

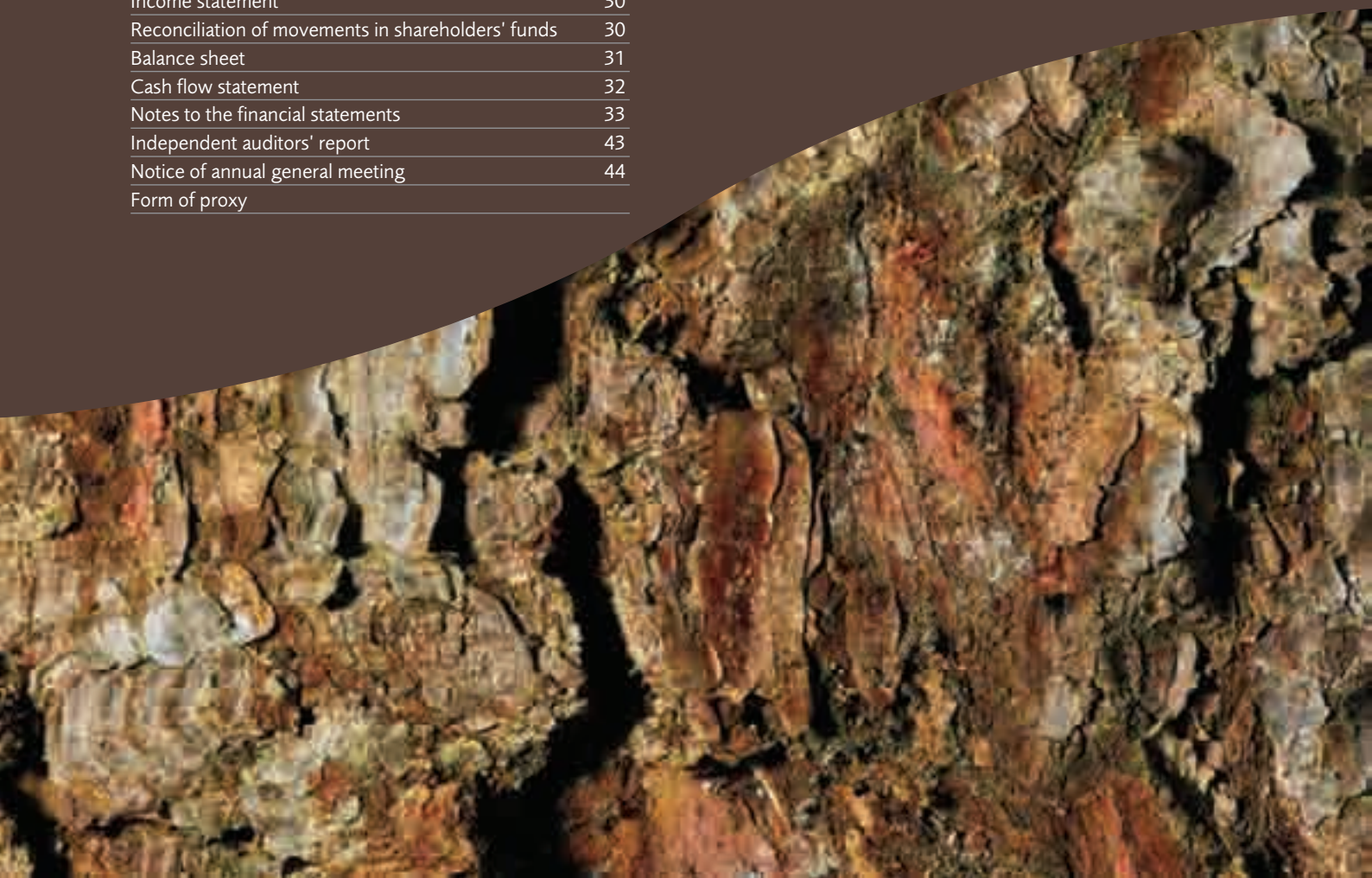
2008

Northern AIM
VCT PLC

Annual Report and Accounts
31 October 2008

Northern AIM VCT PLC 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

Year ended 31 October	2008	2007
Net assets	£7.2m	£13.9m
Net asset value per share	32.8p	64.0p
Return per share		
Revenue	1.0p	0.3p
Capital	(29.2)p	6.8p
Total	(28.2)p	7.1p
Dividend per share declared in respect of the year		
Revenue	1.0p	0.3p
Capital	2.0p	2.7p
Total	3.0p	3.0p
Cumulative return to shareholders since launch		
Net asset value per share	32.8p	64.0p
Dividends paid per share*	16.3p	13.3p
Net asset value plus dividends paid per share	49.1p	77.3p
Share price at end of year	40.0p	52.0p

*Excluding proposed final dividend

Key dates

Results announced	17 December 2008
Shares quoted ex dividend	4 February 2009
Annual general meeting	18 February 2009 (11.30am, The Balmoral, 1 Princes Street, Edinburgh EH2 2EQ)
Final dividend paid (to shareholders on register on 6 February 2009)	6 March 2009

Chairman's Statement

Market conditions over the past year have been the most challenging in the lifetime of our company and indeed in living memory.



Overview of the year

Market conditions over the past year have been the most challenging in the lifetime of our company and indeed in living memory. The FTSE AIM All-share index fell by over 60% during the 12 months to 31 October 2008 against a background of crisis in the banking system and the onset of recession in the UK economy. Although the fall in our company's net asset value (NAV) per share over the year has not been on quite the same scale, the investment portfolio (both AIM-quoted and unquoted) has inevitably been affected by the decline in price-earnings ratios and the downward pressure on company profitability, and has in broad terms halved in value. As a result the encouraging progress of the preceding financial year has been more than reversed.

Net asset value, return and dividend

The NAV per share as at 31 October 2008 was 32.8p, compared with 64.0p a year earlier. The return per share for the year as shown in the income statement was minus 28.2p compared with a positive return of 7.1p in the previous year, reflecting the impact of £5.3 million of unrealised revaluation losses resulting from the fall in the markets.

The company's unaudited NAV per share at 30 November 2008 was 31.7p, down by 3.4% from the

year-end figure. The FTSE AIM All-share index fell by 9.4% over the month.

Last year your board announced a dividend of 3.0p per share and stated its objective of maintaining the dividend at this level on a continuing basis, subject to the availability of sufficient distributable profits.

There were relatively few investment realisations during the year and the balance sheet at 31 October 2008 shows only a small cash balance, but I am pleased to report that our largest investment, Stainton Metal Company, was sold shortly after the year end for £1.4 million in cash and another of our unquoted holdings is in advanced sale discussions. Given these developments, and in view of the limited availability of new investment opportunities at the present time, your board has decided to propose a dividend of 3.0p per share in respect of the year, in line with our objective. The dividend will, subject to shareholders' approval at the annual general meeting, be paid on 6 March 2009 to shareholders on the register on 6 February 2009.

Investments

The portfolio has continued to be relatively fully invested. The AIM new issue market has remained subdued and only two new AIM-quoted investments were made during the year, at a cost of £439,000, whilst two new unquoted investments



James Dawnay
Chairman



were completed at a cost of £500,000. It is encouraging to note that all of the new holdings appear to be making good progress despite difficult market conditions, but several of the companies in which we invested in earlier periods have reported a deterioration in performance and this has been reflected in the year-end valuations. We also suffered a significant disappointment in the demise of DMN, our largest unquoted holding a year ago, where an improving outlook was overturned by severe problems arising from a contract for a major telecommunications group, as a result of which the company was eventually sold for a nominal consideration.

Shareholder issues

A year ago we announced that the company would cease buying back its own shares in the market for cancellation at a fixed 10% discount to net asset value. We felt that this practice was likely to lead to a gradual diminution in the company's capital base and that returns of cash to shareholders should be in the form of dividend distributions which would benefit all shareholders equally. Market conditions over the past year have brought about a much more significant reduction in our assets. Whilst we would expect a measure of recovery at some point in the future, this may be long delayed and in the meantime we will continue to give

careful consideration to the best strategic way forward for shareholders from our present position.

It was also announced last year that the directors had appointed Landsbanki Securities (formerly Teather & Greenwood) as brokers to the company, on the basis that they would also act as market-makers in the company's shares. Unsurprisingly there has been relatively little secondary market activity in the shares over the past 12 months. As shareholders may be aware, Landsbanki Securities was affected by the recent financial difficulties of its Icelandic parent and had to cease its market-making activities. Following a further review, the directors have appointed Teathers, a new firm which has recruited a number of former Landsbanki Securities personnel, as brokers to the company.

VAT on management fees

The Government announced in the 2008 Budget that, with effect from 1 October 2008, investment management fees paid by VCTs would be exempt from VAT. HM Revenue & Customs has subsequently accepted that under European Union VAT law the exemption of management fees from VAT should have applied from 1990 onwards, and has indicated that claims may be made for repayment of VAT previously paid by VCTs, subject to certain restrictive time limits. At this

stage the directors are reasonably certain that the amount of past VAT recoverable by the company will be at least £100,000 and this amount has been recognised in the accounts as a separate credit in the income statement.

VCT qualifying status

The company continues to meet the qualifying conditions laid down by HM Revenue & Customs for maintaining its approval as a venture capital trust. The board retains PricewaterhouseCoopers LLP as advisers on VCT taxation matters.

Prospects

Although there is no doubt that by historical standards many of our holdings look very good value at current price levels, it is difficult to foresee any sustained recovery in valuations whilst the current gloom in the world's economy and financial markets persists. There is no obvious reason why an upturn should be anticipated in the near term and it therefore seems likely that another difficult year lies ahead of us. Nevertheless the directors believe that a number of our portfolio companies have excellent prospects for the longer term.

James Dawnay
Chairman

Directors and Advisers

from left to right:

James Dawnay, Stephen Bullock,
Alastair Conn, Iain Macdonald, John Moxon.



James Dawnay (Chairman) aged 62

trained in investment management with the M&G Group and spent five years in industry before joining the board of S G Warburg in 1983. He was a founder director of Mercury Asset Management Group on its flotation in 1985 and subsequently became chairman of Mercury Fund Managers. He joined Martin Currie in 1992 as director of business development and stepped down as deputy chairman in 2000. He is now a non-executive director of Investec High Income Trust plc, Investec High Income Securities plc, Resources Investment Trust plc and a number of other companies. He was appointed to the board in 2000.

Stephen Bullock aged 47

held senior marketing positions in the healthcare sector prior to founding Action International Marketing Services, an international pharmaceutical marketing agency, in 1988. In 1997 the company was acquired by Quintiles Transnational Corp and he became CEO of a global specialist

division. He left Quintiles in 2000 to focus on entrepreneurial ventures and is an active business angel, working with a number of businesses in the TMT sector. He was appointed to the board in 2000.

