



# 2009

Northern AIM  
VCT PLC

Half-yearly Financial Report  
30 April 2009

Northern AIM VCT is a Venture Capital Trust (VCT) managed by NVM Private Equity. The trust was launched in October 2000. Its portfolio of VCT-qualifying investments is focused on companies quoted on AIM but also includes a number of later-stage unquoted holdings.

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# Financial Summary

Six months ended 30 April	2009	2008
<b>Net assets</b>	£6.9m	£11.7m
<b>Net asset value per share</b>	31.3p	53.7p
<b>Return per share</b>		
Revenue	0.2p	0.2p
Capital	1.4p	(7.6)p
Total	1.6p	(7.4)p
<b>Interim dividend per share in respect of the period</b>	–	–
<b>Share price at end of period</b>	24.5p	40.5p
<b>Cumulative returns to shareholders since launch</b>		
Net asset value per share	31.3p	53.7p
Dividends paid per share	19.3p	16.3p
Net asset value plus dividends paid per share	50.6p	70.0p

# Half-yearly Management Report

Since the publication of the company's last annual report to shareholders, in December 2008, there have been some signs of stability returning to the financial markets, although it is much too early to talk in terms of sustained recovery.

2008 was an unprecedented year for financial markets around the world. The global financial system was close to breaking point and two of Britain's largest banks might have collapsed had not the Government intervened to provide financial support. Two major US banks, Lehman Brothers and Washington Mutual, did fail and several others were propped up by the US Treasury. Against this background the FTSE AIM index fell by over 60% during the year, with many investors forced or panicked into raising cash at any price. We noted in the annual report that this movement had left many smaller company shares looking extremely good value. The AIM index reached a low point in early March 2009 but since then has bounced back, recording a rise of some 45% by 31 May 2009. Our portfolio of AIM-quoted investments has benefited from this effect, but despite the recent buoyancy we believe that a number of our holdings are still undervalued on fundamentals and have the potential for further growth.

## Net asset value and share price

The net asset value (NAV) per share at 30 April 2009 was 31.3p, after deducting the dividend of 3.0p per share paid in March 2009. The NAV per share as shown in the audited accounts at 31 October 2008 was 32.8p. The return per share for the half year was 1.6p, compared to a negative return of 7.4p in the corresponding period last year. This is a modest but welcome improvement after the difficulties experienced in 2008. The dividend payment absorbed £654,000 of cash but this was more than countered by the sale proceeds of two unquoted investments, so that the net inflow of cash for the half year was over £1.6 million.

The company's share price fell steeply in January 2009, belatedly reflecting the fall in NAV during 2008, and has for the past four months remained steady at

around 24p mid-market. On a total return basis (ie taking account of dividends paid), the NAV and share price performance relative to the FTSE AIM index over the past 6 and 12 months is shown in Table 1.

## Investments

There were no significant changes in the AIM portfolio during the period under review. The very poor market sentiment towards smaller companies is reflected in the fact that there have been only 20 new issues by UK companies on AIM in the six months to 30 April 2009, compared to 65 in the corresponding period last year.

Despite the difficult conditions prevailing in the UK economy, many of the AIM-quoted companies in the portfolio have produced good results, and those which have found conditions tough have taken steps to reduce costs. When the economy begins to recover, many of these companies will benefit from having developed a leaner cost structure. A good example is **Colliers CRE**, one of the top ten firms of chartered surveyors in the UK, which has suffered a marked downturn in its transaction-related business and has responded by taking £18 million of cost out of the business on an annualised basis. When confidence does pick up in the commercial property sector and transactions return to a more normal level, Colliers should be well placed to achieve a rapid recovery in profitability. **RCG Holdings**, the Hong Kong-based biometric solutions provider, has successfully floated on the Hong Kong Stock Exchange and although the share price has more than doubled since the end of December, the historic price/earnings ratio remains below 3 times. In August 2008 we invested in a share placing at 17p by **Advanced Computer Software**, which is building a group of healthcare-related software businesses. The company has recently raised a further £43 million from the market at 30p per share and the shares have subsequently been trading as high as 40p. **IDOX**, the developer of software for local authorities, has announced a series of good contract wins over the past six months and the share price has responded positively.

