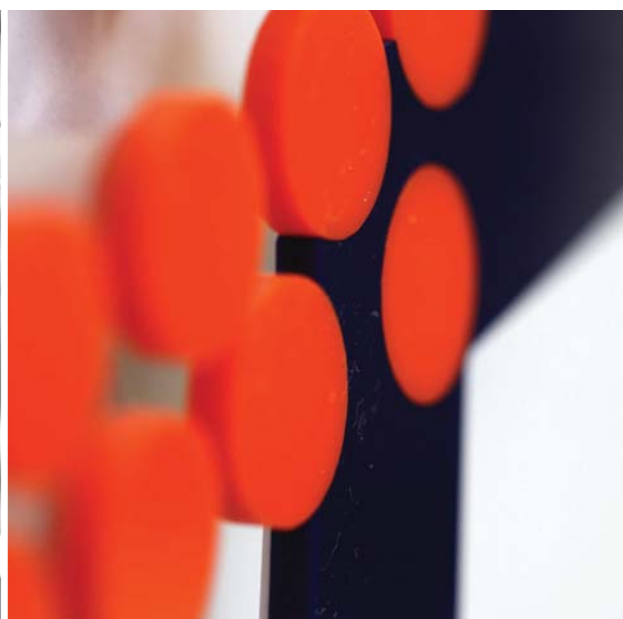


Northern 2 VCT PLC

Securities Note (including application form)

Offer for subscription in 2011/12 and 2012/13 tax years



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Key Offer Information

Maximum number of Shares being offered [†]	20,000,000
Initial Offer Price per Share (subject to adjustment by the Pricing Formula)	81.0p
Minimum investment	£5,000
Maximum investment on which tax reliefs are available (per tax year)	£200,000
Offer opens	9 November 2011
Offer closes* - 2011/12 tax year	5.00pm on 5 April 2012
- 2012/13 tax year	5.00pm on 30 April 2012

[†] subject to a maximum amount to be raised under the Offer (before issue costs) of £15,000,000

* unless fully subscribed earlier or extended (but to no later than 29 June 2012)

Special Terms

Applications from shareholders in NVM managed VCTs

Accepted valid applications from shareholders (including spouses) in VCTs managed by NVM, which are received by 6 February 2012, will attract additional Offer Shares equivalent to 2% of the amount subscribed by such Applicant under the Offer.

Applications from all other Investors

Accepted valid applications received by 6 February 2012 will attract additional Offer Shares equivalent to 1% of the amount subscribed under the Offer.

The cost of these additional Offer Shares will be borne by Downing or the Manager and will not, therefore, be an additional charge to the Company.

This document, the Registration Document and the Summary, which together comprise the prospectus relating to Northern 2 VCT PLC ("the Prospectus"), have been prepared in accordance with the Prospectus Rules made under Section 84 of the Financial Services and Markets Act 2000 and the Prospectus has been approved by and filed with the Financial Services Authority.

Application will be made to the UK Listing Authority for up to 20,000,000 Offer Shares to be issued pursuant to the Offer to be admitted to the premium segment of the Official List. Application will also be made to the London Stock Exchange for up to 20,000,000 Offer Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective, and that dealings in the Offer Shares will commence, by 20 January 2012 and within 20 Business Days of allotment for subsequent allotments thereafter. The Existing Shares are admitted to the premium segment of the Official List and are traded on the London Stock Exchange's main market for listed securities.

The Company and its Directors, whose names appear on page 9 of this document, each accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Howard Kennedy Corporate Services LLP is acting as sponsor and Downing LLP is acting as promoter of the Company in connection with the Offer, and neither of them is advising any other person or treating any other person as a customer or client in relation to the Offer or (subject to the responsibilities and liabilities imposed by FSMA or the regulatory regime established thereunder) will be responsible to any such person for providing the protections afforded to their respective customers or clients, or for providing advice in connection with the Offer.

Northern 2 VCT PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 3695071)

**Offer for Subscription
of up to 20,000,000 Offer Shares of 5p each,
subject to a maximum amount to be raised (before issue costs) of £15,000,000**

Sponsor
Howard Kennedy Corporate Services LLP

Manager
NVM Private Equity Limited

The existing share capital, together with the Offer Shares, based on the Initial Offer Price and assuming that the Offer is fully subscribed (ignoring any shares tendered under the tender offer), will be:

	Issued and to be issued fully paid	
	No. of Shares	Nominal value
Ordinary Shares of 5p each (ISIN: GB0005356430)	75,986,860	£3,799,343.00

A maximum of 20,000,000 Offer Shares, which are being offered to the public, are being made available under the Offer, subject to the maximum amount to be raised under the Offer (before issue costs) being restricted to £15,000,000. The Offer will open on 9 November 2011 and may close at any time thereafter but, in any event, no later than 5.00pm on 5 April 2012 for the 2011/12 tax year and 5.00pm on 30 April 2012 for the 2012/13 tax year, unless previously extended by the Directors (but to no later than 29 June 2012). The terms and conditions of application are set out on pages 19 and 20 of this document and are followed by an Application Form for use in connection with the Offer. There is no minimum subscription for the Offer to proceed. The Offer is not underwritten.

Your attention is drawn to the Risk Factors set out on page 1 of this document. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might arise. If you are in any doubt as to the action you should take, you should consult an appropriate financial adviser authorised under the Financial Services and Markets Act 2000.

This document should be read in conjunction with the Summary and Registration Document, which may be obtained from:

Downing LLP
10 Lower Grosvenor Place
London SW1W 0EN

telephone: 020 7416 7780
email: vct@downing.co.uk
website: www.downing.co.uk

NVM Private Equity Limited
Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER
0191 244 6000
n2vct@nvm.co.uk
www.nvm.co.uk

Risk factors

Your capital is at risk if you invest in the Company and you may lose some or all of your investment.

The Company's business, financial condition or results could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Offer Shares may decline due to any of these risks and Investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company. The Directors consider the following to be all the material known risks for potential Investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company:

- The value of Offer Shares and the income derived from them may go down as well as up and Shareholders may not receive back the full amount invested.
- Shareholders should be aware that the sale of Offer Shares within five years of their subscription will require the repayment of some or all of the 30% income tax relief obtained upon investment. Accordingly, investment in the Company is not suitable as a short or medium term investment.
- There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be identified.
- The majority of the Company's investments will be in small companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise. Such businesses may well be in high risk sectors and would therefore be exposed to greater risks than established businesses. In addition, such companies generally have a higher risk profile than larger companies and may also have limited trading records.
- Although the Offer Shares will be Listed, it is unlikely that a liquid market in the Offer Shares will develop as the initial income tax relief is only available to those subscribing for new shares and there may only be one market maker. It may, therefore, prove difficult for Shareholders to sell their Offer Shares. In addition, there is no guarantee that the market price of the Offer Shares will fully reflect their underlying NAV or the ability to buy and sell at that price. It should be noted that shares held in a VCT usually trade at a discount to the VCT's NAV.
- The past performance of investments made by the Company or other funds managed by NVM should not be regarded as an indication of the future performance of investments made by the Company.
- Although it is intended that the Company will be managed so as to continue qualifying as a VCT, there is no guarantee that such status will be maintained. Failure to do so could result in adverse tax consequences for Investors, including being required to repay up to the full 30% income tax relief.
- The Company's ability to obtain maximum value from its investments (for example, through their sale) may be limited by the requirements of the relevant VCT legislation in order to maintain the VCT status of the Company (such as the obligation to have at least 70% by value of its investments in Qualifying Investments).
- The levels and bases of reliefs from taxation may change and could apply retrospectively. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of Investors. The Company's objectives have been set on the basis that all Investors obtain 30% income tax relief on their subscriptions. Therefore, this investment may not be suitable for Investors who do not qualify for the full 30% income tax relief.
- Changes in legislation in respect of VCTs in general, and Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Company to meet its objectives and/or reduce the level of returns which would otherwise have been achievable. In particular, on 6 July 2011 HM Treasury issued a consultation paper which is likely to result in changes to legislation in the Finance Bill 2012. These changes could restrict the types of businesses that would represent Qualifying Investments and may affect investments made after 5 April 2012.
- The Company's ability to make market purchases of its own Shares each year may be limited by the liquidity of the Company, the rules of the UK Listing Authority, the Act and the VCT Regulations.
- The Offer Shares are being issued at a price, calculated by a formula, based on the latest published NAV of the Company. The most recent published unaudited NAV of the Company was at 30 September 2011; Investors should be aware that if a revised NAV is published during the course of the Offer, Investors may receive a different allocation of Offer Shares from that anticipated.

Forward looking statements

Potential Investors should not place undue reliance on forward-looking statements. This Securities Note includes statements that are (or may be deemed to be) "forward-looking statements", which can be identified by the use of forward-looking terminology including terms such as "believes", "continues", "expects", "intends", "may", "will", "would", "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements contained in this Securities Note, based on past trends or activities, should not be taken as a representation that such trends or activities will continue in the future. These statements will be updated as and when required by the Prospectus Rules, the Listing Rules and the DTR, as appropriate.

Potential Investors should consult their professional advisers before making any investment decision.

Letter from the Chairman

Northern 2 VCT PLC

Registered in England and Wales no 3695071

Northumberland House
Princess Square
Newcastle upon Tyne
NE1 8ER

Telephone: 0191 244 6000
Email: n2vct@nvm.co.uk

9 November 2011

Dear Investor

Northern 2 VCT, which was launched in 1999, has a track record of paying consistent dividends whilst seeking to maintain its net asset value. Some of the key points of the Offer are set out below.

Income – minimum 9.7% target tax-free yield: Annual dividends of at least 5.5p per Share have been paid over the last seven years. An annual dividend of 5.5p per Share represents a tax-free yield of 9.7% per annum (gross equivalent of 12.9% to a 40% taxpayer) on the Initial Offer Price net of 30% tax relief. It should be noted that the levels of dividends are not guaranteed. The first dividend payable on the Offer Shares will be the final dividend in respect of the year ending 31 March 2012, which is expected to be in July 2012.

Investment prospects: The Company has a portfolio of 43 companies across a range of sectors, many of which are trading successfully and generating capital growth and income for the Company. Many of the companies have low bank borrowings and strong cash flow; we see future prospects for growth despite the media gloom about an austere Britain. Subscribers under the Offer will acquire an immediate exposure to these holdings, which should diversify risk and provide the potential for earlier growth in the value of their investment compared to some new launch VCTs.

