Northern Venture Trust PLC

Interim Financial Report
30 September 2022

Welcome

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

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

Contents

Financial summary

	Twelve months ended 30 September 2022	Year ended 30 September 2021
Net assets	£106.2m	£119.3m
Net asset value per share	63.5p	74.1p
Return per share		
Revenue	(0.2)p	0.2p
Capital	(6.4)p	13.7p
Total	(6.6)p	13.9p
Dividend per share declared in respect of the period		
Interim dividend	2.0p	2.0p
Second interim/special dividend	2.0p	6.0p
Final dividend	–	2.0p
Total	4.0p	10.0p
Cumulative return to shareholders since launch		
Net asset value per share	63.5p	74.1p
Dividends paid per share*	186.5p	182.5p
Net asset value plus dividends paid per share	250.0p	256.6p
Mid-market share price at end of period	61.75p	70.25p
Tax-free dividend yield (based on the net asset value per share)**		
Excluding special dividend	5.4%	5.7%
Including special dividend	N/A	14.1%

* Excluding interim dividend not yet paid.

** The annualised dividend yield is calculated by dividing the dividends in respect of the 12 month period ended on each reference date by the net asset value per share at the start of the period.

Key dates

23 November 2022
Interim results announced

8 December 2022
Shares quoted ex dividend

13 January 2023
Interim dividend paid (to shareholders on register on 9 December 2022)

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

Interim management report

for the twelve month period ended 30 September 2022

Simon Constantine

Chair

Throughout most of this period we have experienced very challenging macroeconomic conditions. The ongoing conflict in Ukraine, rising inflation and interest rates and the subsequent impact on the outlook for growth have all led to considerable market uncertainty and volatility. Whilst our unlisted venture portfolio remains largely resilient to macroeconomic pressures, there has been a significant downturn in the quoted markets, most notably in technology stocks, which provide benchmark pricing for much of our unquoted portfolio. The down-valuation of our marked-to-market listed assets, in particular of our AIM stocks, has counteracted good returns from several unquoted realisations. Over the coming months we will continue to monitor the portfolio alongside our investment adviser, providing follow on capital where appropriate, as well as progress opportunities to support new portfolio companies.

Change of accounting reference period

As announced in the interim report for the six months to March 2022, in order to align better with fund raising events and the other Northern VCT's reporting timetables, the company's accounting reference date has changed from 30 September to 31 March. The financial year to 30 September 2022 has been extended to cover the 18 months to 31 March 2023, with the next set of full financial statements being released in June 2023. This interim report covers the twelve month period to September 2022.

Results and dividend

The unaudited net asset value (NAV) per share at 30 September 2022 was 63.5 pence, compared with the previous interim NAV of 68.4 pence at 31 March 2022 and the audited figure of 74.1 pence at 30 September 2021. The total return per share before dividends for the twelve months ended 30 September 2022 as shown in the income statement was minus 6.6 pence (year ended 30 September 2021: 13.9 pence), equivalent to minus 8.9% of the NAV at 30 September 2021. The performance was driven by an unrealised reduction of £9.7 million in the valuation of investments over the last twelve months. This reduction was substantially due to our listed AIM portfolio, where the value fell by £7.6 million, primarily due to the announcement of challenging trading conditions by musicMagpie plc, our largest AIM holding.

The fall in the listed portfolio was partially offset by a number of unquoted portfolio realisations, as explained below.

Four years ago, we introduced a target dividend yield of 5% of opening NAV, which has been exceeded in each of the years since then. On 12 August 2022 an interim dividend was paid to shareholders of 2.0p. After careful consideration, we have decided to declare a further interim dividend of 2.0 pence per share in respect of the period to 30 September 2022. The interim dividend will be paid on 13 January 2023 to shareholders on the register on 9 December 2022.

Our dividend investment scheme, which enables shareholders to invest their dividends in new ordinary shares free of dealing costs and with the benefit of the tax reliefs available on new VCT share subscriptions, continues to operate. Details on how to join the scheme are included within the dividend section of our website, which can be found here: mercia.co.uk/vcts/nvt/.

Venture capital investment activity

Further progress has been made on the development of the portfolio and deployment of our cash reserves, with ten new venture capital investments acquired for £10.1 million during the twelve month period and a total of £3.5 million invested in twelve existing portfolio companies. Since 30 September a further £4.1 million of initial and follow on capital has been invested.

