



2008

Northern Investors Company PLC

Half-yearly Financial Report
30 September 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.

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Financial Summary

Six months ended 30 September	2008	2007
Net assets	£49.7m	£56.0m
Net asset value per share	255.9p	286.3p
Mid-market share price	156.0p	226.5p
Share price discount to net asset value	39.0%	20.9%
Return per share after tax		
Revenue	3.9p	3.5p
Capital	(40.3)p	7.9p
Total	(36.4)p	11.4p
Interim dividend per share declared in respect of the period	2.2p	2.2p

Key dates

Half-yearly results announced	10 November 2008
Shares quoted ex dividend	3 December 2008
"On record" date for interim dividend	5 December 2008
Interim dividend paid	9 January 2009

Half-yearly Management Report

The period since 31 March 2008 has seen the onset of almost unprecedented turmoil in the world's financial markets, and this has inevitably had some impact on our half-yearly results. Net asset value per share fell by 13.9% over the six months to 30 September 2008, although this compares favourably with the fall of 15.1% in the FTSE All-Share index over the same period. New investment activity has been at a low level but several significant realisations have been achieved, resulting in a net cash inflow from operations of over £7.5 million during the half year. This has further enhanced the strength of the company's balance sheet and accordingly the interim dividend has been maintained at 2.2p per share.

Net asset value and share price

Table 1 shows the net asset value (NAV) per share, mid-market share price and discount as at 30 September 2008 compared with the corresponding figures at 31 March 2008 and 30 September 2007.

The increase in the discount to NAV reflects the general trend in the private equity investment trust sector, where many other companies have experienced steep declines in share price over the past six months. Subsequent to 30 September 2008 the stock market has continued its downward movement and our share price has fallen further, to the point where the discount to NAV is almost 50% and (adjusting for cash and quoted investments) the implied discount to the unquoted investment portfolio is well over 60%.

The percentage movement in NAV and share price compared with the movement in the FTSE All-Share index over the six and 12 month periods to 30 September 2008 is shown in Table 2.

Revenue and dividend

Investment income for the half year was at a slightly higher level than in the corresponding period and, with the benefit of VAT exemption on management fees, the revenue return per share rose from 3.5p to 3.9p. The directors have declared an unchanged interim dividend of 2.2p per share, payable on 9 January 2009 to shareholders on the register on 5 December 2008. In the absence of unforeseen circumstances it is envisaged that the dividend for the full year will be at least maintained at last year's level of 7.2p.

Investment portfolio

New investment activity in the half year was subdued, reflecting the increasingly difficult economic and market background. An initial investment of £1.2 million was made in **CloserStill Holdings**, a new vehicle formed by the management team responsible for the success of the business-to-business exhibitions group **Ithaca Holdings** from which we exited in 2007. The other significant new holdings, in **Tikit Group** and **CGI Group Holdings**, resulted from the sale or re-structuring of existing investments.

Investment sale proceeds amounted to £11.5 million, generating a net surplus of £1.7 million over carrying value and £3.7 million over original cost. The outstanding success in the period was the sale of the logistics contractor **Product Support (Holdings)** to Wincanton plc, which generated cash proceeds of £7.4 million and a surplus of £1.6 million over the 31 March 2008 carrying value. Over a holding period of only 18 months the cash return was more than twice our original investment. **TFB Group**,

Table 1: NAV, share price and discount

	30 September 2008	31 March 2008	30 September 2007
NAV per share	255.9p	297.3p	286.3p
Share price	156.0p	195.0p	226.5p
Share price discount to NAV	39.0%	34.4%	20.9%

Table 2: Relative performance to 30 September 2008

	NAV per share	Share price	FTSE All-Share
Past six months	-13.9%	-20.0%	-15.1%
Past 12 months	-10.6%	-31.1%	-25.1%



Peter Haigh
Chairman



which develops software for professional practice management, was sold to the AIM-quoted IT company Tikit Group plc for a total of £1.5 million in cash and shares, and **CGI Group** was re-structured under a new holding company, CGI Group Holdings, in a transaction which realised £0.5 million in cash and left us with a slightly enhanced equity stake in the new company. Several other companies have been in discussions with a view to possible exit, some of which may yet come to fruition despite the general slowdown in the corporate transactions market.