**Table 1: Movement to 30 April 2009**

	Past 6 months	Past 12 months
Northern AIM VCT PLC – NAV total return	+5.9%	-35.3%
Northern AIM VCT PLC – share price total return	-31.4%	-32.2%
FTSE AIM index – total return	+8.7%	-50.1%



**James Dawney**  
Chairman



There have been some disappointments within the AIM portfolio. The share price of **Aero Inventory**, the international aircraft parts procurement company, fell by 35% in the six months to April 2009 despite excellent half-yearly results for the period to December 2008. The shares are trading on a price/earnings ratio of less than 3 and in May 2009 we added to our holding, taking advantage of what looks like an attractive purchase price. We also recorded the failure of **Widney**, which went into administration having suffered particularly badly from its exposure to the automotive, construction and agricultural machinery sectors. This had little impact on the half-year results as the holding had a very small market value as at 31 October 2008.

No new unquoted investments were completed during the period but it is pleasing to report successful exits from **Stainton Metal Company** and **Pivotal Laboratories Holdings**, both of which were sold to US trade buyers for cash. The aggregate proceeds received to date from these sales amount to £1.9 million, compared with original cost of £1.0 million and October 2008 directors' valuation of £1.8 million. In both cases it is expected that further consideration will be receivable on a deferred basis but this has not been recognised in our accounts at this stage. Among the other holdings in the unquoted portfolio, **Britspace Holdings** and **John Laing Partnership** continue to find trading conditions in the construction sector challenging.

### Dividend

In line with our objective stated 18 months ago, a maintained annual dividend of 3.0p per share was paid in March 2009 in respect of the year ended 31 October 2008. No interim dividend has been declared but it is intended that a final dividend of 3.0p per share will in due course be proposed in respect of the year ending 31 October 2009.

### VAT on management fees

Our managers have continued to pursue the repayment of VAT paid by the company on

management fees in past periods, following the landmark European Court decision in the JPMorgan Claverhouse case. Up to 30 April 2009 a total VAT recovery of £129,000, plus interest, has been credited to the income statement. It is hoped that a further repayment will result from discussions currently in progress with HM Revenue & Customs, but this is not yet sufficiently certain to be recognised in the financial statements.

### VCT qualifying status

The company retains PricewaterhouseCoopers LLP as advisers on matters relating to VCT status, and has continued to satisfy HM Revenue & Customs' requirements for the maintenance of formal approval as a VCT.

### Risk management

The board carries out a regular review of the risk environment in which the company operates. There has been no significant change to the key risks discussed on page 11 of the annual report for the year ended 31 October 2008, including those resulting from the size and relative illiquidity of the AIM-quoted and unquoted investments held by the company.

### Prospects

The UK economy has been hard hit by the events of the past two years and it is clear that a rebalancing is required to reduce dependence on the now depressed financial services sector and on debt-funded consumer spending. A resumption of growth remains uncertain in the short term given the prospect of rising public sector borrowing, increased taxation and inadequately funded pension schemes. Although we believe that many of our portfolio holdings have good upside potential once the market begins to show a sustained recovery, it is likely that patience will be required for some time to come.

On behalf of the Board

**James Dawney**  
Chairman

## Income Statement

(unaudited) for the six months ended 30 April 2009

	Six months ended 30 April 2009		
	Revenue £000	Capital £000	Total £000
Gain/(loss) on disposal of investments	–	149	149
Movements in fair value of investments	–	158	158
	–	307	307
Income	129	–	129
Investment management fee	(7)	(21)	(28)
Recoverable VAT	7	22	29
Other expenses	(96)	–	(96)
<b>Return on ordinary activities before tax</b>	<b>33</b>	<b>308</b>	<b>341</b>
Tax on return on ordinary activities	–	–	–
<b>Return on ordinary activities after tax</b>	<b>33</b>	<b>308</b>	<b>341</b>
<b>Return per share</b>	<b>0.2p</b>	<b>1.4p</b>	<b>1.6p</b>

- 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.
- 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.

