



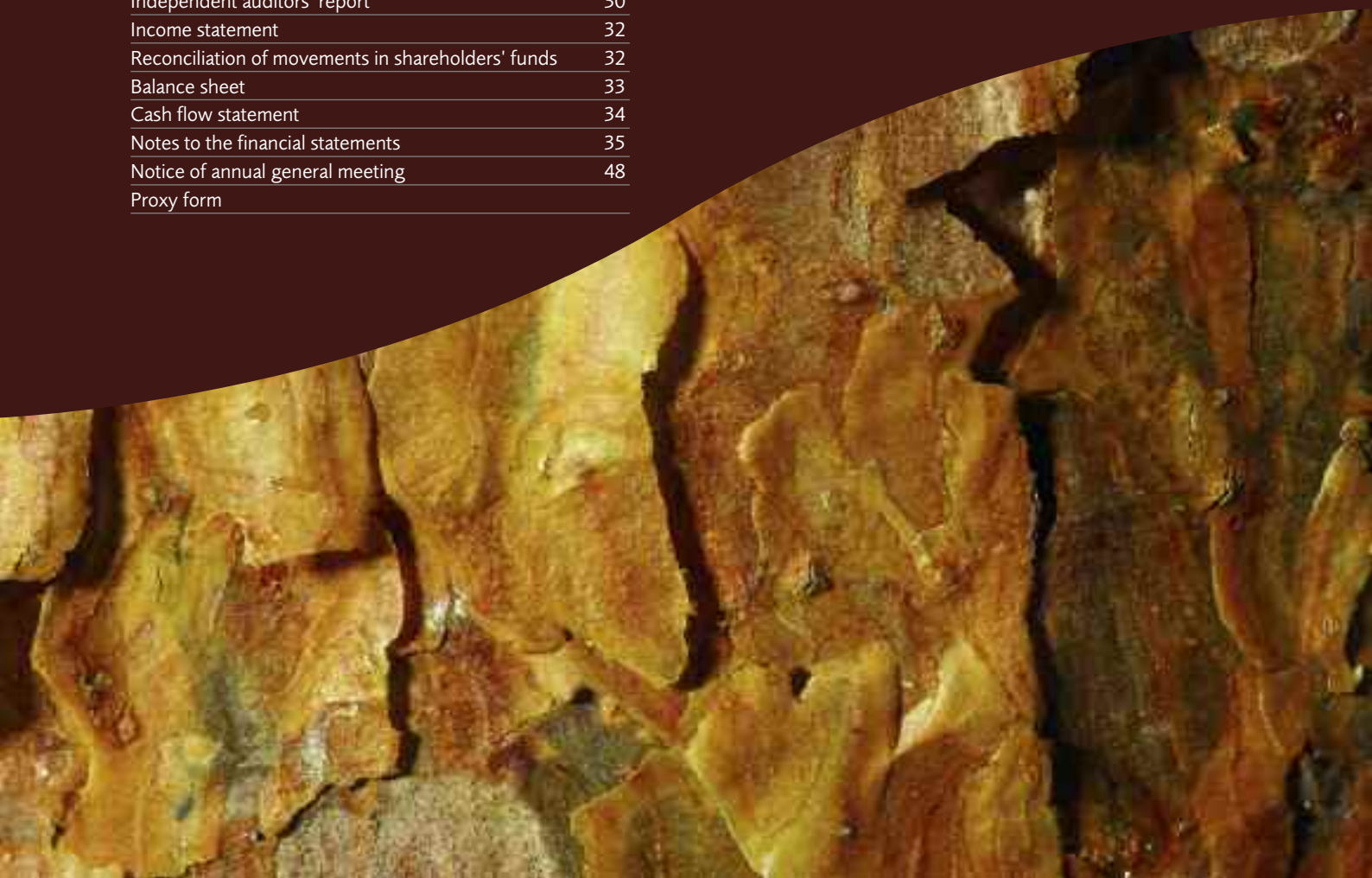
2008

Northern Investors Company PLC

Annual Report and Accounts
31 March 2008

Northern Investors Company PLC is an investment trust managed by NVM Private Equity Limited. Launched in 1984 and listed on the London Stock Exchange since 1990, the trust invests mainly in unquoted venture capital holdings and aims to provide high long-term returns to shareholders through a combination of capital growth and dividend yield.

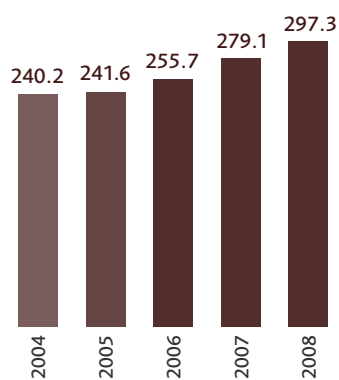
Financial summary	1
Chairman's statement	2
Directors and advisers	4
Business review	6
Investment portfolio	11
Twenty largest venture capital investments	12
Directors' report	17
Directors' remuneration report	22
Corporate governance	24
Directors' responsibility statement	27
Shareholder information	28
Independent auditors' report	30
Income statement	32
Reconciliation of movements in shareholders' funds	32
Balance sheet	33
Cash flow statement	34
Notes to the financial statements	35
Notice of annual general meeting	48
Proxy form	



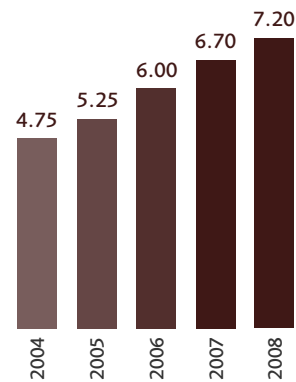
Financial Summary

Year ended 31 March	2008	2007
Net assets	£57.8m	£55.0m
Net asset value per share	297.3p	279.1p
Revenue return per share	8.0p	7.0p
Dividend per share declared in respect of the year	7.2p	6.7p
Total return for the year:		
Pence per share	23.8p	29.6p
As % of opening net asset value	8.5%	11.6%
Share price at end of year	195.0p	208.5p
Discount to net asset value	34.4%	25.3%

Net asset value per share
As at 31 March



Dividend per share
Year ended 31 March



Key dates

Results announced	15 May 2008
Shares quoted ex dividend	11 June 2008
Annual general meeting	25 June 2008 (12.30pm, Thistle Hotel, Newcastle upon Tyne)
Final dividend paid (to shareholders on register on 13 June 2008)	4 July 2008

Chairman's Statement

The company has made good progress over the past year.



I am pleased to report that the company has made good progress over the past year despite the challenging conditions prevalent in the financial markets, with a high level of new investment and realisation activity, continuing concentration of the portfolio, further growth in net asset value and an increase in the dividend. The total return for the year as shown in the income statement was 23.8p, equivalent to 8.5% of the net asset value per share at the start of the year.

Net asset value and share price

The net asset value (NAV) per share at 31 March 2008 was 297.3p, up by 6.5% from the corresponding figure of 279.1p at 31 March 2007. Over the same period the FTSE All-Share index fell by 10.8%. The increase in NAV has exceeded the index in each of the last two years, following a relatively disappointing period between 2003 and 2006.

The mid-market share price rose by 8.6% over the first half of the year but fell back during the second half to end at 195p, a net fall of 6.5% over the year. This price equates to a 34.4% discount to NAV, the highest level of discount since the company's flotation in 1990. Widening discounts have

been a feature of the private equity investment trust sector in recent months, with the majority of our peer group now trading at discounts of over 20%. Nevertheless the directors believe that trusts such as Northern Investors represent an attractive and flexible way for investors to obtain an exposure to the private equity market, and we are seeking to improve the company's communication of this message to potential shareholders. In the meantime it is likely that we will continue to use the directors' share buy-back powers.

Revenue statement and dividend

The revenue return before tax rose from £1.67 million to £2.14 million, a 28% increase of which approximately one third was attributable to an exceptional VAT credit which is referred to below. The revenue return per share increased by 14.3%, from 7.0p to 8.0p. The directors are pleased to be able to recommend an increased final dividend of 5.0p per share, taking the total for the year to 7.2p – a 7.5% increase. The annual dividend has increased by 69% over the past five years. The proposed final dividend will be paid on 4 July 2008 to shareholders on the register on 13 June 2008.



Peter Haigh
Chairman



Investment portfolio

The Business Review on pages 6 to 10 gives detailed information about developments in the investment portfolio during the year. There was a high level of activity both in terms of new investments (£13.3 million, an all-time high) and exits from existing holdings (total proceeds of £11.4 million, equalling the previous record). The portfolio has generally made good progress although inevitably there have been some individual instances of below-par performance. Since the year end there have been further realisations (one full and one partial) and several other companies are currently the subject of sale negotiations.

Two years ago we set our managers an objective of reducing the number of portfolio holdings and increasing the average size of new investments, so as to reach a position where the 20 largest venture capital holdings represented a significantly larger proportion of the company's assets. It is pleasing to note that since then the total number of investments has reduced from 62 to 39 and the average value per holding has doubled from £678,000 to £1.35 million. At 31 March 2008 the top 20 holdings

represented 77% of net assets, compared with 54% two years earlier.

VAT on management fees

As was reported at the half-year stage, in June 2007 the European Court of Justice ruled against HM Revenue & Customs (HMRC) in the test case concerning the exemption of investment trust management fees from VAT. HMRC subsequently acknowledged that management fees are exempt from VAT, and accordingly our manager, NVM, ceased to charge VAT with effect from January 2008. Exemption from VAT will be a substantial ongoing benefit to our company. NVM has also submitted claims for repayment of VAT overpaid in the past and these are currently being reviewed by HMRC. At this stage the directors are reasonably certain that the VAT recoverable by Northern Investors will be at least £600,000 and an asset of this amount has been recognised in the accounts as at 31 March 2008. A further update will be given in due course.

People

I would like to thank the company's directors and managers for their efforts in the face of challenging market conditions over the past year.

Michael Denny retired as executive chairman of NVM in April 2008 but has agreed to continue as a non-executive director of Northern Investors, and we are delighted that we will continue to have the benefit of his knowledge and experience.

The future

The process of rationalising the investment portfolio which commenced two years ago is now substantially complete, and this should contribute to a continuation of the recent upturn in performance. However there is no doubt that the current difficulties in the world economy and financial markets will present challenges to our investee companies, and it seems likely that in the short term the flow of attractive new investment opportunities will be restricted. Although some £23 million has been invested in new holdings over the past two years, the portfolio also contains a good representation of more mature companies and further significant realisation activity can be expected in the near future. We hope to see this healthy condition reflected in an improvement in the share price over the next year.

Peter Haigh
Chairman

Directors and Advisers

from left to right:

Peter Haigh, John Barnsley,
Michael Denny, Frank Neale,
Mark Nicholls, Sarah Stewart.



Peter Haigh CPFA (Chairman)
aged 62

is a public sector consultant and was the head of paid service of the Borough of South Tyneside until his retirement in 2002. He is a non-executive director of NEL Fund Managers Limited. He was appointed to the board in 1987 and became chairman in 2005.

John Barnsley FCA
aged 59

was UK managing partner of Price Waterhouse from 1994 to 1998 and then global leader of business process outsourcing at PricewaterhouseCoopers until his retirement from the firm in 2001. He is a non-executive director of Grainger plc and LMS Capital plc and an adviser to a number of other companies. He was appointed to the board in 2002.

Michael Denny MSI
aged 65

was chairman of NVM Private Equity Limited until his retirement in April 2008. He is a non-executive director of Northern Venture Trust PLC and Northern 2 VCT PLC and is a past chairman of the British Venture Capital Association. He was appointed to the board in 1984.

Frank Neale
aged 57

is a partner in IRRfc, a private equity advisory business. He is a past vice-chairman of the British Venture Capital Association and is a director of Northern 2 VCT PLC. He was appointed to the board in 2007.

Mark Nicholls
aged 59

is a former head of private equity at Royal Bank of Scotland and was previously head of corporate finance at Warburgs. He is chairman of EcoSecurities Group plc, deputy chairman of Venture Production plc and a non-executive director of Evolution Group plc and Nationwide Building Society. He was appointed to the board in 2006.