Tax relief: 30% income tax relief will be available on Offer Shares provided they are held for at least five years, and dividends and gains from VCTs are tax-free. It should be noted that the tax reliefs are subject to change and withdrawal (in the event of a breach of the VCT rules) and the value to Investors will depend on their personal circumstances.

Investments: The Company is a pre-2006 VCT operating under VCT investment rules which permit it to make larger investments in a broader range of bigger companies than newly launched VCTs. The raising of funds under the Offer will not materially affect the Company's ability to maintain this investment strategy. The Company benefits from co-investment with other funds managed by NVM, enabling the funds together to undertake larger investments in any one investee company.

Experienced manager: NVM Private Equity has been investing in unlisted UK companies (private equity) for 27 years and has over £200 million of funds under management. The NVM investment team has wide industry experience and a good track record of finding businesses that have growth potential, seeking either development capital or management buy-out funding.

Next steps: In order to invest, please read the Prospectus and then complete the Application Form, which is set out at the end of this document. If potential Investors have any questions regarding this investment they should contact their own independent financial adviser. For questions relating to an application, please telephone NVM on 0191 244 6000. Investors should note that their capital is at risk if they invest in the Company and they may lose some or all of their investment. No investment advice can be given by NVM and potential Investors' attention is drawn to the Risk Factors set out on page 1 of this document.

Yours sincerely



DAVID GRAVELLS
Chairman

Part I – Northern 2 VCT PLC.

Introduction

VCTs were introduced to encourage individuals, by offering them substantial tax benefits, to invest in a portfolio of investments comprising at least 70% unlisted UK trading companies. VCTs are investment companies whose shares are listed on the Official List and traded on the London Stock Exchange. To date, over £4.3 billion has been raised by more than 100 VCTs (*source: www.hmrc.gov.uk*).

VCTs were created so that their investors can benefit from a spread of Qualifying Investments under the supervision of professional managers, who can in many cases contribute valuable experience, contacts and advice to the businesses in which VCTs invest. For the tax benefits to be available, VCTs are required to be approved by HM Revenue & Customs for the purposes of the VCT legislation. VCTs are entitled to exemption from corporation tax on any gains arising on the disposal of their investments and such gains may be distributed tax-free to investors. Dividends and capital distributions from VCTs are tax-free, subject to a maximum investment of £200,000 per individual per tax year.

New Shareholders who subscribe for the Offer Shares will have the benefit of having exposure to the Company's existing investments. As at 30 September 2011, the Company's venture capital portfolio comprised 43 investments with an unaudited carrying value of £32.1 million.

Reasons for the Offer

The Directors believe that the Offer will benefit Shareholders in a number of ways:

- (i) **Diversity** – The additional funds raised will expand the capital base of the Company, allowing an increased spread of risk across a larger number of investments at various stages of the business cycle and be invested in accordance with the Company's investment policy. If the Offer is fully subscribed, the Directors expect that the combined pool of investments will increase to approximately 55 companies by 31 March 2015. The Company holds an existing portfolio of investments which provides Investors with immediate exposure to a portfolio of companies with growth potential.
- (ii) **Investment prospects**
 - (a) The Company was established prior to 2006 when larger VCT-qualifying company investments were permitted. The raising of funds under the Offer will not materially affect the Company's ability to continue to make investments in larger companies.
 - (b) The level of small and medium-sized enterprise market activity is improving, and the reluctance of banks to lend is leading to increased demand for equity investment from sources such as the Company.
 - (c) The Company is differentiated from many other generalist funds by its policy of committing 10% of funds to a small number of earlier stage development capital investments within a predominantly later stage portfolio. The track record of success in this area was illustrated through the sale of DxS Limited for £6.4 million (cost £0.7 million) which won the *BVCA/Real Deals* "Private Equity Deal of the Year" Award 2010, which demonstrates that capital growth opportunities can arise from investing in earlier stage innovative companies.
- (iii) **Costs** – The fixed running costs of the Company will be spread over a larger asset base. The Manager has agreed to reduce the cap on Annual Running Costs from its present level of 3.5% to 3.0% with effect from the final closing of the Offer.

The net proceeds of the Offer will initially be invested in a portfolio of cash, listed Fixed Income Securities and a range of other securities. In the longer term approximately 20% of the net proceeds of the Offer will be retained in cash and near cash investments (including listed Fixed Income Securities). The Fixed Income Securities portfolio will consist of sterling-denominated financial instruments and Fixed Income Securities issued by the UK Government, European Union governments, and major UK and international companies and institutions, in order to protect the capital invested by concentrating on investment instruments of high credit quality.

Objectives of the Company

The Company is managed by NVM Private Equity. It invests mainly in unquoted venture capital holdings and aims to provide high long-term tax-free returns to Shareholders through a combination of dividend yield and capital growth.

Income

The Board has a stated objective of paying an annual dividend of at least 5.5p per Share, subject to the availability of sufficient distributable profits, cash resources and regulations. Set out below is a table illustrating the returns to Shareholders on Offer Shares assuming an annual dividend of 5.5p per Offer Share is paid. In the last seven financial years annual dividends have been at least 5.5p per share. **Investors should note that the target minimum annual dividend of 5.5p per Offer Share is an objective and is not guaranteed. No forecast is intended or implied.**

Illustrative yield per Offer Share (after 30% income tax relief)				
Net of tax offer price ¹	Target annual dividends	Tax-free yield	Gross equivalent yield	
			40% taxpayer ²	50% taxpayer ²
56.7p	5.5p	9.7% p.a.	12.9% p.a.	15.2% p.a.

¹ The returns listed are based on the Initial Offer Price of 81.0p multiplied by 70%, to reflect initial income tax relief of 30%. Investors should note that they will be required to pay the full Offer Price and claim the income tax relief separately.

² The gross equivalent yield is the yield on a non-VCT UK dividend that would result in a net yield of 9.7% (being a 5.5p dividend divided by 56.7p, the Initial Offer Price less 30% to reflect initial income tax relief), assuming a 40% taxpayer and 50% taxpayer respectively.

Subscribers under the Offer will be eligible for the final dividend in respect of the year ending 31 March 2012, which is expected to be paid in July 2012.

Taxation benefits to Investors (see Part III for further details)

The principal UK tax reliefs, which are available on a maximum investment of £200,000 per individual in each of the 2011/12 and 2012/13 tax years, are set out below:

- **Income tax relief at 30%** of the amount subscribed provided that the VCT shares are held for at least five years. Relief is restricted to the amount which reduces the Investor's income tax liability to nil.
- **Tax-free dividends, which may include capital distributions**, from a VCT.
- **Capital gains tax exemption** on any gains arising on the disposal of VCT shares.

The table below shows the effect of the initial 30% income tax relief (based on the Initial Offer Price of 81.0p per Offer Share):

Effect of the initial income tax relief		per Share
Cost of investment		
Gross investment		81.0p
30% income tax relief		(24.3p)
Net of tax cost of investment		56.7p
Initial value of investment		
Gross subscription by Investor		81.0p
Effect of issue costs and the rounding up of the Initial Offer Price		(4.5p)
Initial Net Asset Value		76.5p
Initial "uplift" (pence)		+19.8p
Initial "uplift" (%)		+34.9%

The above table shows that, based on the Initial Offer Price of 81.0p per Offer Share and income tax relief at 30%, the Investor's net of tax cost of investment is 56.7p per Offer Share and the initial NAV is 76.5p (at 30 September 2011, adjusting for the interim dividend) per Offer Share, an "uplift" of 19.8p per Offer Share or 34.9%. **Investors are required to hold Offer Shares for at least five years in order to retain the income tax relief and, as such, this initial uplift cannot be immediately realised. It should be noted that the price achievable on the sale of the Offer Shares is likely to be lower than the applicable NAV because the Company's Shares trade at a discount to its NAV.**

(Source: Downing)

Only a very brief summary of the UK tax position of investors in VCTs, based on the Company's understanding of current law and practice, is provided above. Further details are set out in Part III of this document. Potential Investors are recommended to consult their own appropriate professional advisers as to the taxation consequences of their investing in a VCT. In addition, the availability of tax reliefs depends on the investee companies maintaining their VCT qualifying status.

VCTs to assist in retirement planning

The Board believes that an investment in the Company could be used in conjunction with pensions for retirement planning for certain Investors for the following reasons:

- i) Income received from the Company will be tax-free.
- ii) From April 2011, the annual pension allowance was reduced to £50,000 for all individuals. Full tax relief at an individual's marginal rate is allowable on the contribution paid up to this annual allowance.

The table below provides a comparison of the tax reliefs of VCTs and pensions for illustrative purposes only.

Comparison of VCTs and Pensions		
	VCT	Pension
Effective tax relief	30%	20%-50%
Income	Tax-free	25% of fund can be taken as a tax-free cash sum when benefits are taken (no requirement to retire). Balance of fund used to provide pension income, which is subject to tax as earned income
Capital gains	Tax-free	Tax-free within pension fund
Minimum holding period	Shares can be sold at any time, however, a 5 year holding period is required to retain tax reliefs obtained on subscription	Individual cannot receive benefits (e.g. tax-free cash or taxed income) until at least age 55, as set out on the basis above
Access to capital	Yes	Not until retirement
Maximum annual investment	£200,000	Up to £50,000 per tax year with the ability to carry forward any unused relief from the previous three years
Maximum total investment	No limit	£1,800,000 (reduces to £1,500,000 in April 2012)

The above figures assume that the Shareholder and the VCT qualify for all applicable tax reliefs.

It should be noted that VCTs are higher risk investments and should not be considered as a replacement for pensions. Investors should take independent financial advice before making any investment decision.

The Manager: NVM Private Equity

Introduction

The Company's venture capital investment portfolio is managed by NVM, which specialises in investing in smaller UK companies of the type qualifying under the VCT legislation. NVM was established in 1988 by the executive team previously employed directly by Northern Investors Company and currently manages funds in excess of £200 million through its offices in Newcastle upon Tyne, Reading and Manchester.

