive in the form of a range of tax benefits With effect from 6 April 2006, the benefits to eligible investors include

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

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

Financial calendar

The company's financial calendar for the year ending 30 September 2013 is as follows

May 2013

Half-yearly financial report for six months ending 31 March 2013 published

June 2013

Interim dividend paid

November 2013

Final dividend and results for year ending 30 September 2013 announced, annual report and financial statements published

December 2013

Annual general meeting, final dividend paid

Share price

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

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

Share price information can also be obtained via the NVM website at **www nvm co uk**

Dividend investment scheme

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

Business review

The company's objective is to provide high long-term tax-free returns to investors through a combination of dividend yield and capital growth, by investing in a portfolio mainly comprising holdings in UK unquoted companies.

This review has been prepared by the directors in accordance with the requirements of Section 417 of the Companies Act 2006, and forms part of the directors' report to shareholders The company's independent auditor is required by law to report on whether the information given in the directors' report (including the business review) is consistent with the financial statements The auditor's report is set out on page 26

Objectives and investment policy

The company's objective is to provide high long-term tax-free returns to investors through a combination of dividend yield and capital growth, by investing in a portfolio mainly comprising holdings in UK unquoted companies

The company is a Venture Capital Trust (VCT) approved by HM Revenue & Customs In order to maintain approved status, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007, in particular, a VCT is required at all times to hold at least 70% by value of its investments (as defined in the legislation) in qualifying holdings, of which at least 30% (70% for funds raised after 5 April 2011) must comprise eligible ordinary shares For this purpose a "qualifying holding" is an investment in new shares or securities of an unquoted company (which may be quoted on AIM) which has a permanent establishment in the UK, is carrying on a qualifying trade, and whose gross assets and number of employees at the time of investment do not exceed prescribed limits The definition of "qualifying trade" excludes certain activities such as property investment and development, financial services and asset leasing With effect from 6 April 2012 the legislation has been amended so as to prevent any company from receiving more than £5 million in aggregate from all state-aided providers of risk capital, including VCTs, in the 12 month period up to and including the most recent such investment

The company's investment policy has been designed to enable the company to comply with the VCT qualifying conditions set out in the previous paragraph The directors intend that the long-term disposition of the company's assets will be approximately 80% in a portfolio of VCT-qualifying unquoted and AIM-quoted investments and 20% in other investments (including listed fixed-interest and equity securities and bank deposits), to provide a reserve of liquidity which will maximise the company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs Within the VCT-qualifying portfolio investments will be structured using various listed and unlisted investment instruments, including ordinary and preference shares, loan stocks and convertible securities, to achieve an appropriate balance of income and capital growth, having regard to the VCT legislation The portfolio will be diversified by investing in a broad range of VCT-qualifying industry sectors and by holding investments in companies at different stages of maturity in the corporate development cycle The normal investment holding period will be in the range from three to seven years Up to approximately 10% by cost of the company's investments may be in early stage companies with high growth potential

Based on the company's present gross assets of approximately £64 million, the directors expect that no single investment would normally represent in excess of 3% of the company's total assets at the time of acquisition However shareholders should be aware that the company's VCT-qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability, as a result it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available Investments will normally be made using the company's equity shareholders' funds and it is not intended that the company will take on any long-term borrowings

The company is entitled to participate pro rata to net assets in all investment opportunities developed by NVM Private Equity Limited (NVM) and regularly invests alongside the other funds managed by NVM, enabling the funds together to undertake investment commitments in any one investee company of up to approximately £7 million Under a co-investment scheme introduced in 2006, NVM executives are required to invest personally alongside the funds in each new investee company on a predetermined basis

Table 1: Venture capital portfolio cash flow

Year ended 30 September	New investment £000	Sales proceeds £000	Net inflow/ (outflow) £000
2008	9,006	13,386	4,380
2009	2,187	9,978	7,791
2010	7,333	6,023	(1,310)
2011	6,399	4,199	(2,200)
2012	6,139	6,721	582
Total	**31,064**	**40,307**	**9,243**

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

	£000	Pence per ordinary share
Net asset value at 30 September 2011	62,570	87 8
Net revenue (investment income less revenue expenses and tax)	940	1 3
Capital surplus arising on investments		
Realised net gains on disposals	1,941	2 7
Movements in fair value of investments	3,010	4 2
Management expenses allocated to capital account (net of tax relief)	(840)	(1 1)
Total return for the year as shown in income statement	5,051	7 1
Proceeds of issue of new shares (net of expenses)	512	–
Shares re-purchased for cancellation	(331)	–
Net movement for the year before dividends	5,232	7 1
Net asset value at 30 September 2012 before dividends recognised	67,802	94 9
Dividends recognised in the financial statements for the year	(4,277)	(6 0)
Net asset value at 30 September 2012	**63,525**	**88 9**

Investment management

NVM has acted as the company's investment manager since inception NVM has an experienced team of venture capital executives based in its offices in Newcastle upon Tyne and Reading and currently has over £200 million under management

The board's management engagement committee reviews the terms of NVM's appointment as investment manager on a regular basis The principal terms of the company's management agreement with NVM are set out in Note 3 to the financial statements

Overview of the year

During the year under review Northern Venture Trust achieved a total return to ordinary shareholders, before dividends, of 7 1p per share, equivalent to 8 1% of the opening net asset value per share of 87 8p

The net cash inflow from the venture capital portfolio during the year was £0 6 million, comprising sales proceeds and repayments of £6 7 million less new investments of £6 1 million Portfolio cash flow over the past five years is set out in Table 1 The movement in total net assets and net asset value per share is summarised in Table 2

After taking account of other cash flows, the company's total cash and deposits decreased over the year by £5 2 million to £13 1 million In addition the company holds listed fixed-interest and equity investments valued at £8 1 million, increased from £6 0 million at 30 September 2011

Dividends

The directors have declared dividends totalling 6 0p per share in respect of the year, comprising 1 3p revenue dividend and a 4 7p capital dividend from realised capital gains

Business review continued

Age of investment

- Up to 1 year 13 6%
- 1–3 years 37 2%
- 3–5 years 9 3%
- 5–7 years 17 7%
- Over 7 years 22 2%

Industry sector

- IT services 39 1%
- Construction 5 9%
- Consumer 11 7%
- Industrial/manufacturing 11 5%
- Business services 20 1%
- Healthcare/biotechnology 11 7%

Investment portfolio

During the year ended 30 September 2012, three new holdings were added to the venture capital portfolio at a cost of £3 8 million, and additional investments totalling £2 3 million were made in existing portfolio companies The portfolio at 30 September 2012 comprised 40 holdings with an aggregate value of £42 2 million

A summary of the venture capital holdings at 30 September 2012 is given on page 11, with information on the fifteen largest investments on pages 12 to 15

New investments

The new investments completed during the year were

- **Lineup Systems (£974,000)** – multi-channel advertising and media software business, London
- **Volumatic (£1,100,000)** – manufacturer of intelligent cash handling equipment, Birmingham
- **Silverwing (£1,773,000)** – developer of non-destructive testing solutions for the oil and gas industry, Swansea

The investment in **Volumatic** was an addition to a previous investment of £995,000 in **Evolve Investments** which acquired **Volumatic** in the year

Additional investments were made during the year in **Tinglobal Holdings** (£1,000,000) and **Wear Inns** (£660,000)

Investment realisations

Details of investment sales during the year are given in Note 9 on page 35 The most significant realisations (original cost or sales proceeds in excess of £0 5 million) are summarised in Table 3