Alastair Conn FCA aged 53

was managing director of NVM Private Equity for 20 years until October 2008, when he stepped down to take up the position of financial director. He qualified as a chartered accountant with Price Waterhouse and worked for Northern Investors Company as an investment executive before co-founding NVM in 1988. He is a non-executive director of Northern 2 VCT PLC. He was appointed to the board in 2000.

Iain Macdonald aged 64

worked in sales management and marketing with IBM before leaving to set up a computer services business. On its acquisition by a Canadian/US systems integrator, SHL Systemhouse Inc, he joined the parent's main board and ran their business in Europe.

Since then he has been a non-executive director and chairman of a range of businesses. He is currently on the main board of Sykes Enterprises Inc, an international NASDAQ-listed leader in the business process outsourcing sector, is chairman of Yakara plc, a specialist telecoms solutions provider, and is a director of Scottish Enterprise, the economic development agency for Scotland. He was appointed to the board in 2000.

John Moxon aged 68

worked as an economist at the Scottish Office before joining Wood Mackenzie. In 1977 he joined Capel-Cure Myers, subsequently becoming head of research and then head of the smaller companies team. In 1989 he was one of the founder directors of Beeson Gregory and stepped down in 2001. He was appointed to the board in 2000.



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Bankers

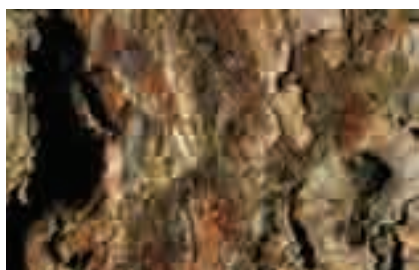
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Registrars

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Shareholder helpline: 0871 384 2030

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.



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 auditors are 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 auditors' opinion is included in their report on page 43.

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 AIM-quoted and unquoted companies.

The company is a Venture Capital Trust approved by HM Revenue & Customs. In order to maintain approved status, the company must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007; in particular, the company is required at all times to hold at least 70% of its investments (as defined in the legislation) in VCT-qualifying holdings, of which at least 30% must comprise eligible ordinary shares. For this purpose a "VCT-qualifying holding" consists of up to £1 million invested in any one year in new shares or securities of a UK

unquoted company (which may be quoted on AIM) which is carrying on a qualifying trade, and whose gross assets at the time of investment do not exceed a prescribed limit. The definition of "qualifying trade" excludes certain activities such as property investment and development, financial services and asset leasing.

The company's investment policy has been designed to enable the company to comply with the VCT qualifying conditions set out above. The directors intend that the long-term disposition of the company's assets will be not less than 80% in a portfolio of AIM-quoted and unquoted investments and up to 20% in cash or near-cash investments, 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 quoted and unquoted 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 industry sectors and by holding investments in companies at various stages of maturity in the corporate development

cycle, though it is not intended that investments will be made in early-stage unquoted companies which have yet to achieve profitability and cash generation. The normal investment holding period will be in the range from three to seven years.

The average book cost of the company's unquoted and AIM-quoted holdings is approximately £290,000; based on the company's present total assets of £7 million, the directors consider that it would not normally be appropriate for any single new investment commitment to exceed £250,000, equivalent to approximately 3.5% of 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 and regularly invests alongside the four 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.

Investment management

NVM Private Equity Limited (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 approximately £180 million under management in five venture capital funds.

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.

Market background

The past year has been one of the worst periods on record for stock market investment. Equity markets have fallen around the world and smaller companies have underperformed their larger counterparts. The FTSE AIM All-share index fell by 61.3% during the year to 31 October 2008.

The year began with the sub-prime mortgage crisis in the USA, which led to an increased aversion to risk by investors and a higher volatility in markets. In the UK the Monetary Policy Committee (MPC) remained concerned primarily about the threat of inflation, and although interest rates were reduced marginally in December 2007 and again in February and April 2008, it was only in October and November 2008 that the MPC reacted to the threat of a prolonged recession by cutting interest rates by a further 3% to only 2%, the lowest level since 1951. Over the summer months the UK's inter-bank lending rate (LIBOR) has remained well above base rate, which has had a negative impact on the cost of UK companies' borrowings. It is only in recent weeks, after pressure from the Government, that LIBOR has started to become more closely aligned with base rate.

Equity markets around the world started the year badly, but with interest rate cuts in the UK and elsewhere markets began to recoup some of the losses incurred earlier in the year. News flow from companies in the early part of the year was generally positive and reported earnings for 2007 were on the whole in line with expectations. However since March 2008 there has been a marked increase in the number of profit warnings and a deterioration in earnings forecasts for smaller companies.

Business Review

Table 1: Movement in net assets and net asset value per share

	£000	Pence per share
Net asset value at 31 October 2007	13,914	64.0
Net revenue (investment income less revenue expenses and tax)	208	1.0
Capital surplus/(deficit) arising on investments:		
Realised losses on disposals	(1,009)	(4.6)
Movements in fair value of investments	(5,254)	(24.1)
Management expenses allocated to capital account (net of tax relief)	(90)	(0.5)
Total return for the year as shown in income statement	(6,145)	(28.2)
Proceeds of issue of new shares (net of expenses)	77	–
Shares re-purchased for cancellation	(42)	–
Net movement for the year before dividends	(6,110)	(28.2)
Net asset value at 31 October 2008 before dividends recognised	7,804	35.8
Dividends recognised in the financial statements for the year	(652)	(3.0)
Net asset value at 31 October 2008	7,152	32.8

In the early summer there continued to be weaker economic data in terms of higher inflation and further declines in house prices. Oil prices in June were over \$140 a barrel, an all-time high. During the summer economic indicators continued to be generally negative and the prospects of a recession were widely reported in the press. Investors became even more risk-averse.

In September the crisis in the financial system reached a new level. In the USA, AIG and the mortgage companies Fannie Mae and Freddie Mac were in effect nationalised and Lehman Brothers was allowed to go bankrupt. The repercussions in the financial sector were extreme, liquidity evaporated and banks around the world required government capital injections as equity markets fell sharply. In October the US government approved a \$700 billion bail-out plan for banks and Bradford & Bingley followed the same path as Northern Rock into nationalisation. The UK clearing banks were forced by the government to recapitalise their balance sheets and Bank of Scotland, which had been in business through thick and thin since 1695, is in the process of being absorbed by Lloyds TSB. The Royal Bank of Scotland is in the process of being rescued by a £20 billion government package and will be more than 50% government owned.

The Chancellor of the Exchequer has made his pre-Budget statement which

Table 2: Venture capital portfolio cash flow

Year ended	New investment £000	Disposal proceeds £000	Net inflow/ (outflow) £000
31 October 2004	2,559	4,531	1,972
31 October 2005	2,627	1,918	(709)
31 October 2006	1,839	998	(841)
31 October 2007	544	2,237	1,693
31 October 2008	1,472	1,351	(121)
Total	9,041	11,035	1,994

includes a number of measures to stimulate the UK economy, not least a reduction in the rate of VAT from 17.5% to 15%. It is too early to say whether these emergency actions will have the desired impact and the stock market has remained subdued, with the FTSE AIM All-share index falling a further 9.4% in November.

The economic background has had a significant impact on the state of the AIM market as a whole and has led to a substantial reduction in the number of companies wishing or able to raise money on the market. In the first ten months of 2008 the number of new listings dropped to 99, compared with 284 in the whole of 2007. The amount raised in the market in the same period was £1.1 billion as against £6.6 billion in 2007. October 2008 was the first calendar month for ten years in which no new money was raised on AIM. For the first time the number of companies whose shares are quoted on AIM has fallen, from 1,684 at the end of 2007 to 1,592 at 31 October 2008.

Overview of the year

During the year under review Northern AIM VCT reported a total return of minus 28.2p, equivalent to 44.1% of the opening net asset value per share of 64.0p. The FTSE AIM All-share index (total return) fell by 60.7% over the same period.

The movement in total net assets and net asset value per share is summarised in Table 1.

New investment activity has remained at a low level, reflecting the scarcity of new issues on AIM and the slowdown in investment realisation opportunities. Portfolio cash flow over the past five years is summarised in Table 2.

After taking account of other cash flows, the company's total bank balance decreased over the year by £0.8 million.

Dividends

In line with the dividend policy announced last year, the directors propose a final dividend of 3.0p per share (last year 3.0p), of which 1.0p represents income distribution and 2.0p is derived from realised capital gains.

Investment portfolio

During the year ended 31 October 2008, four new holdings were added to the venture capital portfolio at a cost of £0.9 million, and additional investments totalling £0.6 million were made in existing portfolio companies. The portfolio at 31 October 2008 comprised 38 holdings with an aggregate value of £6.9 million.

A summary of the venture capital holdings at 31 October 2008 is given on page 12 with information on the fifteen largest investments on pages 13 to 16.

New investments

The new investments completed during the year were:

- **IS Pharma (£241,000)** – AIM-quoted specialist hospital medicines developer, Chester
- **Optilan Group (£250,000)** – unquoted telecommunications systems integrator, Coventry
- **Axial Systems Holdings (£250,000)** – unquoted supplier of distributed network management solutions, Maidenhead
- **Advanced Computer Software (£198,000)** – AIM-quoted health service software provider, London

Investment realisations

Details of investment realisations are given in Note 10 on page 37. The total proceeds from sales of venture capital portfolio holdings were £1.4 million. The only significant sale in the AIM portfolio was **Inspicio**, where a recommended bid funded by 3i Group led to a cash receipt of £562,000 and a realised gain of £312,000. In the unquoted portfolio, the investment in **Develop Training** was sold through a secondary management buy-out for £614,000, realising a gain of £190,000. A major disappointment was suffered in the failure of **DMN**, which experienced increasing problems with a significant contract which eventually led to the company's sale to a trade purchaser for a nominal sum, receivership being the only alternative. Our investment totalling £985,000 was written off.

AIM portfolio review

Several of our portfolio companies have been trading very well despite

the challenging market conditions and it has been frustrating to see significant share price falls in some of our larger holdings despite good performance. However in recent months there has been an increasing number of adverse trading statements with companies reporting that market conditions have become more difficult and potential orders have been delayed or postponed.

Aero Inventory, the world leader in the purchasing, storage and delivery of parts for use in aircraft maintenance, has had another very good year. The company's major customers include Qantas, All Nippon Airways and the maintenance arms of both Cathay Pacific and Air Canada. In the year to June 2008 sales were up 78% to \$440 million and profit before tax and exceptional items was up 60% to \$73 million. In November 2008 the company announced that its new financial year had got off to a good start and in the first four months sales were up 82% compared to the same period last year. Nevertheless the shares have fallen 62% in the year to 31 October 2008.