NVM's 11 investment executives have together a total of over 185 years' experience in the venture capital industry. NVM is authorised and regulated by the Financial Services Authority under number 141943 and is a member of the BVCA. NVM's team of investment professionals aims to ensure that the Company gains access to some of the best opportunities available to the industry and, by carrying out extensive due diligence procedures, seeks to identify those companies which potentially offer the best possible risk/return scenarios. NVM generates over 200 investment opportunities a year but less than 2% of these opportunities are invested in by the Company and the other funds managed by NVM (source: NVM).

Track record of the Manager

NVM manages three generalist VCTs and Northern Investors Company, a generalist private equity investment trust. The respective unaudited returns of these companies to investors who subscribed at launch are as follows:

Track Record of NVM's Generalist VCT Funds					
	Tax year of launch	Net cost ¹	Latest NAV date	Total return to date ²	Increase over net cost (%)
Northern Venture Trust	1995/96	80p	30 September 2011	184.3p	+130.4%
Northern 2 VCT	1998/99	80p	30 September 2011	135.4p	+69.3%
Northern 3 VCT	2001/02	80p	30 September 2011	124.8p	+56.0%

1 Net cost is the initial offer price of 100p per share less the income tax relief available to investors in each of the VCTs.
2 Total return is cumulative dividends paid (including the tax credits where reclaimable) plus the most recently announced unaudited net asset value for each VCT in pence per share.

(Source: announcements made by the relevant VCT through an RIS)

Track Record of NVM's Generalist Investment Trust				
	Year of flotation	Net asset value at flotation ¹	Cumulative return to date ²	Increase over net asset value at flotation (%)
Northern Investors Company	1990	61.6p	392.8p	+537.7%

1 Adjusted to reflect 4-for-1 division of ordinary shares in 2005.
2 Cumulative dividends paid since flotation, adjusted for 4-for-1 division of ordinary shares in 2005, plus unaudited net asset value as at 30 September 2011.

(Source: announcements made by Northern Investors Company through an RIS)

Please note that the past performance of the Manager and of the funds it manages may not be repeated and is not a guide to the future performance of the Company and no projection is implied or should be inferred.

Deal flow

The Board considers strong deal flow to be of vital importance to the future performance of the Company. The Manager's credentials are as follows:

- Since 1 January 2005, **funds managed by NVM have invested approximately £140 million** in VCT-qualifying companies.
- An average of **£4.8 million has been invested in each VCT-qualifying later-stage deal** since 1 January 2005 across all funds managed by NVM.
- **NVM has a regional network** of 11 executives based in major business centres across the UK.

Management team

NVM's investment team comprises eight executive directors who have been working for NVM for between 5 and 26 years. The background and experience of the team is as follows:

James Arrowsmith has over 20 years' experience of smaller company finance, having worked as an investment director for 3i's London and Birmingham offices, and for HSBC as part of their corporate finance team. James joined NVM in 2005 as an investment executive and was appointed as a director in 2007. He looks after NVM's investment activity in the Midlands, representing NVM on the boards of Optilan Group, Astbury Marsden Holdings, S&P Coil Products and Lanner Group. James also worked with Promanex Group Holdings, which was sold to the Costain Group in 2011.

Clive Austin has spent most of his career at 3i, initially in Manchester and then in Ireland, where he set up and ran their Dublin office before returning to the UK as a national asset director. Clive returned to Manchester in 2007 to manage NVM's investments across the North West as an investment executive. He became an investment director in 2011. Clive represents NVM on the boards of Promatic Group and Kerridge Commercial Systems, and works alongside the Altacor management team. He also worked on the successful sale of DxS to QIAGEN NV.

Mauro Biagioni qualified as a chartered accountant with KPMG before joining NVM in 2004 as financial controller responsible for the financial management of NVM funds. In 2008, he became an investment executive responsible for NVM's investment activity in the North East, handling new deals and working with portfolio companies. Mauro became an investment director in 2011. He represents NVM on the boards of Direct Valeting and Longhirst Venues, and works alongside the management teams at Kitwave One, Direct Valeting and Warmseal Windows.

Alastair Conn is financial director of NVM. He qualified as a chartered accountant with Price Waterhouse, and was a co-founder of NVM in 1988, serving as managing director until 2008. He is a non-executive director of the Company and of Northern AIM VCT PLC and is a member of The Association of Investment Companies' VCT Technical Committee.

Martin Green qualified as a chartered accountant before joining 3i in Birmingham. Martin became a director responsible for 3i's investment across the Midlands before leaving in 2001 to join Montagu Capital as a founding director. He joined NVM in 2004 and subsequently became managing director. He has over 20 years' experience in private equity and has always enjoyed working closely with management teams to build shareholder value. As well as his duties as managing director, Martin also represents NVM funds on the boards of Arleigh International, e-know.net, Paladin Group and Kerridge Commercial Systems; and works with NVM portfolio company Interlube Systems.

Peter Hodson was an engineer working for BMW Group in his early career. He started his private equity career at 3i in Birmingham and then London. He joined NVM in 2004 as an investment executive responsible for generating investments for NVM opportunities in London. Peter became an investment director in 2011 and represents NVM on the boards of portfolio companies, CloserStill Holdings, Mantis Deposition, Axial Systems, Tinglobal Holdings and Cawood Scientific. He was responsible for Product Support (Holdings) and Ithaca Business Media, both of which were sold successfully to trade acquirers.

Tim Levett has been key to building up the Company's broad range of investee companies. Tim is responsible for investor relations and continues to represent NVM on the boards of Alaric Systems, Crantock Bakery, Control Risks Group Holdings and Wear Inns. He has also worked with Liquidlogic, TFB, Keith Prowse and DxS. Tim is also a non-executive director of Northern 3 VCT PLC. He has twice won the prestigious BVCA Deal of the Year award. Prior to NVM, he spent several years in senior management with companies such as Shell UK and International Paints before becoming general manager of Tremco. In Tim's early career he was an officer in the Royal Navy.

Chris Mellor qualified as a chartered accountant with Spicer & Pegler and joined Northern Investors Company in 1986. In addition to secretarial and compliance matters, he is responsible for legal services, information technology systems, London Stock Exchange liaison and personnel. He became a director of NVM in 1996 and is company secretary of the Company, Northern Investors Company, Northern Venture Trust, Northern 3 VCT PLC and Northern AIM VCT PLC.

Substantial investments by employees of the Manager

The Company launched a tender offer on 9 November 2011, in which employees of the Manager have stated their intention to tender 409,738 Shares. Assuming all the Shares are successfully tendered, the employees of the Manager will receive £304,025, which they have committed to re-invest under the Offer. Employees of the Manager have given further undertakings to subscribe an additional £62,000 under the Offer. Based on an expected subscription price of 81.0p per Offer Share, this will increase their aggregate holdings to over 645,000 Shares.

Investment policy

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

The Company is a Venture Capital Trust approved by HM Revenue & Customs. In order to maintain approved status, the Company must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007; in particular, the Company is required at all times to hold at least 70% of its investments (as defined in the legislation) in VCT-qualifying holdings, of which at least 30% must comprise eligible ordinary shares. For this purpose a "VCT-qualifying holding" consists of up to £1 million invested in any one year in new shares or securities of a UK unquoted company (which may be quoted on AIM) which is carrying on a qualifying trade, and whose gross assets at the time of investment do not exceed a prescribed limit. The definition of "qualifying trade" excludes certain activities such as property investment and development, financial services and asset leasing.

The Company's investment policy has been designed to enable the Company to comply with the VCT-qualifying conditions set out above. The Directors intend that the long-term disposition of the Company's assets will be approximately 80% in a portfolio of VCT-qualifying unquoted and AIM investments and 20% in other investments, including cash and Fixed Income Securities, selected with a view to producing an enhanced return whilst avoiding undue capital volatility, to provide a reserve of liquidity which will maximise the company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks. Within the VCT-qualifying portfolio investments will be structured using various listed and unlisted investment instruments, including ordinary and preference shares, loan stocks and convertible securities, to achieve an appropriate balance of income and capital growth, having regard to the VCT legislation.

The target size range for individual VCT-qualifying investments is from approximately £250,000 to £1 million within any tax year, with an overall maximum of £3 million. In accordance with VCT regulations no single investment will represent in excess of 15% of the Company's total assets at the time of acquisition. However, Shareholders should be aware that the Company's VCT-qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result it is possible that individual holdings may grow in value to the point where they represent a higher proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any long-term borrowings.

The Company is entitled to participate pro rata to net assets in all investment opportunities developed by NVM and regularly invests alongside the other funds managed by NVM, enabling the funds together to undertake larger investments in any one investee company.

Diversification

The VCT-qualifying portfolio will be diversified by investing in a broad range of industry sectors and by holding investments at different stages of maturity in the corporate development cycle. The portfolio currently comprises over 40 holdings and whilst this number will fluctuate over time, it is envisaged that it will at no point fall below 20. The normal investment holding period will be in the range from three to seven years. Up to approximately 10% by value of the Company's investments may be in early stage companies with high growth potential.

Risk allocation

The net proceeds of the Offer will be put on deposit or invested in listed Fixed Income Securities and a range of other securities, with a view to maintaining capital value until suitable qualifying investment opportunities are found that fit the Company's requirements. The Company's long-term objective is to invest approximately 80% of its net assets in venture capital investments.

Borrowing

The Company has the power to borrow up to an amount equal to its paid up share capital and reserves (subject to certain adjustments set out in the Articles). The Directors do not intend to utilise this power other than on a short-term basis for cash flow management purposes, in which case the amount borrowed would not exceed 100% of the Company's paid up share capital and reserves.

Realisation of investment

Share buyback policy

The Company wishes to ensure that there is liquidity in the Shares and accordingly it intends to pursue an active discount management policy. The Company will endeavour to buy back in the market those Shares which Shareholders wish to sell, at a discount of 15% to the latest published NAV, subject to applicable regulations governing the Company, market conditions at the time and the Company having both funds and distributable reserves available for the purpose. Subject to legislative requirements, the Directors have the ability to utilise a small amount of the proceeds of the Offer to fund share buybacks. Shares which are bought back by the Company may be cancelled or held in treasury and later sold in the market. This buyback policy aims to support the Share price by limiting the discount to NAV at which Shares trade. The making and timing of any share buybacks will remain at the absolute discretion of the Board. Under the current Listing Rules, the price paid for the Shares cannot be more than the higher of: (i) the amount equal to 105% of the average of the middle market quotations for the five business days immediately preceding the date on which the Share is purchased; (ii) the price of the last independent trade; and (iii) the highest then current independent bid on the London Stock Exchange.