The uncertainty as to the immediate prospects for the UK economy has made it unusually difficult to determine the fair value of the company's portfolio of unquoted investments, against a background of falling price/earnings ratios in the stock markets and revisions to the expectations of individual businesses. In a number of cases we have felt it appropriate to make significant provisions against holdings where we nevertheless believe the long-term outlook is good provided that short-term trading conditions can be overcome. Examples of this include **Astbury Marsden Holdings**, **Foreman Roberts Group** and **Promanex Group Holdings**. Companies with a direct involvement in the construction industry, such as **John Laing Partnership**, **Britspace Holdings** and **IG Doors**, are inevitably finding the environment challenging. However our long-standing investment in **Weldex (International) Offshore** is performing very well and more recent additions such as **Axial Systems Holdings**, **Envirotec** and **Optilan Group** are making encouraging progress.

In the current climate the attitude of the UK clearing banks to their corporate customers' requirements is not invariably supportive, and it is likely that in a number of cases we will have to provide further

funding either to supplement bank facilities or in some cases to replace the bank altogether. This will require both a steady nerve and a careful distinction between those companies which have a sustainable business model and those which may find it difficult to survive in a harsher economic climate.

VAT on management fees

The management fees payable to NVM Private Equity have been exempt from VAT since 1 January 2008 and this represents a cost saving of approximately £175,000 in the current financial year. An asset of £600,000 was recognised in the financial statements as at 31 March 2008 in respect of VAT expected to be recovered in respect of prior periods, and the process of obtaining repayment is well advanced.

Prospects

We expect that conditions in the UK economy will worsen before there is any significant improvement, and this calls for an essentially defensive approach to portfolio management in the short to medium term. This will not be the first recession which your company and managers have experienced. A highly selective approach is being taken to assessing potential new investment opportunities, whilst existing investee companies will continue to be closely monitored and supported, if appropriate, with additional funding. We have a strong reserve of liquidity to assist us in this process and although performance in the short term is likely to remain depressed, the company is well placed to make further progress when conditions eventually become more favourable.

On behalf of the Board

Peter Haigh
Chairman

Income Statement

(unaudited) for the six months ended 30 September 2008

	Six months ended 30 September 2008		
	Revenue £000	Capital £000	Total £000
Gain on disposal of investments	–	1,679	1,679
Movements in fair value of investments	–	(9,251)	(9,251)
	–	(7,572)	(7,572)
Income	1,271	–	1,271
Investment management fee	(152)	(354)	(506)
Recoverable VAT	–	–	–
Other expenses	(178)	–	(178)
Return on ordinary activities before tax	941	(7,926)	(6,985)
Tax on ordinary activities	(192)	99	(93)
Return on ordinary activities after tax	749	(7,827)	(7,078)
Return per share	3.9p	(40.3)p	(36.4)p

- The total column of this statement is the profit and loss account of the company. The supplementary Revenue and Capital 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 disclosed in the income statement.
- All items in the above statement derive from continuing operations.

Reconciliation of Movements in Shareholders' Funds

(unaudited) for the six months ended 30 September 2008

	Six months ended 30 September 2008 £000
Equity shareholders' funds at 1 April 2008	57,755
Return on ordinary activities after tax	(7,078)
Dividends recognised in the period	(971)
Shares purchased for cancellation	–
Equity shareholders' funds at 30 September 2008	49,706

Six months ended 30 September 2007			Year ended 31 March 2008		
Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
–	630	630	–	830	830
–	1,279	1,279	–	2,596	2,596
–	1,909	1,909	–	3,426	3,426
1,158	–	1,158	2,626	–	2,626
(169)	(396)	(565)	(327)	(896)	(1,223)
–	–	–	166	434	600
(182)	–	(182)	(329)	–	(329)
807	1,513	2,320	2,136	2,964	5,100
(120)	48	(72)	(559)	139	(420)
687	1,561	2,248	1,577	3,103	4,680
3.5p	7.9p	11.4p	8.0p	15.8p	23.8p

Six months ended 30 September 2007 £000	Year ended 31 March 2008 £000
55,043	55,043
2,248	4,680
(923)	(1,354)
(281)	(614)
56,087	57,755

Balance Sheet

(unaudited) as at 30 September 2008

	30 September 2008 £000	30 September 2007 £000	31 March 2008 £000
Fixed asset investments			
Unquoted	36,462	51,406	52,114
Quoted	736	593	329
Total fixed asset investments	37,198	51,999	52,443
Current assets			
Investments	906	2,222	861
Debtors	675	854	1,073
Cash at bank	11,214	1,113	3,722
	12,795	4,189	5,656
Creditors (amounts falling due within one year)	(287)	(101)	(344)
Net current assets	12,508	4,088	5,312
Net assets	49,706	56,087	57,755
Capital and reserves			
Called-up equity share capital	4,856	4,898	4,856
Share premium	12,694	12,694	12,694
Capital redemption reserve	299	257	299
Capital reserve - realised	30,631	27,010	27,177
Capital reserve - unrealised	(957)	9,282	10,324
Revenue reserve	2,183	1,946	2,405
Total equity shareholders' funds	49,706	56,087	57,755
Net asset value per share	255.9p	286.3p	297.3p