Realisation activity continues, with the venture investment disposals made in the twelve month period generating a blended return of 1.9 times original cost.

Venture capital portfolio update

The deteriorating macroeconomic climate continues to provide challenges to our portfolio companies. Increasing general inflation, energy costs and rising interest rates will be an issue for some time to come, putting cost pressures on many of our businesses. The cost of living crisis and its impact on consumer demand will also affect some of our consumer-facing portfolio companies.

Over the course of 2022 stock markets have reacted to economic uncertainty by falling from the highs seen in 2021. Our listed AIM portfolio ended the twelve month period £7.6 million lower than September 2021 (a 72% reduction), although this was almost entirely due to a fall in the value of musicMagpie plc, which fell £7.1 million after the announcement of challenging trading conditions. Even at this lower value, the combined realised and unrealised lifetime return on cost from our investment in musicMagpie plc was still 6.6 times as at 30 September 2022.

Shareholder issues

As a result of the fully-subscribed public share offer launched in January 2022, 8,449,994 new ordinary shares were issued in April 2022 for gross proceeds of £6.0 million.

We are experiencing a sustained demand for long-term growth capital for smaller companies in the UK. In order to continue to support our existing portfolio through challenging economic conditions and invest in new early stage opportunities, we intend to raise funds in both the 2022/23 and 2023/24 tax years in conjunction with the other Northern VCTs. Full details of how to participate in the up to £6 million 2022/23 fund raise will be published in January 2023.

We have maintained our policy of being willing to buy back the company's shares in the market, when necessary in order to maintain liquidity, at a 5% discount to NAV. During the twelve months to 30 September 2022 a total of 4,144,366 shares were purchased by the company for cancellation, representing around 2.6% of the opening ordinary share capital.

VCT legislation and qualifying status

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

We welcomed the UK Government's announcement of its commitment to the extension of the VCT sunset clause beyond the existing 2025 deadline. The 'sunset clause' was a European state aid requirement when the VCT scheme received state aid approval in 2015. The Board considers that the company, and VCTs more generally, are successfully delivering against the government's mandate, which is to channel money into higher-risk, early-stage businesses. Mercia is represented on the relevant committees of the various trade bodies, working to continue to demonstrate to government the positive contributions that VCTs play in society.

It is possible that further changes will be made in the future. We will continue to work closely with Mercia to maintain compliance with the scheme rules at all times.

General Meeting

The company's 2023 Annual General Meeting will take place in July 2023 to align with the new accounting reference date. A General Meeting will be held on 12 January 2023 at 11.30am at the offices of Reed Smith LLP at Broadgate Tower, 20 Primrose Street, London, EC2A 2RS to renew a small number of general authorities ahead of the Annual General Meeting in July 2023. There will not be a presentation by the investment adviser at this General Meeting. Full details of the resolutions can be found in the circular which will be made available on our website.

Outlook

While macroeconomic conditions remain challenging, the unquoted venture portfolio remains resilient and the company is well capitalised, which will enable the existing portfolio to be supported as necessary. Your company is invested in a diversified portfolio of businesses with prospects in which we continue to remain confident.