The Company launched a tender offer on 9 November 2011 under which it will purchase up to 10% of the issued share capital of the Company at a price representing a discount of 3% to the unaudited NAV at 30 September 2011, adjusted for any declared but unpaid dividends. This tender offer is expected to close on 6 January 2012.

The Directors envisage that similar tender offers will be made periodically in the future, including one in 2017/18, subject to the availability of cash resources and distributable reserves.

Dividend policy

A significant benefit of a VCT, not available to an investment trust, is the ability to distribute realised capital gains as well as income by way of tax-free dividends. With a view to encouraging the development of a more active secondary market in the Company's Shares the Board intends, as far as possible, to declare an annual dividend of at least 5.5p per Share, subject to the availability of sufficient distributable profits. This figure is not intended to be a maximum and the Board may declare a higher dividend where the profits in a given year make this possible. The Company paid dividends per Share of at least 5.5p in respect of each of the last seven accounting periods. The first dividend relating to the Offer Shares is expected to be paid in July 2012 as a final dividend in respect of the year ending 31 March 2012. All dividends unclaimed for twelve years after being declared or becoming due for payment will be forfeited and revert to the Company.

Dividend Investment Scheme

The Directors offer Shareholders the opportunity to invest their dividends by subscribing for new shares in the Company. The Dividend Investment Scheme enables Shareholders to increase their total holding in the Company without incurring dealing costs, issue costs or stamp duty. These shares should qualify for the VCT tax reliefs that are applicable, at the time of investment, to subscription for new shares in VCTs. The Dividend Investment Scheme may be appropriate for those subscribers who are investing primarily for capital growth.

Shares subscribed through the Dividend Investment Scheme will form part of each Shareholder's annual limit (£200,000 in the 2011/12 tax year) for investing in venture capital trusts. Shareholders wishing to so invest their dividends should tick the relevant box on the Application Form. The terms and conditions of the Dividend Investment Scheme are set out in Part IV of the Registration Document.

Directors

The Company has five Directors, all of whom are non-executive. Alastair Conn is an executive director and employee of the Manager and Michael Denny is a former executive director, shareholder and employee of the Manager.

David Gravells MSc JP (Chairman) is an experienced entrepreneur with wide experience of private equity financed businesses. He was appointed to the board in 2007 and became chairman in 2008.

Alastair Conn FCA is financial director of NVM Private Equity Limited. He qualified as a chartered accountant with Price Waterhouse and was a co-founder of NVM in 1988. He is a non-executive director of Northern AIM VCT PLC. He was appointed to the board in 1999.

Michael Denny was chairman of NVM Private Equity Limited until his retirement in 2008. He is a non-executive director of Northern Venture Trust PLC and is a past chairman of the British Private Equity and Venture Capital Association. He was appointed to the board in 1999.

Christopher Fletcher CA was managing director of Baillie Gifford's life and retail operations until his retirement in April 2011 and is a director of a number of quoted and private companies. He previously spent ten years as a corporate finance partner in the Edinburgh office of KPMG, where he advised on a wide variety of business transactions. He was appointed to the board in 1999.

Frank Neale MBA is a partner in IRRfc, a private equity advisory business. He is a past vice-chairman of the British Private Equity and Venture Capital Association and is a non-executive director of Northern Investors Company PLC. He was appointed to the board in 1999.

The Company launched a tender offer on 9 November 2011, in which the Directors have stated their intention to tender 70,000 Shares. Assuming all the Shares are successfully tendered, the Directors will receive £51,940, which they have committed to re-invest under the Offer. The Directors have given further undertakings to subscribe an additional £20,000 under the Offer. Based on the Initial Offer Price, this will increase their aggregate holdings to over 280,000 Shares. These figures exclude Alastair Conn's holding, which has been included in the figures stated for NVM employees on page 7.

Costs

Offer costs

The Company has agreed to pay Downing an initial fee of 5.5% of the monies raised, together with an annual commission of 0.25% of the monies raised for a period of five years. Out of these fees, Downing will be responsible for paying all the costs of the Offer including commission (as described under the paragraph headed "Commission" on page 11) to authorised financial advisers. The Company will bear no other costs in relation to the Offer.

Management and administration costs

NVM is the Manager of the Company's venture capital investments as set out under an agreement which may be terminated by either party on giving 12 months' notice.

NVM receives a basic management fee, payable quarterly in advance, at the rate of 2.06% of gross assets less current liabilities, calculated at half-yearly intervals as at 31 March and 30 September. NVM is also entitled to receive a performance-related management fee equivalent to 9.5% of the amount, if any, by which the total return in each financial year (expressed as a percentage of opening net asset value) exceeds a performance hurdle. The hurdle is a composite rate based on 7% on average long-term investments and base rate on average cash and near-cash investments during the year. Following a period in which net assets decline, a "high water mark" will apply to the calculation of the performance-related fee but will then be adjusted downwards to the extent that a positive return is achieved in the following financial year. The

performance-related management fee is subject to an overall cap of 2.25% of net assets per annum.

NVM also provides secretarial and administration services to the Company, for a fee of £45,000 per annum (linked to the movement in the UK Index of Retail Prices).

The Annual Running Costs of the Company will be capped at 3.0% of its Net Assets with effect from the close of the Offer (the current cap is 3.5% per annum), any excess being borne by the Manager by way of a reduction of its fees. Annual Running Costs include, *inter alia*, Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders, the basic annual fees payable to the Manager and the annual commission payment to Downing, but exclude performance-related management fees. The Company's total running costs were 2.70% (including irrecoverable VAT) of its average net assets in the 14 month period ended 31 March 2011.

Incentivisation of the Management Team

Investment executives employed by the Manager and nominated by it (in its absolute discretion) to participate in a co-investment scheme and who agree to participate (the "Co-Investors") are required to invest directly (on the same terms as the Company) in the ordinary shares of the investee companies in which the Company invests, whether from the proceeds of the Offer or from the funds attributable to the Existing Shares. Co-Investors are required to subscribe:

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

All investments in unquoted entities made by Co-Investors under the scheme will be realised at the same time as, and on the same terms as, the corresponding investments made by the Company. Co-Investors under the scheme will not necessarily be required to realise investments at the same time as or on the same terms as the corresponding investments made by the Company in respect of investments in quoted entities.

The co-investment scheme has been in operation since March 2006. As at the date of this document, participants in the co-investment scheme held investments in 28 companies across all NVM managed funds, acquired at an aggregate cost of £704,000.

The Directors believe that the co-investment scheme enables the Manager to recruit and retain high calibre executives in a competitive market environment, by providing an effective and tax-efficient incentive to Co-Investors at a modest dilution to the Company's investment returns, whilst securing a substantial personal financial commitment from each Co-Investor to the investments made by the Company.

Other information

Taxation and HM Revenue & Customs approval

The Directors intend to conduct the affairs of the Company so that the conditions for approval as a VCT will continue to be satisfied. HM Revenue & Customs has granted the Company approval under Section 274 ITA as a VCT. The Company intends to continue complying with Section 274 ITA and has retained PricewaterhouseCoopers LLP to advise it on VCT taxation matters.

The Offer and minimum and maximum subscription

Up to 20,000,000 Offer Shares are now being offered to the public at the Initial Offer Price of 81.0p per Offer Share (unless adjusted by the Pricing Formula), payable in full upon application. The Offer is restricted to a maximum amount to be raised of £15,000,000 before issue costs. The Offer is not underwritten and there is no minimum subscription level for the Offer to proceed. In the event that applications are received for in excess of 20,000,000 Shares under the Offer or for more in aggregate than £15,000,000 (before issue costs), the Directors reserve the right to use their absolute discretion in the allocation of successful applications. Applicants are encouraged to submit their Application Forms early in order to be confident that their applications will be successful, as Offer Shares will generally be allotted on a "first come – first served" basis, subject to the absolute discretion of the Board.

The minimum investment per Investor is £5,000. There is no maximum investment although tax reliefs are available on a maximum investment of £200,000 per individual in all VCTs per tax year (including pursuant to the Dividend Investment Scheme). A spouse and civil partner can each invest up to £200,000 per tax year. The Offer will open on 9 November 2011 and will close when fully subscribed or no later than 5.00pm on 5 April 2012 for the 2011/12 tax year and no later than 5.00pm on 30 April 2012 for the 2012/13 tax year, unless previously extended but not beyond 29 June 2012.

Application will be made to the UK Listing Authority for the Admission of up to 20,000,000 Offer Shares. The Offer Shares will be issued in registered form and be transferable in both certificated and uncertificated form. The Offer Shares will rank equally with Existing Shares for all dividends and other distributions declared after their allotment. It is anticipated that dealings in the Offer Shares will commence on first Admission, expected to take place by 20 January 2012. In respect of Offer Shares allotted thereafter, Admission should take place within twenty days of such allotment. Dealings will not begin before notification of allotments is made. Revocation of the Offer cannot occur after dealings in the Offer Shares have commenced. The Company has applied for the Offer Shares to be admitted to CREST and it is expected that the Offer Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred. Accordingly, settlement of transactions in the Offer Shares following Admission may take place within the CREST system if Shareholders wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Share certificates (where applicable) and certificates to enable a claim for income tax relief to be made in respect of Offer Shares will be posted to Shareholders within 30 days of each allotment. No notification will be made to successful applicants prior to despatch of definitive share certificates. Prior to despatch of definitive share certificates (where applicable), transfers (if any) will be certified against the register. No temporary documents of title will be issued. CREST accounts will first be credited on the same day on which dealings in the Offer Shares first commence. The ISIN number for the Offer Shares is GB0005356430.

The result of the Offer will be announced to the London Stock Exchange through an RIS provider authorised by the Financial Services Authority.