Sarah Stewart
aged 50

was marketing director of The Sage Group plc before establishing her own strategic marketing consultancy. She is also director of Newcastle Science City. She was appointed to the board in 2004.



Secretary and Registered Office

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Business Review

The company's objective is to provide high long-term returns to investors through a combination of capital growth and dividend yield.



Introduction

This business review has been prepared by the directors in accordance with the requirements of Section 234ZZB of the Companies Act 1985, 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 30.

Objective and investment policy

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

The company is listed as an investment trust on the London Stock Exchange and the directors conduct its affairs so as to maintain its approval by HM Revenue & Customs as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988. The company's investments are managed by NVM Private Equity Limited (NVM), a specialist manager of smaller UK unquoted investments.

The company's investment policy has been designed with a view to enabling the company to achieve its stated objective, whilst as far as possible limiting the risks inherent in investing in smaller unquoted companies.

The directors' appraisal of the principal risks facing the company is set out in the section headed "Risk management" below. The company's portfolio, which currently comprises 39 investments, is diversified by covering a wide range of industry sectors and including companies at different stages of maturity in the corporate development cycle.

Individual investments are structured using various investment instruments, including ordinary and preference shares, loan stocks and convertible securities, to achieve an appropriate balance of capital and income return. The company's manager monitors the progress of each investment closely and carries out extensive due diligence investigations into new investment opportunities. New investments and sales of existing investments are subject to prior approval by the board. The 20 largest holdings currently represent approximately 77% of the company's net assets and the directors will seek to maintain this level of concentration in the future.

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

	£000	Pence per share
Net asset value at 31 March 2007	55,043	279.1
Net revenue (investment income less revenue expenses and tax)	1,577	8.0
Capital surplus arising on investments:		
Realised gains on disposals	830	4.2
Unrealised revaluation movements	2,596	13.2
Management expenses allocated to capital account (net of tax relief)	(323)	(1.6)
Total return for the year as shown in income statement	4,680	23.8
Re-purchase of shares for cancellation	(614)	1.3
Net movement for the year before dividends	4,066	25.1
Net asset value at 31 March 2008 before dividends recognised	59,109	304.2
Dividends recognised in the financial statements for the year	(1,354)	(6.9)
Net asset value at 31 March 2008	57,755	297.3

The directors envisage that at any time up to 20% of the company's assets may comprise cash or near-cash investments, to provide a reserve of liquidity which will maximise the company's flexibility as to the timing and scale of investment acquisitions and disposals, dividend payments and share buy-backs.

The broad target size range for new private equity investments is from £1 million to £4 million. As a result, and based on the company's present gross assets of approximately £58 million, no single investment would normally represent in excess of 7.5% of the company's shareholders' funds at the time of acquisition. However the company's investments are held with a view to long-term capital growth as well as income, and will often have restricted 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.

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.

Investment management

NVM has acted as the company's investment manager since 1988. NVM has an experienced team of venture capital executives based in its offices in Newcastle upon Tyne and Reading and currently has approximately £200 million under management in five venture capital funds. NVM does not have delegated authority to take investment decisions in relation to the Northern Investors portfolio, and all acquisitions and disposals of holdings require approval by the Northern Investors board.

The board's management engagement committee reviews the terms of

NVM's appointment as investment manager on a regular basis.

Overview of the year

During the year under review Northern Investors achieved a net increase in net asset value, before dividends, of 25.1p per share, equivalent to 9.0% of the opening net asset value of 279.1p per share. The movement in total net assets and net asset value per share is shown in Table 1.

Additions to investments during the year were at a record level of £13.3 million, reflecting a good flow of new opportunities and the strategic decision two years ago to increase the average size of investments. Proceeds of investment sales, at £11.4 million, were at a higher level than in the two preceding years. The net portfolio cash outflow for the year was £2.0 million, which was financed by utilising existing cash balances.

Portfolio cash flow over the past five years is summarised in Table 2.

The company's bank balances and short-term investments at 31 March 2008 were £4.6 million, representing approximately 8% of total assets compared with 13% at the beginning of the year.

Revenue and dividends

Investment income for the year totalled £2.63 million, up by 12.7% over the preceding year. Expenses charged to revenue were marginally down, reflecting the exemption of

Table 2: Venture capital portfolio cash flow

Year ended	Sales proceeds £000	New investment £000	Net inflow/ (outflow) £000
31 March 2004	8,086	5,660	2,426
31 March 2005	11,416	10,765	651
31 March 2006	8,687	4,327	4,360
31 March 2007	9,805	9,572	233
31 March 2008	11,367	13,336	(1,969)
Total	49,361	43,660	5,701

Business Review

Table 3: Significant exits during the year

Company	Date of original investment	Valuation at 31 March 2007 £000	Sales proceeds £000	Gain/(loss) recognised in the year £000
Arrow Industrial Group – trade sale	2002	1,199	1,144	(55)
Barony Universal Products – trade sale	1999	934	1,126	192
Computer Software Group (AIM-quoted) – recommended offer	1999	986	1,020	34
Develop Training – secondary management buy-out	2002	1,254	1,754	500
Ithaca Holdings – trade sale	2005	1,130	1,839	709
KCS Global Holdings – trade sale	2005	1,211	2,090	879

management fees from VAT with effect from the final quarter of the year. The revenue return per share rose by 14.3%, from 7.0p to 8.0p. The directors have proposed dividends of 7.2p per share in respect of the year, an increase of 7.5% over the preceding year's figure of 6.7p.

Expense ratio

Total expenses for the year (including amounts charged to capital reserve but excluding recoverable VAT and performance-related management fees) were equivalent to 2.5% of the average of opening and closing net assets. The comparative figure for the preceding year was 2.6%. The performance-related management fee for the year ended 31 March 2008 was equivalent to 0.2% of average net assets.

Investment portfolio

During the year ended 31 March 2008, five new holdings were added to the venture capital portfolio at a cost of £10.7 million, and additional investments totalling £2.6 million were made in existing portfolio companies. The portfolio at 31 March 2008 comprised 39 holdings with an aggregate value of £52.4 million (31 March 2007: 51 holdings valued at £47.0 million).

A summary of the holdings at 31 March 2008 is given on page 11, with information on the twenty largest investments on pages 12 to 16.

New investments

The new investments completed during the year were:

- **Foreman Roberts Group (£3,914,000)** – building services consultants, London
- **Astbury Marsden Holdings (£2,590,000)** – specialist recruitment consultancy, London
- **Promatic Group (£968,000)** – manufacturer and distributor of clay target launch equipment, Ellesmere Port
- **Optilan Group (£1,900,000)** – telecommunications systems integrator, Coventry
- **Axial Systems Holdings (£2,301,000)** – supplier of distributed network management solutions, Maidenhead

Investment realisations

Details of investment sales during the year are given in Note 9 on page 39. The most significant sales (proceeds in excess of £0.5m) are summarised in Table 3 above.

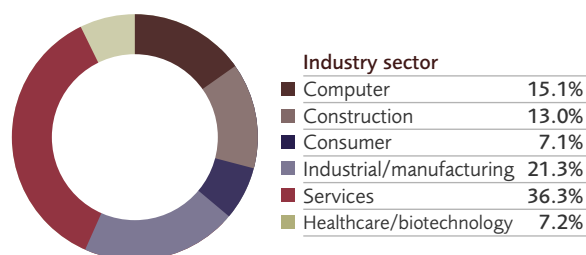
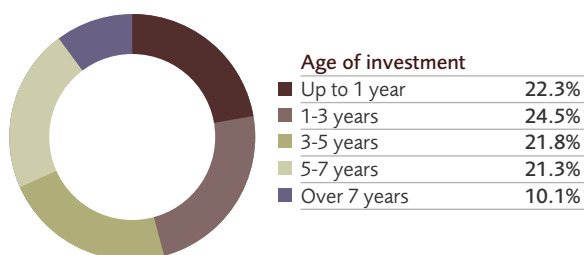
All of the sales shown in the table were for cash. **Develop Training**, the training division of **Longhirst Group**, was demerged from the group during the year and then sold in a secondary buyout transaction. A number of smaller disposals took place in line with the board's policy of reducing the

number of holdings in the portfolio. Since 31 March 2008 the company's investment in **TFB Group** has been sold to Tikit Group plc for a total of £1.46 million in cash and Tikit Group shares, and **CGI Group** has been the subject of a financial re-structuring which enabled us to withdraw £500,000 in cash whilst retaining a slightly enhanced equity stake in the continuing business. Several other portfolio companies are currently in exit discussions.

As reported at the interim stage, the investment in **Nightingales Holdings**, the mail order clothing retailer, had to be written off after a period of disappointing trading performance compounded by the impact of postal strikes, which eventually led to the appointment of administrators in October 2007. The carrying value of the investment had already been reduced at 31 March 2007, but a further write-down of £1.2 million was suffered in the year ended 31 March 2008.

Portfolio composition

The charts at the top of page 9 show the composition of the investment portfolio at 31 March 2008 according to age and industry sector. The number of quoted investments held by the company has continued to reduce and good progress has been made towards the objective, established two years ago, of concentrating the



unquoted portfolio on a smaller number of higher value holdings. Since March 2006 the number of holdings has fallen from 62 to 39 and the average value of investments has increased from £678,000 to £1.35 million. The twenty largest holdings now represent approximately 77% of the company's net assets compared with 54% two years ago.

The directors consider that the companies in the unquoted portfolio are generally making good progress, but we are conscious of the potential impact of the current economic environment, particularly on businesses exposed to the housing, construction and infrastructure markets. This has led to reductions in the directors' valuation of several holdings, including **John Laing Partnership**, **DMN** and **IG Doors**. The valuations also reflect particularly good results from **Product Support (Holdings)**, now our largest investment, **Paladin Group** (formerly known as Touchstone Asset Management) and **Weldex (International) Offshore**.

Valuation policy

Unquoted investments are valued in accordance with the accounting policy set out on page 35, which takes account of current industry guidelines for the valuation of venture capital

portfolios. Provision against cost is made where an investment is under-performing significantly, and investments are not normally revalued upwards within 12 months of acquisition.

As at 31 March 2008 the number of investments falling into each valuation category was as shown in Table 4.

Key performance indicators

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

Increase in net asset value and share price: A graph comparing the company's total return on a share price and net asset value basis over the past five years with the FTSE All-Share

Table 4: Investment valuation by category

Category	Number of investments	Valuation £000	% of portfolio by value
Unquoted investments at directors' valuation			
Earnings multiple	18	33,684	64.3
Original cost	9	15,574	29.7
Original cost less provision	7	1,300	2.5
Third party transaction/financing round	2	1,556	2.9
Quoted investments at mid-market value			
Quoted on Alternative Investment Market	3	329	0.6
Total	39	52,443	100.0

Table 5: Relative share price and NAV performance

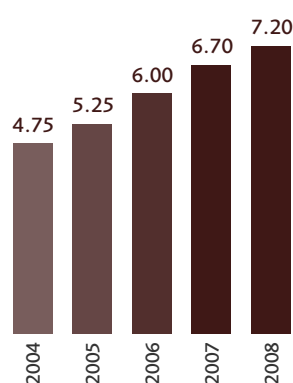
Periods to 31 March 2008	Share price	Net asset value	FTSE All-Share index
One year	- 6.5%	+ 6.5%	- 10.8%
Three years	- 16.1%	+ 23.1%	+ 19.1%
Five years	+ 16.0%	+ 37.8%	+ 68.6%
Seven years	- 12.4%	+ 24.0%	+ 8.0%
Ten years	+ 57.9%	+ 105.6%	+ 5.2%

Business Review

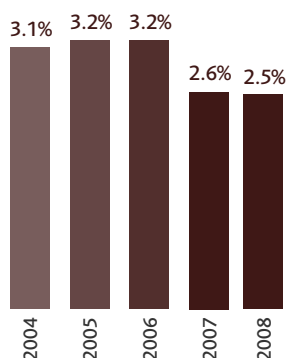
index total return over the same period is set out in the Directors' Remuneration Report on page 23.

Table 5 shows the movement in the company's share price and net asset value and in the FTSE All-Share index over one, three, five, seven and ten years to 31 March 2008.