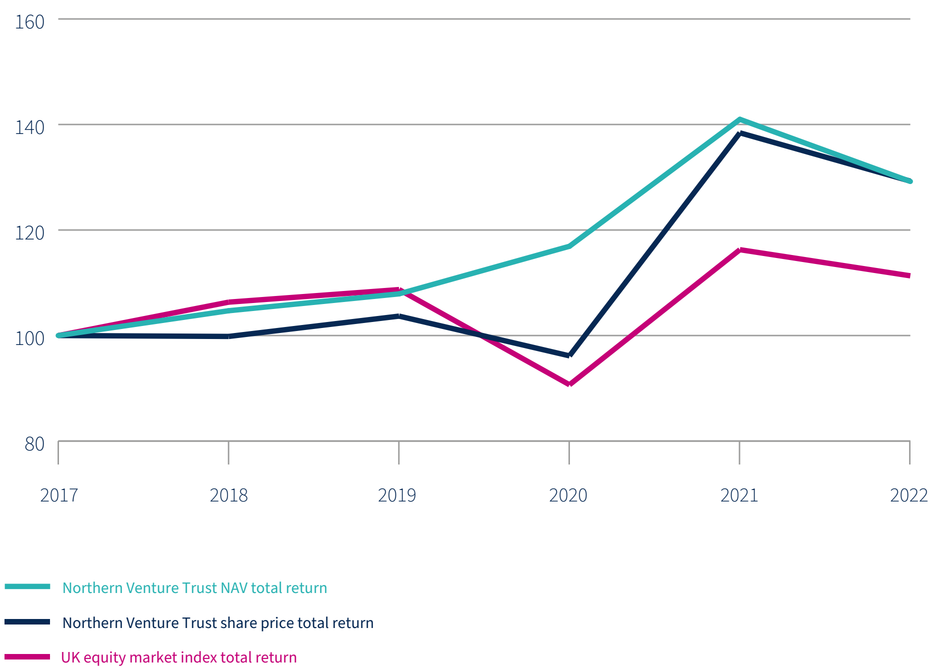
On behalf of the Board

Simon Constantine
Chair

Five-year performance

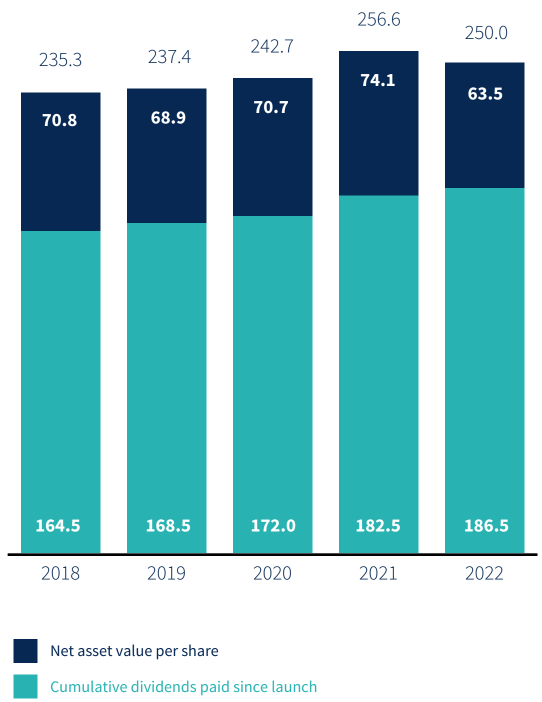
Comparative return to shareholders (assuming dividends re-invested)

Five years to 30 September 2022 (30 September 2017 = 100)



Net asset value and cumulative dividends per share

As at 30 September (pence per share)



Investment portfolio

As at 30 September 2022

	Cost £000	Valuation £000	% of net assets by value
Fifteen largest venture capital investments			
Evotix (formerly SHE)	2,766	**9,613**	9.1%
Lineup Systems	975	**7,267**	6.8%
Grip-UK (t/a Climbing Hangar)	3,530	**3,530**	3.3%
Volumatic Holdings	216	**3,360**	3.2%
Newcells Biotech	2,479	**2,818**	2.7%
Gentronix	1,362	**2,537**	2.4%
Biological Preparations Group	2,366	**2,282**	2.1%
Clarilis	1,972	**2,071**	1.9%
Rockar	1,824	**2,051**	1.9%
IDOX*	238	**2,046**	1.9%
Tutora (t/a Tutorful)	2,015	**1,895**	1.8%
Weldex (International) Offshore Holdings	3,262	**1,881**	1.8%
Enate	1,517	**1,736**	1.7%
Project Glow Topco (t/a Currentbody.com)	1,686	**1,686**	1.6%
Netacea	1,441	**1,614**	1.5%
	27,649	**46,387**	**43.7%**
Other venture capital investments	44,001	28,735	27.0%
Total venture capital investments	**71,650**	**75,122**	**70.7%**
Listed equity investments	7,803	8,503	8.0%
Total fixed asset investments	**79,453**	**83,625**	**78.7%**
Net current assets		22,573	21.3%
Net assets		**106,198**	**100.0%**