Pricing of the Offer

The Offer Shares will be issued at a price calculated on the basis of a formula, based on the latest published unaudited NAV of the Company (after deducting (if not already deducted) the interim dividend of 2.0p per Existing Share in respect of the year ending 31 March 2012), divided by 0.945 to allow for issue costs of 5.5% of the amount raised under the Offer (which includes the cost of any additional Offer Shares), rounded up to the nearest whole penny per Offer Share. Accordingly, the net proceeds of the Offer will be approximately 94.5% of the amount subscribed. Based on the latest reported unaudited NAV of the Company as at 30 September 2011, Offer Shares would be issued at a price of 81.0p per Offer Share and the maximum net proceeds available (after issue costs) to the Company would be approximately £14,175,000. The actual issue price may be higher or lower than this and it will be determined by the latest published NAV on the business day prior to allotment of the relevant Offer Shares, which will be subject to market conditions. Setting the issue price in accordance with the Pricing Formula has been designed to avoid any dilution of the NAV attributable to each Existing Share when the Offer Shares are issued.

The application of this Pricing Formula avoids the necessity to announce the issue price of the Offer Shares when Offer Shares are being allotted during the period of the Offer should a new NAV be announced or otherwise published.

Commission

Downing will be responsible for paying all the costs of the Offer, including commissions payable to authorised financial advisers on successful applications bearing their stamp. Authorised financial intermediaries will be paid, by Downing out of its capital raising fees, an initial commission of 2.25% of the amount invested by their clients. Additionally, provided that the intermediary continues to act for the client and the client continues to be the beneficial owner of the Offer Shares, intermediaries will usually be paid an annual trail commission of 0.25% of their clients' gross subscription for five years (the cumulative trail commission is subject to a cap of 4.5% of the gross proceeds of the Offer). Trail commission will be paid annually in June (commencing June 2013). Authorised financial advisers may agree to waive part or all of their initial commission. In such circumstances, an Investor's application will attract an additional allotment of Offer Shares at no greater cost to the Company or the Investor and the commission waived will be used to satisfy the purchase price of such Offer Shares.

Availability of the Prospectus and any supplementary Prospectus

Copies of the Prospectus relating to the Offer and any related supplementary prospectus published by the Company are available for download at the National Storage Mechanism (www.hemscott.com/nsm.do) and may be obtained, free of charge, from the Company's registered office, where they are also on display, and from:

Downing LLP 10 Lower Grosvenor Place London SW1W 0EN	NVM Private Equity Limited Northumberland House Princess Square Newcastle upon Tyne NE1 8ER	Howard Kennedy Corporate Services LLP 19 Cavendish Square London W1A 2AW
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Financial Calendar

Financial year end	31 March
Annual results announcement and posting of annual report	May
Annual general meeting	July
Dividends paid (first dividend in respect of the Offer Shares expected July 2012)	January and July
Half-yearly results announcement and posting of half-yearly report	November

Part II – Track record of the Company.

Northern 2 VCT PLC was incorporated in 1999. Of over 100 VCT share classes currently in existence, the Company ranks in the top ten in terms of total return (net asset value plus cumulative dividends) since inception (*source: The Association of Investment Companies*).

The financial performance of the Existing Shares over the last five financial periods is summarised below.

The Company – Dividends and Total Return					
Period ended (per Share)	30 September 2011¹	31 March 2011²	31 January 2010	31 January 2009	31 January 2008
Dividends					
Dividends declared in respect of the period ³	2.0p	6.0p	5.5p	5.5p	5.5p
Cumulative dividends declared since inception	58.9p	56.9p	50.4p	44.9p	39.4p
Total Return					
Net asset value plus cumulative dividends paid	135.4p	131.9p	124.8p	111.2p	124.5p

¹ Unaudited figures for six month period. ² The results to 31 March 2011 comprised a fourteen month period. ³ Dividends have been listed against the period to which they relate.

Recent substantial investments by the Company



In June 2011 NVM funds committed £6 million to Tinglobal Holdings, of which Northern 2 VCT invested £988,000. Tinglobal specialises in the sale and refurbishment of mid-to-high end second user IT equipment. NVM's investment is funding the management buy-out of the company and provides the capital to expand their product and service offerings globally.



Kitwave One

In March 2011 NVM funds invested £7.5 million in Kitwave One, of which Northern 2 VCT invested £1.3 million. Kitwave is a local wholesaler of fast moving consumable goods to the convenience store sector. NVM's investment is funding a growth strategy to acquire businesses with similar product ranges and customer bases.



In March 2011 NVM funds invested £6 million in Control Risks Group Holdings, of which Northern 2 VCT invested £746,000. Control Risks is an independent specialist risk consultancy offering a range of services to enable its clients to succeed in complex or hostile business environments. NVM's investment will provide the support to drive the strong growth of the business in international markets.



In December 2010 NVM funds invested £4 million in Cawood Scientific, of which Northern 2 VCT invested £1.0 million. Cawood is a provider of analytical laboratory testing services to land-based industries. NVM's investment is funding the management buy-out and providing capital for the independent growth of the company's services across the UK and Europe.



In March 2010 NVM funds invested £9 million in Kerridge Commercial Systems, of which Northern 2 VCT invested £1.7 million. Kerridge specialises in the provision of fully integrated Enterprise Resource Planning (ERP) software. NVM's investment is funding the management buy-out and providing capital to fund organic growth and expand their international presence.

As at the date of this document, the Company's venture capital portfolio comprised 43 investments with an unaudited aggregate value (as at 30 September 2011) of £32.1 million. The 15 largest investments at 30 September 2011 represented in total 46.3% of the net assets of the Company. A summary of the investment portfolio, unaudited, is set out overleaf. Further details of the Company's investments are set out in Part III of the Registration Document.

Summary of the Company's investment portfolio

	Cost £000	Valuation* £000	% of net assets by value	Sector
15 largest venture capital investments				
Kerridge Commercial Systems <i>Enterprise resource planning software for industrial and commercial sectors</i>	1,740	3,600	8.0%	Computer
CloserStill Holdings <i>Exhibition business</i>	1,000	1,731	3.8%	Services
Envirotec <i>Manufacturer of air curtain and air handling equipment</i>	975	1,518	3.4%	Industrial
Alaric Systems <i>Developer of electronic payment protection software</i>	1,269	1,517	3.4%	Consumer
Paladin Group <i>Provider of property management services</i>	1,538	1,442	3.2%	Services
Arleigh International <i>Supplier of spares and consumables for caravans and leisure boats</i>	900	1,406	3.1%	Consumer
I G Doors <i>Manufacturer of steel and GRP composite doors</i>	615	1,269	2.8%	Manufacturing
Kitwave One <i>Wholesale/trades in products for convenience stores</i>	1,246	1,246	2.7%	Consumer
Axial Systems Holdings <i>Supplier of distributed network management solutions</i>	1,004	1,117	2.5%	Computer
Wear Inns <i>Public houses</i>	1,116	1,116	2.5%	Consumer
Cawood Scientific <i>Analytical laboratory services to 'land based' industries</i>	1,031	1,031	2.3%	Industrial
RCC Lifesciences <i>Medtech acquisition vehicle</i>	995	995	2.2%	Medical
Evolve Investments <i>Acquisition vehicle for underperforming and under capitalised businesses</i>	995	995	2.2%	Services
Tinglobal Holdings <i>Refurbishment and resale of high value ICT equipment</i>	988	988	2.2%	Computer
Advanced Computer Software Group <i>Software and IT services</i>	381	906	2.0%	Computer
	15,793	20,877	46.3%	
Other venture capital investments	14,126	11,261	25.0%	
Total venture capital investments	29,919	32,138	71.3%	
Listed fixed-interest investments	7,767	7,516	16.7%	
Total investments	37,686	39,654	88.0%	
Net current assets		5,439	12.0%	
Net assets		45,093	100.0%	

Investors should note that the net proceeds of the Offer will be invested in accordance with the Company's investment policy, as set out on pages 7 and 8 of this document. **As general economic circumstances and prospects may vary over time there can be no guarantee that future investments will be made in the same sectors or types of companies as the present portfolio.**

Part III – Taxation.

VCTs: Summary of the applicable legislation in respect of investors

1. Taxation of a VCT

VCTs are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT, subject to the requirements of company law. The Company will be subject to corporation tax on its income (excluding dividends received from UK companies) after deduction of attributable expenses.

2. Tax reliefs for individual investors

Individuals who subscribe for Offer Shares must be aged 18 or over to qualify for the tax reliefs outlined below.

Relief from income tax

An investor subscribing up to £200,000 in the 2011/12 tax year for eligible shares in a VCT will be entitled to claim income tax relief, at the rate of 30%, although this relief will be withdrawn if either the shares are sold within five years or the investor takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of such shares. Relief is restricted to the amount which reduces the investor's income tax liability to nil. However, tax credits on dividends are notional and cannot be repaid and, therefore, investors should take this into account when calculating the value of the income tax relief.

Claiming income tax relief

Investors will receive a certificate from the Company within 30 days of their Shares being issued, which will enable them to claim the tax relief. Income tax relief can be claimed by an Investor writing to their HM Revenue & Customs office, requesting that their tax code be amended, so that the tax relief is received each month through the PAYE system. Investors who pay their tax in instalments may be able to apply for a reduction in their payments on account. Alternatively, an Investor can claim the relief through their tax return in respect of the tax year in which the Shares have been subscribed.

Dividend relief

An investor who subscribes for or acquires eligible shares in a VCT (up to a maximum of £200,000 in the 2011/12 tax year) will not be liable for UK income tax on dividends paid by the VCT. The income received by the VCT will usually constitute either interest (on which the VCT may be subject to tax) or a dividend from a UK company (on which the VCT would not be subject to tax). The VCT's income, reduced by the payment of tax (if applicable), can then be distributed tax-free to investors who benefit from this dividend relief. There is no withholding tax on dividends paid by a UK company and consequently the Company does not assume responsibility for the withholding of tax at source. Dividends carry a tax credit at the rate of one-ninth of the net dividend which is not repayable and which cannot be utilised in any other way.

Capital gains tax relief

A disposal by an individual investor of his shares in a VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is also limited to disposals of shares acquired within the £200,000 limit described above.