RCG Group, the Hong Kong-based company specialising in biometrics and RFID (remote frequency identification) has continued to do well and has recently announced that it plans to list on the Hong Kong Stock Exchange. Trading continues to show very strong growth with profit before tax up 49% in the year to December 2007. Further good growth was reported in the interim results for the six months to June 2008 with sales up 74% compared to the same period last year. There may be some concerns about a slowdown in the Tiger economies of the Far East, but for the shares to fall 54% over the past year looks overdone and we hope to see an improvement in the share price when the dual listing takes place.

Andor Technology, based in Belfast, produces high performance cameras primarily for educational and research establishments, with over 1,200 customers in 44 countries. In the year to 30 September 2008 profit before tax and exceptional items at £2.1 million was up 65% compared to

last year. There has been persistent corporate activity surrounding Andor and the share price has fallen by 13% in the year. The company should benefit from the weak level of sterling against the US dollar as a large proportion of sales is denominated in dollars.

IDOX, the public sector software and service provider, is experiencing good trading conditions. In the six months to 30 April 2008 turnover was up 142% to £16.2 million and normalised profit before tax was up to £3.6 million from £700,000. The company announced its largest ever contract of £2.3 million with the Scottish Government and had a strong cash position of £5.4 million at 30 April 2008. The share price has fallen almost 20% during the year.

It is not surprising that a number of the AIM holdings in the portfolio are finding trading conditions tough. For example, software companies such as **Pilat Media Global**, **Bond International Software** and **Prologic** that are well managed and have a strong product portfolio have nevertheless had to announce postponements of customer orders. Other companies which are well run are operating in very tough markets at the moment, including **Colliers CRE** (chartered surveyors), **Cello Group** (advertising and media), **Individual Restaurant Company** (restaurants) and **Widney** (industrial engineering).

All these companies have seen substantial falls in their share prices and have been taking action to reduce costs where possible. When the economy does to start to pick up, which may not be until 2010 or later, these companies should benefit from their reduced cost base and be able to achieve a return to profit growth.

Unquoted portfolio review

The unquoted portfolio has also been affected by difficult trading conditions and valuations have been reduced where necessary. Full provision has been made against the London-based housebuilder **John Laing Partnership**, which has suffered from a slackening in demand and lower valuations in the private housing market along with the rest of the sector.

Business Review

Table 3: Investment valuation by category

Category	31 October 2008		31 October 2007	
	£000	%	£000	%
Venture capital investments:				
Quoted on AIM	2,995	41.9	7,491	53.8
Unquoted	3,914	54.7	5,560	40.0
Total venture capital investments	6,909	96.6	13,051	93.8
Net current assets	243	3.4	863	6.2
Net assets	7,152	100.0	13,914	100.0

Crantock Bakery, the Cornish pastry manufacturer, has had a tough year due to rises in commodity and energy prices which have impacted margins, but we are hopeful that with the recent reductions in prices 2009 will show an improvement. **IG Doors**, the manufacturer of steel and GRP composite doors, has also suffered a downturn in trading reflecting conditions in the construction sector. The management team is strong and the company should be a beneficiary of any future consolidation and recovery in the sector. **Pivotal Laboratories Holdings**, which carries out laboratory testing for clinical trials, is performing well and the valuation has been increased by £105,000 during the year.

Our largest investment, **Stainton Metal Company**, which manufactures steel lamp posts and telecommunications poles, has reported excellent results and in November 2008 was acquired by the New York Stock Exchange-quoted group Valmont Industries Inc, our holding realising £1.4 million in cash.

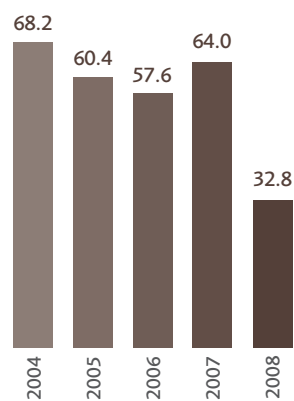
Portfolio allocation

The overall composition of the company's portfolio at 31 October 2008 and 2007 is shown in Table 3.

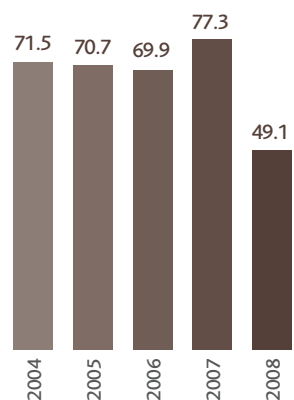
Key performance indicators

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

Net asset value and total return to shareholders: the following charts show the movement in net asset value and total return (net asset value plus cumulative dividends) per share over the past five years:

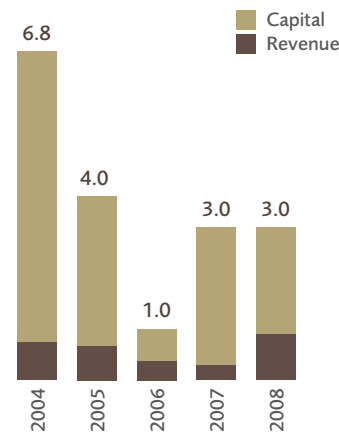


Net asset value (p)

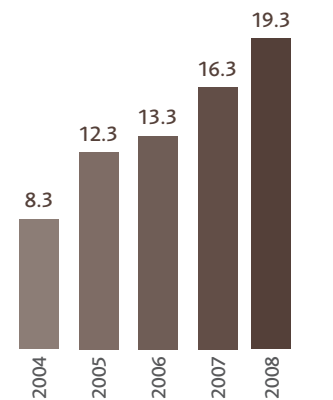


Net asset value plus cumulative dividends paid per share (p)

Dividend distributions: the following charts 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:

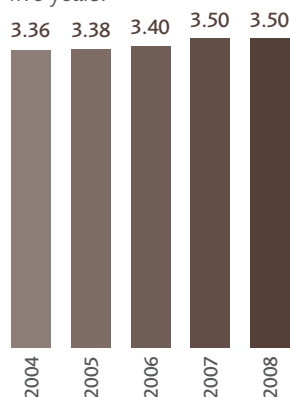


Dividend per share (p)



Cumulative dividends per share (p)

Total expense ratio: the following chart 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 years:



Total expense ratio (%)

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

Risk management

The board carries out a regular review of the risk environment in which the company operates. The main areas of risk identified by the board are as follows:

Investment risk: the majority of the company's investments are in small and medium-sized 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 and managers aim to limit the risk attaching to the portfolio as a whole by careful selection 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, industry sector and geographical location. The board reviews the investment portfolio with the investment 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. The company has very little exposure to foreign currency risk and does not enter into derivative transactions.

Stock market risk: the majority of the company's investments are quoted on AIM and will be subject to market fluctuations upwards and downwards. External factors such as terrorist activity can negatively impact stock markets worldwide and AIM is no exception to this. In times of adverse sentiment there tends to be very little, if any, market demand for shares in the smaller companies quoted on AIM.

Liquidity risk: the company's investments may be difficult to realise. The fact that a stock is quoted on AIM 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.

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

It is likely that it will take a long time for confidence to return to markets, but rescue plans being implemented around the world underline the seriousness with which policy-makers are treating the current situation and their willingness to tackle it head on. Interest rates have been cut aggressively and it is to be hoped that this will start to have an impact on the economy within the next 12 to 18 months. The secondary effect will be that people with cash on deposit will see income returns fall sharply and will look at alternative places to invest. It is also likely that with the current depressed values within the small-cap sector, there will be an increase in bid activity by those companies who have the cash and the risk appetite to grow by acquisition in these uncertain times.

By order of the Board

C D Mellor
Secretary

17 December 2008

Investment Portfolio

as at 31 October 2008

	Market	Cost £000	Valuation £000	% of net assets by value
Fifteen largest venture capital investments (see pages 13 to 16)				
Stainton Metal Company	Unquoted	751	1,379	19.3
Crantock Bakery	Unquoted	490	573	8.0
Britspace Holdings	Unquoted	788	456	6.4
Longhirst Venues	Unquoted	136	435	6.1
Pivotal Laboratories Holdings	Unquoted	250	413	5.8
Aero Inventory	AIM	373	389	5.4
RCG Holdings	AIM	236	270	3.8
Optilan Group	Unquoted	250	250	3.5
Axial Systems Holdings	Unquoted	250	250	3.5
Jelf Group	AIM	297	249	3.5
Andor Technology	AIM	292	211	2.9
IDOX	AIM	250	193	2.7
Pilat Media Global	AIM	301	180	2.5
Prologic	AIM	300	180	2.5
Bond International Software	AIM	182	169	2.4
		5,146	5,597	78.3
Other venture capital investments				
Advanced Computer Software	AIM	198	163	2.3
IG Doors	Unquoted	315	158	2.2
IS Pharma	AIM	241	150	2.1
Cello Group	AIM	301	126	1.8
Quadnetics Group	AIM	235	111	1.5
SectorGuard	AIM	117	88	1.2
Fountains	AIM	250	80	1.1
1st Dental Laboratories	AIM	350	75	1.0
Intercytex Group	AIM	250	74	1.0
Shieldtech	AIM	248	49	0.7
Colliers CRE	AIM	331	38	0.5
Adept Telecom	AIM	233	33	0.5
Zenith Hygiene Group	AIM	320	33	0.5
First Artist Corporation	AIM	502	27	0.4
Belgravium Technologies	AIM	143	23	0.8
Twenty	AIM	198	20	0.3
Hartest Holdings	AIM	450	17	0.2
Spectrum Interactive	AIM	250	13	0.2
Individual Restaurant Company	AIM	250	13	0.2
Advance AIM Value Realisation Company	AIM	32	9	0.1
Baydonhill	AIM	251	8	0.1
Widney	AIM	208	4	0.1
John Laing Partnership	Unquoted	229	-	-
Total fixed asset investments		11,048	6,909	96.6
Net current assets			243	3.4
Net assets			7,152	100.0

Fifteen Largest Venture Capital Investments



STAINTON METAL COMPANY LIMITED

Cost	£751,000
Valuation	£1,379,000
Basis of valuation	Sale price
Equity held	10.7%
Business/location	Manufacture of metal lamp posts and lighting columns, Stockton-on-Tees
History	Management buy-out from Canadian corporation, October 2001, led by NVM
Other NVM funds investing	Northern Investors Company, Northern Venture Trust, Northern 2 VCT
Income in year	Dividends nil, loan stock interest £264,000