Dividend distributions: the following chart shows the dividends (including proposed final dividends) declared in respect of each of the past five financial years:



Total expense ratio: the following chart shows total annual running expenses (including investment management fees charged to capital reserve but excluding performance-related fees) as a percentage of the average net assets attributable to shareholders for each of the past five years:



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 unquoted companies, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. The directors aim to limit the risk attaching to the portfolio as a whole by careful selection and timely realisation of investments, 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 manager on a regular basis.

Financial risk: as most of the company's investments involve a medium- to long-term commitment and are relatively illiquid, the directors consider that it is inappropriate to finance the company's activities through borrowing except on an occasional short-term basis. Accordingly they seek to maintain a proportion of the company's assets in cash or cash equivalents in order to be in a position to take advantage of new unquoted investment opportunities. The company has very little exposure to foreign currency risk and does not enter into derivative transactions.

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.

Future prospects

Economic and market conditions will be challenging over the next 12 months and we will maintain our focus on careful selection of new investments and close monitoring of the portfolio.

By order of the Board

C D Mellor
Secretary

15 May 2008

Investment Portfolio

as at 31 March 2008

	Cost £000	Valuation £000	% of net assets by value
Product Support (Holdings)	3,703	5,734	9.9
Foreman Roberts Group	3,914	3,914	6.8
Britspace Holdings	1,763	3,176	5.5
Weldex (International) Offshore	200	2,990	5.2
Astbury Marsden Holdings	2,590	2,590	4.5
Axial Systems Holdings	2,301	2,301	4.0
CGI Group	1,161	2,225	3.8
Paladin Group	1,407	2,021	3.5
Promanex Group Holdings	1,974	1,974	3.4
John Laing Partnership	1,144	1,958	3.4
Ten largest investments	20,157	28,883	50.0
Crantock Bakery	1,061	1,913	3.3
Optilan Group	1,900	1,900	3.3
Envirotec	1,008	1,795	3.1
Liquidlogic	447	1,743	3.0
TFB Group	541	1,506	2.6
Longhirst Venues	374	1,432	2.5
Stainton Metal Company	1,100	1,394	2.4
Pivotal Laboratories Holdings	1,000	1,337	2.3
DxS	841	1,188	2.1
IG Doors	1,185	1,185	2.1
Twenty largest investments (see pages 12 to 16)	29,614	44,276	76.7
Arleigh International	480	1,102	1.9
Abermed	800	995	1.7
S&P Coil Products	660	974	1.7
Promatic Group	968	968	1.7
Direct Valeting	847	847	1.5
Wear Inns	600	600	1.0
e-know.net	480	480	0.8
LEDA Holdings	929	465	0.8
Interlube Systems	62	450	0.8
Warmseal Windows (Newcastle)	818	409	0.7
John Fredericks Plastics	1,084	271	0.5
Other investments each valued at less than £250,000	4,777	606	1.0
Total fixed asset investments	42,119	52,443	90.8
Net current assets		5,312	9.2
Net assets		57,755	100.0

Twenty Largest Venture Capital Investments



PRODUCT SUPPORT (HOLDINGS) LIMITED

Cost	£3,703,000
Valuation	£5,734,000
Basis of valuation	Earnings multiple
Equity held	27.6% (NVM funds total 52.5%)
Business/location	Provider of logistics services to the defence industry, Kingswinford
History	Management buy-out from private ownership, December 2006, led by NVM
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £240,000

Audited financial information:

Period ended 31 March	2007* £m
Sales	6.3
Profit before tax	-
Loss after tax	(0.1)
Net assets	1.7

*4 months ended 31 March



FOREMAN ROBERTS GROUP LIMITED

Cost	£3,913,600
Valuation	£3,913,600
Basis of valuation	Cost
Equity held	31.2% (NVM funds total 55.2%)
Business/location	Building services consultants, London
History	Management buy-out from private ownership, July 2007, led by NVM
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £263,000

Audited financial information:

First audited accounts will be for the period to 31 December 2007



BRITSPACE HOLDINGS LIMITED

Cost	£1,763,000
Valuation	£3,176,000
Basis of valuation	Earnings multiple
Equity held	21.1% (NVM funds total 48.2%)
Business/location	Manufacturer of modular buildings, Hull
History	Demerged from GB Industries Limited in September 2007
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern AIM VCT, Northern 3 VCT
Income in year	Nil

Audited financial information:

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



WELDEX (INTERNATIONAL) OFFSHORE LIMITED

Cost	£200,000
Valuation	£2,990,000
Basis of valuation	Earnings multiple
Equity held	15.0% (NVM funds total 30.0%)
Business/location	Hire of large crawler cranes to the construction industry, Inverness
History	Development capital investment in May 1996, led by NVM
Other NVM funds investing	Northern Venture Trust
Income in year	Dividends £90,000

Audited financial information:

Year ended 30 November	2006 £m	2005 £m
Sales	15.8	14.0
Profit before tax	1.0	1.0
Profit after tax	0.7	0.5
Net assets	6.8	6.3

ASTBURY MARSDEN HOLDINGS LIMITED

Cost	£2,590,000
Valuation	£2,590,000
Basis of valuation	Cost
Equity held	20.5% (NVM funds total 44.2%)
Business/location	Specialist recruitment consultancy, London
History	Management buy-in/buy-out from private ownership, July 2007, led by NVM
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £102,000

Audited financial information:

First audited accounts will be for the period to 31 December 2007


AXIAL SYSTEMS HOLDINGS LIMITED

Cost	£2,301,000
Valuation	£2,301,000
Basis of valuation	Cost
Equity held	18.5% (NVM funds total 44.7%)
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 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 December 2008


CGI GROUP LIMITED

Cost	£1,161,000
Valuation	£2,225,000
Basis of valuation	Earnings multiple
Equity held	8.0% (NVM funds total 24.0%)
Business/location	Manufacture of fire-resistant and safety glass, Warrington
History	Recapitalisation in June 2004 of CGI International (originally a management buy-out investment in February 1999), led by Dunedin Capital
Other NVM funds investing	Northern Venture Trust
Income in year	Dividends nil, loan stock interest £90,000

Audited financial information:

Year ended 31 December	2006 £m	2005 £m
Sales	13.3	11.9
Profit before tax	2.5	2.4
Profit after tax	1.5	1.4
Net assets	3.6	2.0


PALADIN GROUP LIMITED (formerly TOUCHSTONE ASSET MANAGEMENT LIMITED)

Cost	£1,407,000
Valuation	£2,021,000
Basis of valuation	Earnings multiple
Equity held	9.7% (NVM funds total 34.7%)
Business/location	Provider of property management services, Bath
History	Development capital investment, June 2006, led by NVM
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £76,000

Audited financial information:

Period ended 31 March	2007* £m
Sales	11.5
Profit before tax	0.6
Profit after tax	0.3
Net assets	2.8

*9 months ended 31 March

Twenty Largest Venture Capital Investments



PROMANEX GROUP HOLDINGS LIMITED

Cost	£1,974,000
Valuation	£1,974,000
Basis of valuation	Cost
Equity held	23.8% (NVM funds total 63.0%)
Business/location	Provider of engineering and maintenance services, Nuneaton
History	Management buy-out from venture capital ownership, March 2007, led by NVM
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £183,000

Audited financial information:

First audited accounts will be for the period to 30 September 2007



JOHN LAING PARTNERSHIP LIMITED

Cost	£1,144,000
Valuation	£1,958,000
Basis of valuation	Earnings multiple
Equity held	19.0% (NVM funds total 42.3%)
Business/location	Builder of private and social housing, Elstree
History	Management buy-out from John Laing plc, September 2003, led by NVM
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern 3 VCT, Northern AIM VCT
Income in year	Dividends £9,000, loan stock interest £68,000

Audited financial information:

Year ended 31 December	2006 £m	2005 £m
Sales	76.0	57.9
Profit before tax	2.5	1.1
Profit after tax	1.8	0.7
Net assets	3.0	1.5



CRANTOCK BAKERY LIMITED

Cost	£1,061,000
Valuation	£1,913,000
Basis of valuation	Earnings multiple
Equity held	14.8% (NVM funds total 43.2%)
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 2 VCT, Northern AIM VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £61,000

Audited financial information:

Year ended 30 September	2006 £m	2005 £m
Sales	7.1	6.5
Profit before tax	0.4	0.9
Profit after tax	0.2	0.6
Net assets	1.4	1.2



OPTILAN GROUP LIMITED

Cost	£1,900,000
Valuation	£1,900,000
Basis of valuation	Cost
Equity held	14.0% (NVM funds total 38.0%)
Business/location	Telecommunications systems integrator, Coventry
History	Management buy-out from private ownership, March 2008, led by NVM
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern AIM VCT, Northern 3 VCT
Income in year	Nil

Audited financial information:

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



ENVIROTEC LIMITED

Cost	£1,008,000
Valuation	£1,795,000
Basis of valuation	Earnings multiple
Equity held	10.4% (NVM funds total 33.5%)
Business/location	Manufacture of air curtains and air handling equipment, High Wycombe
History	Management buy-out from institutional investor, January 2005, led by NVM
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends £18,000, loan stock interest £97,000

Audited financial information:

Year ended 28 February	2007 £m	2006 £m
Sales	8.1	6.0
Profit before tax	1.6	0.8
Profit after tax	1.1	0.5
Net assets	1.9	1.3



LIQUIDLOGIC LIMITED

Cost	£447,000
Valuation	£1,743,000
Basis of valuation	Earnings multiple
Equity held	13.8% (NVM funds total 35.6%)
Business/location	Software developer for business management applications, Leeds
History	Development capital financing in August 2002, led by NVM
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £27,000

Audited financial information:

Year ended 31 March	2007 £m	2006 £m
Sales	4.2	4.5
Profit before tax	0.1	0.8
Profit after tax	0.1	0.6
Net assets	1.0	1.0



TFB GROUP LIMITED

Cost	£541,000
Valuation	£1,506,000
Basis of valuation	Earnings multiple
Equity held	14.2% (NVM funds total 48.7%)
Business/location	Development of software for professional practice administration, Fareham
History	Management buy-out from private ownership, May 1999, led by NVM; sold to Tikit Group plc in April 2008
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT
Income in year	Dividends nil, loan stock interest £46,000

Audited financial information:

Year ended 30 September	2007 £m	2006 £m
Sales	4.9	4.5
Profit/(loss) before tax	0.3	(0.1)
Loss after tax	–	(0.2)
Net liabilities	(1.8)	(1.8)



LONGHIRST VENUES LIMITED

Cost	£374,000
Valuation	£1,432,000
Basis of valuation	Net assets
Equity held	18.2% (NVM funds total 46.1%)
Business/location	Owner of training and conference venues, Morpeth
History	Demerged from Longhirst Group in May 2007
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern AIM VCT, Northern 3 VCT
Income in year	Dividends £43,000, loan stock interest £19,000

Audited financial information:

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

Twenty Largest Venture Capital Investments



STAINTON METAL COMPANY LIMITED

Cost	£1,100,000
Valuation	£1,394,000
Basis of valuation	Earnings multiple
Equity held	15.6% (NVM funds total 44.1%)
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 Venture Trust, Northern 2 VCT, Northern AIM VCT
Income in year	Dividends nil, loan stock interest £71,000

Audited financial information:

Year ended 30 September	2006 £m	2005 £m
Sales	10.4	10.4
Profit/(loss) before tax	(0.1)	0.2
Retained profit/(loss)	(0.2)	0.1
Net assets	2.2	2.4



PIVOTAL LABORATORIES HOLDINGS LIMITED

Cost	£1,000,000
Valuation	£1,337,000
Basis of valuation	Earnings multiple
Equity held	12.9% (NVM funds total 45.0%)
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 Venture Trust, Northern 2 VCT, Northern 3 VCT, Northern AIM VCT
Income in year	Dividends nil, loan stock interest £101,000

Audited financial information:

Year ended 31 December	2006 £m	2005* £m
Sales	4.1	0.9
Profit before tax	0.1	0.1
Profit after tax	-	-
Net assets	0.8	0.8

*2 months ended 31 October



DxS LIMITED

Cost	£841,000
Valuation	£1,188,000
Basis of valuation	Earnings multiple
Equity held	13.1% (NVM funds total 49.2%)
Business/location	Research, clinical and diagnostic genotyping, Manchester
History	Growth capital investment, May 2001, led by NVM
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern 3 VCT
Income in year	Dividends nil, loan stock interest £10,000

Audited financial information:

Year ended 30 June	2007 £m	2006 £m
Sales	1.1	1.2
Loss before tax	(0.8)	(0.5)
Loss after tax	(0.7)	(0.4)
Net liabilities	(3.6)	(2.9)



IG DOORS LIMITED

Cost	£1,185,000
Valuation	£1,185,000
Basis of valuation	Cost
Equity held	11.5% (NVM funds total 33.9%)
Business/location	Manufacture of steel and GRP composite doors, Cwmbran
History	Management buy-out from Expamet International, November 2003, led by NVM
Other NVM funds investing	Northern Venture Trust, Northern 2 VCT, Northern AIM VCT, Northern 3 VCT
Income in year	Dividends £4,000, loan stock interest £72,000

Audited financial information:

Year ended 31 December	2006 £m	2005 £m
Sales	18.3	18.0
Profit before tax	0.4	0.6
Profit after tax	0.4	0.5
Net assets	0.8	0.4

Directors' Report

The principal activity of the company during the year was the making of long-term investments in unquoted companies.