Loss of tax reliefs

- (i) If a company which has been granted approval or provisional approval as a VCT subsequently fails to comply with the conditions for approval, VCT status may be withdrawn or treated as never having been given. The exemptions from corporation tax on capital gains will not apply to any gain realised after VCT status is lost (and on any gain realised by the VCT if approval is deemed never to have been given).
- (ii) For investors, the withdrawal of VCT status may (depending upon the timing of such withdrawal) result in:
 - repayment of the 30% income tax relief on subscription for new VCT shares;
 - income tax becoming payable on subsequent payments of dividends by the company; and
 - a liability to tax on capital gains being suffered in the normal way on the disposal of shares in the company, except that any part of the gain attributable to the period for which the VCT was approved would be exempt.
- (iii) The consequences for investors in a company which never obtains full unconditional approval as a VCT are as follows:
 - repayment of the 30% income tax relief on subscriptions for new VCT shares and interest on overdue tax may arise;
 - income tax becoming payable on all payments of dividends by the company; and
 - any gain arising on a disposal of the shares would be liable to capital gains tax and losses on the shares would be allowable losses for capital gains tax purposes.

The Offer Shares are eligible VCT shares for the purposes of this section.

3. Consequences of an investor dying or a transfer of Shares between spouses

- (i) *Initial income tax*
If an investor dies at any time after making an investment in a VCT, the transfer of shares on death is not treated as a disposal and, therefore, the initial income tax relief is not withdrawn. However, the shares will become part of the deceased's estate for inheritance tax purposes.
- (ii) *Tax implications for the beneficiary*
Provided a number of conditions are met, the beneficiary of any VCT shares will be entitled to tax-free dividends and will not pay capital gains tax on any disposal, but will not be entitled to any initial income tax relief.
- (iii) *Transfer of shares between spouses*
Transfers of shares in a VCT between spouses is not deemed to be a disposal and therefore all tax reliefs will be retained.

4. General

- (i) *Investors who are not resident in the UK*
Non-resident investors, or investors who may become non-resident, should seek their own professional advice as to the consequences of making an investment in the Company, because they may be subject to tax in other jurisdictions.
- (ii) *Stamp duty and stamp duty reserve tax*
No stamp duty or (unless shares in a VCT are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax will be payable on the issue of such shares. The transfer on the sale of shares would normally be subject to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) stamp duty reserve tax generally, in each case at the rate of 50p for every £100 or part of £100 of the consideration paid where the total consideration exceeds £1,000 or if it forms part of a series of transactions where the total consideration exceeds £1,000. Such duties would be payable by a person who purchases such shares from the original subscriber.
- (iii) *Purchases in the market after listing*
Any subsequent purchaser of existing VCT shares, as opposed to a subscriber for new VCT shares, will not qualify for income tax relief on investment but may benefit from dividend relief and from capital gains tax relief on the disposal of his VCT shares.
- (iv) *The VCT Regulations 2004*
The VCT Regulations came into force on 17 October 2004. Under the VCT Regulations, monies raised by any further issue of shares by an existing VCT must be applied by that VCT for qualifying purposes. If any of the money raised (except for amounts which HM Revenue & Customs agrees are insignificant in the context of the whole issued ordinary share capital of the VCT) is used by the VCT to purchase its own shares then the funds may be deemed to not have been used for a qualifying purpose.

The above is only a summary of the tax position of individual investors in VCTs and is based on the Company's understanding of current law and practice. Investors are recommended to consult a professional adviser as to the taxation consequences of their investing in a VCT. All tax reliefs referred to in this document are UK tax reliefs and are dependent on investee companies maintaining their VCT qualifying status.

Part IV – Definitions.

Where used in this document the following words and expressions will, unless the context otherwise requires, have the following meanings:

"Act"	Companies Act 2006
"Admission"	admission of the Offer Shares to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities
"AIM"	AIM, a market operated by the London Stock Exchange
"Annual Running Costs"	annual costs and expenses incurred by the Company in the ordinary course of its business (including irrecoverable VAT and excluding performance-related management fees)
"Applicant"	a) an Investor who subscribes for Offer Shares pursuant to the Prospectus; and/or b) in relation to the Dividend Investment Scheme, a Shareholder participating in the Dividend Investment Scheme or, where a Shareholder holds Shares as nominee, the person, being the beneficial owner of the Shares registered in the name of that Shareholder, participating in the Dividend Investment Scheme
"Application Form"	form of application for Offer Shares under the Offer set out at the end of this document
"Articles"	articles of association of the Company, as amended from time to time
"Business Day"	day (excluding Saturdays, Sundays and public holidays) on which clearing banks are open for normal banking business in the City of London
"BVCA"	British Private Equity and Venture Capital Association
"Company" or "Northern 2 VCT"	Northern 2 VCT PLC
"CREST"	relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited
"CREST Regulations"	Uncertificated Securities Regulations 2001 (SI 2001/3755)(as amended)
"Directors" or "Board"	directors of the Company from time to time
"Dividend Investment Scheme"	Northern 2 VCT PLC Dividend Investment Scheme established pursuant to the terms and conditions set out in the circular to Shareholders dated 7 June 2011, as amended from time to time
"Downing"	Downing LLP, which is authorised and regulated by the Financial Services Authority
"Existing Shares"	ordinary shares of 5p each in the capital of the Company issued as at the date of this document (ISIN: GB0005356430)
"Fixed Income Securities"	investments made by the Company which do not comprise Qualifying Investments, such as bank deposits, loan stock, preference shares and other debt instruments with a credit rating of at least A minus (Standard & Poor's) or A3 (Moody's) or equivalent in respect of preference shares and other debt instruments
"FSA"	Financial Services Authority
"FSMA"	Financial Services and Markets Act 2000, as amended
"Initial Offer Price"	81.0p per Offer Share being the price at the date of this document
"Investor"	subscriber of Shares
"ITA"	Income Tax Act 2007
"Listed"	admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
"Listing Rules"	listing rules made by the FSA under Part VI of FSMA
"London Stock Exchange"	London Stock Exchange plc
"ML Regulations"	Money Laundering Regulations 2007
"NAV" or "Net Asset Value"	net asset value in pence per Share
"Northern 3 VCT"	Northern 3 VCT PLC

"Northern Investors Company"	Northern Investors Company PLC
"Northern Venture Trust"	Northern Venture Trust PLC
"NVM" or "Manager" or "NVM Private Equity"	NVM Private Equity Limited which is authorised and regulated by the Financial Services Authority
"Offer"	offer for subscription of up to 20,000,000 Offer Shares subject to a maximum amount to be raised (before issue costs) of £15,000,000
"Offer Price"	the price paid by an Investor for Offer Shares
"Offer Shares"	new ordinary shares of 5p each in the capital of the Company being issued under the terms of the Offer (ISIN: GB0005356430)
"Official List"	official list of the UK Listing Authority
"PLUS"	trading facility operated by PLUS Markets Group plc
"Pricing Formula"	mechanism by which the pricing of the Offer may be adjusted according to the latest published NAV, after deduction (if not already deducted) of the interim dividend of 2.0p per Share in respect of the year ending 31 March 2012, as described on page 11 of this document
"Prospectus"	this document, the Registration Document and the Summary, which together describe the Offer in full
"Prospectus Rules"	Prospectus Rules issued by the FSA and made under Part IV of FSMA
"Qualifying Company"	unquoted company carrying on a qualifying trade wholly or mainly in the United Kingdom and which satisfies certain other conditions as defined in Chapter 4 Part 6 ITA
"Qualifying Investment"	investment in an unquoted trading company, which comprises a qualifying holding for a VCT as defined in Chapter 4 Part 6 ITA
"Registrar"	Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA
"Registration Document"	registration document which has been prepared in accordance with the Prospectus Rules in connection with the Offer
"RIS"	regulatory information service
"Scheme Terms and Conditions"	terms and conditions relating to the Dividend Investment Scheme set out in the Registration Document
"Securities Note"	this document, which has been prepared in accordance with the Prospectus Rules in connection with the Offer
"Shareholders"	holders of Shares
"Shares"	Existing Shares or Offer Shares, as the context may require
"Sponsor"	Howard Kennedy Corporate Services LLP
"Summary"	summary of the Offer which has been prepared in accordance with the Prospectus Rules
"Total Return"	sum of NAV and the cumulative dividends paid to Shareholders per Share
"UK Listing Authority"	FSA acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"VCT"	venture capital trust as defined in Section 259 ITA
"VCT Regulations"	The Venture Capital Trust (Winding Up and Mergers) (Tax) Regulations 2004

Part V – Additional information.

1. Articles of Association

The Articles contain the following details of the rights attaching to the Shares.