Audited financial information:

Year ended 30 September	2007 £m	2006 £m
Sales	13.0	10.4
Profit/(loss) before tax	0.2	(0.1)
Profit/(loss) after tax	–	(0.2)
Net assets	2.3	2.2



CRANTOCK BAKERY LIMITED

Cost	£490,000
Valuation	£573,000
Basis of valuation	Earnings multiple
Equity held	6.8%
Business/location	Manufacture of premium hand-made Cornish pasties, Newquay
History	Management buy-in from private ownership, October 2002, led by NVM
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £18,000

Audited financial information:

Year ended 30 September	2007 £m	2006 £m
Sales	8.8	7.1
Profit before tax	0.4	0.4
Profit after tax	–	0.2
Net assets	1.5	1.4



BRITSPACE HOLDINGS LIMITED

Cost	£788,000
Valuation	£456,000
Basis of valuation	Earnings multiple
Equity held	5.1%
Business/location	Manufacturer of modular buildings and steel fabrications, Hull
History	Management buy-out, September 2002, led by NVM. De-merged from GB Industries in September 2007
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern 3 VCT
Income in year	Nil

Audited financial information:

Year ended 31 March	2008 £m	2007 £m
Sales	41.7	46.2
(Loss)/profit before tax	(0.3)	0.7
Profit after tax	0.5	0.7
Net liabilities	(4.4)	(4.9)



LONGHIRST VENUES LIMITED

Cost	£136,000
Valuation	£435,000
Basis of valuation	Net asset value
Equity held	6.3%
Business/location	Ownership and management of two hotel and conference centres, Morpeth
History	Management buy-out from public sector ownership, December 2002, led by NVM. De-merged from Longhirst Group in May 2007
Other NVM funds investing	Northern Investors Company, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends £11,000, loan stock interest £5,000

Audited financial information:

Year ended 31 March	2008 £m
Sales	4.4
Loss before tax	(1.0)
Loss after tax	(1.0)
Net assets	12.0

Fifteen Largest Venture Capital Investments



PIVOTAL LABORATORIES HOLDINGS LIMITED

Cost	£250,000
Valuation	£413,000
Basis of valuation	Earnings multiple
Equity held	3.4%
Business/location	Laboratory analysis service for clinical trials, York
History	Management buy-out from private ownership, August 2005, led by NVM
Other NVM funds investing	Northern Investors Company, Northern Venture Trust, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends £2,000, loan stock interest £21,000

Audited financial information:

Year ended 31 October	2007 £m	2006 £m
Sales	5.1	4.1
Profit before tax	0.7	0.1
Profit after tax	0.6	–
Net assets	1.0	0.8



AERO INVENTORY PLC

Cost	£373,000
Valuation	£389,000
Basis of valuation	Bid price (AIM)
Equity held	0.3%
Business/location	Component procurement and inventory management systems for the aerospace industry, London
History	The company floated on AIM in June 1998. Northern AIM VCT participated in share placings in 2001 and 2002
Other NVM funds investing	None
Income in year	Dividends £25,000

Audited financial information:

Year ended 30 June	2008 £m	2007 £m
Sales	220.6	127.8
Profit before tax	36.7	26.8
Profit after tax	25.9	18.5
Net assets	147.5	149.3



RCG HOLDINGS LIMITED

Cost	£236,000
Valuation	£270,000
Basis of valuation	Bid price (AIM)
Equity held	0.3%
Business/location	Provider of biometric security solutions, Hong Kong
History	The company floated on AIM in December 1999. Further share issues took place during 2004 and 2005
Other NVM funds investing	None
Income in year	Dividends £3,000

Audited financial information:

Year ended 31 December	2007 £m	2006 £m
Sales	92.4	61.8
Profit before tax	29.3	19.6
Profit after tax	29.1	19.4
Net assets	139.0	67.2



OPTILAN GROUP LIMITED

Cost	£250,000
Valuation	£250,000
Basis of valuation	Cost
Equity held	1.8%
Business/location	Telecommunications systems integrator, Coventry
History	Management buy-out from private ownership, March 2008, led by NVM
Other NVM funds investing	Northern Investors Company, Northern Venture Trust, Northern 2 VCT, Northern 3 VCT
Income in year	Nil

Audited financial information:

First audited accounts will be for the period to 31 October 2008



AXIAL SYSTEMS HOLDINGS LIMITED

Cost	£250,000
Valuation	£250,000
Basis of valuation	Cost
Equity held	2.1%
Business/location	Supplier of distributed network management solutions, Maidenhead
History	Management buy-out from private ownership, March 2008, led by NVM
Other NVM funds investing	Northern Investors Company, Northern Venture Trust, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £12,000

Audited financial information:

First audited accounts will be for the period to 31 May 2009



JELF GROUP PLC

Cost	£297,000
Valuation	£249,000
Basis of valuation	Bid price (AIM)
Equity held	1.1%
Business/location	Provider of commercial insurance, corporate healthcare and financial services, Bristol
History	The company floated on AIM in October 2004. A further share issue took place in February 2006, raising £4 million
Other NVM funds investing	None
Income in year	Nil

Audited financial information:

Year ended 30 September	2007 £m	2006 £m
Sales	40.6	25.1
Profit before tax	2.5	2.1
Profit after tax	1.1	1.2
Net assets	20.0	16.3



ANDOR TECHNOLOGY PLC

Cost	£292,000
Valuation	£211,000
Basis of valuation	Bid price (AIM)
Equity held	1.2%
Business/location	Manufacturer of high quality digital cameras, Belfast
History	The company floated on AIM in December 2004 with Northern AIM VCT participating in the share placing
Other NVM funds investing	Northern 2 VCT, Northern 3 VCT
Income in year	Nil

Audited financial information:

Year ended 30 September	2007 £m	2006 £m
Sales	21.3	19.2
Profit before tax	1.3	1.6
Profit after tax	1.2	1.7
Net assets	12.1	10.7



IDOX PLC

Cost	£250,000
Valuation	£193,000
Basis of valuation	Bid price (AIM)
Equity held	0.6%
Business/location	Developer of software products for document, content and information management, London
History	The company floated on AIM in December 2000 with Northern AIM VCT participating in the share placing
Other NVM funds investing	Northern Venture Trust, Northern 3 VCT
Income in year	Dividends £2,000

Audited financial information:

Year ended 31 October	2007 £m	2006 £m
Sales	20.6	13.0
Profit/(loss) before tax	1.1	(0.5)
Profit/(loss) after tax	0.9	(1.0)
Net assets	19.9	8.4

Fifteen Largest Venture Capital Investments



PILAT MEDIA GLOBAL PLC

Cost	£301,000
Valuation	£180,000
Basis of valuation	Bid price (AIM)
Equity held	2.5%
Business/location	Provision of software for the broadcasting industry, London
History	The company de-merged from Pilat Technology International in February 2002 and raised £3.4 million of expansion finance on AIM
Other NVM funds investing	None
Income in year	Nil

Audited financial information:

Year ended 31 December	2007 £m	2006 £m
Sales	18.4	19.4
Profit before tax	1.3	3.3
Profit after tax	0.7	2.3
Net assets	18.4	18.3



PROLOGIC PLC

Cost	£300,000
Valuation	£180,000
Basis of valuation	Bid price (AIM)
Equity held	4.0%
Business/location	Provider of software for the fashion industry, Berkhamstead
History	The company floated on AIM in July 2004 with Northern AIM VCT participating in the share placing
Other NVM funds investing	None
Income in year	Dividends £8,000

Audited financial information:

Year ended 31 March	2008 £m	2007 £m
Sales	11.6	10.6
Profit before tax	1.7	1.4
Profit after tax	1.3	1.1
Net assets	11.3	10.1



BOND INTERNATIONAL SOFTWARE PLC

Cost	£182,000
Valuation	£169,000
Basis of valuation	Bid price (AIM)
Equity held	1.1%
Business/location	Provider of software for the recruitment market, Goring
History	The company floated on AIM in December 1997. A further share issue took place in March 2004, raising £4 million
Other NVM funds investing	None
Income in year	Dividends £6,000

Audited financial information:

Year ended 31 December	2007 £m	2006 £m
Sales	29.5	17.2
Profit before tax	5.1	4.6
Profit after tax	3.6	3.7
Net assets	29.3	17.4

Shareholder Information

The Company

Northern AIM VCT PLC is a Venture Capital Trust (VCT) launched in October 2000, raising £22 million through a public share offer. Subsequent share issues have taken the cumulative amount raised to over £24 million. The trust invests mainly in VCT-qualifying companies, particularly those quoted on AIM.

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

Northern AIM VCT PLC 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 four other listed investment companies, Northern Investors Company PLC, Northern Venture Trust PLC, Northern 2 VCT PLC and Northern 3 VCT PLC, and has a total of approximately £180 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 tax reliefs.

Northern AIM VCT PLC has been approved as a VCT by HM Revenue & Customs. In order to maintain its approval the company must comply with certain requirements on a continuing basis; in particular, at least 70% of the proceeds of each new share issue must within three years be invested in "qualifying holdings", of which at least 30% must be in eligible ordinary shares. A "qualifying holding" consists of up to £1 million invested in any one year in new shares or securities in an unquoted company (including companies quoted on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed £15 million at the time of investment. The definition of "qualifying trade" excludes certain activities such as property investment and development, financial services and asset leasing. The gross assets limit has been reduced to £7 million for investments made using funds subscribed after 5 April 2006.

Financial calendar

The company's financial calendar for the year ending 31 October 2009 is as follows:

June 2009

Half-yearly financial report for the six months ending 30 April 2009 published

December 2009

Final dividend and results for year to 31 October 2009 announced

January 2010

Annual report and accounts published

February 2010

Annual general meeting

March 2010

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 5 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 shares in the company with the benefit of the tax reliefs currently available to VCT subscribers. Information about the scheme can be obtained from the Company Secretary (see page 5 for contact details).

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 31 October 2008.

Activities and status

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

The company has been listed on the London Stock Exchange since January 2001 and has been approved as a venture capital trust by HM Revenue & Customs.

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 Section 414 of the Income and Corporation Taxes Act 1988.

The directors are required by the articles of association to propose an ordinary resolution at the company's annual general meeting in 2011 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 11 and is included in the directors' report by reference.

Corporate Governance

The statement on corporate governance set out on pages 24 to 27 is included in the directors' report by reference.

Results and dividend

The negative return on ordinary activities after tax for the year of £6,145,000 has been transferred to reserves.