Closerstill Holdings, the business-to-business exhibition organiser, was sold to Phoenix Private Equity in May 2012 for £2,990,000 in cash The related investment in **Closer2 Investments** was simultaneously exchanged for a holding of equivalent value in **Closerstill Group**, a new exhibitions group funded mainly by Phoenix The AIM-quoted investment in **Tikit Group** was substantially reduced, taking advantage of a strong upward movement in the share price A further £398,000 of deferred proceeds from the 2009 sale of **DxS** was also received Various smaller realisations, largely from loan and preference share redemptions, took the total cash proceeds from the portfolio to £6 7 million

Portfolio composition

The pie charts above show the composition of the investment portfolio at 30 September 2012 by value according to age, industry sector, financing stage and whether quoted or unquoted The portfolio is well diversified and the company has continued to invest primarily in manufacturing and service businesses which meet the managers' key criteria of good value, growth potential, strong management and ability to generate cash

The portfolio has made good overall progress during the year despite the continuing difficulties in the UK economy The three largest unquoted holdings, **Kerridge Commercial Systems, Paladin Group** and **Alaric Systems**, achieved excellent results which led to increased valuations However market conditions have had an adverse impact in a number of cases and our conservative approach to valuation has resulted in some reduced valuations where appropriate The AIM-quoted holdings in **IDOX** and **Advanced Computer Software Group** again performed well

The company has continued to hold a proportion of its assets in listed equity and fixed-interest investments and these have made a satisfactory contribution to total return

Valuation policy

Unquoted investments are valued in accordance with the accounting policy set out on page 31, which takes account of current industry guidelines for the valuation of venture capital portfolios Provision against cost is made where an investment is under-performing significantly

As at 30 September 2012 the number of investments falling into each valuation category was as shown in Table 4

2008	2009	2010	2011	**2012**
80 1	80 3	85 2	87 8	88 9

Net asset value (p)

2008	2009	2010	2011	**2012**
154 1	166 3	174 2	184 3	191 4

Net asset value plus cumulative dividends paid per share (p)

2008	2009	2010	2011	**2012**
7 5	7 5	7 5	6 0	6 0

Dividend per share (p)

Financing stage

- Early stage 8 4%
- Expansion 47 6%
- MBO/MBI 44 0%

Quotation

- Unquoted 88 8%
- AIM 10 0%
- LSE 1 2%

Table 3· Significant investment realisations

Company	Date of original investment	Original cost £000	Sales proceeds £000	Realised surplus/ (deficit) £000
Closerstill Holdings	2008	1,001	2,990	1,989
Tikit Group (AIM quoted)*	1999	484	638	154
Envirotec*	2005	500	600	100
KPJ Software Services	2009	995	895	(100)

*Partial realisation

Table 4 Investment valuation by category

Category	Number of investments	Valuation £000	% of portfolio by value
Unquoted investments at directors' valuation			
Earnings multiple	23	30,532	72 4
Original cost	4	5,731	13 6
Original cost less provision	4	1,203	2 8
Quoted investments at bid price			
Listed on London Stock Exchange	1	499	1 2
Quoted on AIM	8	4,219	10 0

Key performance indicators

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

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

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

Total expense ratio the chart below shows total annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders for each of the past five financial years

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

2008	2009	2010	2011	**2012**
78 5	86 0	93 5	99 5	105 5

Cumulative dividends per share (p)

2008	2009	2010	2011	**2012**
2 92	2 61	2 65	2 54	2 62

Total expense ratio (%)

Business review continued

Risk management

The board carries out a regular review of the risk environment in which the company operates The principal risks and uncertainties identified by the board are as follows

Investment risk many of the company's investments are in small and medium-sized unquoted and AIM quoted companies which are VCT qualifying holdings, and which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies The directors aim to limit the risk attaching to the portfolio as a whole by careful selection, close monitoring and timely realisation of investments, by carrying out rigorous due diligence procedures and by maintaining a wide spread of holdings in terms of financing stage and industry sector The board reviews the investment portfolio with the managers on a regular basis

Financial risk as most of the company's investments involve a medium- to long-term commitment and many are relatively illiquid, 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 take advantage of new unquoted investment opportunities The company has very little direct exposure to foreign currency risk and does not enter into derivative transactions

Economic risk events such as economic recession or general fluctuation in stock markets 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

Stock market risk some of the company's venture capital investments are quoted on the London Stock Exchange or AIM and will be subject to market fluctuations upwards and downwards External factors such as terrorist activity can negatively impact stock markets worldwide In times of adverse sentiment there can be very little, if any, market demand for shares in smaller companies quoted on AIM

Credit risk the company holds a number of financial instruments and cash deposits and is dependent on the counterparties discharging their commitment The directors review the creditworthiness of the counterparties to these instruments and cash deposits in addition to ensuring no significant concentration of credit risk is with any one party

Liquidity risk the company's investments may be difficult to realise The fact that a stock is quoted on a recognised market does not guarantee its liquidity and there may be a large spread between bid and offer prices Unquoted investments are not traded on a recognised stock exchange and are inherently illiquid

Political risk in order to maintain its approval as a VCT, the company is required to comply with current VCT legislation in the UK as well as the European Commission's state aid rules Politically motivated changes to the UK legislation or the State Aid rules in the future could have an adverse effect on the company's ability to achieve satisfactory investment returns whilst retaining its VCT approval The board and the manager monitor political developments and where appropriate seek to make representations either directly or through relevant trade bodies

Internal control risk 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

VCT qualifying status risk the company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status The loss of such approval could lead to the company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment The manager keeps the company's VCT qualifying status under continual review and reports to the board on a quarterly basis The board has also retained PricewaterhouseCoopers LLP to undertake an independent VCT status monitoring role

Future prospects

Our immediate objective is to at least maintain the present level of dividend whilst avoiding erosion of the company's net asset base In the current climate this is a challenging task, but we believe the portfolio is capable of continuing to deliver attractive income and capital returns for the benefit of shareholders

By order of the Board

C D Mellor
Secretary

8 November 2012

Investment portfolio

as at 30 September 2012

	Cost £000	Valuation £000	% of net assets by value
Fifteen largest venture capital investments (see pages 12 to 15)			
Kerridge Commercial Systems	1,741	4,808	7 6
Paladin Group	1,709	3,147	5 0
Alaric Systems	2,119	3,055	4 8
Volumatic	2,095	2,095	3 3
Weldex (International) Offshore Holdings	3,262	2,087	3 3
Wear Inns	1,640	2,076	3 3
Silverwing	1,773	1,773	2 8
Tinglobal Holdings	1,988	1,672	2 6
CGI Group Holdings	3,597	1,608	2 5
Kitwave One	1,582	1,606	2 5
IDOX*	268	1,359	2 1
Advanced Computer Software Group*	381	1,343	2 1
Promatic Group	1,229	1,296	2 0
Cawood Scientific	1,073	1,191	1 9
Arleigh Group	704	1,179	1 9
	25,161	**30,295**	**47 7**
Other venture capital investments			
Control Risks Group Holdings	746	1,173	1 8
Lineup Systems	974	974	1 5
RCC Lifesciences	995	965	1 5
CloserStill Group	888	888	1 4
Lanner Group	832	780	1 2
Interlube Systems	88	753	1 2
Axial Systems Holdings	1,004	662	1 0
Mantis Deposition Holdings	748	612	1 0
e-know net	360	590	0 9
Brady*	386	541	0 9
Vectura Group**	315	498	0 8
IG Doors	51	418	0 7
Sinclair IS Pharma*	425	402	0 6
Envirotec	314	401	0 6
Gentronix	535	400	0 6
Tikit Group*	269	377	0 6
Direct Valeting	313	365	0 6
Optilan Group	1,000	353	0 6
S&P Coil Products	120	300	0 5
Altacor	477	239	0 4
Vianet Group*	184	143	0 2
RTC Group*	436	50	0 1
Summit Corporation*	195	5	–
Warmseal Windows (Newcastle)	400	–	–
Astbury Marsden Holdings	1,177	–	–
Total venture capital investments	**38,393**	**42,184**	**66 4**
Total listed equity investments	6,527	6,393	10 1
Total listed fixed-interest investments	2,069	1,733	2 7
Total fixed asset investments	**46,989**	**50,310**	**79 2**
Net current assets		13,215	20 8
Net assets		**63,525**	**100 0**