- (a) Dividends and distributions
- (i) The Company may in general meeting from time to time declare dividends to be paid to members not exceeding the amount recommended by the Board. If, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends on any class of Shares of such amounts and on such dates as they see fit. Provided that the Directors act in good faith, they shall not be liable for any loss the holders of such Shares may suffer as a consequence of such a payment.
- (ii) Unless otherwise provided all dividends shall be declared and paid pro rata to the nominal amounts of the Shares in respect whereof the dividend is paid. Dividends shall be paid only from profits available for distribution. Subject to the provisions of the Act the profits and losses of the Company on a purchase of any asset, business or property previously bought by the Company (before or after the date of incorporation of the Company) may be treated for all purposes as profits and losses of the Company. Any dividend or interest payable in Shares or securities may at the discretion of the Directors be treated as revenue and it shall not be obligatory to capitalise the same. No dividend or other monies payable on Shares shall bear interest against the Company.
- (iii) The Directors may deduct from any dividend or other monies payable to any member on or in respect of a Share any sums presently payable by the member on account of calls or otherwise in relation to Shares in the Company. The Directors may retain the dividends payable upon Shares in respect of which any person is entitled to become a member, or which any person is entitled to transfer, until such person shall become a member or shall transfer the Shares. A waiver of any dividend shall be effective only if such waiver document is signed by the Shareholder and delivered to the Company and if, or to the extent that, the same is accepted as such or acted upon by the Company. Payment by the Directors of any unclaimed dividend into a separate account shall not constitute the Company as a trustee in respect of the unclaimed amount. Any unclaimed dividend shall revert to the Company after a period of 12 years.
- (iv) Upon the recommendation of the Directors by ordinary resolution the Company may direct payment of a dividend by distribution of specific assets. The Directors may settle any difficulty in this respect in a matter they think expedient and in particular may issue fractional certificates, may fix the value for distribution, may determine that cash payments shall be made in order to adjust the rights of all parties and may vest any such specific assets in trustees. A waiver of any dividend is only effective if signed and delivered by the Shareholder to the Company and if or to the extent that it is accepted or acted upon by the Company.
- (v) Any dividend or other monies payable in respect of a Share may be paid by cheque or warrant sent through the post to the registered address of the member, or such person as the member directs in writing. Every such cheque or warrant should be made payable to the member or the person the member directs in writing. Dividends may also be paid by any other method the Directors consider appropriate. Every such cheque or warrant is sent at the risk of the person entitled to the money. If on two consecutive occasions cheques or warrants sent are returned undelivered or left uncashed the Company need not despatch further cheques or warrants until the member has notified the Company of the correct address or appropriate address. If two or more people are registered as joint holders of any Share any one of them may give effectual receipts for any dividend or other monies payable or properly distributable on or in respect of the Shares.
- (vi) A resolution declaring a dividend may be retrospective and payable in accordance with the Shareholders' respective holdings.
- (vii) The Directors, if so authorised by ordinary resolution, may offer the holders of Shares the right to receive further Shares instead of cash in respect of any dividend payment. The following provisions apply:
- a particular dividend may be specified, or all or any dividends resolved to be paid within a specified period (such period may not end later than the next annual general meeting after the meeting at which such ordinary resolution is passed);
 - the value of the entitlement of each holder to new Shares shall be as nearly as possible equal to (but not in excess of) such cash amount of the dividend that such holder elects to forego;
 - if the Directors intend to offer an election in respect of a dividend, they shall announce that intention, and shall notify the holders in writing and specify the procedure;
 - the Directors shall not proceed with any election unless the Company has sufficient authorised share capital and sufficient reserves or funds;
 - the Directors may exclude any holders if they believe that the making of the offer to them would or might involve the contravention of the laws of any regulatory body or stock exchange;
- a dividend shall not be payable on the Shares on which an election has been made and instead additional Shares shall be allotted to the holders of these Shares but the additional Shares when allotted shall rank *pari passu* in all other respects with the fully paid Shares; and
 - the Directors may do all things necessary or expedient to give effect to such capitalisation.
- (b) Voting rights
- (i) The Shares carry the right to receive notice of and to attend and to speak and vote at any general meeting of the Company.
- (ii) Subject to the provisions of the Act, to any special terms as to voting on which any Shares may be issued, or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, on a show of hands every member who is present in person or by proxy at any general meeting of the Company shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every Share of which he is the holder.
- (iii) A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing in any common form or in such other form as the Board may approve. The proxy instrument shall be delivered to the registered office of the Company or at such other specified place in the UK not less than 48 hours before the time appointed for holding the meeting (or adjourned meeting). Any proxy instrument that is not properly delivered shall be invalid. The proxy instrument shall be valid for any adjournment of the meeting for which the original proxy was intended. On a vote on a resolution on a show of hands, where a proxy has been appointed by more than one member, if the proxy has been instructed by one member to vote in favour and by another to vote against, the proxy has one vote for and one vote against. If the proxy has been instructed by more than one member to vote in one direction and by another to vote in accordance with his discretion, the proxy has one vote in one direction and may, at his discretion, cast another vote in the other direction.
- (iv) In the case of joint holders, the vote of the senior holder shall be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names of the holders stand in the register of members. A member against whom an order by a court has been made concerning mental disorder may vote by his receiver, curator bonis or other person authorised on that person's behalf appointed by the court.
- (v) No member shall, unless the Board otherwise determines, be entitled to receive any dividend or to be present and to vote, either personally or by proxy, or to be reckoned in a quorum at any general meeting unless all calls or other sums payable by him in respect of Shares have been paid.
- (c) Variation of rights
- (i) Rights attached to any Share or class of Shares may be varied or abrogated with the written consent of the holders of not less than three-quarters in nominal value of the issued Shares of that class, or by the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the Shares of the class. Rights may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up.
- (ii) The special rights attached to any class of Shares having preferential rights shall not, unless otherwise expressly stated, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* with them but in no respect in priority to them.
- (d) Alteration of capital
- (i) The Company may from time to time in general meeting, by ordinary resolution, consolidate or subdivide its share capital.
- (ii) The Company may, subject to the provisions of the Act and to any rights attached to any Shares at the time, by special resolution reduce its share capital or any capital redemption reserve, or any share premium account.
- (iii) The Company may, subject to the provisions of the Act, cancel any Shares that at the date of the passing of the resolution have not been taken by any person, and diminish the amount of its share capital by the amount of Shares so cancelled.
- (iv) Any fractions of Shares as a result of a consolidation of Shares may be sold to any person (including the Company) and any distribution and the profits made distributed among those members or the Company. The Directors may issue such Shares as necessary to round up a member's holdings provided such Shares are available.
- (v) Subject to the Act the Company may purchase any of its own Shares, including redeemable shares.

(e) Transfer of Shares

- (i) Any member may transfer all or any of his Shares by instrument of transfer in writing in any usual form or in any other form that the Board may approve and may be under hand only and such instruments shall be signed by or on behalf of the transferor and (in the case of a partly paid Share) the transferee. The transferor shall remain the holder of the Shares until the name of the transferee is entered in the register of members.
- (ii) The Directors may refuse to register a transfer of Shares in favour of more than four persons jointly. If the Directors refuse to register a transfer of Shares they shall promptly send to the transferee a notice of refusal.
- (iii) The Directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of one class of Share, has been lodged at the transfer office accompanied by the relevant share certificate and such other evidence as the Directors may reasonably require. In the case of a transfer by a recognised person, the lodgement of a share certificate may not be necessary. Other instruments of transfer that are registered may be retained by the Company.
- (iv) No fee will be charged by the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of method, marriage or death or other such documentation.
- (v) The Company shall be entitled to destroy instruments of transfer which have been registered six years from the date of registration.

2. Investor Profile

A typical Investor will be a retail client (not a corporate), who is aged 18 or over and pays UK income tax, who already has a portfolio of non-VCT investments such as unit trusts/OEICs, investment trusts and direct shareholdings in listed companies and has sufficient income and capital so that his investment in the Company can be held for over five years. The individual will be professionally advised and/or a sophisticated investor. The individual's income tax liability should be more than sufficient to utilise all the initial income tax relief available on the investment. The individual should be willing to invest over the medium to long term and be comfortable with higher risk investments.

3. Overseas Investors

- (a) No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an Offer or invitation to him to subscribe for or purchase Offer Shares unless, in such territory, such offer or invitation could lawfully be made.
- (b) No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All Applicants will be required to warrant that they are not a US person as defined in paragraph 5(w) of Part VII of this document or a resident of Canada, Australia, the Republic of South Africa, Republic of Ireland or Japan.

4. General

- (a) The Company is sponsored by the Sponsor, which is authorised and regulated by the Financial Services Authority, and whose principal place of business is 19 Cavendish Square, London W1A 2AW. The promoter of the Company is Downing, which is authorised and regulated by the Financial Services Authority and whose principal place of business is 10 Lower Grosvenor Place, London SW1W 0EN. The Company's Registrar is Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA.
- (b) Whilst there are no squeeze-out and sell out rules relating to the Shares in the Articles, Shareholders will be subject to the compulsory acquisition provisions of Sections 974 to 991 of the Act.
- (c) By an ordinary resolution passed on 20 October 2011, in substitution for and to the exclusion of any power previously conferred upon the Directors in that regard (save to the extent relied upon prior to the passing of the resolution), the Directors were generally and unconditionally authorised for the purposes of Section 551 of the Act to allot Shares and to grant rights to subscribe for or convert any security into Shares up to an aggregate nominal amount of £1,000,000 during the period expiring on 31 May 2012 (the Company may before such expiry make an offer or agreement which would or might require Shares to be allotted after such expiry and the Directors may allot Shares in pursuance of such offer or agreement notwithstanding that the authority conferred by the resolution has expired). By a special resolution passed on 20 October 2011, in substitution for and to the exclusion of any power previously conferred upon the Directors in that regard (save to the extent relied upon prior to the passing of that resolution), the Directors were authorised to allot equity securities (as defined in Section 560 of the Act) and to sell equity securities which, immediately before the sale, are held by the Company as treasury shares, in each case as if Section 561(1) of the Act did not apply to such allotment or sale provided that the power conferred by that resolution shall be limited to the allotment or sale of equity shares up to an

aggregate limit of £1,000,000 and shall expire on 31 May 2012, save that the Company may before such power expires, make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after the power expires.

- (d) The Shares are created under the Act, are denominated in sterling and are in registered form. The Company's share register is kept by Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA. Evidence of title to Shares will be through possession of a share certificate in the Shareholder's name; alternatively, Shares may be held in an account through the CREST system.
- (e) No tax is withheld on dividends paid, and the Company does not assume responsibility for the same.
- (f) The maximum number of Offer Shares, namely 20,000,000 will represent a dilution of 25.8 per cent. to existing shareholders.
- (g) The Company is not aware of any persons who, directly or indirectly, exercise or could exercise control over the Company.

5. Working Capital of the Company

The Company is of the opinion that it has sufficient working capital for its present requirements (that is, for at least 12 months following the date of this document).

6. Statement of Capitalisation and Indebtedness

The table set out below shows the unaudited capitalisation of the Company as at 30 September 2011 (extracted from the unaudited half yearly report of the Company for the period ended 30 September 2011).

	£'000
Shareholders' equity	
Share capital	2,873
Share premium	35,679
Other reserves	5,538
	44,090

Other reserves in the table above include both realised and unrealised capital reserves as at 30 September 2011 but do not include revenue reserves. There has been no material change in the capitalisation of the Company since 30 September 2011.

The table set out below shows the unaudited gross indebtedness of the Company as at 30 September 2011 (extracted from the unaudited half yearly report of the Company for the period ended 30 September 2011).

	£'000
Total current debt	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
Total non-current debt	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
	-

The following table shows the Company's unaudited net indebtedness as at 30 September 2011.

	£'000
A Cash	5,367
B Cash equivalents	-
C Trading securities	-
D Liquidity (A+B+C)	5,367
E Current financial receivable	-
F Current bank debt	-
G Current position of non-current debt	-
H Other current financial debt	-
I Current financial debt (F+G+H)	-
J Net current financial indebtedness (I-E-D)	(5,367)
K Non-current bank loans	-
L Bonds issued	-
M Other non-current loans	-
N Non-current financial indebtedness (K+L+M)	-
O Net financial indebtedness (J+N)	(5,367)

There is no indirect nor contingent indebtedness.