The final dividend of 3.0p per share in respect of the year ended 31 October 2007 was paid during the year at a cost of £652,000 and has been charged to reserves.

The proposed final dividend of 3.0p per share in respect of the year ended 31 October 2008 will, if approved by shareholders, be paid on 6 March 2009 to shareholders on the register on 6 February 2009.

Provision of information to auditors

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 auditors are unaware, and that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

Having reviewed the cash flow projections for the next 12 months 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 and the interests of their connected persons (in respect of which transactions are notifiable to the company under Disclosure and Transparency Rule 3.1.2R) in the issued ordinary shares of 5p of the company were as shown in Table 1.

All of the directors' share interests shown above were held beneficially. There have been no changes in the directors' share interests between 31 October 2008 and the date of this report.

Brief biographical notes on the directors are given on page 4. Mr S D Bullock and Mr I A Macdonald retire from the board by rotation in accordance with the articles of association and Mr A M Conn retires

Table 1: Directors' shareholdings

	31 October 2008	1 November 2007
C J P Dawnay (Chairman)	102,800	102,800
S D Bullock	78,081	78,081
A M Conn	218,227	178,044
I A Macdonald	102,900	102,900
J W J Moxon	28,719	28,719

from the board in accordance with the AIC Code of Corporate Governance by reason of his employment by NVM. Mr Bullock, Mr Macdonald and Mr Conn offer themselves for re-election.

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 31 October 2008.

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. Mr A M Conn is an executive director of NVM and a shareholder in its ultimate parent company, NVM Group Limited.

The company has established a performance incentive scheme whereby 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 co-investing executives are required to subscribe as follows:

Directors' Report

- where the investment comprises a mixture of ordinary shares and loans or redeemable preference shares, 5% of the aggregate amounts invested in ordinary shares at the same time by the funds; or
- where the investment is structured entirely as ordinary shares (including investments quoted on AIM), 1% of the aggregate amount invested at the same time by the funds; or
- where a further investment is made in an existing portfolio company, 1% of the entire investment "strip" (i.e. ordinary shares and any other investment instruments) invested at the same time by the funds.

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.

Re-purchase of shares

During the year the company purchased for cancellation 100,000 of its own ordinary shares of 5p each, representing 0.5% of the called-up ordinary share capital of the company,

for a consideration of £42,000. 139,577 new ordinary shares were issued for a cash consideration of £77,000 through the company's dividend investment scheme.

Details of allotments during the period are given in Note 15 to the financial statements.

At the 2008 annual general meeting shareholders authorised the company to purchase in the market up to 2,174,618 ordinary shares (equivalent to approximately 10% of the then issued ordinary share capital) at a minimum price per share of 5p and a maximum price per share of not more than 105% of the average market value of the relevant shares for the five business days prior to the date on which the purchase is made. As at 31 October 2008 100,000 ordinary shares had been purchased under this authority, which at that date remained effective in respect of 2,074,618 ordinary shares; the authority will lapse at the conclusion of the annual general meeting of the company to be held on 18 February 2009.

Fixed assets

Movements in fixed asset investments during the year are set out in Note 9 to the financial statements.

Annual general meeting

Notice of the 2009 annual general meeting is set out on pages 44 and 45.

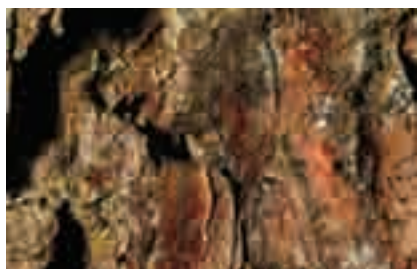
Re-election of retiring directors (Resolutions 4, 5 and 6)

Mr S D Bullock and Mr I A Macdonald retire from the board by rotation in accordance with the articles of association and seek re-election whilst Mr A M Conn retires from the board in accordance with the AIC Code of Corporate Governance and seeks re-election. The board believes that each of the directors seeking re-election makes a relevant and significant contribution to the operation of the board and displays an appropriate level of knowledge and experience.

Renewal of directors' authority to allot shares (Resolution 9)

Resolution 9, which will be proposed as an ordinary resolution, grants the directors a general authority to allot shares in the company. This resolution, if passed, gives the directors authority to allot ordinary shares up to a maximum nominal value of £1,460,711 (representing 134% of the issued ordinary share capital of the company at the date of the notice convening the annual general meeting).

This authority will be effective until the conclusion of the next annual general meeting of the company (expected to be held in February 2010) or, if earlier, 30 April 2010 except insofar as commitments to allot shares have been entered into before that date. The directors have no present



intention of exercising the authority granted by Resolution 9 except in connection with the issue of ordinary shares pursuant to the dividend investment scheme.

Disapplication of pre-emption rights (Resolution 10)

Resolution 10, which will be proposed as a special resolution, supplements the directors' authority to allot shares in the company given to them by Resolution 9. The resolution authorises the directors to allot equity ordinary shares, or sell treasury shares, for cash (otherwise than pro rata to existing shareholders) up to an aggregate nominal value in relation to ordinary shares of £108,928 (representing 10% of the company's issued ordinary share capital at the date of the notice convening the annual general meeting).

The authority will be effective until the conclusion of the next annual general meeting of the company (expected to be held in February 2010) or, if earlier, 30 April 2010.

Purchase of shares by the company (Resolution 11)

Resolution 11, which will be proposed as a special resolution, authorises the company to purchase in the market up to 2,178,576 ordinary shares (equivalent to approximately 10% of the issued ordinary share capital) at a minimum price per share of 5p and a

maximum price per share of not more than 105% of the average market value of the relevant shares for the five business days prior to the date on which the purchase is made. Unless previously renewed, varied or revoked, the authority will be effective until the conclusion of the next annual general meeting of the company (expected to be held in February 2010) or, if earlier, 30 April 2010.

Purchases of ordinary shares will be made only within the guidelines established and to be reviewed from time to time by the directors, and where it is considered that such purchases would be to the advantage of the company and its shareholders as a whole. It is the directors' intention that purchases will be made in the market for cash only at prices below the prevailing net asset value per share, thereby enhancing the net asset value per share for the company's remaining shareholders. Purchases will be financed from the company's own cash resources or, if appropriate, from short term borrowings.

There are no existing ordinary shares covered by options or warrants at the date of publication of this document.

Shares purchased under this authority become treasury shares which the company can cancel or hold for sale for cash; previously the board's policy has been to cancel treasury shares.

Substantial shareholdings

No disclosures have 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 auditors

KPMG Audit Plc have indicated their willingness to continue as auditors 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

17 December 2008

Directors' Remuneration Report

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

This report has been prepared by the directors in accordance with the requirements of Schedule 7A to the Companies Act 1985. A resolution to approve the report will be proposed at the annual general meeting.

The company's independent auditors, KPMG Audit Plc, are required to give their opinion on certain information included in this report, as indicated below. Their report on these and other matters is set out on page 43.

Board of directors

The board currently comprises five directors, all of whom are non-executive. The board does not have a separate remuneration committee, as the company has no employees or executive directors. The board has established a nomination committee, chaired by Mr C J P Dawnay 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 advisors 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 A M Conn is entitled to participate in performance incentive arrangements established for the benefit of certain executives of NVM Private Equity, as described in the directors' report on pages 19 and 20.

Directors' fees were reviewed by the nomination committee during its meeting in October 2008, when it was recommended that annual fees should be increased to £15,000 per annum (previously £13,750) for the chairman

and £12,000 (previously £11,000) for the other directors for the year ending 31 October 2009. The articles of association place an overall limit (currently £100,000 per annum) on directors' remuneration.

Directors' fees (audited information)

The fees paid to individual directors in respect of the years ended 31 October 2008 and 2007 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 that thereafter at least one-third of the directors shall retire and be eligible for re-election. 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

Table 1: Directors' fees

	Year ended 31 October 2008 £	Year ended 31 October 2007 £
C J P Dawnay (Chairman)	13,750	13,750
S D Bullock	11,000	11,000
A M Conn	–	–
I A Macdonald	11,000	11,000
J W J Moxon	11,000	11,000

Mr A M Conn waived his entitlement to directors' fees in respect of both years.

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 31 October 2008 with the total return from a notional investment in the FTSE AIM 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

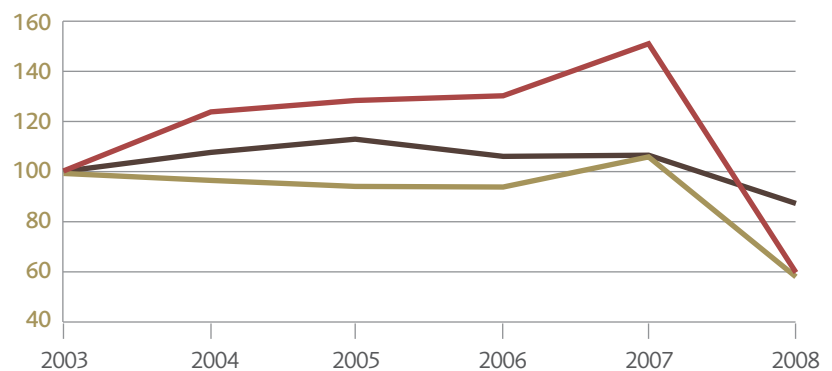
C D MELLOR

Secretary

17 December 2008

Return to shareholders in Northern AIM VCT PLC

Five years to 31 October 2008 (October 2003 = 100)



- Northern AIM VCT net asset value total return
- Northern AIM VCT share price total return
- FTSE AIM All-share index total return

Corporate Governance

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

The board of Northern AIM VCT PLC has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Northern AIM VCT PLC. The AIC Code can be viewed at www.theaic.co.uk.

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

The company is committed to maintaining high standards in corporate governance and has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

The Combined 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 Combined Code, the board considers these provisions are not relevant to the position of Northern AIM VCT 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 five non-executive directors, four 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, to review investment performance and monitor compliance with the investment policy laid down by the board. 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 C J P Dawney, leads the board in the determination of its strategy and in the achievement of its objectives. The chairman is responsible for organising the business of the board, ensuring its effectiveness and setting its agenda, and has no involvement in the day to day business of the company. He facilitates the effective contribution of the directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders.

The board has established a formal process, led by the chairman, for the annual evaluation of the performance of the board, its committees and individual directors. Directors are made aware on appointment that their performance will be subject to regular evaluation.

The performance of the chairman is evaluated by a meeting of the other directors under the leadership of Mr J W J Moxon.

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 full board.

The company's articles of association require that one third of the directors should retire by rotation each year and seek re-election at the annual general meeting, and that directors appointed by the board should seek re-appointment at the next annual general meeting. The board complies with the requirement of the Combined 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 (with the exception of Mr A M Conn who is a director and employee of NVM, the company's investment manager) the company's directors are independent in character and judgement and there are no relationships or circumstances which could affect their objectivity.