## Reconciliation of Movements in Shareholders' Funds

(unaudited) for the six months ended 30 April 2009

	Six months ended 30 April 2009 £000
<b>Equity shareholders' funds at 1 November 2008</b>	<b>7,152</b>
Return on ordinary activities after tax	341
Dividends recognised in the period	(654)
Net proceeds of share issues	69
Shares purchased for cancellation	–
<b>Equity shareholders' funds at 30 April 2009</b>	<b>6,908</b>

Six months ended 30 April 2008			Year ended 31 October 2008		
Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
-	15	15	-	(1,009)	(1,009)
-	(1,543)	(1,543)	-	(5,254)	(5,254)
-	(1,528)	(1,528)	-	(6,263)	(6,263)
179	-	179	467	-	467
(41)	(123)	(164)	(65)	(194)	(259)
-	-	-	25	75	100
(96)	-	(96)	(190)	-	(190)
42	(1,651)	(1,609)	237	(6,382)	(6,145)
-	-	-	(29)	29	-
42	(1,651)	(1,609)	208	(6,353)	(6,145)
0.2p	(7.6)p	(7.4)p	1.0p	(29.2)p	(28.2)p

Six months ended 30 April 2008 £000	Year ended 31 October 2008 £000
13,914	13,914
(1,609)	(6,145)
(652)	(652)
77	77
(41)	(42)
11,689	7,152

# Balance Sheet

(unaudited) as at 30 April 2009

	30 April 2009 £000	30 April 2008 £000	31 October 2008 £000
<b>Fixed asset investments</b>			
Venture capital investments			
Quoted on AIM	3,284	5,863	2,995
Unquoted	1,954	5,423	3,914
<b>Total fixed asset investments</b>	<b>5,238</b>	<b>11,286</b>	<b>6,909</b>
<b>Current assets</b>			
Debtors	87	54	252
Cash at bank	1,670	387	38
	1,757	441	290
<b>Creditors (amounts falling due within one year)</b>	<b>(87)</b>	<b>(38)</b>	<b>(47)</b>
<b>Net current assets</b>	<b>1,670</b>	<b>403</b>	<b>243</b>
<b>Net assets</b>	<b>6,908</b>	<b>11,689</b>	<b>7,152</b>
<b>Capital and reserves</b>			
Called-up equity share capital	1,103	1,089	1,089
Share premium	2,044	1,989	1,989
Capital redemption reserve	183	183	183
Capital reserve	7,764	8,733	7,760
Revaluation reserve	(4,271)	(409)	(4,139)
Revenue reserve	85	104	270
<b>Total equity shareholders' funds</b>	<b>6,908</b>	<b>11,689</b>	<b>7,152</b>
<b>Net asset value per share</b>	<b>31.3p</b>	<b>53.7p</b>	<b>32.8p</b>