The directors present their report and the audited financial statements for the year ended 31 March 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 unquoted companies. The company is an investment company as defined in Section 266 of the Companies Act 1985, and has been listed as an investment company on the London Stock Exchange since April 1990.

During the year the company carried on the business of an investment trust and has continued to conduct its affairs so as to qualify as such under the provisions of Section 842 of the Income and Corporation Taxes Act 1988. The most recent accounting period for which the company has applied for confirmation of its investment trust status from HM Revenue & Customs is the year ended 31 March 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 Act.

The directors are required by the Articles of Association of the company to propose a special resolution at the annual general meeting in 2010, and, if applicable, in every fifth year thereafter, that the company continue for a further five years.

Business review

The directors are required by Section 234ZZB of the Companies Act 1985 to include a business review in their report to shareholders. The business review is set out on pages 6 to 10 and is included in this directors' report by reference.

Results and dividend

The return on ordinary activities after tax for the year of £4,680,000 has been transferred to reserves.

The final dividend of 4.7p per share in respect of the year ended 31 March 2007 and an interim dividend of 2.2p per share in respect of the year ended 31 March 2008 were paid during the year at a cost of £1,354,000 and have been charged to reserves.

The proposed final dividend of 5.0p per share for the year ended 31 March 2008 will, if approved by shareholders, be paid on 4 July 2008 to shareholders on the register on 13 June 2008.

Directors

The directors of the company at the end of the year and their interests (in respect of which transactions are notifiable to the company under Disclosure and Transparency Rule 3.1.2R) in the issued ordinary shares of 25p of the company during the year were as shown in Table 1.

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

Mr J M G Hamilton-Sharp and Dr M W Ridley retired from the board on 27 June 2007.

Brief biographical notes on the directors are given on page 4. Mr P J Haigh and Mrs S L Stewart retire from the board by rotation having served three years since they were last elected and offer themselves for re-election. Mr E M P Denny, being a former director and employee of the

Table 1: Directors' shareholdings

	31 March 2008	1 April 2007 (or date of appointment)
P J Haigh (Chairman)	5,000	5,000
J C Barnsley	27,750	27,750
E M P Denny	200,000	200,000
F L G Neale (appointed 19 April 2007)	10,000	–
M P Nicholls	10,000	10,000
S L Stewart	2,400	2,400

Directors' Report

company's investment manager, is subject to annual re-election in accordance with the AIC Code. Mr F L G Neale, being a director of another investment company managed by the company's investment manager, is subject to annual re-election by shareholders as required by Listing Rule 15.2.13A.

None of the directors has a contract of service with the company and, except as mentioned below under the heading "Management", no contract 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.

Provision of information to auditors

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

Going concern

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

Directors' and officers' liability insurance

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

Management

NVM Private Equity Limited (NVM) has acted as investment adviser and manager to the company since October 1988. The principal terms of the company's management agreement with NVM are set out in Note 3 to the financial statements on page 36. Mr E M P Denny is a former director of NVM and a shareholder in its parent company, NVM Group Limited.

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

With effect from April 2006 a management performance incentive scheme was introduced under which investment executives employed by NVM are required to invest personally (and on the same terms as Northern Investors Company and other funds managed by NVM) in the ordinary share capital of investee companies in which the company invests. The directors review the operation of the scheme annually.

Fixed assets

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

Share capital

The company's share capital is £6,000,000 divided into 24,000,000 ordinary shares of 25p each, of which 19,425,440 shares were in issue at 31 March 2008 (none of which were held by the company as treasury shares).

During the year ended 31 March 2008 the company purchased for cancellation 295,500 of its own shares, representing 1.5% of the called-up share capital of the company, for a consideration of £614,000. No shares were allotted during the year.

At the 2007 annual general meeting shareholders authorised the company to purchase in the market up to 1,972,094 ordinary shares (equivalent to approximately 10% of the then issued ordinary share capital) at a minimum price of 25p per share and a maximum price per share of not more than 105% of the average market value for the ordinary shares in the company for the five business days prior to the date on which the ordinary shares were purchased. As at 31 March 2008 215,500 shares had been purchased under this authority, which at that date remained effective in respect of 1,756,594 shares; the authority is

expected to lapse at the conclusion of the 2008 annual general meeting of the company on 25 June 2008.

Subject to any suspension or abrogation of rights pursuant to relevant law or the company's articles of association, the company's ordinary shares confer on their holders (other than the company in respect of any treasury shares) the following principal rights:

- (a) the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the directors and approved by shareholders by ordinary resolution or in the case of an interim dividend in an amount determined by the directors). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the company;
- (b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the company remaining after payment of its liabilities *pari passu* with the other holders of ordinary shares; and
- (c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the company. On a show of hands every member present or represented and voting has one vote and on a poll every member present or represented and voting has one vote for every share of which that member is the holder; the appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll or, in the case where a poll is not taken immediately but is taken not more than 48 hours after it is demanded, be delivered at the meeting at which the poll is demanded.

These rights can be suspended. If a member, or any other person appearing to be interested in shares held by that member, has failed to comply within the time limits specified in the company's articles of association with a notice pursuant to Section 793 of the Companies Act 2006 (notice by company requiring information about interests in its shares), the company can until the default ceases suspend the right to attend and speak and vote at a general meeting and if the shares represent at least 0.25% of their class the company can also withhold any dividend or other money payable in respect of the shares (without any obligation to pay interest) and refuse to accept certain transfers of the relevant shares.

Shareholders, either alone or with other shareholders, have other rights as set out in the company's articles of association and in company law (principally the Companies Act 2006 and, so far as still applicable, the Companies Act 1985).

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

a lien provided that, where the share transfer is in respect of any share admitted to the Official List maintained by the UK Listing Authority, any such discretion may not be exercised so as to prevent dealings taking place on an open and proper basis. Whilst there are no squeeze-out and sell out rules relating to the shares in the company's articles of association, shareholders are subject to the compulsory acquisition provisions in Sections 974 to 991 of the Companies Act 2006.

Amendment of articles of association

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

Appointment and replacement of directors

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

Each director who is appointed by the directors is to be subject to election as a director of the company by the members at the first annual general meeting of the company following his appointment. At each annual general meeting of the company one third of the directors for the time being, or if their number is not three or a multiple of three the number nearest to one-third, are to be subject to re-election.

The Companies Act allows shareholders in general meeting by

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

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

Powers of the directors

Subject to the provisions of the Companies 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, except where the Companies Acts or the articles of association of the company otherwise require. In particular the directors may exercise on behalf of the company its powers to purchase its own shares to the extent permitted by shareholders. Authority was given at the company's 2007 annual general meeting to make market purchases of up to 1,972,094 ordinary shares at any time up to the 2008 annual general meeting and otherwise on the terms set out in the relevant resolution, and authority is being sought at the 2008 general meeting as set out below in the description of the business of the meeting.

Directors' Report

	Number of ordinary shares of 25p	%
Middlesbrough Borough Council	2,575,620	13.26
Tyne & Wear County Pension Fund	1,950,000	10.04
Lattice Group Pension Scheme	1,912,020	9.84
The Joseph Rowntree Charitable Trust	1,560,000	8.03
Church Commissioners for England	936,000	4.82
SVM Global Fund plc	706,220	3.64
East Riding Pension Fund	670,000	3.45

Substantial shareholdings

The shareholdings shown in Table 2 have been disclosed to the company under Disclosure and Transparency Rule 5 (Vote Holder and Issuer Notification Rules).

At 31 March 2008 participants in the investment trust schemes promoted by Aberdeen Asset Managers Limited held a total of 1,212,215 shares representing 6.24% of the company's issued share capital.

At 31 March 2008 directors and employees of NVM Private Equity Limited were beneficially interested in a total of 616,003 shares representing 3.17% of the company's issued share capital.

Creditor payment policy

The company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. There were no amounts owing to trade creditors as at 31 March 2008.

Annual general meeting

Notice of the annual general meeting to be held on 25 June 2008 is set out on pages 48 to 50.

Re-election of retiring directors (Resolutions 4 to 7)

Mr P J Haigh and Mrs S L Stewart retire from the board at the annual general meeting, having served for three years since they were last elected, and seek re-election. Mr E M P Denny, being a former director and employee of the company's investment manager, retires in accordance with the AIC Code and seeks re-election. Mr F L G Neale,

being a director of another investment company managed by the company's investment manager, retires in accordance with Listing Rule 15.2.13A 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 10)

Resolution 10 in the notice of meeting, which will be proposed as an ordinary resolution, renews the general authority granted to the directors at the annual general meeting held on 27 June 2007 to allot shares in the company. The resolution, if passed, gives the directors authority to allot shares up to a maximum nominal value of £1,143,640 (representing 23.6% of the issued 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 June 2009) or, if earlier, 30 September 2009, except insofar as commitments to allot shares have been entered into before that date. The directors have no present intention of exercising the allotment authority proposed by this resolution. The company does not currently hold any shares in treasury.

Disapplication of pre-emption rights (Resolution 11)

Resolution 11, which will be proposed as a special resolution, supplements the directors' authority to allot shares in the company given to them by

Resolution 10. The resolution authorises the directors to allot equity shares for cash (otherwise than pro rata to existing shareholders) in connection with a rights (or similar) issue or in relation to allotments of shares for cash up to a total nominal value of £242,818 (representing 5% of the company's issued 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 June 2009) or, if earlier, 30 September 2009, except insofar as commitments to allot shares have been entered into before that date.

The directors confirm that the company does not intend to allot equity securities equivalent to more than 7.5% of the issued share capital of the company for cash on a non-pre-emptive basis during any rolling three year period, in line with institutional investor guidelines.

Purchase of ordinary shares by the company (Resolution 12)

Resolution 12, which will be proposed as a special resolution, authorises the company to purchase in the market up to 1,942,544 ordinary shares (equivalent to 10% of the issued ordinary share capital), at a minimum price per share of 25p and a maximum price per share of 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 ordinary shares are purchased. 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 June 2009) or, if earlier, 30 September 2009.

Purchases of ordinary shares will be made only within the guidelines established and to be reviewed from time to time by the board, 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.

In accordance with the Listing Rules and the Model Code, no purchases will be made by the company during the two month period immediately preceding the preliminary announcement of the company's year end results or the publication of the half-yearly results, or, if shorter, the period from the end of the relevant financial period up to and including the announcement or publication of the relevant results.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 enable certain listed companies to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares in accordance with the Companies Act 1985. Shares held in treasury may subsequently be cancelled or sold for cash. Once held in treasury, the company is not entitled to exercise any rights, including the right to attend and vote at meetings, in respect of those shares. Further, no dividend or distribution of the company's assets may be made to the company in respect of those shares whilst held in treasury. Accordingly, if the directors exercise the authority conferred by Resolution 12, the company will have the option of holding those shares in treasury rather than cancelling them.