Board committees

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

Audit Committee

During the year the audit committee comprised:

Mr J W J Moxon (Chairman)
Mr S D Bullock
Mr I A Macdonald

The audit committee carries out the functions required by DTR 7.1.3 R; its terms of reference include the following roles and responsibilities:

- reviewing and making recommendations to the board in relation to the company's published financial statements and other formal announcements relating to the company's financial performance;
- reviewing and making recommendations to the board in relation to the 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 auditors and approving the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' 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 auditors are 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. The audit committee meets three times per year

and has direct access to KPMG Audit Plc, the company's external auditors. 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 Combined 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 31 October 2008 the audit committee discharged its responsibilities by:

- reviewing and approving the external auditors' terms of engagement and remuneration;
- reviewing the external auditors' 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;
- reviewing the external auditors' 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 auditors of the company.

Nomination Committee

During the year the nomination committee comprised:

Mr C J P Dawnay (Chairman)
Mr S D Bullock
Mr A M Conn
Mr I A Macdonald
Mr J W J Moxon

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.

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 22 and 23.

Management Engagement Committee

During the year the management engagement committee comprised:

Mr C J P Dawnay (Chairman)
Mr S D Bullock
Mr I A Macdonald
Mr J W J Moxon

The management engagement committee undertakes a periodic review of the performance of the investment manager, NVM, and of the terms of the management

Corporate Governance

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 34.

Following the latest review by the committee, the board concluded that the continuing appointment of NVM on the existing terms 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. 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 31 October 2008 and the number attended by each director compared with the maximum possible attendance.

Investor relations

The board recognises the value of maintaining regular communications with shareholders. Formal reports are sent to shareholders at the half year and year-end stages, and an opportunity is given 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 the annual general 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 unquoted 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 pages 6 to 11.

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

The company's share capital is £2,550,000 divided into 51,000,000 ordinary shares of 5p each. At 31 October 2008 21,785,766 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

Table 1: Directors' attendance at meetings

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Number of meetings held	5	3	1	1
Attendance (actual/possible):				
C J P Dawnay (Chairman)	5/5	n/a	1/1	1/1
S D Bullock	5/5	3/3	1/1	1/1
A M Conn	5/5	n/a	1/1	n/a
I A Macdonald	5/5	3/3	1/1	1/1
J W J Moxon	5/5	3/3	1/1	1/1

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

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (uncertificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in the company's articles of association or in the case of uncertificated shares to the regulations governing the operation of CREST (which allow the directors to refuse to register a transfer as therein set out); the transferor remains the holder of the shares until the name of the transferee is entered in the register of members. The directors may refuse to register a transfer of certificated shares in favour of more than four persons jointly or where there is no adequate evidence of ownership or the transfer is not duly stamped (if so required). The directors may also refuse to register a share transfer if it is in respect of a certificated share which is not fully paid up or on which the company has a lien provided that, where the share

transfer is in respect of any share admitted to the Official List maintained by the UK Listing Authority, any such discretion may not be exercised so as to prevent dealings taking place on an open and proper basis, or if in the opinion of the directors (and with the concurrence of the UK Listing Authority) exceptional circumstances so warrant, provided that the exercise of such power will not disturb the market in those shares. Whilst there are no squeeze-out and sell out rules relating to the shares in the company's articles of association, shareholders are subject to the compulsory acquisition provisions in Sections 974 to 991 of the Companies Act 2006.

Amendment of articles of association

The company's articles of association may be amended by the members of the company by special resolution (requiring a majority of at least 75% of the persons voting on the relevant resolution).

Appointment and replacement of directors

A person may be appointed as a director of the company by the shareholders in general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) or by the directors; no person, other than a director retiring by rotation or otherwise, shall be appointed or re-appointed a director at any general meeting unless he is recommended by the directors or, not less than seven nor more than 42 clear days before the date appointed for the meeting, notice is given to the company of the intention to propose that person for appointment or re-appointment in the form and manner set out in the company's articles of association.

Each director who is appointed by the directors (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 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

Subject to the provisions of the Companies Acts, the memorandum and articles of association of the company and any directions given by shareholders by special resolution, the articles of association specify that the business of the company is to be managed by the directors, who may exercise all the powers of the company, whether relating to the management of the business or not. 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 2008 annual general meeting to make market purchases of up to 2,174,618 ordinary shares at any time up to the next 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 18 February 2009 as set out on pages 20 and 21 in the description of the business of the meeting.

By order of the Board

C D MELLOR
Secretary

17 December 2008

Directors' Responsibility 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.

The financial statements are required by law to give a true and fair view of the state of affairs of the company at the end of the financial period and of the return of the company for that 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 confirm that to the best of their knowledge the financial statements for the year ended 31 October 2008 comply with the requirements set out above and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement, have been used in their preparation.

They also confirm that the annual report includes a fair review of the development and performance of the business together with a description of the principal risks and uncertainties faced by the company.

Each of the Directors confirms that to the best of his knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

In relation to the 2008 financial statements, the directors are also responsible for keeping accounting records that 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. 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 which comply with that law and those regulations.

The company's financial statements are published on the 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 auditors 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.

Going concern

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

By order of the Board

C D MELLOR
Secretary

17 December 2008

Financial Statements



Income Statement

for the year ended 31 October 2008

	Notes	Year ended 31 October 2008			Year ended 31 October 2007		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain/(loss) on disposal of investments	9	–	(1,009)	(1,009)	–	380	380
Movements in fair value of investments	9	–	(5,254)	(5,254)	–	1,393	1,393
		–	(6,263)	(6,263)	–	1,773	1,773
Income	2	467	–	467	318	–	318
Investment management fee	3	(65)	(194)	(259)	(79)	(236)	(315)
Recoverable VAT	4	25	75	100	–	–	–
Other expenses	5	(190)	–	(190)	(170)	–	(170)
Return on ordinary activities before tax		237	(6,382)	(6,145)	69	1,537	1,606
Tax on return on ordinary activities	6	(29)	29	–	–	–	–
Return on ordinary activities after tax		208	(6,353)	(6,145)	69	1,537	1,606
Return per share	8	1.0p	(29.2)p	(28.2)p	0.3p	6.8p	7.1p

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

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 October 2008

	Notes	Year ended	Year ended
		31 October 2008 £000	31 October 2007 £000
Equity shareholders' funds at 1 November 2007		13,914	13,250
Return on ordinary activities after tax		(6,145)	1,606
Dividends recognised in the year	7	(652)	(228)
Net proceeds of share issues	15	77	26
Shares purchased for cancellation	15	(42)	(722)
Expenses charged to capital reserve		–	(18)
Equity shareholders' funds at 31 October 2008		7,152	13,914

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

Balance Sheet

as at 31 October 2008

	Notes	31 October 2008 £000	31 October 2007 £000
Fixed assets			
Investments	9	6,909	13,051
Current assets			
Debtors	13	252	73
Cash at bank		38	837
		290	910
Creditors (amounts falling due within one year)	14	(47)	(47)
Net current assets		243	863
Net assets		7,152	13,914
Capital and reserves			
Called-up equity share capital	15	1,089	1,087
Share premium	16	1,989	1,919
Capital redemption reserve	16	183	178
Capital reserve – realised	16	7,760	8,981
Capital reserve – unrealised	16	(4,139)	1,622
Revenue reserve	16	270	127
Total equity shareholders' funds		7,152	13,914
Net asset value per share	17	32.8p	64.0p

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

The financial statements on pages 30 to 42 were approved by the directors on 17 December 2008 and are signed on their behalf by:

C J P Dawnay
Director

J W J Moxon
Director

Cash Flow Statement

for the year ended 31 October 2008

	Year ended 31 October 2008		Year ended 31 October 2007	
	£000	£000	£000	£000
Net cash outflow from operating activities		(61)		(164)
Taxation				
Corporation tax paid		–		–
Financial investment				
Purchase of investments	(1,472)		(544)	
Sale/repayment of investments	1,351		2,237	
Net cash inflow/(outflow) from financial investment		(121)		1,693
Equity dividends paid		(652)		(228)
Net cash inflow/(outflow) before financing		(834)		1,301
Financing				
Issue of ordinary shares	77		30	
Share issue expenses	–		(4)	
Purchase of ordinary shares for cancellation	(42)		(722)	
Net cash inflow/(outflow) from financing		35		(696)
Increase/(decrease) in cash at bank		(799)		605
Reconciliation of return before tax to net cash flow from operating activities				
Return on ordinary activities before tax		(6,145)		1,606
(Gain)/loss on disposal of investments		1,009		(380)
Movements in fair value of investments		5,254		(1,393)
(Increase)/decrease in debtors		(179)		24
Decrease in creditors		–		(3)
Expenses charged to capital reserve		–		(18)
Net cash outflow from operating activities		(61)		(164)

Analysis of movement in net funds	1 November 2007	Cash flows	31 October 2008
	£000	£000	£000
Cash at bank	837	(799)	38

Notes to the Financial Statements

for the year ended 31 October 2008

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below. The policies are consistent with those applied in the preceding year.

a Basis of accounting

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 December 2005, 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 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 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 realised or unrealised capital reserve on the basis of whether they are readily convertible to cash in full at the balance sheet date. 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 1985. 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 charged to capital return as incurred; and
- expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly the 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. Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full at the balance sheet date.

f Taxation

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

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

g Dividends payable

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

Notes to the Financial Statements

for the year ended 31 October 2008

2 Income

	Year ended 31 October 2008 £000	Year ended 31 October 2007 £000
Franked investment income		
Quoted companies	75	93
Unquoted companies	15	72
Interest receivable		
Bank deposits	25	12
Loans to unquoted companies	341	141
Sundry income	11	–
	467	318

3 Investment management fee

	Year ended 31 October 2008			Year ended 31 October 2007		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Investment management fee	57	171	228	67	201	268
Irrecoverable VAT thereon	8	23	31	12	35	47
	65	194	259	79	236	315

NVM Private Equity Limited (NVM) provides investment management and secretarial services to the company under an agreement dated 19 October 2000, 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% of gross assets less current liabilities, calculated at half-yearly intervals as at 30 April and 31 October. NVM also provides administrative and secretarial services to the company for a fee at the rate of 0.25% of gross assets less current liabilities, subject to a maximum of £35,000 (linked to the movement in the RPI). This fee is included in other expenses (see Note 5).