Cash Flow Statement

(unaudited) for the six months ended 30 September 2008

	Six months ended 30 September 2008 £000	Six months ended 30 September 2007 £000	Year ended 31 March 2008 £000
Net cash inflow from operating activities	835	468	1,407
Taxation			
Corporation tax paid	–	–	–
Financial investment			
Purchase of investments	(3,831)	(8,035)	(13,336)
Sale/repayment of investments	11,504	4,993	11,367
Net cash inflow/(outflow) from financial investment	7,673	(3,042)	(1,969)
Equity dividends paid	(971)	(923)	(1,354)
Net cash inflow/(outflow) before use of liquid resources and financing	7,537	(3,497)	(1,916)
Financing			
Re-purchase of ordinary shares for cancellation	–	(281)	(614)
Net cash inflow/(outflow) before use of liquid resources	7,537	(3,778)	(2,530)
Net cash inflow/(outflow) from management of liquid resources	(45)	3,751	5,112
Increase/(decrease) in cash at bank	7,492	(27)	(2,582)
Reconciliation of return before tax to net cash flow from operating activities			
Revenue return on ordinary activities before tax	941	807	2,136
Decrease/(increase) in debtors	398	229	(232)
Decrease in creditors	(150)	(172)	(35)
Management fees charged to capital reserve	(354)	(396)	(462)
Net cash inflow from operating activities	835	468	1,407
Reconciliation of movement in net funds			
	1 April 2008 £000	Cash flows £000	30 Sept 2008 £000
Short-term investments	861	45	906
Cash at bank	3,722	7,492	11,214
Net funds	4,583	7,537	12,120

Notes to the Financial Statements

(unaudited) for the six months ended 30 September 2008

- 1 The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice (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.
- 2 The calculation of the revenue and capital return per share is based on the return on ordinary activities after tax for the period and on 19,425,440 (2007 19,640,134) ordinary shares, being the weighted average number of shares in issue during the period.
- 3 The calculation of net asset value per share is based on the net assets at the end of the period divided by the 19,425,440 (2007 19,593,440) ordinary shares in issue at that date.
- 4 The interim dividend of 2.2p per share for the year ending 31 March 2009 will be paid on 9 January 2009 to shareholders on the register on 5 December 2008.
- 5 The unaudited interim financial statements for the six months ended 30 September 2008 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 March 2008 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies; the independent auditors' report on those financial statements under Section 235 of the Companies Act 1985 was unqualified. The half-yearly financial statements have been prepared on the basis of the accounting policies set out in the annual financial statements for the year ended 31 March 2008.
- 6 The directors confirm that to the best of their knowledge the half-yearly financial statements have been prepared in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year, and (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
- 7 Copies of this half-yearly report have been mailed to shareholders and are available to the public at the company's registered office, and on the NVM Private Equity Limited website, www.nvm.co.uk.

Investment Portfolio Summary

as at 30 September 2008

	Cost £000	Valuation £000	% of net assets by value
Weldex (International) Offshore	200	3,832	7.7
Axial Systems Holdings	2,301	2,301	4.6
Envirotec	1,008	1,926	3.9
Optilan Group	1,900	1,900	3.8
Paladin Group	1,407	1,862	3.7
Stainton Metal Company	1,100	1,855	3.7
CGI Group Holdings	1,723	1,723	3.5
Pivotal Laboratories Holdings	1,000	1,542	3.1
Longhirst Venues	374	1,432	2.9
Britspace Holdings	1,763	1,425	2.9
Ten largest investments	12,776	19,798	39.8
Crantock Bakery	1,061	1,384	2.8
Liquidlogic	292	1,353	2.7
DxS	841	1,306	2.6
Astbury Marsden Holdings	2,590	1,295	2.6
CloserStill Holdings	1,234	1,234	2.5
Arleigh International	480	1,082	2.2
Abermed	800	1,073	2.1
S&P Coil Products	660	1,039	2.1
Promanex Group Holdings	1,974	987	2.0
Foreman Roberts Group	3,914	978	2.0
Twenty largest investments	26,622	31,529	63.4
Other investments	11,533	5,669	11.4
Total fixed asset investments	38,155	37,198	74.8
Net current assets		12,508	25.2
Net assets		49,706	100.0

Company Information

Directors

Peter Haigh (Chairman)
John Barnsley
Michael Denny
Frank Neale
Mark Nicholls
Sarah Stewart

Secretary

Christopher Mellor FCA MSI

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