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

Amendment to articles of association relating to procedures for the directors to authorise conflicts of interest (Resolution 13)

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. From 1 October 2008 a director must avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the

company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. It is proposed to amend the company's articles of association by adding a new article 27.2 to give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position and by making associated changes to part of article 27.

The existing article 27 contains a requirement to disclose interests in any contract, arrangement, transaction or proposal with the company which closely follows the statutory requirement in Section 317 of the Companies Act 1985, which is to be restated in Sections 177 and 182 of the Companies Act 2006. As the requirements of the existing and future law apply in any event, it is proposed that that part of article 27 in its current form be deleted.

There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. First, the proposed alteration to the articles of association provides that only directors who have no interest in the matter being considered will be able to take the relevant decision, and second, the general duties of directors apply including the duty on each director in taking the decision to act in a way he or she considers, in good faith, will be most likely to promote the company's success for the benefit of its members as a whole. The proposed alteration to the company's articles of association will allow the directors to impose limits or conditions when giving authorisation if they think this is appropriate.

The proposed alteration to the company's articles of association contains provisions relating to confidential information, attendance at board meetings and availability of board papers, to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

This resolution is proposed as a special resolution and will require the approval of 75% of the votes cast at the meeting.

The board intends to keep the company's articles of association under review and to recommend to shareholders further changes following the full implementation of the Companies Act 2006.

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

15 May 2008

Directors' Remuneration Report

The board comprises six 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 30.

Board of directors

The board comprises six directors, all of whom are non-executive. The board has established a Nomination Committee, chaired by Mr P J Haigh 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.

Directors' fees were reviewed by the Nomination Committee during its meeting in January 2008, when it was recommended that fees should be increased to £27,000 per annum (previously £26,500) for the chairman and £19,500 (previously £19,000) for other directors for the year ending 31 March 2009. The articles of association place an overall limit of £200,000 per annum on directors' remuneration.

Directors' fees (audited information)

The fees paid to individual directors in respect of the years ended 31 March 2008 and 2007 are shown in Table 1.

Mr J M G Hamilton-Sharp's fees were paid to MHS Associates Limited in consideration for his services as a director.

Terms of appointment

The articles of association provide that directors shall retire and be subject to re-election at the first annual general

Table 1: Directors' fees

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
P J Haigh (Chairman)	26,500	26,000
J C Barnsley	19,000	18,500
E M P Denny	19,000	18,500
J M G Hamilton-Sharp (retired 27 June 2007)	4,750	18,500
F L G Neale (appointed 19 April 2007)	18,050	–
M P Nicholls	19,000	13,875
M W Ridley (retired 27 June 2007)	4,750	18,500
S L Stewart	19,000	18,500

meeting after their appointment and at least every three years thereafter. None of the directors has a service contract with the company. On being appointed or re-elected, directors receive a letter from the company setting out the terms of their appointment and their specific duties and responsibilities. A director's appointment may be terminated on three months' notice being given by the company and in certain other circumstances. It is the board's policy that directors will retire from office at the conclusion of the next annual general meeting at which they are due to retire by rotation following their attaining the age of 70 years.

Company performance

The graph below compares the total return (assuming all dividends are re-invested) to ordinary shareholders in the company over the five years ended 31 March 2008 with the total return from a notional investment in the FTSE All-Share index over the same period. This index is considered to be the most appropriate broad equity market index for comparative purposes.

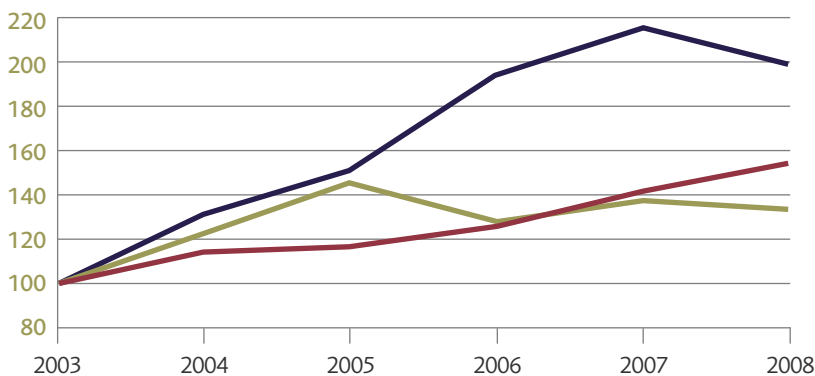
C D MELLOR
Secretary

15 May 2008



Return to shareholders in Northern Investors Company PLC

Five years to March 2008 (March 2003 = 100)



— Northern Investors NAV total return
— Northern Investors share price total return
— FTSE All-Share index total return

Corporate Governance

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

The board of Northern Investors Company PLC has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the company.

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 Investors Company PLC, which is an externally managed investment trust. The company has therefore not reported further in respect of these provisions.

Board of directors

The company has a board of six non-executive directors, the majority of

whom are considered to be independent of the company's investment manager, NVM. The board meets regularly on a quarterly basis, and on other occasions as required. The board is responsible to shareholders for the effective stewardship of the company's affairs and has a formal schedule of matters specifically reserved for its decision which include:

- consideration of long-term strategic issues;
- final decision on recommendations from the manager concerning the acquisition or disposal of investments;
- valuation of the unquoted investment portfolio; and
- ensuring the company's compliance with good practice in corporate governance matters.

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

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

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

evaluated by other directors under the leadership of Mr J C Barnsley, the senior independent director of the company.

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

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

Independence of directors

The board regularly reviews the independence of its members and is satisfied that (with the exception of Mr E M P Denny who is a former 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. Mr F L G Neale is a non-executive director of Northern 2 VCT PLC, a venture capital trust managed by NVM, but after careful consideration the board has concluded that his independence is not affected by this relationship.

The AIC Code recommends that where a director has served for more than nine years, the board should state its reasons for believing that the individual remains independent. The board is of the view that a term of service in excess of nine years is not per se prejudicial to a director's ability

to carry out his/her duties effectively and from an independent perspective; the nature of the company's business is such that individual directors' experience and continuity of board membership can significantly enhance the effectiveness of the board as a whole. Accordingly it is not considered appropriate to require directors who have served for more than nine years to seek annual re-election. Nevertheless the board acknowledges that periodic refreshment of its membership is desirable.

Board committees

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

Audit Committee

Mr J C Barnsley (Chairman)
Mr F L G Neale (from 19 April 2007)
Mr M P Nicholls
(from 8 November 2007)
Mrs S L Stewart

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

- reviewing and making recommendations to the board in relation to the company's published financial statements and other formal announcements relating to the company's financial performance;
- reviewing and making recommendations to the board in relation to the 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;

Table 1: Directors' attendance at meetings

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Number of meetings held	5	3	1	1
<i>Attendance (actual/possible):</i>				
P J Haigh (Chairman)	5/5	N/A	1/1	1/1
J C Barnsley	5/5	3/3	1/1	1/1
E M P Denny	4/5	N/A	1/1	N/A
J M G Hamilton-Sharp (retired 27 June 2007)	2/2	N/A	0/0	1/1
F L G Neale (appointed 19 April 2007)	5/5	3/3	1/1	1/1
M P Nicholls	5/5	0/1	1/1	1/1
M W Ridley (retired 27 June 2007)	1/2	1/1	0/0	0/1
S L Stewart	5/5	3/3	1/1	1/1

- 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 terms of reference are reviewed annually and 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.

During the period under review 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;
- reviewing periodic reports on the effectiveness of NVM's compliance procedures;
- reviewing the appropriateness of the company's accounting policies;
- reviewing the company's draft annual financial statements and half-yearly results statement prior to board approval; and
- reviewing the external auditors' detailed report to the committee on the annual financial statements.

Nomination Committee

Mr P J Haigh (Chairman)
Mr J C Barnsley
Mr E M P Denny
Mr F L G Neale (from 19 April 2007)
Mr M P Nicholls
Mrs S L Stewart

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

Corporate Governance

role efficiently and effectively. When recommending new appointments to the board the committee draws on its members' extensive business experience and range of contacts to identify suitable candidates, as well as using external consultants; the use of formal advertisements is not considered cost-effective given the company's size. New directors are provided with briefing material relating to the company, its investment managers and the 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

Mr P J Haigh (Chairman)
Mr J C Barnsley
Mr F L G Neale (from 19 April 2007)
Mr M P Nicholls
Mrs S L Stewart

The management engagement committee undertakes a periodic review of the performance of the investment manager, NVM, and of the terms of the management agreement including the level of fees payable (both basic and performance-related) and the length of the notice period. The principal terms of the agreement are set out in Note 3 to the financial statements on page 36.

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

Retirement and re-election of directors

The company's articles of association require that one third of the directors should retire by rotation each year and seek re-election at the annual general meeting, and that directors newly appointed by the board should seek re-election at the next annual general meeting. The board complies with the requirement of the Combined Code that all directors should submit themselves for re-election at least every three years. Mr E M P Denny, being a former director and employee of the company's investment manager, is required by the AIC Code to seek annual re-election by shareholders. Mr F L G Neale, being a director of another investment company managed by the company's investment manager, is required by the AIC Code Listing Rule 15.2.13A to seek annual re-election by shareholders.

Attendance at board and committee meetings

Table 1 sets out the number of formal meetings of the board and its committees which were held during the year ended 31 March 2008, and the number attended by each director compared with the maximum possible attendance during the part of the year for which that person was a director or a member of the relevant committee.

In addition to the formal meetings shown in the table, the board held a number of meetings by telephone conference to deal with investment business.

Investor relations

The board recognises the value of maintaining regular communications with shareholders. Formal reports are sent to shareholders at the half-year and year-end stages, and an opportunity is given at the annual general meeting to question the board and the investment manager. Proxy voting figures for each resolution are announced at the annual general meeting. The investment manager meets regularly with principal shareholders to discuss relevant issues as they arise.

Internal controls

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 mis-statement or loss. The board regularly reviews financial performance and results with the investment manager. Responsibility for accounting, secretarial services and physical custody of documents of title relating to venture capital investments has been contractually delegated to NVM under the management agreement. NVM has established its own system of internal controls in relation to these matters, details of which have been reviewed by the audit committee.

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

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

Risk management

Risk management is discussed in the business review on page 10.

By order of the Board

C D MELLOR
Secretary

15 May 2008

Directors' Responsibility Statement

The annual report includes a fair review of the development and performance of the business.

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 (UK GAAP).

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 (UK GAAP) 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 March 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.

The directors are responsible for keeping proper 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

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

By order of the Board

C D MELLOR
Secretary

15 May 2008

Shareholder Information

Northern Investors Company PLC has been listed as an investment company on the London Stock Exchange since 1990 and has been approved as an investment trust by HM Revenue & Customs.

The company

Northern Investors Company PLC has been listed as an investment company on the London Stock Exchange since 1990 and has been approved as an investment trust by HM Revenue & Customs.

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

Financial calendar

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

November 2008

Half-yearly report for six months to 30 September 2008 published

January 2009

Interim dividend paid

May 2009

Final dividend and results for year to 31 March 2009 announced; annual report and financial statements published

June 2009

Annual general meeting 2009

July 2009

Final dividend paid

The proposed final dividend for the year ended 31 March 2008 will, if

approved by shareholders, be paid on 4 July 2008 to shareholders on the register on 13 June 2008.

Share price

The company's share price is carried daily in the Financial Times, the Newcastle Journal and the Northern Echo. The company's FTSE Actuaries classification is "Investment Companies".

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

Investing through Investment Trust Plans

Shares in Northern Investors can, as with any listed investment trust, be bought or sold direct through a stockbroker. In addition, it is possible to invest in the company through the following plans offered by Aberdeen Asset Managers Limited ("Aberdeen"):

Share Plan – the Share Plan offers a simple means of investing in Northern Investors. New investors may make regular monthly payments (minimum £100 per month) or invest occasional lump sums (minimum £250). Existing shareholders can also transfer their shares into the Share Plan and have their dividends re-invested. There are



no charges for buying and holding shares through the Share Plan, except the 0.5% stamp duty which is currently payable on all share purchases and the difference between the buying and selling price (known as the bid-offer spread). A transaction fee of £10 plus VAT is charged on all sales.