* Quoted on AIM

** Listed on London Stock Exchange

Fifteen largest private equity investments

Kerridge Commercial Systems

Cost	£1,741,000
Valuation	£4,808,000
Basis of valuation	Earnings multiple
Equity held	8 3% (NVM funds total 45 0%)
Business/location	Software developer for wholesale and retail distribution sectors, Hungerford
History	Management buy-out from ADP Inc, March 2010, led by NVM Private Equity
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan interest £126,000

Audited financial information

Year ended 30 September	2011 £m	2010* £m
Sales	18 9	11 6
Profit before tax	1 2	0 7
Profit after tax	0 9	0 5
Net assets	2 4	1 7

*6 months ended 30 September

Paladin Group

Cost	£1,709,000
Valuation	£3,147,000
Basis of valuation	Earnings multiple
Equity held	14 7% (NVM funds total 50 8%)
Business/location	Provider of property management services, Bath
History	Development capital investment, June 2006, led by NVM Private Equity
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £68,000

Audited financial information

Year ended 31 March	2012 £m	2011 £m
Sales	16 6	16 6
(Loss)/profit before tax	(0 2)	0 1
(Loss)/profit after tax	(0 2)	0 1
Net assets	0 4	1 2

Alaric Systems

Cost	£2,119,000
Valuation	£3,055,000
Basis of valuation	Earnings multiple
Equity held	15 6% (NVM funds 36 5%)
Business/location	Developer of electronic payment protection software, London
History	Development capital financing in November 2000, led by NVM Private Equity
Other NVM funds investing	Northern Investors Company, Northern 2 VCT
Income in year	Dividends nil, loan stock interest £13,000

Audited financial information

Year ended 31 March	2012 £m	2011 £m
Sales	8 7	5 8
Profit before tax	1 4	0 5
Profit after tax	1 5	0 4
Net assets	3 2	1 8

Volumatic

Cost	£2,095,000
Valuation	£2,095,000
Basis of valuation	Cost
Equity held	16 9% (NVM funds total 50 7%)
Business/location	Manufacturer of intelligent cash handling equipment, Birmingham
History	Management buy-out, March 2012, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in period	Nil

Audited financial information

First audited accounts will be for the period ending 31 March 2013

Weldex (International) Offshore Holdings

Cost	£3,262,000
Valuation	£2,087,000
Basis of valuation	Earnings multiple
Equity held	5 0% (NVM funds total 10 0%)
Business/location	Hire of large crawler cranes to the construction industry, Inverness
History	Institutional buy-out in June 2010, led by Dunedin Capital Partners
Other NVM funds investing	Northern Investors Company
Income in year	Nil

Audited financial information

Year ended 30 November	2011* £m
Sales	36 8
Profit before tax	2 3
Profit after tax	0 7
Net assets	1 6

*17 months ended 30 November

Wear Inns

Cost	£1,640,000
Valuation	£2,076,000
Basis of valuation	Earnings multiple
Equity held	7 5% (NVM funds total 28 5%)
Business/location	Owner of managed public houses, Newcastle upon Tyne
History	Acquisition capital financing in February 2006, led by NVM Private Equity, further investment round in May 2012
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £72,000

Audited financial information

Year ended 31 March	2012 £m	2011 £m
Sales	7 4	6 2
Profit before tax	0 1	0 1
Profit after tax	0 1	0 1
Net assets	0 2	0 2

Silverwing

Cost	£1,773,000
Valuation	£1,773,000
Basis of valuation	Cost
Equity held	14 2% (NVM funds total 49 8%)
Business/location	Developer of non-destructive testing solutions for the oil and gas industry, Swansea
History	Management buy-out, March 2012, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT, NV1 LP
Income in year	Nil

Audited financial information

First audited accounts will be for the period ending 31 December 2012

Tinglobal Holdings

Cost	£1,988,000
Valuation	£1,672,000
Basis of valuation	Earnings multiple
Equity held	12 8% (NVM funds total 38 4%)
Business/location	Supplier of refurbished mid-range computer equipment, Cirencester
History	Management buy-out from venture capital ownership, June 2011, led by NVM Private Equity
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £38,000

Audited financial information

Year ended 31 May	2012 £m
Sales	18 4
Loss before tax	(0 4)
Profit after tax	0 2
Net assets	1 6

Fifteen largest private equity investments
continued

CGI Group Holdings

Cost	£3,597,000
Valuation	£1,608,000
Basis of valuation	Earnings multiple
Equity held	17 5% (NVM funds total 26 2%)
Business/location	Manufacture of fire-resistant and safety glass, Warrington
History	Recapitalisation in April 2008 of CGI Group (originally a management buy-out investment in February 1999), led by Dunedin Capital Partners
Other NVM funds investing	Northern Investors Company
Income in year	Nil

Audited financial information

Year ended 31 December	2011 £m	2010 £m
Sales	11 6	10 7
Profit/(loss) before tax	1 0	(0 1)
Profit/(loss) after tax	0 7	(1 0)
Net liabilities	(1 0)	(1 8)

Kitwave One

Cost	£1,582,000
Valuation	£1,606,000
Basis of valuation	Earnings multiple
Equity held	8 1% (NVM funds total 41 6%)
Business/location	Wholesaler of confectionery, soft drinks, snacks, beers, wines and tobacco, North Shields
History	Growth capital investment in March 2011, led by NVM Private Equity
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £100,000

Audited financial information

Year ended 30 April	2012 £m	2011 £m
Sales	154 6	100 2
Profit before tax	0 8	1 2
Profit after tax	0 5	0 7
Net assets	4 8	4 3

IDOX

Cost	£268,000
Valuation	£1,359,000
Basis of valuation	Bid price (AIM)
Equity held	1 0% (NVM funds total 2 6%)
Business/location	Developer of software products for document, content and information management, London
History	The company floated on AIM in December 2000
Other NVM funds investing	Northern 3 VCT
Income in year	Dividends £23,000

Audited financial information

Year ended 31 October	2011 £m	2010 £m
Sales	38 6	31 3
Profit before tax	5 6	4 9
Profit after tax	4 5	3 6
Net assets	34 4	31 0

Advanced Computer Software Group

Cost	£381,000
Valuation	£1,343,000
Basis of valuation	Bid price (AIM)
Equity held	0 6% (NVM funds total 2 3%)
Business/location	Provider of software to the healthcare sector, London
History	Reverse take-over of an AIM listed company and additional fundraising, August 2008
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Nil

Audited financial information

Year ended 29 February	2012 £m	2011 £m
Sales	101 8	95 4
Profit before tax	6 4	3 1
Profit after tax	5 9	4 2
Net assets	98 2	84 6

Promatic Group

Cost	£1,229,000
Valuation	£1,296,000
Basis of valuation	Earnings multiple
Equity held	13 7% (NVM funds total 48 2%)
Business/location	Manufacturer and distributor of clay target launch equipment, Ellesmere Port
History	Management buy-out from private ownership, August 2007, led by NVM Private Equity
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £113,000

Audited financial information

Year ended 31 December	2011 £m	2010* £m
Sales	8 2	7 4
Profit/(loss) before tax	0 3	(0 1)
Profit/(loss) after tax	0 1	(0 1)
Net liabilities	(0 2)	(0 3)

*11 months ended 31 December

Cawood Scientific

Cost	£1,073,000
Valuation	£1,191,000
Basis of valuation	Earnings multiple
Equity held	11 8% (NVM funds total 48 0%)
Business/location	Laboratory services for land-based industries, Bracknell/Cawood
History	Management buy-out financing in December 2010, led by NVM Private Equity
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £76,000

Audited financial information

Year ended 31 March	2012 £m	2011* £m
Sales	7 5	2 2
Profit before tax	0 9	–
Profit after tax	0 7	–
Net assets	1 2	0 6

*4 months ended 31 March

Arleigh Group

Cost	£704,000
Valuation	£1,179,000
Basis of valuation	Earnings multiple
Equity held	10 3% (NVM funds total 41 3%)
Business/location	Supplier of accessories and spares to the holiday home and boating markets, Nuneaton
History	Management buy-out from Firstserve, October 2004, led by NVM Private Equity
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends £28,000, loan stock interest £63,000

Audited financial information

Year ended 31 December	2011 £m	2010 £m
Sales	15 8	13 2
Profit before tax	0 9	0 8
Profit after tax	0 6	0 5
Net assets	1 1	0 7

Directors' report

The directors have managed the affairs of the company with the intention of maintaining its status as an approved venture capital trust.