# Cash Flow Statement

(unaudited) for the six months ended 30 April 2009

	Six months ended 30 April 2009 £000	Six months ended 30 April 2008 £000	Year ended 31 October 2008 £000
<b>Net cash inflow/(outflow) from operating activities</b>	239	(71)	(61)
<b>Taxation</b>			
Corporation tax paid	–	–	–
<b>Financial investment</b>			
Purchase of investments	(2)	(946)	(1,472)
Sale/repayment of investments	1,980	1,183	1,351
<b>Net cash inflow/(outflow) from financial investment</b>	1,978	237	(121)
<b>Equity dividends paid</b>	(654)	(652)	(652)
<b>Net cash inflow/(outflow) before financing</b>	1,563	(486)	(834)
<b>Financing</b>			
Issue of ordinary shares	77	77	77
Share issue expenses	(8)	–	–
Purchase of ordinary shares for cancellation	–	(41)	(42)
<b>Net cash inflow from financing</b>	69	36	35
<b>Increase/(decrease) in cash at bank</b>	1,632	(450)	(799)
<b>Reconciliation of return before tax to net cash flow from operating activities</b>			
Return on ordinary activities before tax	341	(1,609)	(6,145)
(Gain)/loss on disposal of investments	(149)	(15)	1,009
Movements in fair value of investments	(158)	1,543	5,254
(Increase)/decrease in debtors	165	19	(179)
Increase/(decrease) in creditors	40	(9)	–
<b>Net cash inflow/(outflow) from operating activities</b>	239	(71)	(61)
<b>Analysis of movement in net funds</b>	<b>1 November 2008 £000</b>	<b>Cash flows £000</b>	<b>30 April 2009 £000</b>
Cash at bank	38	1,632	1,670

# Notes to the Financial Statements

(unaudited) for the six months ended 30 April 2009

- 1 The financial statements have been prepared 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.
- 2 The calculation of return per ordinary share is based on the return on ordinary activities after tax for the six months ended 30 April 2009 and on 21,872,696 (2008 21,769,137) ordinary shares, being the weighted average number of shares in issue during the period.
- 3 The calculation of net asset value per ordinary share is based on the net assets at 30 April 2009 divided by the 22,066,733 (2008 21,785,766) ordinary shares in issue at that date.
- 4 The unaudited half-yearly financial statements for the six months ended 30 April 2009 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 October 2008 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies; the independent auditors' report on those financial statements under Section 235 of the Companies Act 1985 was unqualified.
- 5 The directors confirm that to the best of their knowledge the half-yearly financial statements have been prepared in accordance with the Statement "Half-yearly Financial Reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year 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 year, and (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year 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.
- 6 Copies of this half-yearly report have been mailed to shareholders and are available to the public at the company's registered office and on the NVM Private Equity website, [www.nvm.co.uk](http://www.nvm.co.uk).

# Investment Portfolio Summary

as at 30 April 2009

	Cost £000	Valuation £000	% of net assets by value
<b>AIM-quoted investments:</b>			
Advanced Computer Software	198	414	6.0
Pilat Media Global	301	368	5.3
RCG Holdings	236	318	4.6
Andor Technology	292	292	4.2
Aero Inventory	373	253	3.7
IDOX	250	229	3.3
Jelf Group	297	204	3.0
IS Pharma	241	194	2.8
Bond International Software	182	140	2.0
Prologic	300	128	1.9
SectorGuard	117	102	1.5
Quadnetics Group	235	98	1.4
Cello Group	301	96	1.4
Fountains	250	90	1.3
Colliers CRE	332	67	1.0
1st Dental Laboratories	350	52	0.8
Belgravium Technologies	143	46	0.7
Shieldtech	248	40	0.6
Adept Telecom	233	38	0.5
Intercytex Group	250	23	0.3
First Artist Corporation	502	22	0.3
Spectrum Interactive	250	17	0.2
Twenty	198	15	0.2
Baydonhill	251	15	0.2
Hartest Holdings	450	10	0.1
Individual Restaurant Company	250	7	0.1
Advance AIM Value Realisation Company	21	6	0.1
	7,051	3,284	47.5
<b>Unquoted investments:</b>			
Crantock Bakery	490	618	9.0
Longhirst Venues	136	361	5.2
Britspace Holdings	788	334	4.8
Axial Systems Holdings	251	279	4.0
Optilan Group	250	204	3.0
IG Doors	315	158	2.3
John Laing Partnership	229	–	–
	2,459	1,954	28.3
<b>Total fixed asset investments</b>	<b>9,510</b>	<b>5,238</b>	<b>75.8</b>
Net current assets		1,670	24.2
<b>Net assets</b>		<b>6,908</b>	<b>100.0</b>