Individual Savings Account (ISA) and ISA transfer – the Investment Trust ISA is a low-cost, tax-efficient savings vehicle which for the tax year 2008/09 allows investors to invest up to £7,200 in Northern Investors. There is no initial charge and the annual administration charge is fixed at £24 plus VAT, regardless of how many ISAs or PEPs are held through Aberdeen. There is no charge for buying shares, except for 0.5% stamp duty and the difference between the buying and selling price (known as the bid-offer spread). A transaction fee of £15 plus VAT is charged on all sales.

Personal Equity Plan (PEP) and PEP transfer – it is no longer possible to open new PEPs, but existing investors can transfer between different PEP funds and providers without losing their tax advantages. A transfer plan is available whereby investors can transfer an existing PEP into Northern Investors. No initial fee is charged, other than the difference between the buying and selling price (known as the bid-offer spread), and the annual administration fee is fixed at £24 plus VAT. A transaction fee of £15 plus VAT is charged on all sales.

Full details of all the terms, conditions and charges are available from Aberdeen.

Pension – the Investment Trust Pension from Edinburgh Fund

Managers (part of the Aberdeen group) enables investors to save for retirement by investing in Northern Investors. Contributions can be made regularly or by lump sums.

Please be aware that the charges detailed for the plans above are applicable for direct investment. Different charging structures apply if you are investing through an independent financial adviser.

To obtain further information about any of the above savings plans, please call the Aberdeen Investor Services Team on 0500 00 00 40 or visit the Aberdeen investment trust website at www.invt trusts.co.uk. For further information on the Investment Trust Pension, please telephone 0800 137 079.

Important information – risk factors you should consider prior to investing:

- In common with most investment companies, investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the net asset value (NAV), meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of the NAV.
- Northern Investors invests in small companies, and/or companies investing in technology or venture and development capital stocks, where the potential volatility may increase the risk to the value of your investment. Above-average price movements may be expected.
- Northern Investors invests in a specialist market sector and is likely

to carry higher risks than a more widely invested fund.

- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to the future.
- Exposure to a single country market increases potential volatility.
- There is no guarantee that the market price of shares in Northern Investors will fully reflect their underlying net asset value.
- As with all stock exchange investments, the value of investment trust shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread.

Other important information:

Issued by Aberdeen Asset Managers Limited, which is authorised and regulated by the Financial Services Authority. Registered office: 10 Queen's Terrace, Aberdeen AB10 1YG. Registered in Scotland no 108419. Northern Investors is managed by NVM Private Equity Limited and marketed by Edinburgh Fund Managers plc, which is authorised and regulated by the Financial Services Authority. Aberdeen Asset Managers Limited and Edinburgh Fund Managers plc are members of the Aberdeen Asset Management group of companies. An investment trust should be considered only as part of a balanced portfolio. Under no circumstances should this information be considered as an offer or solicitation to deal in investments.

Independent Auditors' Report

To the members of NORTHERN INVESTORS COMPANY PLC

We have audited the financial statements of Northern Investors Company PLC for the year ended 31 March 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, 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 27.

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 (including the Business Review) is consistent with the financial statements. The information given in the Directors' Report (including the Business Review) includes that specific information presented in the Investment Portfolio and the Twenty Largest Venture Capital Investments that is cross-referenced from the Business Review section of the Directors' Report. We also 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 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 to 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 judgements 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 at 31 March 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

15 May 2008

Financial Statements



Income Statement

for the year ended 31 March 2008

	Notes	Year ended 31 March 2008			Year ended 31 March 2007		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments	9	–	830	830	–	868	868
Unrealised adjustments to fair value of investments	9	–	2,596	2,596	–	4,379	4,379
		–	3,426	3,426	–	5,247	5,247
Income	2	2,626	–	2,626	2,331	–	2,331
Investment management fee	3	(327)	(896)	(1,223)	(311)	(1,102)	(1,413)
Recoverable VAT	4	166	434	600	–	–	–
Other expenses	5	(329)	–	(329)	(351)	–	(351)
Return on ordinary activities before tax		2,136	2,964	5,100	1,669	4,145	5,814
Tax on return on ordinary activities	6	(559)	139	(420)	(296)	331	35
Return on ordinary activities after tax		1,577	3,103	4,680	1,373	4,476	5,849
Return per share	8	8.0p	15.8p	23.8p	7.0p	22.7p	29.7p

- The total column of the income statement is the profit and loss account of the company. The supplementary revenue return and capital return columns have been prepared in accordance with guidance published by the Association of Investment Companies.
- There are no recognised gains or losses other than those included in the income statement.
- All items included in the income statement derive from continuing operations.
- The accompanying notes are an integral part of this statement.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 March 2008

	Notes	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Equity shareholders' funds at 1 April 2007		55,043	50,417
Return on ordinary activities after tax		4,680	5,849
Dividends recognised in the year	7	(1,354)	(1,223)
Shares re-purchased for cancellation		(614)	–
Equity shareholders' funds at 31 March 2008		57,755	55,043

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

Balance Sheet

as at 31 March 2008

	Notes	31 March 2008 £000	31 March 2007 £000
Fixed assets			
Investments	9	52,443	47,048
Current assets			
Investments	12	861	5,973
Debtors	13	1,073	1,155
Cash at bank		3,722	1,140
		5,656	8,268
Creditors (amounts falling due within one year)	14	(344)	(273)
Net current assets		5,312	7,995
Net assets		57,755	55,043
Capital and reserves			
Called-up equity share capital	16	4,856	4,930
Share premium		12,694	12,694
Capital redemption reserve	17	299	225
Capital reserve – realised	17	27,177	26,180
Capital reserve – unrealised	17	10,324	8,832
Revenue reserve	17	2,405	2,182
Total equity shareholders' funds		57,755	55,043
Net asset value per share	18	297.3p	279.1p

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

The financial statements on pages 32 to 47 were approved by the directors on 15 May 2008 and are signed on their behalf by:

P J Haigh
Director

E M P Denny
Director

Cash Flow Statement

for the year ended 31 March 2008

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Net cash inflow from operating activities	1,407	125
Taxation		
Corporation tax paid	–	–
Financial investment		
Purchase of investments	(13,336)	(9,572)
Sale/repayment of investments	11,367	9,805
Net cash inflow/(outflow) from financial investment	(1,969)	233
Equity dividends paid	(1,354)	(1,223)
Net cash outflow before use of liquid resources and financing	(1,916)	(865)
Financing		
Re-purchase of ordinary shares for cancellation	(614)	–
Net cash outflow before use of liquid resources	(2,530)	(865)
Net cash inflow/(outflow) from management of liquid resources	5,112	(2,236)
Increase/(decrease) in cash at bank	2,582	(3,101)
Reconciliation of revenue return before tax to net cash flow from operating activities		
Revenue return on ordinary activities before tax	2,136	1,669
Increase in debtors	(232)	(648)
Increase/(decrease) in creditors	(35)	206
Management fees charged to capital reserve	(462)	(1,102)
Net cash inflow from operating activities	1,407	125

Reconciliation of movement in net funds

	1 April 2007 £000	Cash flows £000	31 March 2008 £000
Cash at bank	1,140	2,582	3,722
Short-term investments	5,973	(5,112)	861
Net funds	7,113	(2,530)	4,583

Notes to the Financial Statements

for the year ended 31 March 2008

1 Accounting policies

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

a Basis of accounting

The financial statements have been prepared under 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 Valuation of investments

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

The company's investments have been designated by the directors as fair value through profit and loss at the time of acquisition and are measured at subsequent reporting dates at fair value. In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending on the convention of the exchange on which the investment is quoted. In the case of unquoted investments, fair value is established 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 as appropriate. 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 basic element of the investment management fee has been allocated 30% to revenue return and 70% to capital return, in order to reflect the directors' expected long-term view of the nature of the investment returns of the company. The performance-related element of the investment management fee has been charged 100% to capital return.

e Revenue and capital

The revenue column of the income statement includes all income and revenue expenses of the company. The capital column includes realised and unrealised gains and losses on investments and that part of the investment management fee which is allocated to capital return. Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full at the balance sheet date.

f Taxation

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

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

g Dividends payable

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

Notes to the Financial Statements

for the year ended 31 March 2008

2 Income

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Income from investments designated as fair value through profit and loss:		
UK dividends (all from unlisted companies)	273	682
Interest on loans to unlisted companies	2,003	1,300
Interest on short-term investments	238	236
	2,514	2,218
Other income:		
Bank deposit interest	91	113
Sundry income	21	–
	2,626	2,331

3 Investment management fee

	Year ended 31 March 2008		Year ended 31 March 2007	
	Revenue £000	Capital £000	Revenue £000	Capital £000
Investment management fee:				
Basic	289	674	265	618
Performance-related	–	133	–	320
Irrecoverable VAT thereon	38	89	46	164
	327	896	311	1,102

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

NVM receives a basic management fee, payable quarterly in advance, at the rate of 1.75% per annum of net assets as shown in the balance sheet as at 31 March in the preceding financial year. NVM is also entitled to receive a performance-related fee equivalent to 12.5% of the amount, if any, by which the total return in each financial year exceeds 7% of the opening net asset value per share.

NVM also provides administrative and secretarial services to the company for a fee of £30,000 per annum, which is included in other expenses (Note 5). At 31 March 2008 the amount owing to NVM in respect of investment management fees was £133,000 (31 March 2007 £173,000).

4 Recoverable VAT

HM Revenue & Customs (HMRC) confirmed in October 2007, following the European Court of Justice decision in the JPMorgan Claverhouse case, that the provision of fund management services to investment trusts is exempt from VAT. Accordingly NVM ceased to charge VAT on management fees payable by the company with effect from 1 January 2008.

In 2005 NVM lodged a protective claim with HMRC to recover VAT paid by the company on management fees since April 2002. This claim is in the process of being dealt with by HMRC. Following the decision by the House of Lords in the Conde Nast case in January 2008, it is possible that NVM will also be able to recover VAT paid by the company on management fees in the period from 1990 to 1996.

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 £600,000. This amount 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 March 2008 £000	Year ended 31 March 2007 £000
Administrative and secretarial services	30	30
Directors' remuneration	130	130
Auditors' remuneration – audit services	16	15
– other services related to taxation	3	3
Legal and professional expenses	2	21
Sundry expenses	123	120
Irrecoverable VAT	25	30
	329	351

Details of directors' remuneration are given in the directors' remuneration report on pages 22 and 23.

6 Tax on return on ordinary activities

	Year ended 31 March 2008		Year ended 31 March 2007	
	Revenue £000	Capital £000	Revenue £000	Capital £000
(a) Analysis of charge/(credit) for the year				
UK corporation tax payable/(recoverable) on the return for the year	559	(453)	296	(296)
Deferred taxation	–	314	–	(35)
	559	(139)	296	(331)

(b) Factors affecting tax charge for the year

The effective tax rate for the year is lower than the standard rate of UK corporation tax of 30%. The differences are explained below:

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Revenue return on ordinary activities before tax	2,136	1,669
Revenue return on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2007 30%)	641	501
Effect of:		
UK dividends not subject to tax	(82)	(205)
Current tax charge for the year	559	296

(c) Factors which may affect future tax charges

The company's surplus management expenses of £1,045,000 as at 31 March 2007, in respect of which a deferred tax asset of £314,000 was recognised at that date, were fully utilised during the year and there were no expenses carried forward at 31 March 2008. There was no unprovided deferred taxation as at 31 March 2008 or 2007. A summary of deferred taxation is given in Note 15.

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

Notes to the Financial Statements

for the year ended 31 March 2008

7 Dividends

	Year ended 31 March 2008		Year ended 31 March 2007	
	Pence per share	£000	Pence per share	£000
(a) Recognised as distributions in the financial statements for the year				
Previous year's final dividend	4.7	923	4.2	828
Current year's interim dividend	2.2	431	2.0	395
	6.9	1,354	6.2	1,223
(b) Paid and proposed in respect of the year				
Interim paid	2.2	431	2.0	395
Final proposed	5.0	971	4.7	927
	7.2	1,402	6.7	1,322

The dividends paid and proposed in respect of the year form the basis for determining whether the company has complied with the requirements of Section 842 of the Income and Corporation Taxes Act 1988 as to the distribution of investment income.