The directors present their report and the audited financial statements for the year ended 30 September 2012

Activities and status

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

The directors have managed the affairs of the company with the intention of maintaining its status as an approved venture capital trust for the purposes of Section 274 of the Income Tax Act 2007 The directors consider that the company was not at any time up to the date of this report a close company within the meaning of Chapter 2 of Part 10 of the Corporation Tax Act 2010 The company's registered number is 3090163

The directors are required by the articles of association to propose an ordinary resolution at the company's annual general meeting in 2016 that the company should continue as a venture capital trust for a further five year period, and at each fifth subsequent annual general meeting thereafter If any such resolution is not passed, the directors shall within four months convene an extraordinary general meeting to consider proposals for the reorganisation or winding-up of the company

Business review

The directors are required by Section 417 of the Companies Act 2006 to include a business review in their report to shareholders The business review is set out on pages 6 to 10 and is included in the directors' report by reference

Corporate governance

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

Results and dividend

The return on ordinary activities after tax for the year of £5,051,000 has been transferred to reserves

The final dividend of 3 0p per share in respect of the year ended 30 September 2011 and an interim dividend of 3 0p per share in respect of the year ended 30 September 2012 were paid during the year at a cost of £4,277,000 and have been charged to reserves

The proposed final dividend of 3 0p per share for the year ended 30 September 2012 will, if approved by shareholders at the annual general meeting, be paid on 21 December 2012 to shareholders on the register on 30 November 2012

Provision of information to the auditor

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

Going concern

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

Directors

The directors of the company during the year and their interests in respect of which transactions are notifiable to the company under Disclosure and Transparency Rule 3 1 2R (and so far as the company is, or ought upon reasonable enquiry to become, aware, the interests of their connected persons) in the issued ordinary shares of 25p of the company as at 30 September 2012 are shown in Table 1

All of the directors' share interests were held beneficially There have been no changes in the directors' share interests between 30 September 2012 and the date of this report

Mr S J Constantine was appointed as a director on 31 October 2012 At the date of his appointment Mr Constantine had a beneficial interest (including the interest of a connected person) in 105,000 ordinary shares in the company

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

Directors' and officers' liability insurance

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

Creditor payment policy

The company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms There were no amounts owing to trade creditors at 30 September 2012

Table 1 Directors' interests in ordinary shares

	30 September 2012	30 September 2011
J R Hustler (Chairman)	**117,182**	117,182
N J Beer	**77,537**	77,537
E M P Denny	**125,000**	125,000
R S Peters	**151,656**	151,656
H P Younger	**24,051**	24,051

Management

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

With effect from April 2006 a management performance incentive scheme was introduced under which investment executives employed by NVM 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 investee companies in which the company invests. The directors review the operation of the scheme annually.

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

Share capital – purchase of shares

During the year the company purchased for cancellation 449,175 of its own shares, representing 0.6% of the called-up share capital of the company, for a consideration of £331,000.

At the 2011 annual general meeting held in December 2011 shareholders authorised the company to purchase in the market up to 7,127,838 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 30 September 2012 449,175 shares had been purchased for a consideration of £331,000 under this authority, which at that date remained effective in respect of 6,678,663 shares, the authority will lapse at the conclusion of the annual general meeting of the company on 14 December 2012.

Share capital – issue of shares

During the year the company issued 610,267 new ordinary shares of 25p for a cash consideration of £523,000 pursuant to the company's dividend investment scheme.

Fixed assets

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

Annual general meeting

Notice of the annual general meeting to be held on 14 December 2012 is set out in a separate circular to shareholders along with explanatory comments on the resolutions.

Substantial shareholdings

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

Independent auditor

KPMG Audit Plc have indicated their willingness to continue 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.

By order of the Board

C D Mellor
Secretary 8 November 2012

Directors' remuneration report

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

This report has been prepared by the directors in accordance with the requirements of the Companies Act 2006 A resolution to approve the report will be proposed at the annual general meeting

The company's independent auditor, KPMG Audit Plc, is required to give its opinion on certain information included in this report, as indicated below Their report on these and other matters is set out on page 26

Board of directors

The board currently comprises six directors, all of whom are non-executive The board does not have a separate remuneration committee, as the company has no employees or executive directors The board has established a nomination committee, chaired by Mr J R Hustler and comprising all the directors, which considers the selection and appointment of directors and makes 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

Remuneration policy

The board considers that directors' fees should reflect the time commitment required and the high level of responsibility borne by directors, and should be broadly comparable to those paid by similar companies It is not considered appropriate that directors' remuneration should be performance-related, and none of the directors is eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive directors of the company Mr E M P Denny, who retired as an executive director of NVM Private Equity Limited (NVM) in April 2008, has a residual interest in performance incentive arrangements established for the benefit of certain executives of NVM, as described in the directors' report on page 17

Directors' fees were reviewed by the nomination committee during its meeting in September 2012, when it was recommended that fees should remain at £27,000 per annum for the chairman and £20,000 for other directors for the year ending 30 September 2013 The articles of association place an overall limit (currently £150,000 per annum) on directors' remuneration

Directors' fees (audited information)

The fees paid to individual directors in respect of the years ended 30 September 2012 and 30 September 2011 are shown in Table 1

Terms of appointment

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 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

Company performance

The graph opposite compares the total return (assuming all dividends are re-invested) to ordinary shareholders in the company over the five years ended 30 September 2012 with the total return from a notional investment in the FTSE All-Share index over the same period This index is considered to be the most appropriate broad equity market index for comparative purposes

By order of the Board

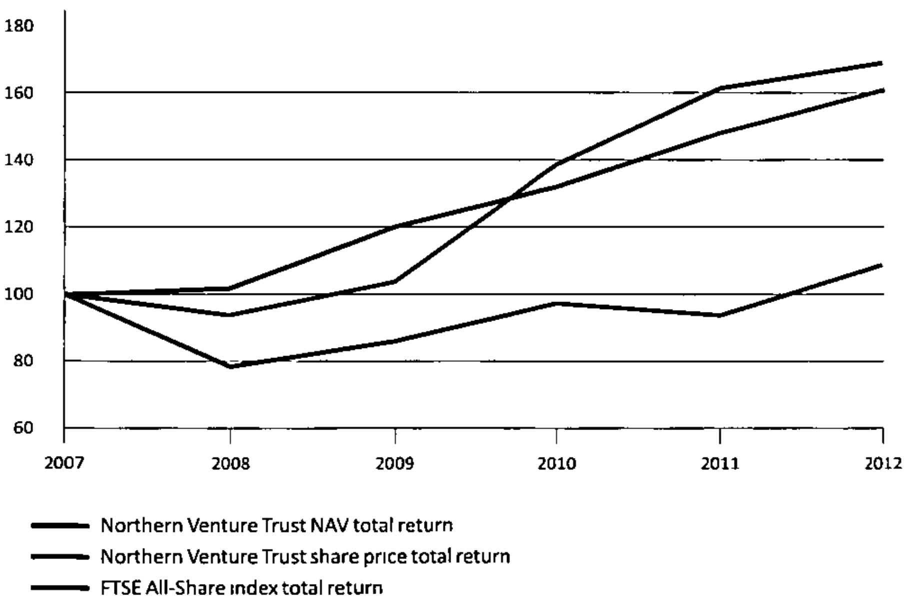
C D Mellor
Secretary 8 November 2012

Table 1 Directors' fees

	Year ended 30 September 2012	Year ended 30 September 2011
J R Hustler (Chairman)	**27,000**	27,000
N J Beer	**20,000**	20,000
E M P Denny	**20,000**	20,000
R S Peters	**20,000**	20,000
P S Scott (retired 16 December 2010)	**–**	4,210
H P Younger	**20,000**	20,000