NVM is entitled to receive a performance-related incentive fee based upon returns to the shareholders. If the company's net asset value per share in a relevant period increases so that it exceeds 100p (less the value of any distributions paid from time to time) plus notional interest thereon at the rate of 7% per annum (compounding annually), then NVM will be entitled to an incentive fee equal in value to 20% of such excess. The first such period expired on 31 October 2003 and thereafter the periods will be of one year's duration. In the event that the performance of the company falls short of the target in any year such shortfall must be made up before NVM is entitled to any incentive fee in respect of subsequent years. No incentive fee had become payable as at 31 October 2008.

The Finance Act 2008 contained provisions exempting VCT management fees from VAT, and accordingly NVM ceased charging VAT on management and administrative and secretarial fees payable by the company with effect from 1 July 2008. HM Revenue & Customs has accepted that under European Union VAT law this exemption should have applied from 1 January 1990 onwards, and has indicated that claims may be made for repayment of VAT previously paid by VCTs on management fees, subject to certain restrictive time limits.

4 Recoverable VAT

On the basis of information supplied by NVM and discussions with the company's professional advisers, the directors consider it reasonably certain that the company will in the foreseeable future obtain a repayment of VAT of not less than £100,000. This credit has been recognised as a separate item in the income statement, allocated between revenue and capital return in the same proportion as that in which the irrecoverable VAT was originally charged. It is possible that additional amounts of VAT will be recoverable in due course but the directors are unable at this stage to quantify the sums involved.

5 Other expenses

	Year ended 31 October 2008 £000	Year ended 31 October 2007 £000
Administrative and secretarial services	31	34
Directors' remuneration	47	47
Auditors' remuneration - audit services	16	13
Legal and professional expenses	7	6
Irrecoverable VAT	17	18
Other expenses	72	52
	190	170

Information on directors' remuneration is given in the directors' remuneration report on pages 22 and 23.

6 Tax on return on ordinary activities

	Year ended 31 October 2008			Year ended 31 October 2007		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(a) Analysis of charge/(credit) for the year						
UK corporation tax payable on the return for the year	29	(29)	–	–	–	–

(b) Factors affecting tax charge for the year

The effective tax rate for the year is lower than the smaller companies rate of UK corporation tax of 20%. The differences are explained below:

	Year ended 31 October 2008			Year ended 31 October 2007		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Return on ordinary activities before tax	237	(6,382)	(6,145)	69	1,537	1,606
Return on ordinary activities multiplied by the smaller companies rate of UK corporation tax of 20%	47	(1,276)	(1,229)	14	307	321
Effect of:						
UK dividends not subject to tax	(18)	–	(18)	(33)	–	(33)
Capital returns not subject to tax	–	202	202	–	(76)	(76)
Movements in fair value of investments not subject to tax	–	1,051	1,051	–	(279)	(279)
Increase/(decrease) in surplus management expenses	–	(6)	(6)	19	48	67
Current tax charge/(credit) for the year	29	(29)	–	–	–	–

(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 £1,562,000 (31 October 2007 £1,590,000), 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.

Notes to the Financial Statements

for the year ended 31 October 2008

7 Dividends

	Year ended 31 October 2008			Year ended 31 October 2007		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(a) Recognised as distributions in the financial statements for the year						
Previous year's final dividend	65	587	652	92	136	228
(b) Proposed in respect of the year						
Final proposed - 3.0p (2007 3.0p) per share	218	436	654	65	587	652

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.

The proposed final dividend of 3.0p per share for the year ended 31 October 2008 is subject to approval by shareholders at the annual general meeting on 18 February 2009 and has not been recognised as a liability in these financial statements.

8 Return per share

The calculation of the return per share is based on the negative return on ordinary activities after tax for the year of £6,145,000 (2007 positive return of £1,606,000) and on 21,777,497 (2007 22,479,092) shares, being the weighted average number of shares in issue during the year.

9 Fixed asset investments

	31 October 2008 £000	31 October 2007 £000
Venture capital investments:		
Quoted on AIM	2,995	7,491
Unquoted	3,914	5,560
	6,909	13,051

Movements in investments during the year are summarised as follows:

	Venture capital – AIM quoted £000	Venture capital – unquoted £000	Total £000
Book cost at 1 November 2007	7,353	4,076	11,429
Unrealised appreciation at 1 November 2007	138	1,484	1,622
Valuation at 1 November 2007	7,491	5,560	13,051
Movements in the year:			
Purchases at cost	500	972	1,472
Disposals – proceeds	(573)	(778)	(1,351)
– net realised gains/(losses) on disposal	13	(1,022)	(1,009)
Movements in fair value	(4,436)	(818)	(5,254)
Valuation at 31 October 2008	2,995	3,914	6,909
Comprising:			
Book cost at 31 October 2008	7,589	3,459	11,048
Unrealised appreciation at 31 October 2008	(4,594)	455	(4,139)
	2,995	3,914	6,909
Equity shares	2,995	1,615	4,610
Preference shares	–	43	43
Interest-bearing securities	–	2,256	2,256
	2,995	3,914	6,909

At 31 October 2008 there were commitments totalling £nil (31 October 2007 £115,000) in respect of investments approved by the manager but not yet completed.

10 Investment disposals

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

	Original cost £000	Directors' valuation at 31 October 2007* £000	Disposal proceeds £000	Realised gain/(loss) against carrying value £000
Advance AIM Value Realisation Company**	14	13	11	(2)
Inspicio	250	547	562	15
Develop Training	424	614	614	–
DMN	985	985	–	(985)
PKL Holdings	180	201	164	(37)
	1,853	2,360	1,351	(1,009)

* Including subsequent additions at cost

** Part disposal

Notes to the Financial Statements

for the year ended 31 October 2008

11 Unquoted investments

The cost and carrying value of significant investments in unquoted companies are shown below.

	31 October 2008		31 October 2007	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Stainton Metal Company Limited*				
Ordinary shares	82	710	82	82
Convertible loan stock	669	669	669	669
	751	1,379	751	751
* Sold November 2008				
Crantock Bakery Limited				
Ordinary shares	100	183	100	451
Loan stock	390	390	390	390
	490	573	490	841
Britspace Holdings Limited				
Ordinary shares	443	112	443	443
Loan stock	345	344	–	–
	788	456	443	443
Longhirst Venues Limited				
Ordinary shares	42	341	42	409
Redeemable preference shares	43	43	43	43
Loan stock	51	51	51	51
	136	435	136	503
Pivotal Laboratories Holdings Limited				
Ordinary shares	25	188	25	82
Loan stock	225	225	225	225
	250	413	250	307
Axial Systems Holdings Limited				
Ordinary shares	35	35	–	–
Loan stock	215	215	–	–
	250	250	–	–
Optilan Group Limited				
Ordinary shares	46	46	–	–
Loan stock	204	204	–	–
	250	250	–	–
IG Doors Limited				
Ordinary shares	32	–	32	116
Loan stock	283	158	283	283
	315	158	315	399
John Laing Partnership Limited				
Ordinary shares	16	–	16	459
Irredeemable preference shares	33	–	33	3
Loan stock	180	–	180	180
	229	–	229	642
DMN Limited				
Ordinary shares	–	–	183	183
Convertible loan stock	–	–	675	675
	–	–	858	858

11 Unquoted investments continued

	31 October 2008		31 October 2007	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Develop Training Limited				
Ordinary shares	–	–	133	323
Redeemable preference shares	–	–	132	132
Loan stock	–	–	159	159
	–	–	424	614
PKL Holdings Limited				
Ordinary shares	–	–	180	201

Additional information relating to the fifteen largest venture capital investments is given on pages 13 to 16.

12 Significant interests

There are no shareholdings in companies where the company's holding at 31 October 2008 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.

13 Debtors

	31 October 2008 £000	31 October 2007 £000
Prepayments and accrued income	152	73
Recoverable VAT	100	–
	252	73

14 Creditors (amounts falling due within one year)

	31 October 2008 £000	31 October 2007 £000
Accruals and deferred income	47	47

15 Called-up equity share capital

	31 October 2008 £000	31 October 2007 £000
Authorised:		
51,000,000 (2007 51,000,000) ordinary shares of 5p	2,550	2,550
Allotted and fully paid:		
21,785,766 (2007 21,746,189) ordinary shares of 5p	1,089	1,087

The capital of the company is managed in accordance with its investment policy and objectives which are detailed in the business review on pages 6 to 11.

During the year the company issued 139,577 ordinary shares of 5p for cash at an average premium of 50.4p per share in connection with the dividend investment scheme. 100,000 shares were repurchased for cancellation at a cost of £42,000.

Notes to the Financial Statements

for the year ended 31 October 2008

16 Reserves

	Share premium £000	Capital redemption reserve £000	Capital reserve – realised £000	Capital reserve – unrealised £000	Revenue reserve £000
At 1 November 2007	1,919	178	8,981	1,622	127
Premium on issue of ordinary shares	70	–	–	–	–
Shares purchased for cancellation	–	5	(42)	–	–
Realised on disposal of investments	–	–	(1,009)	–	–
Transfer on disposal of investments	–	–	507	(507)	–
Movements in fair value of investments	–	–	–	(5,254)	–
Management fee capitalised net of associated tax	–	–	(90)	–	–
Revenue return on ordinary activities after tax	–	–	–	–	208
Dividends recognised in the year	–	–	(587)	–	(65)
At 31 October 2008	1,989	183	7,760	(4,139)	270

The realised capital reserve and the revenue reserve are distributable reserves.

17 Net asset value per share

The calculation of net asset value per share as at 31 October 2008 is based on net assets of £7,152,000 (2007 £13,914,000) divided by the 21,785,766 (2007 21,746,189) ordinary shares in issue at that date.

18 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 also holding a proportion of its assets in cash in order to provide a reserve of liquidity.

Fixed asset investments (see Note 9) 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 to 11. 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 24 to 27, 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 12. An analysis of investments between debt and equity instruments is given in Note 9.

41.9% (31 October 2007 53.8%) by value of the company's net assets comprise equity securities quoted on AIM. A 5% increase in the bid price of these securities as at 31 October 2008 would have increased net assets and the total return for the period by £150,000 (31 October 2007 £375,000); a corresponding fall would have reduced net assets and the total return for the period by the same amount.

18 Financial instruments continued

54.7% (31 October 2007 40.0%) 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 31 October 2008 would have increased net assets and the total return for the period by £196,000 (31 October 2007 £278,000); an equivalent change in the opposite direction would have reduced net assets and the total return for the period 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:

	31 October 2008			31 October 2007		
	Total fixed rate portfolio £000	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Total fixed rate portfolio £000	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Fixed-rate investments in unquoted companies	209	9.2%	0.8	494	9.4%	1.1

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 period.