The proposed final dividend of 5.0p per share in respect of the year ended 31 March 2008 is subject to approval by shareholders at the annual general meeting on 25 June 2008 and has not been recognised as a liability in these financial statements.

8 Return per share

The calculation of return per share is based on the return on ordinary activities after tax for the year of £4,680,000 (2007 £5,849,000) and on 19,601,323 (2007 19,720,940) shares, being the weighted average number of shares in issue during the year.

9 Fixed asset investments

	31 March 2008 £000	31 March 2007 £000
Unquoted investments	52,114	44,548
Quoted investments	329	2,500
	52,443	47,048

Movements in investments during the year are summarised as follows:

	Unquoted £000	Quoted £000	Total £000
Book cost at 1 April 2007	36,517	1,699	38,216
Fair value adjustment at 1 April 2007	8,031	801	8,832
Valuation at 1 April 2007	44,548	2,500	47,048
Movements in the year:			
Purchases at cost	13,317	19	13,336
Disposals – proceeds	(9,553)	(1,814)	(11,367)
– net realised gains/(losses) on disposal	991	(161)	830
Changes in fair value	2,811	(215)	2,596
Valuation at 31 March 2008	52,114	329	52,443
Comprising:			
Book cost at 31 March 2008	41,179	940	42,119
Fair value adjustment at 31 March 2008	10,935	(611)	10,324
	52,114	329	52,443
Equity shares	23,543	329	23,872
Preference shares	958	–	958
Interest-bearing securities	27,613	–	27,613
	52,114	329	52,443

9 Fixed asset investments continued

All investments are designated as fair value through profit or loss at the time of acquisition, and all capital gains or losses arise on investments so designated. Given the nature of the company's venture capital investments, the changes in fair value of such investments recognised in these financial statements are not considered to be readily convertible to cash in full at the balance sheet date and accordingly these gains are treated as unrealised.

Disposals of investments during the year were as follows:

	Cost £000	Directors' valuation at 31 March 2007* £000	Disposal proceeds £000	Realised gain/ (loss) on disposal £000
Arrow Industrial Group	770	1,199	1,144	(55)
Barony Universal Products	140	934	1,126	192
Computer Software Group (quoted on AIM)	203	986	1,020	34
Develop Training	1,153	1,254	1,754	500
Ithaca Holdings	656	1,130	1,839	709
KCS Global Holdings	754	1,211	2,090	879
Nightingales Holdings	2,083	1,215	–	(1,215)
RBF Industries	600	300	315	15
Royston Engineering Group	899	674	496	(178)
Others	2,175	1,634	1,583	(51)
	9,433	10,537	11,367	830

* Including subsequent additions at cost

10 Unquoted investments

The cost and carrying value of material investments in unquoted companies held at 31 March 2008 are shown below. For this purpose any unquoted investment included in the table of the twenty largest equity investments on pages 12 to 16, or in the corresponding table in the previous year's annual report, is regarded as material.

	31 March 2008		31 March 2007	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Abermed Limited				
Ordinary shares	80	275	80	240
Loan stock	720	720	720	720
	800	995	800	960
Arrow Industrial Group Limited				
Ordinary shares	–	–	110	539
Loan stock	–	–	660	660
	–	–	770	1,199
Astbury Marsden Holdings Limited				
Ordinary shares	468	468	–	–
Loan stock	2,122	2,122	–	–
	2,590	2,590	–	–
Axial Systems Holdings Limited				
Ordinary shares	324	324	–	–
Loan stock	1,977	1,977	–	–
	2,301	2,301	–	–
Britspace Holdings Limited				
Ordinary shares	1,330	2,743	–	–
Loan stock	433	433	–	–
	1,763	3,176	–	–

Notes to the Financial Statements

for the year ended 31 March 2008

10 Unquoted investments continued

	31 March 2008		31 March 2007	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
CGI Group Limited				
Ordinary shares	40	1,104	40	1,426
Loan stock	1,121	1,121	1,121	1,121
	1,161	2,225	1,161	2,547
Crantock Bakery Limited				
Ordinary shares	215	983	215	534
Loan stock	846	930	846	930
	1,061	1,913	1,061	1,464
DMN Limited				
Ordinary shares	368	–	368	368
Loan stock	1,350	–	1,350	1,350
	1,718	–	1,718	1,718
Direct Valeting Limited				
Ordinary shares	98	98	98	98
Redeemable preference shares	480	480	480	480
Loan stock	269	269	398	398
	847	847	976	976
Envirotec Limited				
Ordinary shares	233	1,020	233	1,096
Loan stock	775	775	775	775
	1,008	1,795	1,008	1,871
Foreman Roberts Group Limited				
Ordinary shares	392	392	–	–
Loan stock	3,522	3,522	–	–
	3,914	3,914	–	–
IG Doors Limited				
Ordinary shares	118	118	118	468
Loan stock	1,067	1,067	1,067	1,227
	1,185	1,185	1,185	1,695
Ithaca Holdings Limited				
Ordinary shares	–	–	66	451
Loan stock	–	–	590	679
	–	–	656	1,130
John Laing Partnership Limited				
Ordinary shares	79	1,045	79	3,396
Preference shares	165	13	165	13
Loan stock	900	900	900	900
	1,144	1,958	1,144	4,309
KCS Global Holdings Limited				
Ordinary shares	–	–	174	631
Loan stock	–	–	580	580
	–	–	754	1,211
Liquidlogic Limited				
Ordinary shares	156	952	156	611
Convertible loan stock	135	612	135	392
Loan stock	156	179	156	179
	447	1,743	447	1,182

10 Unquoted investments continued

	31 March 2008		31 March 2007	
	Total cost £000	Carrying value £000	Total cost £000	Carrying value £000
Longhirst Group Limited				
Ordinary shares	–	–	482	1,492
Redeemable preference shares	–	–	475	475
Loan stock	–	–	570	570
	–	–	1,527	2,537
Longhirst Venues Limited				
Ordinary shares	118	1,176	–	–
Redeemable preference shares	116	116	–	–
Loan stock	140	140	–	–
	374	1,432	–	–
Nightingales Holdings Limited				
Ordinary shares	–	–	249	–
Loan stock	–	–	1,488	868
	–	–	1,737	868
Optilan Group Limited				
Ordinary shares	342	342	–	–
Loan stock	1,558	1,558	–	–
	1,900	1,900	–	–
Pivotal Laboratories Holdings Limited				
Ordinary shares	100	437	100	290
Loan stock	900	900	900	900
	1,000	1,337	1,000	1,190
Product Support (Holdings) Limited				
Ordinary shares	375	2,406	375	375
Loan stock	3,328	3,328	3,328	3,328
	3,703	5,734	3,703	3,703
Promanex Group Holdings Limited				
Ordinary shares	198	198	198	198
Loan stock	1,776	1,776	1,776	1,776
	1,974	1,974	1,974	1,974
Stainton Metal Company Limited				
Ordinary shares	119	413	119	–
Loan stock	981	981	981	825
	1,100	1,394	1,100	825
TFB Group Limited				
Ordinary shares	117	1,039	117	553
Loan stock	424	467	583	642
	541	1,506	700	1,195
Paladin Group Limited (formerly Touchstone Asset Management Limited)				
Ordinary shares	418	1,032	200	200
Loan stock	989	989	770	770
	1,407	2,021	970	970
Weldex (International) Offshore Limited				
Ordinary shares	200	2,990	200	1,609

Additional information relating to material investments in unquoted companies is given on pages 12 to 16.

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

At 31 March 2008 there were commitments totalling £323,000 (2007 £350,000) in respect of investments approved by the board but not yet completed.

Notes to the Financial Statements

for the year ended 31 March 2008

11 Significant interests

Details of shareholdings in those companies where the company's holding at 31 March 2008 represents (1) more than 10% of the allotted equity share capital of any class, (2) more than 10% of the total allotted share capital or (3) more than 10% of the assets of the company itself, are given below. All of the companies named are incorporated in Great Britain.

Company	Class of shares (nominal value £1 unless stated)	Number held	Proportion of class held
Abermed Limited	A ordinary (50p)	112,000	32.0%
Arleigh International Limited	A ordinary	14,400	32.0%
Astbury Marsden Holdings Limited	A ordinary (1p)	46,741,156	44.0%
Axial Systems Holdings Limited	A ordinary	323,773	39.4%
Crantock Bakery Limited	Ordinary	27,637	14.8%
DMN Limited	Ordinary (10p)	53,572	20.2%
DxS Limited	Ordinary (10p)	42,560	13.1%
	Redeemable preference	240,000	32.0%
Direct Valeting Limited	A ordinary (1p)	159,680	32.0%
e-know.net Limited	A ordinary	80,812	32.0%
Envirotec Limited	A ordinary (1p)	108,454	31.0%
Britspace Holdings Limited	Ordinary (10p)	158,060	15.8%
	A ordinary (1p)	2,164,959	21.6%
Foreman Roberts Group Limited	A ordinary (75p)	141,511	53.8%
	C ordinary (0.01p)	5,378	53.8%
IG Doors Limited	Ordinary (1p)	118,500	11.5%
Interlube Systems Limited	Ordinary	62,000	11.4%
John Fredericks Plastics Limited	Ordinary	72,188	12.3%
	A ordinary (1p)	12,128	12.1%
John Laing Partnership Limited	A ordinary (10p)	69,729	45.0%
	Redeemable preference (10p)	126,923	45.0%
LEDA Holdings Limited	A ordinary (10p)	13,826	31.0%
Liquidlogic Limited	Ordinary	127,531	10.8%
Longhirst Venues Limited	Ordinary (10p)	52,781	19.6%
	Redeemable preference	116,374	38.0%
Optilan Group Limited	A ordinary (1p)	342,225	35.1%
Paladin Group Limited	A ordinary (10p)	5,606	26.8%
	Preference	280	28.0%
Pivotal Laboratories Holdings Limited	B ordinary	12,857	28.6%
Product Support (Holdings) Limited	A ordinary (1p)	3,747,300	52.5%

11 Significant interests continued

Company	Class of shares (nominal value £1 unless stated)	Number held	Proportion of class held
Promanex Group Holdings Limited	A ordinary (60p)	197,548	37.7%
	B ordinary (60p)	377	37.7%
Promatic Group Limited	A ordinary	11,799	27.6%
	Preferred ordinary (1p)	2,760	27.6%
S&P Coil Products Limited	A ordinary (1p)	66,000	33.0%
Stainton Metal Company Limited	Ordinary (10p)	70,928	17.7%
TFB Group Limited	Ordinary (10p)	58,333	14.2%
Warmseal Windows (Newcastle) Limited	Ordinary	14,810	14.8%
Wear Inns Limited	Ordinary	14,201	30.8%
Weldex (International) Offshore Limited	Ordinary	3,711	15.0%

None of the above holdings represents a participating interest as defined in the Companies Act 1985.

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

12 Current asset investments

Current asset investments at 31 March 2008 and 2007 comprise shares in the Standard Life Investments (Global Liquidity Funds) plc sterling fund.

13 Debtors

	31 March 2008 £000	31 March 2007 £000
Deferred taxation (Note 15)	–	314
Prepayments and accrued income	326	292
Other debtors	747	549
	1,073	1,155

Debtors include £50,000 (2007 £364,000) in respect of amounts considered to be receivable after more than one year from the balance sheet date.

Notes to the Financial Statements

for the year ended 31 March 2008

14 Creditors (amounts falling due within one year)

	31 March 2008 £000	31 March 2007 £000
Trade creditors and accruals	238	273
Corporation tax	106	–
	344	273

15 Deferred taxation

	31 March 2008		31 March 2007	
	Recognised £000	Unrecognised £000	Recognised £000	Unrecognised £000
The deferred tax asset comprises:				
Surplus management expenses	–	–	314	–

The movement during the year in the provision for deferred taxation was as follows:

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Deferred tax asset provided at 1 April	314	279
(Charge)/credit to income statement – capital	(314)	35
Deferred tax asset provided at 31 March	–	31

16 Called-up equity share capital

	31 March 2008 £000	31 March 2007 £000
Authorised:		
24,000,000 ordinary shares of 25p	6,000	6,000
Allotted and fully paid:		
19,425,440 (2007 19,720,940) ordinary shares of 25p	4,856	4,930

During the year the company re-purchased for cancellation 295,500 ordinary shares at a cost of £614,000, an average price of 208p per share.