Return to shareholders in Northern Venture Trust PLC

Five years to 30 September 2012 (September 2007 = 100)



Corporate governance

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

The board of Northern Venture Trust PLC has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the related 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/Documents/Technical/AIC CodeofCorporateGovernanceMarch2010 pdf**

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 30 September 2012 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 Venture Trust PLC, which is an externally managed venture capital trust The company has therefore not reported further in respect of these provisions

Board of directors

The company has a board of six non-executive directors, the majority of whom are considered to be independent of the company's investment manager, NVM Private Equity Limited (NVM) The board 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,
- 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 J R Hustler, leads the board in the determination of its strategy and in the achievement of its objectives The chairman is responsible for organising the business of the board, ensuring its effectiveness and setting its agenda, and has no involvement in the day to day business of the company He facilitates the effective contribution of the directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders

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

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

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

The 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 (with the exception of Mr E M P Denny, who was within the past five years an executive director of NVM, and is a director of another investment company managed by NVM) there are no relationships or circumstances which could affect their objectivity

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 regular refreshment of its membership is desirable

Board committees

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

Audit Committee

During the year the audit committee comprised

Mr N J Beer (Chairman)
Mr E M P Denny
Mr J R Hustler
Mr R S Peters
Mr H P Younger

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

- monitoring and making recommendations to the board in relation to the company's published financial statements and other formal announcements relating to the company's financial performance,
- monitoring and making recommendations to the board in relation to the 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 committee reviews its terms of reference and its effectiveness annually and recommends to the board any changes required as a result of the review The terms of reference are available on request from the company secretary and on the NVM website, **www nvm co uk** The audit committee meets five times per year and has direct access to KPMG Audit Plc, 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 However, the committee considers annually whether there is a need for such a function and if so would recommend this to the board

During the year ended 30 September 2012 the audit committee discharged its responsibilities by

- reviewing and approving the external auditor's terms of engagement and remuneration,
- 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, half-yearly results statement and interim management statements prior to board approval, including the proposed fair value of investments as determined by the directors,
- reviewing the external auditor's detailed reports to the committee on the annual financial statements, and
- recommending to the board and shareholders the reappointment of KPMG Audit plc as the auditor of the company

Corporate governance continued

Nomination Committee

During the year the nomination committee comprised

Mr J R Hustler (Chairman)
Mr N J Beer
Mr E M P Denny
Mr R S Peters
Mr H P Younger

The nomination committee considers the selection and appointment of directors and makes annual recommendations to the board as to the level of directors' fees The committee monitors the balance of skills, knowledge 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, the use of formal advertisements and external consultants 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 venture capital industry as well as to their own legal responsibilities as directors The committee has written terms of reference which are reviewed annually and are available on request from the company secretary and on the NVM website, **www nvm co uk**

Management Engagement Committee

During the year the management engagement committee comprised

Mr J R Hustler (Chairman)
Mr N J Beer
Mr R S Peters
Mr H P Younger

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 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 32

Following the latest review by the committee, 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 venture capital investment over an extended period, as a result of which the company has established a consistent long-term performance record NVM has also performed its company secretarial and accounting duties efficiently and effectively

Attendance at board and committee meetings

Table 1 sets out the number of formal board and committee meetings held during the year ended 30 September 2012 and the number attended by each director compared with the maximum possible attendance

Corporate responsibility

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

Investor relations

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

Further information can also be obtained via the NVM website at **www nvm co uk**

Internal control

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

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" below

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 business review on page 10

Table 1 Directors' attendance at meetings

	Board	Audit committee	Nomination committee	Management engagement committee
Number of meetings held	6	5	1	1
Attendance (actual/possible)				
J R Hustler (Chairman)	6/6	5/5	1/1	1/1
N J Beer	6/6	5/5	1/1	1/1
E M P Denny	6/6	5/5	1/1	N/A
R S Peters	5/6	5/5	1/1	1/1
H P Younger	6/6	5/5	1/1	1/1

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

As at 30 September 2012 71,439,472 ordinary shares were in issue (as at that date none of the issued shares were held by the company as treasury shares) Subject to any suspension or abrogation of rights pursuant to relevant law or the company's articles of association, the shares confer on their holders (other than the company in respect of any treasury shares) the following principal rights

(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 board as approved by shareholders in general meeting or in the case of an interim dividend in an amount determined by the board) All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the company,

(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 otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll

These rights can be suspended If a member, or any other person appearing to be interested in shares held by that member, has failed to comply within the time limits specified in the company's articles of association with a notice pursuant to Section 793 of the Companies Act 2006 (notice by company requiring information about interests in its shares), the company can until the default ceases suspend the right to attend and speak and vote at a general meeting and if the shares represent at least 0 25% of their class the company can also withhold any dividend or other money payable in respect of the shares (without any obligation to pay interest) and refuse to accept certain transfers of the relevant shares

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

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

Corporate governance continued

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 reappointed 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 (and who has not been elected as a director of the company by the members at a general meeting held in the interval since his appointment as a director of the company) is to be subject to election as a director of the company by the members at the first annual general meeting of the company following his appointment At each annual general meeting of the company one third of the directors for the time being, or if their number is not three or an integral multiple of three the number nearest to but not exceeding one third, are to be subject to re-election

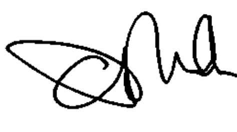
The Companies Act 2006 allows shareholders in general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) to remove any director before the expiration of his or her period of office, but without prejudice to any claim for damages which the director 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, ceases to be a director by virtue of any provision of the Companies Act, becomes prohibited by law from being a director, becomes bankrupt or is the subject of a relevant insolvency procedure, or becomes of unsound mind, or if the board so decides following at least six months' absence without leave or if he or she becomes subject to relevant procedures under the mental health laws, as set out in the company's articles of association

Powers of the directors

The company's articles of association specify that, subject to the provisions of the Companies Act 2006 and articles of association of the company and any directions given by shareholders by special resolution, the business of the company is to be managed by the directors, who may exercise all the powers of the company, whether relating to the management of the business or not, except where the Companies Act 2006 or the articles of association of the company otherwise require In particular the directors may exercise on behalf of the company its powers to purchase its own shares to the extent permitted by shareholders Authority was given at the company's 2011 annual general meeting to make market purchases of up to 7,127,838 ordinary shares at any time up to the 2012 annual general meeting and otherwise on the terms set out in the relevant resolution, and authority is being sought at the annual general meeting to be held on 14 December 2012 as set out in a separate circular

By order of the Board

C D Mellor
Secretary 8 November 2012



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 and applicable law (UK Generally Accepted Accounting Practice)

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 period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 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 directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations

The company's financial statements are published on the NVM Private Equity Limited (NVM) website, **www nvm co uk** The maintenance and integrity of this website is the responsibility of NVM and not of the company The work carried out by KPMG Audit Plc as independent auditor of the company does not involve consideration of the maintenance and integrity of the website and accordingly they accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website Visitors to the website should be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction

The directors confirm that to the best of their knowledge

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the company, and
- the directors' report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company faces

By order of the Board

C D Mellor
Secretary 8 November 2012

Independent auditor's report

To the members of Northern Venture Trust PLC

We have audited the financial statements of Northern Venture Trust PLC for the year ended 30 September 2012 set out on pages 28 to 40. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at **www.frc.org.uk/apb/scope/private.cfm**

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 16, in relation to going concern;
- the part of the corporate governance statement on pages 20 to 24 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

C Burnet

Catherine Burnet (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor

Chartered Accountants
Edinburgh

8 November 2012

Financial statements

Income statement

for the year ended 30 September 2012

	Notes	Year ended 30 September 2012 Revenue £000	Capital £000	Total £000	Year ended 30 September 2011 Revenue £000	Capital £000	Total £000
Gain on disposal of investments	8	–	1,941	1,941	–	1,277	1,277
Movements in fair value of investments	8	–	3,010	3,010	–	5,125	5,125
		–	4,951	4,951	–	6,402	6,402
Income	2	1,761	–	1,761	1,845	–	1,845
Investment management fee	3	(325)	(976)	(1,301)	(289)	(867)	(1,156)
Recoverable VAT		–	–	–	33	99	132
Other expenses	4	(360)	–	(360)	(350)	(14)	(364)
Return on ordinary activities before tax		1,076	3,975	5,051	1,239	5,620	6,859
Tax on return on ordinary activities	5	(136)	136	–	(264)	264	–
Return on ordinary activities after tax		940	4,111	5,051	975	5,884	6,859
Return per share	7	1 3p	5 8p	7 1p	1 5p	8 8p	10 3p

- The total column of this statement is the profit and loss account of the company The supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies, as set out in the accounting policies note
- There are no recognised gains or losses other than those disclosed in the income statement
- All items in the above statement derive from continuing operations
- The accompanying notes are an integral part of this statement

Reconciliation of movements in shareholders' funds

for the year ended 30 September 2012

	Notes	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Equity shareholders' funds at 1 October 2011		62,570	50,414
Return on ordinary activities after tax		5,051	6,859
Dividends recognised in the year	6	(4,277)	(4,789)
Net proceeds of share issues	14	512	14,782
Shares purchased for cancellation	14	(331)	(4,696)
Equity shareholders' funds at 30 September 2012		63,525	62,570

- The accompanying notes are an integral part of this statement

Balance sheet

as at 30 September 2012

	Notes	30 September 2012 £000	30 September 2011 £000
Fixed assets			
Investments	8	50,310	44,148
Current assets			
Debtors	12	248	218
Cash and deposits		13,109	18,294
		13,357	18,512
Creditors (amounts falling due within one year)	13	(142)	(90)
Net current assets		13,215	18,422
Net assets		63,525	62,570
Capital and reserves			
Called-up equity share capital	14	17,860	17,820
Share premium	15	10,850	10,491
Capital redemption reserve	15	14,466	14,353
Capital reserve	15	15,050	17,053
Revaluation reserve	15	3,321	961
Revenue reserve	15	1,978	1,892
Total equity shareholders' funds		63,525	62,570
Net asset value per share	16	88 9p	87 8p

• The accompanying notes are an integral part of this statement

The financial statements on pages 28 to 40 were approved by the directors on 8 November 2012 and are signed on their behalf by

H Hustler
Director

N J Beer
Director

Cash flow statement

for the year ended 30 September 2012

	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Net cash inflow from operating activities	122	1,324
Taxation		
Corporation tax paid	-	-
Financial investment		
Purchase of investments	(8,673)	(10,925)
Sale/repayment of investments	7,462	8,275
Net cash outflow from financial investment	(1,211)	(2,650)
Equity dividends paid	(4,277)	(4,789)
Net cash outflow before financing	(5,366)	(6,115)
Financing		
Issue of shares	523	15,618
Share issue expenses	(11)	(836)
Purchase of shares for cancellation	(331)	(4,696)
Net cash inflow from financing	181	10,086
(Decrease)/increase in cash and deposits	(5,185)	3,971
Reconciliation of return before tax to net cash flow from operating activities		
Return on ordinary activities before tax	5,051	6,859
Gain on disposal of investments	(1,941)	(1,277)
Movements in fair value of investments	(3,010)	(5,125)
(Increase)/decrease in debtors	(30)	845
Increase in creditors	52	22
Net cash inflow from operating activities	122	1,324

Analysis of movement in net funds	1 October 2011 £000	Cash flows £000	30 September 2012 £000
Cash and deposits	18,294	(5,185)	13,109

Notes to the financial statements

for the year ended 30 September 2012

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 on a going concern basis under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice (UK GAAP) Where presentational guidance set out in the Statement of Recommended Practice (SORP) "Financial Statements of Investment Trust Companies", revised in January 2009, is consistent with the requirements of UK GAAP, the directors have sought to prepare the financial statements on a consistent basis compliant with the recommendations of the SORP

(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 and loss at the time of acquisition and are measured at subsequent reporting dates at fair value In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending on the convention of the exchange on which the investment is quoted In the case of unquoted investments, fair value is established in accordance with the International Private Equity and Venture Capital Valuation guidelines 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

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

Those venture capital investments that may be termed associated undertakings are carried at fair value as determined by the directors in accordance with the company's normal policy and are not equity accounted as required by the Companies Act 2006 The directors consider that, as these investments are held as part of the company's portfolio with a view to the ultimate realisation of capital gains, equity accounting would not give a true and fair view of the company's interests in these investments Quantification of the effect of this departure is not practicable Carrying investments at fair value is specifically permitted under Financial Reporting Standard 9 "Associates and Joint Ventures", 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 which are incidental to the acquisition or disposal of an investment are allocated to capital return as incurred, and
- expenses are split and allocated partly to capital return where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly the investment management fee has been allocated 25% to revenue return and 75% to capital return, in order to reflect the directors' expected long-term view of the nature of the investment returns of the company

(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

(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 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 the fair value of investments are dealt with in this reserve

Notes to the financial statements continued

for the year ended 30 September 2012

2 Income

	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Franked investment income		
Unquoted companies	159	155
Quoted companies	365	93
Interest receivable		
Bank deposits*	112	99
Loans to unquoted companies	1,018	1,356
Listed fixed-interest investments	107	142
	1,761	1,845

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

3 Investment management fee

	Year ended 30 September 2012			Year ended 30 September 2011		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Investment management fee	325	976	1,301	289	867	1,156

NVM Private Equity Limited (NVM) provides investment management and secretarial services to the company under an agreement dated 6 November 1997, which may be terminated at any time by not less than twelve months' notice being given by either party

NVM receives a management fee, payable quarterly in advance, at the rate of 2 06% of gross assets less current liabilities, calculated at half-yearly intervals as at 31 March and 30 September NVM also provides administrative and secretarial services to the company for a fee of £60,000 per annum (linked to the movement in the RPI from April 2006 onwards) This fee is included in other expenses (see Note 4) NVM bears the cost of Sarasin & Partners LLP's fees for managing the listed fixed-interest portfolio

The total annual running costs of the company are capped at 2 9% of its net assets and NVM has agreed that any excess will be refunded by way of a reduction in its fees

4 Other expenses

	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Administrative and secretarial services	60	57
Directors' remuneration	107	119
Auditor's remuneration – audit services	20	17
Auditor's remuneration – non-audit services	2	-
Legal and professional expenses	37	40
Share issue promoter's commission	28	15
Irrecoverable VAT	21	15
Other expenses	85	87
	360	350