* Quoted on AIM

Income statement

(Unaudited) for the twelve months ended 30 September 2022

	Twelve months ended 30 September 2022			Year ended 30 September 2021		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments	–	886	886	–	8,380	8,380
Movements in fair value of investments	–	(9,675)	(9,675)	–	17,660	17,660
	–	(8,789)	(8,789)	–	26,040	26,040
Income	655	–	655	1,372	–	1,372
Investment management fee	(552)	(1,656)	(2,208)	(579)	(4,275)	(4,854)
Other expenses	(509)	-	(509)	(472)	–	(472)
Return before tax	(406)	(10,445)	(10,851)	321	21,765	22,086
Tax on return	–	–	–	(15)	15	–
Return after tax	(406)	(10,445)	(10,851)	306	21,780	22,086
Return per share	(0.2)p	(6.4)p	(6.6)p	0.2p	13.7p	13.9p

- The total column of the income statement is the statement of total comprehensive income of the company prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”. The supplemental revenue return and capital return columns have been prepared in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” issued in July 2022 by the Association of Investment Companies (“AIC SORP”).
- There are no recognised gains or losses other than those disclosed in the income statement.
- All items in the above statement derive from continuing operations.
- The accompanying notes are an integral part of this statement.

Balance sheet

(Unaudited) as at 30 September 2022

	30 September 2022 £000	30 September 2021 £000
Fixed assets		
Investments	**83,625**	96,563
Current assets		
Debtors	**50**	308
Cash and cash equivalents	**22,632**	25,106
	22,682	25,414
Creditors (amounts falling due within one year)	**(109)**	(2,679)
Net current assets	**22,573**	22,735
Net assets	**106,198**	119,298
Capital and reserves		
Called-up equity share capital	**41,781**	40,268
Share premium	**19,069**	14,608
Capital redemption reserve	**4,544**	3,508
Capital reserve	**36,160**	38,325
Revaluation reserve	**4,172**	21,430
Revenue reserve	**472**	1,159
Total equity shareholders' funds	**106,198**	119,298
Net asset value per share	**63.5p**	74.1p

Statement of changes in equity

(Unaudited) for the twelve months ended 30 September 2022

	Non-distributable reserves				Distributable reserves		
	Called-up share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve* £000	Capital reserve £000	Revenue reserve £000	Total £000
At 1 October 2021	**40,268**	**14,608**	**3,508**	**21,430**	**38,325**	**1,159**	**119,298**
Return after tax	**–**	**–**	**–**	**(17,258)**	**6,813**	**(406)**	**(10,851)**
Dividends paid	**–**	**–**	**–**	**–**	**(6,301)**	**(281)**	**(6,582)**
Net proceeds of share issues	**2,549**	**4,461**	**–**	**–**	**–**	**–**	**7,010**
Shares purchased for cancellation	**(1,036)**	**–**	**1,036**	**–**	**(2,677)**	**–**	**(2,677)**
At 30 September 2022	**41,781**	**19,069**	**4,544**	**4,172**	**36,160**	**472**	**106,198**

Year ended 30 September 2021

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

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

Statement of cash flows

(Unaudited) for the twelve months ended 30 September 2022

	Twelve months ended 30 September 2022 £000	Year ended 30 September 2021 £000
Cash flows from operating activities		
Return before tax	**(10,851)**	22,086
Adjustments for:		
Gain on disposal of investments	**(886)**	(8,380)
Movements in fair value of investments	**9,675**	(17,660)
Decrease in debtors	**258**	366
(Decrease)/increase in creditors	**(2,570)**	2,251
Net cash (outflow)/inflow from operating activities	**(4,374)**	(1,337)
Cash flows from investing activities		
Purchase of investments	**(15,720)**	(13,506)
Sale/repayment of investments	**19,869**	34,835
Net cash inflow/(outflow) from investing activities	**4,149**	21,329
Cash flows from financing activities		
Issue of ordinary shares	**7,060**	2,921
Share issue expenses	**(50)**	(40)
Purchase of ordinary shares for cancellation	**(2,677)**	(1,839)
Equity dividends paid	**(6,582)**	(16,621)
Net cash (outflow)/inflow from financing activities	**(2,249)**	(15,579)
Net increase/(decrease) in cash and cash equivalents	**(2,474)**	4,413
Cash and cash equivalents at beginning of period	**25,106**	20,693
Cash and cash equivalents at end of period	**22,632**	25,106

Notes to the financial statements

(unaudited) for the twelve month period ended 30 September 2022

1.