17 Reserves

	Capital redemption reserve £000	Capital reserve – realised £000	Capital reserve – unrealised £000	Revenue reserve £000
At 1 April 2007	225	26,180	8,832	2,182
Re-purchase of shares for cancellation	74	(614)	–	–
Transfer on disposal of investments	–	1,104	(1,104)	–
Realised on disposal of investments	–	830	–	–
Management fee capitalised net of associated taxation	–	(323)	–	–
Net increase in unrealised appreciation	–	–	2,596	–
Revenue return on ordinary activities after tax	–	–	–	1,577
Dividends recognised as distributions in the year	–	–	–	(1,354)
At 31 March 2008	299	27,177	10,324	2,405

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

18 Net asset value per share

The calculation of basic net asset value per share as at 31 March 2008 is based on net assets of £57,755,000 (2007 £55,043,000) divided by the 19,425,440 (2007 19,720,940) ordinary shares in issue at that date.

19 Financial instruments

The company's financial instruments comprise equity and fixed-interest investments, cash balances and liquid resources including debtors and creditors. The company holds financial assets in accordance with its investment policy of investing mainly in a portfolio of private equity investments in UK unquoted companies, whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

Fixed asset investments (see note 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 and 7. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The company's portfolio is managed in accordance with the policies and procedures described in the corporate governance statement on pages 24 to 26, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the company's assets is monitored by the board on a quarterly basis.

Details of the company's investment portfolio at the balance sheet date are set out on page 11. An analysis of investments between debt and equity instruments is given in Note 9.

0.6% (31 March 2007 4.5%) by value of the company's net assets comprises equity securities listed on the London Stock Exchange or quoted on AiM. A 5% increase in the bid price of these securities as at 31 March 2008 would have increased net assets and the total return for the year by £16,000 (31 March 2007 £125,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

90.2% (31 March 2007 80.9%) by value of the company's net assets comprises investments in unquoted companies held at fair value. The valuation methods used by the company include the application of a price/earnings ratio derived from listed companies with similar characteristics, and consequently the value of the unquoted element of the portfolio can be indirectly affected by price movements on the London Stock Exchange. A 5% overall increase in the valuation of the unquoted investments at 31 March 2008 would have increased net assets and the total return for the year by £2,606,000 (31 March 2007 £2,227,000); an equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount.

Interest rate risk

Some of the company's financial assets are interest-bearing, of which some are at fixed rates and some variable. As a result, the company is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Notes to the Financial Statements

for the year ended 31 March 2008

19 Financial instruments continued

(a) Fixed rate investments

The table below summarises weighted average effective interest rates for the company's fixed rate interest-bearing financial instruments:

	31 March 2008			31 March 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	4,496	9.3%	1.9	5,182	9.4%	2.7

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

(b) Floating rate investments

The company's floating rate investments comprise floating-rate loans to unquoted companies and cash held in interest-bearing deposit accounts. The benchmark rate which determines the rate of interest receivable on such investments is the UK bank base rate, which was 5.25% at 31 March 2008 and 31 March 2007. The amounts held in floating rate investments at the balance sheet date were as follows:

	31 March 2008 £000	31 March 2007 £000
Floating rate loans to unquoted companies	23,117	17,660
Short-term investments (liquidity fund)	861	5,973
Interest-bearing deposit accounts	3,722	1,140
	27,700	24,773

Credit risk

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

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

	31 March 2008 £000	31 March 2007 £000
Fixed-rate investments in unquoted companies	4,496	5,182
Floating rate loans to unquoted companies	23,117	17,660
Short-term investments (liquidity fund)	861	5,973
Interest-bearing deposit accounts	3,722	1,140
Accrued dividends and interest receivable	326	292
	32,522	30,247

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.

19 Financial instruments continued

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

There were no significant concentrations of credit risk to counterparties at 31 March 2008 or 31 March 2007. No individual investment exceeded 9.9% of the company's net assets at 31 March 2008 (31 March 2007 7.8%).

Liquidity risk

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

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

The company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 31 March 2008 these investments were valued at £4,583,000 (31 March 2007 £7,113,000).

20 Contingent liabilities

At 31 March 2008 the company had a potential liability of £nil (31 March 2007 £208,000) in respect of guarantees given to secure certain liabilities of investee companies.

Notice of Annual General Meeting

Notice is hereby given that the twenty-fourth annual general meeting of Northern Investors Company PLC will be held at the Thistle Hotel, Neville Street, Newcastle upon Tyne NE1 5DF on Wednesday 25 June 2008 at 12.30pm for the following purposes:

- 1 To receive the financial statements for the year ended 31 March 2008 and the directors' and independent auditors' reports thereon.
- 2 To declare a final dividend of 5.0p per ordinary share in respect of the year ended 31 March 2008.
- 3 To approve the directors' remuneration report in respect of the year ended 31 March 2008.
- 4 To re-elect as a director Mr P J Haigh, who retires having served for three years since he was last elected and offers himself for re-election.
- 5 To re-elect as a director Mrs S L Stewart, who retires having served for three years since she was last elected and offers herself for re-election.
- 6 To re-elect as a director Mr E M P Denny, who retires in accordance with the AIC Code and offers himself for re-election.
- 7 To re-elect as a director Mr F L G Neale, who retires in accordance with paragraph 15.2.13A of the United Kingdom Listing Authority Listing Rules and offers himself for re-election.
- 8 To re-appoint KPMG Audit Plc as independent auditors of the company until the conclusion of the next annual general meeting of the company.
- 9 To authorise the directors to fix the independent auditors' remuneration.
- 10 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, 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 £1,143,640, 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 September 2009, 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 by this resolution has expired."

- 11 To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, subject to the resolution numbered 10 in the notice convening this meeting being passed and 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 they are hereby empowered to allot equity securities (as defined in Section 94(2) of the Companies Act 1985 ("the Act")) for cash, pursuant to the authority conferred by such resolution, as if Section 89(1) of the Act did not apply to any such allotment provided that such power shall be limited:

- (a) to the allotment of equity securities in connection with a rights issue or other offer of securities in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them at a fixed record date (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory); and
- (b) to the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £242,818;

and shall expire on the conclusion of the next annual general meeting of the company after the passing of this resolution or, if earlier, on 30 September 2009, 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."

12 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 25p each in the capital of the company provided that:

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 1,942,544, representing 10% of the company's issued ordinary share capital;
- (b) the minimum price which may be paid for an ordinary share shall be 25p per share;
- (c) the maximum price which may be paid for an ordinary share shall be 105% of the average market value for an ordinary share for the five business days immediately preceding the date on which the ordinary shares are purchased; 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, on 30 September 2009, 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."

13 To consider and, if thought fit, to pass the following resolution as a special resolution:

"That the articles of association of the company be amended by the deletion of articles 27.2 to 27.4 and their replacement with the following:

"27.2 Subject to the provisions of the Statutes, a director, notwithstanding his office:

- (a) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;
- (b) may act by himself or through his firm in a professional capacity (other than that of auditor) for the Company or any other body corporate promoted by the Company or in which the Company is otherwise interested; and
- (c) may be a director or other officer of, or employed by, or a party to any contract, arrangement, transaction or proposal with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any power of appointment.

27.3 Director's duty to avoid conflicts of interest – power of Board to authorise matters.

27.3.1 If there is a situation (a "Relevant Situation") in which a Director is or may be either at the time or at some time in the future (or a person who if he was to be appointed as a director of the Company would or might be either at the time or at some time in the future) in breach of his duty under section 175 of the Companies Act 2006 to avoid conflicts of interest (but for any authorisation of the relevant matter(s) by the Board), the Board (other than the Director, and any other Director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may authorise the matter or matters on such terms as it may determine, including terms regulating the continuing performance by the relevant Director of his duties as a director of the Company. Any authorisation of a matter pursuant to this Article shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised. It is the responsibility of the Director who is or may be in breach or the other person who would or might be in breach of his duty under section 175 of the Companies Act 2006 to raise the matter(s) for consideration by the Board.

27.3.2 Any terms determined by the Board under Article 27.3.1 may be imposed at the time of authorisation or may be imposed or varied subsequently and may be terminated by the Board at any time, and may include (without limitation):

- (a) subject always to these Articles, whether the relevant Director(s) may vote (or be counted in the quorum at a meeting) in respect of any resolution connected with or relating to the relevant matter(s);
- (b) that relevant Director(s) should not receive from the Company information or participate in discussion by the Board or otherwise within the Company connected with or relating to the relevant matter(s); and
- (c) (without prejudice to any other obligations of confidentiality) the application to the relevant Director(s) of a strict duty of confidentiality to the Company in respect of any confidential information of the Company or any company in its group connected with or relating to the relevant matter(s).

27.3.3 Except as specified in Article 27.3.1, any proposal made to the Board and any authorisation by the Board in relation to a Relevant Situation shall be dealt with in the same way as any other matter may be proposed to and resolved upon by the Board.

27.3.4 Any authorisation of a Relevant Situation given by the Board under Article 27.3.1 may provide that, where the relevant Director obtains (other than through his position as a Director or employee of the Company or any member of its group) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence or of his duty under section 175 of the Companies Act 2006 to avoid conflicts of interest.

27.3.5 A Director, by reason of his holding office as a Director (or of the fiduciary relationship established by holding that office), shall not be liable to account to the Company for any remuneration, profit or other benefit connected with or resulting from:

(a) any matter authorised under Article 27.3.1; or

(b) any interest permitted under Article 27.2;

and no contract, arrangement, transaction or proposal shall be liable to be avoided on the grounds of any matter authorised under Article 27.3.1 or the Director having any interest permitted under Article 27.2."

By order of the Board

C D MELLOR
Secretary

15 May 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 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 at Aspect House, Spencer Road, Lancing BN99 6DA not later than 12.30pm on Monday 23 June 2008.
- 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 23 June 2008 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 23 June 2008 (or after 6.00pm on the day which is two days before any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 5 As at 14 May 2008 (being the last business day prior to the date of this notice) the company's issued share capital consisted of 19,425,440 ordinary shares, carrying one vote per share. Accordingly the total voting rights in the company as at 14 May 2008 were 19,425,440.
- 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.

Proxy Form

NORTHERN INVESTORS COMPANY PLC Annual General Meeting – 25 June 2008

I/We _____
(block capitals please)

of _____
being a member of Northern Investors Company PLC, hereby appoint (see notes 1 and 2)

or failing him/her the Chairman of the meeting to be my/our proxy and vote for me/us at the twenty-fourth annual general meeting of the company to be held on 25 June 2008, notice of which was sent to shareholders with the annual report and accounts for the year ended 31 March 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 March 2008	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 To declare a final dividend of 5.0p per share in respect of the year ended 31 March 2008	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 To approve the directors' remuneration report in respect of the year ended 31 March 2008	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-elect Mr P J Haigh as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 To re-elect Mrs S L Stewart as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 To re-elect Mr E M P Denny as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 To re-elect Mr F L G Neale as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 To re-appoint KPMG Audit Plc as independent auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 To authorise the directors to fix the remuneration of the independent auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 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"/>
11 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"/>
12 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"/>
13 To amend the articles of association of the company	<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: _____ 2008

NOTES

- Every member has the right to appoint some other person(s) of his/her choice who need not be a member, as his 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 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 they are 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 in the same envelope together.
- Use of the proxy form does not preclude a member from attending and voting in person.
- Where the proxy form is executed by an individual it must be signed by that individual or by his or her attorney.
- Where the proxy form 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 proxy form 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 proxy form 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 at Aspect House, Spencer Road, Lancing BN99 6DA not later than 12.30pm on Monday 23 June 2008.
- 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 be present at 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 of Northern Investors Company PLC at 12.30pm on Wednesday 25 June 2008 at the Thistle Hotel, Neville Street, Newcastle upon Tyne NE1 5DF

Signed: _____ Date: _____ 2008

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. SEA10850



First Fold

EQUINITI
ASPECT HOUSE
SPENCER ROAD
LANCING
BN99 6ZR

Second fold

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