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

5 Tax on return on ordinary activities

	Year ended 30 September 2012 Revenue £000	Capital £000	Total £000	Year ended 30 September 2011 Revenue £000	Capital £000	Total £000
(a) Analysis of charge/(credit) for the year						
UK corporation tax payable/(recoverable) on the return for the year	136	(136)	–	264	(264)	–
(b) Tax reconciliation						
Return on ordinary activities before tax	1,076	3,975	5,051	1,239	5,620	6,859
Return on ordinary activities multiplied by the standard rate of UK corporation tax of 25% (2011 27%)	269	994	1,263	334	1,517	1,851
Effect of						
UK dividends not subject to tax	(131)	–	(131)	(67)	–	(67)
Capital returns not subject to tax	–	(485)	(485)	–	(345)	(345)
Movements in fair value of investments not subject to tax	–	(753)	(753)	–	(1,384)	(1,384)
Marginal relief	(2)	2	–	(3)	3	–
Increase/(decrease) in surplus management expenses	–	106	106	–	(55)	(55)
Current tax charge/(credit) for the year	136	(136)	–	264	(264)	–

(c) Factors which may affect future tax charges

The company has not recognised a deferred tax asset in respect of surplus management expenses carried forward of £563,000 (30 September 2011 £174,000), as the company may not generate sufficient taxable income in the foreseeable future to utilise these expenses There is no other unprovided deferred taxation

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

A reduction in the UK corporation tax rate from 26% to 24% with effect from 1 April 2012 was enacted during the period The Government has announced its intention to further reduce the UK corporation tax rate to 23% by 1 April 2013

6 Dividends

	Year ended 30 September 2012 Revenue £000	Capital £000	Total £000	Year ended 30 September 2011 Revenue £000	Capital £000	Total £000
(a) Recognised as distributions in the financial statements for the year						
Previous year's final dividend	499	1,639	2,138	–	2,661	2,661
Current year's interim dividend	355	1,784	2,139	355	1,773	2,128
	854	3,423	4,277	355	4,434	4,789
b) Paid and proposed in respect of the year						
Interim paid – 3 0p (2011 3 0p) per share	355	1,784	2,139	355	1,773	2,128
Final proposed – 3 0p (2011 3 0p) per share	571	1,569	2,140	499	1,639	2,138
	926	3,353	4,279	854	3,412	4,266

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

Notes to the financial statements continued

for the year ended 30 September 2012

7 Return per share

The calculation of the return per share is based on the return on ordinary activities after tax for the year of £5,051,000 (2011 £6,859,000) and on 71,445,352 (2011 66,533,370) shares, being the weighted average number of shares in issue during the year

8. Fixed asset investments

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

Financial Reporting Standard 29 'Financial Instruments Disclosures' (FRS 29) requires an analysis of investments valued at fair value based on the reliability and significance of the information used to measure their fair value The level is determined by the lowest (that is the least reliable or independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows

- Level 1 – investments with quoted prices in an active market
- Level 2 – investments whose fair value is based directly on observable current market prices or indirectly being derived from market prices
- Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or based on observable market data

	30 September 2012 £000	30 September 2011 £000
Level 1		
Quoted venture capital investments	4,718	3,784
Listed equity investments	6,393	3,458
Listed fixed-interest investments	1,733	2,557
Level 2		
None	–	–
Level 3		
Unquoted venture capital investments	37,466	34,349
	50,310	44,148

Movements in investments during the year are summarised as follows

	Venture capital – unquoted £000	Venture capital – quoted £000	Listed equity £000	Listed fixed-interest £000	Total £000
Book cost at 1 October 2011	33,138	3,245	3,993	2,811	43,187
Unrealised appreciation at 1 October 2011	1,211	539	(535)	(254)	961
Valuation at 1 October 2011	34,349	3,784	3,458	2,557	44,148
Movements in the year					
Purchases at cost	5,792	347	2,534	–	8,673
Disposals – proceeds	(5,961)	(760)	–	(741)	(7,462)
– net realised gains/(losses) on disposal	1,885	77	–	(21)	1,941
Movements in fair value	1,401	1,270	401	(62)	3,010
Valuation at 30 September 2012	37,466	4,718	6,393	1,733	50,310
Comprising					
Book cost at 30 September 2012	35,534	2,859	6,527	2,069	46,989
Unrealised appreciation at 30 September 2012	1,932	1,859	(134)	(336)	3,321
	37,466	4,718	6,393	1,733	50,310
Equity shares	14,300	4,718	6,393	–	25,411
Preference shares	264	–	–	–	264
Interest-bearing securities	22,902	–	–	1,733	24,635
	37,466	4,718	6,393	1,733	50,310

8 Fixed asset investments continued

The gains and losses included in the Table on the opposite page have all been recognised in the Income Statement on page 28

FRS 29 requires disclosure, by class of financial instrument, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of each investee company On that basis the directors consider that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly

At 30 September 2012 there were commitments totalling £221,000 (30 September 2011 £2,950,000) in respect of investments approved by the board but not yet completed

9 Investment disposals

Disposals of venture capital investments during the year were as follows

	Original cost £000	Directors' valuation at 30 September 2011* £000	Disposal proceeds £000	Realised gain/(loss) against carrying value £000
DxS (deferred proceeds)	–	–	398	398
Envirotec	500	600	600	–
CloserStill Holdings	1,001	1,731	2,990	1,259
Alaric Systems	56	185	157	(28)
Spectrum Interactive	277	71	233	162
Tikit Group	484	588	638	50
IDOX	30	87	122	35
KPJ Software Services	995	870	895	25
Twenty	198	7	–	(7)
Others	590	620	688	68
	4,131	4,759	6,721	1,962

* Including subsequent additions at cost

10 Unquoted investments

The cost and carrying value of material investments in unquoted companies held at 30 September 2012 are shown below For this purpose any investment included in the Table of the fifteen largest venture capital investments on pages 12 to 15, or in the corresponding Table in the previous year's annual report, is regarded as material

	30 September 2012		30 September 2011	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Kerridge Commercial Systems				
Ordinary shares	176	3,243	175	2,107
Loan stock	1,565	1,565	1,565	1,565
	1,741	4,808	1,740	3,672
Paladin Group				
Ordinary shares	432	1,870	432	324
Loan stock	1,277	1,277	1,277	1,277
	1,709	3,147	1,709	1,601
Alaric Systems				
Ordinary shares	1,703	2,261	1,704	1,623
Loan stock	416	794	471	979
	2,119	3,055	2,175	2,602
Volumatic (formerly Evolve Investments)				
Ordinary shares	216	216	100	100
Loan stock	1,879	1,879	895	895
	2,095	2,095	995	995

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for the year ended 30 September 2012

10 Unquoted investments continued

	30 September 2012 Total cost £000	30 September 2012 Carrying value £000	30 September 2011 Total cost £000	30 September 2011 Carrying value £000
Weldex (International) Offshore Holdings				
Ordinary shares	51	–	51	51
Loan stock	3,211	2,087	3,211	3,211
	3,262	2,087	3,262	3,262
Wear Inns				
Ordinary shares	342	778	242	242
Loan stock	1,298	1,298	737	737
	1,640	2,076	979	979
Silverwing				
Ordinary shares	226	226	–	–
Loan stock	1,547	1,547	–	–
	1,773	1,773	–	–
Tinglobal Holdings				
Ordinary shares	228	–	228	228
Loan stock	1,760	1,672	760	760
	1,988	1,672	988	988
CGI Group Holdings				
Ordinary shares	175	–	175	–
Loan stock	3,422	1,608	3,274	1,965
	3,597	1,608	3,449	1,965
Kitwave One				
Ordinary shares	161	185	161	161
Loan stock	1,421	1,421	1,421	1,421
	1,582	1,606	1,582	1,582
Promatic Group				
Ordinary shares	103	170	103	–
Loan stock	1,126	1,126	1,126	922
	1,229	1,296	1,229	922
Cawood Scientific				
Ordinary shares	124	242	124	124
Loan stock	949	949	949	949
	1,073	1,191	1,073	1,073
Arleigh Group				
Ordinary shares	38	513	38	473
Loan stock	666	666	737	737
	704	1,179	775	1,210
CloserStill Holdings				
Ordinary shares	–	–	191	922
Loan stock	–	–	809	809
	–	–	1,000	1,731
Envirotec				
Ordinary shares	188	251	188	513
Loan stock	126	150	625	750
	314	401	813	1,263
Axial Systems Holdings				
Ordinary shares	144	–	144	258
Loan stock	860	662	860	859
	1,004	662	1,004	1,117