The financial statements have been prepared under FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” issued in July 2022 by the Association of Investment Companies (“AIC SORP”).

2.

The calculation of return per share is based on the return after tax for the twelve month period ended 30 September 2022 and on 164,786,323 (2021: 159,349,187) ordinary shares, being the weighted average number of shares in issue during the period.

3.

The calculation of net asset value per share is based on the net assets at 30 September 2022 divided by the 167,123,927 (2021: 161,070,303) ordinary shares in issue at that date.

4.

The second interim dividend of 2.0 pence per share for the period ending 31 March 2023 will be paid on 13 January 2023 to shareholders on the register at the close of business on 9 December 2022.

5.

The unaudited interim financial statements for the twelve month period ended 30 September 2022 do not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006, have not been reviewed or audited by the company’s independent auditor and have not been delivered to the Registrar of Companies. The comparative figures for the year ended 30 September 2021 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies; the independent auditor’s report on those financial statements (i) was unqualified, (ii) did not include any reference to matters to which the auditor drew attention by way of emphasis without qualifying the report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The interim financial statements have been prepared on the basis of the accounting policies set out in the annual financial statements for the year ended 30 September 2021.

6.

Each of the directors confirms that to the best of their knowledge the interim financial statements have been prepared in accordance with the Statement “Half-yearly financial reports” issued by the UK Accounting Standards Board and the interim financial report includes a fair review of the information required by (a) DTR 4.2.7R of the Disclosure Rules and Transparency Rules, being an indication of important events that have occurred during the first twelve months of the financial period and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the period, and (b) DTR 4.2.8R of the Disclosure Rules and Transparency Rules, being related party transactions that have taken place in the first twelve months of the current financial period and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

7.

Copies of this interim report are available to the public at the company’s registered office, and on the company’s website.

Risk management

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

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

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

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

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

Economic risk: events such as economic recession or general fluctuation in stock markets, exchange rates and interest rates may affect the valuation of investee companies and their ability to access adequate financial resources, as well as affecting the company's own share price and discount to net asset value. The level of economic risk has been elevated most recently by inflationary pressures, interest rate increases, and supply shortages.

Mitigation: the company invests in a diversified portfolio of investments spanning various industry sectors, and maintains sufficient cash reserves to be able to provide additional funding to investee companies where it is appropriate and in the interests of the company to do so. The adviser typically provides an investment executive to actively support the board of each unquoted investee company. At all times, and particularly during periods of heightened economic uncertainty, the investment executives share best practice from across the portfolio with investee management teams in order to mitigate economic risk.

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

Mitigation: the company's quoted investments are actively managed by specialist managers, including Mercia in the case of the AIM-quoted investments, and the board keeps the portfolio and the actions taken under ongoing review.

Risk management continued

Credit risk: the company holds a number of financial instruments and cash deposits and is dependent on the counterparties discharging their commitment.

Mitigation: the directors review the creditworthiness of the counterparties to these instruments and cash deposits and seek to ensure there is no undue concentration of credit risk with any one party.

Legislative and regulatory risk: in order to maintain its approval as a VCT, the company is required to comply with current VCT legislation in the UK. Changes to UK legislation in the future could have an adverse effect on the company's ability to achieve satisfactory investment returns whilst retaining its VCT approval.

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

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

Mitigation: the board regularly reviews the system of internal controls, both financial and non-financial, operated by the company and the investment adviser. These include controls designed to ensure that the company's assets are safeguarded and that proper accounting records are maintained.

VCT qualifying status risk: while it is the intention of the directors that the company will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to continue meeting the qualifying requirements could result in the loss of VCT tax relief, the company losing its exemption from corporation tax on capital gains, to shareholders being liable to pay income tax on dividends received from the company and, in certain circumstances, to shareholders being required to repay the initial income tax relief on their investment.

Mitigation: the investment adviser keeps the company's VCT qualifying status under continual review and its reports are reviewed by the board on a quarterly basis. The board has also retained Philip Hare & Associates LLP to undertake an independent VCT status monitoring role.

Company information

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Richard Green
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