(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 4.5% at 31 October 2008 (31 October 2007 5.75%). The amounts held in floating rate investments at the balance sheet date were as follows:

	31 October 2008 £000	31 October 2007 £000
Floating rate loans to unquoted companies	2,047	2,140
Interest-bearing deposit accounts	38	837
	2,085	2,977

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the company. The investment manager and the board carry out a regular review of counterparty risk. The carrying values of financial assets represent the maximum credit risk exposure at the balance sheet date.

At 31 October 2008 the company's financial assets exposed to credit risk comprised the following:

	31 October 2008 £000	31 October 2007 £000
Fixed-rate investments in unquoted companies	209	494
Floating rate loans to unquoted companies	2,047	2,140
Interest-bearing deposit accounts	38	837
Accrued dividends and interest receivable	113	49
	2,407	3,520

Notes to the Financial Statements

for the year ended 31 October 2008

18 Financial instruments continued

Credit risk relating to loans to and preference shares in unquoted companies is considered to be part of market risk.

The company's quoted equity securities are held on the company's behalf by a third party custodian, Brewin Dolphin Limited. Bankruptcy or insolvency of a custodian could cause the company's rights with respect to securities held by the custodian to be delayed or limited.

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 31 October 2008 or 31 October 2007. No individual investment exceeded 19.3% of the company's net assets at 31 October 2008 (31 October 2007 7.3%).

Liquidity risk

The company's financial assets include investments in unquoted equity securities which are not traded on a recognised stock exchange and which generally may be illiquid. As a result, the company may not be able to realise some of its investments in these instruments quickly at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer.

The company's liquidity risk is managed on a continuing basis by the investment manager in accordance with policies and procedures laid down by the board. The company's overall liquidity risks are monitored on a quarterly basis by the board.

The company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 31 October 2008 these investments were valued at £38,000 (31 October 2007 £837,000). The investment in Stainton Metal Company Limited was sold in November 2008, increasing the cash balance by £1.4 million.

19 Contingent liabilities

At 31 October 2008 the company had a potential liability of £nil (31 October 2007 £170,000) in respect of guarantees given to secure certain liabilities of investee companies.

Independent Auditors' Report

To the members of NORTHERN AIM VCT PLC

We have audited the financial statements of Northern AIM VCT PLC for the year ended 31 October 2008 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 28.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the

Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures

in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2008 and of its total return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Edinburgh

17 December 2008

Notice of Annual General Meeting

Notice is hereby given that the eighth annual general meeting of Northern AIM VCT PLC will be held at The Balmoral, 1 Princes Street, Edinburgh EH2 3EQ at 11.30am on Wednesday 18 February 2009 for the following purposes:

- 1 To receive the financial statements for the year ended 31 October 2008 and the directors' and independent auditors' reports thereon.
- 2 To declare a final dividend of 3.0p per share in respect of the year ended 31 October 2008.
- 3 To approve the directors' remuneration report in respect of the year ended 31 October 2008.
- 4 To re-elect as a director Mr S D Bullock who retires by rotation in accordance with the articles of association and offers himself for re-election.
- 5 To re-elect as a director Mr A M Conn who retires in accordance with the AIC Code and offers himself for re-election.
- 6 To re-elect as a director Mr I A Macdonald who retires by rotation in accordance with the articles of association and offers himself for re-election.
- 7 To re-appoint KPMG Audit Plc as independent auditors of the company until the conclusion of the next annual general meeting of the company.
- 8 To authorise the directors to fix the independent auditors' remuneration.
- 9 To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, in substitution for and to the exclusion of any power previously conferred upon the directors in this regard (save to the extent relied upon prior to the passing of this resolution), the directors be generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £1,460,711, provided that:

 - (a) (except as provided in paragraph (b) below) this authority shall expire on the conclusion of the next annual general meeting of the company after the passing of this resolution or, if earlier, 30 April 2010, but may be previously revoked or varied by an ordinary resolution of the company; and
 - (b) the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired."
- 10 To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, in substitution for and to the exclusion of any power previously conferred upon the directors in this regard (save to the extent relied upon prior to the passing of this resolution), the directors be and are empowered to allot equity securities (as defined in Section 94(2) of the Companies Act 1985 ("the Act")) pursuant to the authority for the purposes of Section 80 of the Act conferred by Resolution 8 passed at the 2008 Annual General Meeting and to sell equity shares which immediately before the sale are held by the company as treasury shares, in each case as if Section 89(1) of the Act did not apply to any such allotment provided that the power conferred by this resolution shall be limited to the allotment or sale of equity securities up to an aggregate nominal value of £108,928 and this power shall expire on the conclusion of the next annual general meeting of the company after the passing of this resolution or, if earlier, 30 April 2010 save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."
- 11 To consider and, if thought fit, to pass the following resolution as a special resolution:

"That the company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 ("the Act") to make one or more market purchases (within the meaning of Section 163(3) of the Act) on the London Stock Exchange of ordinary shares of 5p each in the capital of the company provided that:

 - (a) the maximum number of ordinary shares hereby authorised to be purchased is 2,178,576, representing approximately 10% of the company's issued ordinary share capital;
 - (b) the minimum price which may be paid for an ordinary share shall be 5p per share;
 - (c) the maximum price which may be paid for an ordinary share shall not be more than 105% of the average market value for the ordinary shares of the company for the five business days prior to the date on which the purchase is made; and
 - (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the conclusion of the next annual general meeting of the company after the passing of this resolution or, if earlier, 30 April 2010 save that the company may before such expiry enter into a contract to purchase ordinary shares which will or may be completed wholly or partly after such expiry."

By order of the Board

C D MELLOR
Secretary

17 December 2008

Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER

NOTES

- 1 A member entitled to attend and vote at this meeting is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and, both on a show of hands and on a poll, to vote in his or her stead at the meeting. A proxy need not be a member of the company. The appointment of a proxy does not preclude a member from attending and voting in person at the meeting should he or she subsequently decide to do so.
- 2 A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her.
- 3 To be valid, a form of proxy together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be received by Equiniti Limited at Aspect House, Spencer Road, Lancing BN99 6ZR not later than 11.30am on Monday 16 February 2009.
- 4 The company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the company as at 6.00pm on Monday 16 February 2009 shall be entitled to attend or vote (whether on a show of hands or on a poll) at the meeting in respect of the number of shares registered in their name at the time. Changes to entries on the register after 6.00pm on Monday 16 February 2009 (or after 6.00pm on the day before any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 5 As at 16 December 2008 (being the last business day prior to the date of this notice) the company's issued share capital consisted of 21,785,766 ordinary shares each carrying one vote per share. Accordingly the total voting rights in the company as at 16 December 2008 were 21,785,766.
- 6 CREST members who wish to appoint a proxy or proxies for the meeting or any adjournment thereof by utilising the CREST electronic proxy appointment service may do so by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 7 The above statement as to proxy rights does not apply to a person who receives this notice of general meeting as a person nominated to enjoy "information rights" under Section 146 of the Companies Act 2006. If you have been sent this notice of meeting because you are such a nominated person, the following statements apply: (a) you may have a right under an agreement between you and the member of the company by whom you were nominated to be appointed or to have someone else appointed as a proxy for this general meeting; and (b) if you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to that member as to the exercise of voting rights.

Form of Proxy

NORTHERN AIM VCT PLC Annual General Meeting – 18 February 2009

I/We _____
(block capitals please)

of _____
being a member of Northern AIM VCT PLC, hereby appoint (see note 1 and 2)

or failing him/her the chairman of the meeting to be my/our proxy and exercise all or any of my/our rights to attend, speak and vote for me/us in respect of my/our voting entitlement on my/our behalf at the eighth annual general meeting of the company to be held on 18 February 2009, notice of which was sent to shareholders with the annual report and accounts for the year ended 31 October 2008, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting:

Resolution number	For	Against	Vote withheld
1 To receive the financial statements for the year ended 31 October 2008	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 To declare a final dividend of 3.0p per share in respect of the year ended 31 October 2008	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 To approve the directors' remuneration report in respect of the year ended 31 October 2008	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-elect Mr S D Bullock as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 To re-elect Mr A M Conn as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 To re-elect Mr I A Macdonald as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 To re-appoint KPMG Audit Plc as independent auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 To authorise the directors to fix the remuneration of the independent auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 To authorise the directors to allot shares pursuant to Section 80 of the Companies Act 1985	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 To disapply Section 89 of the Companies Act 1985 in relation to certain allotments of equity securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 To authorise the company to make market purchases of ordinary shares in accordance with Section 166 of the Companies Act 1985	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please indicate by placing an X in this box if this proxy appointment is one of multiple appointments being made (see note 2 below)

Signed: _____ Date: _____ 2009

NOTES

- Every member has the right to appoint some other person(s) of his/her choice, who need not be a member, as his/her proxy to exercise all or any of his/her rights to attend, speak or vote on his/her behalf at the meeting. A member wishing to appoint a person other than the chairman of the meeting as proxy should insert the name of such person in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter alongside the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Any alteration or deletion must be signed or initialled.
- A member may appoint more than one proxy in relation to a meeting, provided that the proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy, please contact Equiniti Limited on 0871 384 2030 for (an) additional form(s), or you may photocopy this form. Please indicate alongside the proxy holder's name the number of shares in relation to which the proxy holder is authorised to act as your proxy. Please also indicate by placing an X in the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
- Use of the form of proxy does not preclude a member from attending and voting in person.
- Where the form of proxy is executed by an individual it must be signed by that individual or his or her attorney.
- Where the form of proxy is executed by joint shareholders it may be signed by any of the members, but the vote of the member whose name stands first in the register of members of the company will be accepted to the exclusion of the votes of the other joint holders.
- Where the form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
- If the form of proxy is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes, as he/she will on any other matters to arise at the meeting.
- To be valid, the form of proxy, together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be received by Equiniti Limited at Aspect House, Spencer Road, Lancing BN99 6ZR not later than 11.30am on Monday 16 February 2009.
- The "vote withheld" option is provided to enable a member to abstain from voting on the resolution; however, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" and "against" the resolution.

Attendance indication

Shareholders who intend to attend the annual general meeting are requested to place a tick in the box below in order to assist with administrative arrangements.

I intend to attend the annual general meeting at 11.30am on 18 February 2009 at The Balmoral, 1 Princes Street, Edinburgh EH2 2EQ

Signed: _____ Date: _____ 2009

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. SEA10850



First Fold

EQUINITI LIMITED
ASPECT HOUSE
SPENCER ROAD
LANCING
BN99 6ZR

Second fold

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E-mail: naim@nvm.co.uk

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