10 Unquoted investments continued

	30 September 2012		30 September 2011	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
RCC Lifesciences				
Ordinary shares	100	70	100	100
Loan stock	895	895	895	895
	995	965	995	995

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

11 Significant interests

Details of shareholdings in those companies where the company's holding at 30 September 2012 represents (1) more than 20% of the allotted equity share capital of any class, (2) more than 20% of the total allotted share capital or (3) more than 20% 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
Knight Valeting Limited (Direct Valeting)	Redeemable preference	240,000	24 0%
	Ordinary (1p)	119,760	12 0%
Paladin Group Limited	Redeemable preference (1p)	289	28 9%
	Ordinary (10p)	5,783	14 7%
Promatic Group Limited	Preferred ordinary (1p)	284	28 4%
	Ordinary	12,141	13 7%

12. Debtors

	30 September 2012 £000	30 September 2011 £000
Prepayments and accrued income	248	218

13 Creditors (amounts falling due within one year)

	30 September 2012 £000	30 September 2011 £000
Accruals and deferred income	142	90

14 Called-up equity share capital

	30 September 2012 £000	30 September 2011 £000
Allotted and fully paid		
71,439,472 (2011 71,278,380) ordinary shares of 25p	17,860	17,820

The capital of the company is managed in accordance with its investment policy with a view to the achievement of its investment objective, as set out on pages 6 and 7

The company is not subject to externally imposed capital requirements

During the year the company issued 610,267 ordinary shares of 25p for cash at an average premium of 60 6p per share pursuant to the dividend investment scheme 449,175 shares were re-purchased for cancellation at a cost of £331,000

Notes to the financial statements continued

for the year ended 30 September 2012

15 Reserves

	Share premium £000	Capital redemption reserve £000	Capital reserve £000	Revaluation reserve £000	Revenue reserve £000
At 1 October 2011	10,491	14,353	17,053	961	1,892
Premium on issue of ordinary shares	370	–	–	–	–
Share issue expenses	(11)	–	–	–	–
Shares purchased for cancellation	–	113	(331)	–	–
Realised on disposal of investments	–	–	1,941	–	–
Transfer on disposal of investments	–	–	650	(650)	–
Movements in fair value of investments	–	–	–	3,010	–
Management fee charged to capital net of associated tax	–	–	(840)	–	–
Revenue return on ordinary activities after tax	–	–	–	–	940
Dividends recognised in the year	–	–	(3,423)	–	(854)
At 30 September 2012	10,850	14,466	15,050	3,321	1,978

At 30 September 2012, distributable reserves amounted to £17,028,000 (30 September 2011 £18,945,000), comprising the capital reserve, the revenue reserve and that part of the revaluation reserve relating to holding gains/losses on readily realisable listed fixed-interest investments

16 Net asset value per share

The calculation of net asset value per ordinary share as at 30 September 2012 is based on net assets of £63,525,000 (30 September 2011 £62,570,000) divided by the 71,439,472 (30 September 2011 71,278,380) ordinary shares in issue at that date

17. 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 VCT-qualifying unquoted and AIM-quoted securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity

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

In carrying on its investment activities, the company is exposed to various types of risk associated with the financial instruments and markets in which it invests The most significant types of financial risk facing the company are market risk, 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 business review on pages 6 and 7 The management of market risk is part of the investment management process and is a central feature of venture capital investment The company's portfolio is managed in accordance with the policies and procedures described in the corporate governance statement on pages 20 to 24, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes The overall disposition of the company's assets is monitored by the board on a quarterly basis

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

17. Financial instruments continued

Market risk (continued)

17 5% (30 September 2011 11 6%) by value of the company's net assets comprise equity securities listed on the London Stock Exchange or quoted on AIM A 5% increase in the bid price of these securities as at 30 September 2012 would have increased net assets and the total return for the year by £556,000 (30 September 2011 £362,000), a corresponding fall would have reduced net assets and the total return for the year by the same amount

58 9% (30 September 2011 55 0%) by value of the company's net assets comprise 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 30 September 2012 would have increased net assets and the total return for the year by £1,873,000 (30 September 2011 £1,721,000), 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

			30 September 2012			30 September 2011
	Total fixed rate portfolio £000	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Total fixed rate portfolio £000	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Listed fixed-interest investments	1,733	4 8%	1 4	2,557	3 9%	2 0
Fixed-rate investments in unquoted companies	3,696	8 6%	4 4	4,857	7 6%	4 3
	5,429			7,414		

Due to the relatively short period to maturity of the fixed rate investments held within the portfolio, it is considered that an increase or decrease of 25 basis points in interest rates as at the reporting date would not have had a significant effect on the company's net assets or total return for the year

(b) Floating rate investments

The company's floating rate investments comprise floating-rate loans to unquoted companies and cash held in interest-bearing deposit accounts The benchmark rate which determines the rate of interest receivable on such investments is the UK bank base rate, which was 0 5% at 30 September 2012 (30 September 2011 0 5%) The amounts held in floating rate investments at the balance sheet date were as follows

	30 September 2012 £000	30 September 2011 £000
Floating rate loans to unquoted companies	19,206	17,809
Interest-bearing deposit accounts	13,109	18,294
	32,315	36,103

Notes to the financial statements continued

for the year ended 30 September 2012

17. Financial instruments continued

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the company The investment 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 30 September 2012 the company's financial assets exposed to credit risk comprised the following

	30 September 2012 £000	30 September 2011 £000
Listed fixed-interest investments	1,733	2,557
Fixed-rate investments in unquoted companies	3,696	4,857
Floating rate loans to unquoted companies	19,206	17,809
Interest-bearing deposit accounts	13,109	18,294
Accrued dividends and interest receivable	182	198
	37,926	43,715

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

Those assets of the company which are traded on recognised stock exchanges are held on the company's behalf by third party custodians (Bank of New York Mellon in the case of listed fixed-interest investments and nominee companies of Brewin Dolphin Limited or Speirs & Jeffrey Limited in the case of quoted equity securities) Bankruptcy or insolvency of a custodian could cause the company's rights with respect to securities held by the custodian to be delayed or limited

Credit risk arising on transactions with brokers relates to transactions in quoted securities awaiting settlement Risk relating to unsettled transactions is considered to be low due to the short settlement period involved and the high credit quality of the brokers used The board further mitigates the risk by monitoring the quality of service provided by the brokers

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

There were no significant concentrations of credit risk to counterparties at 30 September 2012 or 30 September 2011 No individual investment exceeded 7 6% of the company's net assets at 30 September 2012 (30 September 2011 5 9%)

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 listed fixed-interest investments are considered to be readily realisable as they are of high credit quality as outlined above

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 30 September 2012 these investments were valued at £14,842,000 (30 September 2011 £20,851,000)

18 Contingencies

At 30 September 2012 contingent assets in respect of potential deferred proceeds from the sale of investee companies not recognised in these financial statements amounted to approximately £490,000 (30 September 2011 £1,124,000) The extent to which these amounts will become receivable is dependent on future events and accordingly it is not considered appropriate to recognise them in the financial statements at this stage

The company had no contingent liabilities at 30 September 2012 or 2011

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