7. Information Sourced from Third Parties

Certain information in this document has been sourced from third parties and the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by those parties respectively, no facts have been omitted which would render the reproduced information inaccurate or misleading.

9 November 2011

Part VI – Terms and conditions of application.

1. In these Terms and Conditions of Application, the expression “Prospectus” means this document, the Registration Document and the Summary, each dated 9 November 2011. The expression “Application Form” means the application form for use in accordance with these Terms and Conditions of Application. Save where the content requires otherwise, the terms used in the Application Form bear the same meaning as in the Prospectus.
2. The right is reserved to reject any application or to accept any application in part only. Multiple applications are permitted. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is scaled back or if in any other circumstances there is an excess payment in relation to an application, the application monies or the balance of the amount paid or the excess paid on application will be returned without interest by post at the risk of the Applicant. In the meantime application monies will be retained in the Company’s account with Bank of Scotland plc.
3. You may pay for your application for Offer Shares by cheque or bankers’ draft submitted with the Application Form.
4. The contract created by the acceptance of applications under the Offer will be unconditional.
5. By completing and delivering an Application Form, you:
 - (a) offer to subscribe the amount specified on your Application Form or any smaller amount for which such application is accepted at a price as determined by the Pricing Formula subject to the Prospectus, these Terms and Conditions of Application, the Memorandum of Association of the Company and the Articles;
 - (b) authorise your financial adviser, or whoever he or she may direct, the Registrar or the Company to send a document of title for, or credit your CREST account in respect of, the number of Offer Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address as set out on your Application Form;
 - (c) in consideration of the Company agreeing that it will not, prior to the Offer closing, offer any Offer Shares for subscription to any persons other than as set out in the Prospectus, agree that your application may not be revoked and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon despatch by post or delivery of your duly completed Application Form to the Company or to your financial adviser;
 - (d) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a share certificate or to enjoy or receive any rights or distributions in respect of such Offer Shares unless and until you make payment in cleared funds for such Offer Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such Offer Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such Offer Shares as void and may allot such Offer Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such Offer Shares (other than return of such late payment at your risk and without interest);
 - (e) agree that all cheques and bankers’ drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the completion of any verification of identity required by the ML Regulations and that such monies will not bear interest;
 - (f) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Sponsor) to ensure compliance with the ML Regulations;
 - (g) agree that, in respect of those Offer Shares for which your application has been received and processed and not rejected, acceptance of your application shall be constituted by the Company instructing the Registrar or the company secretary to enter your name on the share register;
 - (h) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;
 - (i) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations including the risk factors and investment considerations contained therein;
 - (j) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information and representation other than those contained in the Prospectus or any supplementary prospectus and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof will have any liability for any such other information or representation;
 - (k) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
 - (l) irrevocably authorise the Company, the Registrar or NVM or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any Shares subscribed by or issued to you into your name and authorise any representatives of the Company, the Registrar or NVM to execute any documents required therefore and to enter your name on the register of members of the Company;
 - (m) agree to provide the Company with any information which it may request in connection with your application or to comply with the VCT regulations or other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the ML Regulations;
 - (n) warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, NVM or the Sponsor acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
 - (o) confirm that you have read and complied with paragraph 6 below;
 - (p) confirm that you have reviewed the restrictions contained in paragraph 7 below;
 - (q) warrant that you are not under the age of 18 years;
 - (r) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, warrant that you have complied with all such laws and none of the Company, NVM or the Sponsor or any of their respective agents will infringe any laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your application;
 - (s) agree that NVM, Downing and the Sponsor are acting for the Company in connection with the Offer and for no one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of Offer Shares or concerning the suitability of Offer Shares for you or be responsible to you for the protections afforded to its customers;
 - (t) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
 - (u) warrant that you are not subscribing for the Offer Shares using a loan which would not have been given to you or any associate, or not given to you on such favourable terms, if you had not been proposing to subscribe for the Offer Shares;
 - (v) warrant that the Offer Shares are being acquired by you for *bona fide* investment purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax. Obtaining tax reliefs given under the applicable VCT legislation is not of itself tax avoidance;

- (w) warrant that you are not a "US person" as defined in the United States Securities Act of 1933 (as amended) nor a resident of Canada and that you are not applying for any Shares on behalf of or with a view to their offer, sale or delivery, directly or indirectly, to or for the benefit of any US person or resident of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan;
 - (x) warrant that the information contained in the Application Form is accurate; and
 - (y) agree that if you request that Offer Shares are issued to you on a date other than 5 April 2012 in respect of the 2011/12 tax year or 30 April 2012 in respect of the 2012/13 tax year and such Offer Shares are not issued on such date that the Company, the Sponsor, and the Company's agents and Directors will have no liability to you arising from the issue of such Offer Shares on a different date.
6. No person receiving a copy of the Prospectus, or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
 7. The Offer Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager will not be registered under the United States Investment Adviser Act of 1940 (as amended). No application will be accepted if it bears an address in the USA.
 8. The application is addressed to the Company and the Sponsor. The rights and remedies of the Company and the Sponsor under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.
 9. The dates and times referred to in these Terms and Conditions of Application may be altered by the Company with the agreement of the Sponsor.
 10. Authorised financial advisers who, acting on behalf of their clients, return valid Application Forms bearing their stamp and Financial Services Authority number will be entitled to commission on the amount payable in respect of the Offer Shares allocated for each such Application Form at the rates specified in the paragraph headed "Commission" in Part I of this document. Authorised financial advisers may agree to waive part or all of their initial commission in respect of an application. If this is the case, then such application will be treated as an application to subscribe for the sum stated in box number 2 of the Application Form together with a number of additional Offer Shares equivalent to the amount of commission waived. NVM or the Registrar is accordingly authorised to amend such box number 2. Financial advisers should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission.
 11. The section headed Notes on Application Form forms part of these Terms and Conditions of Application.
 12. It is a condition of the Offer to ensure compliance with the ML Regulations. NVM is therefore entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to NVM to be acting on behalf of some other person. Pending the provision of evidence satisfactory to NVM as to the

identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, NVM may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or the Registrar may not enter the Applicant on the register of members or issue any share certificates in respect of such application. If verification of identity is required, this may result in delay in dealing with an application and in rejection of the application. The Company reserves the right, in its absolute discretion, for it or NVM to reject any application in respect of which NVM considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to NVM such information as may be specified by it as being required for the purpose of the ML Regulations.

13. The right is also reserved to treat as valid and binding any application not complying fully with these Terms and Conditions of Application or not in all respects complying with the Notes on Application Form. In particular, but without limitation, the Company may accept applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner acceptable to the Company to apply in accordance with these Terms and Conditions of Application.

Notes on Application Form

Before making an application to acquire Offer Shares you are strongly recommended to consult an appropriate financial adviser authorised under the Financial Services and Markets Act 2000. It is essential that you complete all parts of the Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or bankers' draft by post, or deliver it by hand, to Northern 2 VCT PLC, Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER. If you have any questions on how to complete the Application Form please contact NVM on 0191 244 6000 or your financial adviser.

The following notes should be read in conjunction with the Application Form and the Terms and Conditions of Application.

1

Insert in Box 1 in BLOCK CAPITALS your full name, permanent address, daytime telephone number, date of birth, National Insurance number and, if you have one, your email address. Joint applications are not permitted.

2

Insert (in figures) in Box A the total amount you wish to invest under the Offer in respect of the 2011/12 tax year (state nil if appropriate). Insert (in figures) in Box B the amount you wish to invest under the Offer in respect of the 2012/13 tax year (state nil if appropriate). **You may post-date your cheque to 6 April 2012 in respect of the sum in Box B.** Insert (in figures) the total of Boxes A and B in Box C. This is the total amount you are applying for under the Offers. Share subscriptions will be adjusted to reflect any commission waived (by agents) as extra Offer Shares or additional Offer Shares issued for early subscriptions.

Please note that the minimum investment is £5,000. The maximum investment, on which tax reliefs on investments in VCTs are available, is £200,000 in each of the 2011/12 and 2012/13 tax years.

Attach your cheque or bankers' draft to the Application Form for the exact amount shown in Box C. Your cheque or bankers' draft must be made payable to "**Northern 2 VCT PLC**" and crossed "A/C Payee only". Your payment must relate solely to this application.

No money laundering verification is required to be enclosed if the application is for less than £12,000 or if payment is by means of a cheque drawn on an account in the name of the Applicant (provided that (a) the cheque includes details of the Applicant's bank account or building society account (as applicable) and (b) the cheque is drawn on a UK or European Union authorised bank or credit institution). Please note, however, that NVM may, in its absolute discretion, require Money Laundering verification and that Money Laundering verification will be required by introducing financial advisers.

Money Laundering

If the application is for more than £12,000 and payment is not by means of a cheque drawn on an account in the name of the Applicant, please supply:

(a) an Identity Verification Certificate from your authorised financial adviser.

or

(b) (i) a copy of your passport or driving licence certificated by a bank or solicitor stating that is a "true copy of the original and a true likeness of the client" followed by your name; and

(ii) a recent (no more than three months old) original bank or building society statement, or utility bill, or recent tax bill, in your name.

3

Read the declaration and sign and date the Application Form in Box 3. If someone other than the Applicant named in Box 1 signs on such Applicant's behalf, such signatory must ensure that the declaration given on behalf of such Applicant is correct. Authorised intermediaries who are entitled to receive commission should stamp and complete the agent's box, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of commission if the Company is not, at its sole discretion, satisfied that the agent is so authorised.

4

Tick this box if you wish to participate in the Dividend Investment Scheme in respect of this application and all other Shares you currently hold in the Company (investing dividends in new Shares which should qualify for income tax relief and the other VCT tax reliefs available at the time of investment). Please note that the terms and conditions of the Dividend Investment Scheme, which are set out in the Registration Document, should be read in full before taking any decision to participate in the Scheme. If you do not wish to participate, leave the box blank. You may vary these instructions at a later date by writing to the Company.

5

If you wish to have dividends paid into your nominated bank or building society account, please complete the mandate instruction form.

6

Leave blank if you wish to receive a share certificate in respect of your investment. If you require your Shares to be issued electronically to a CREST account, please complete the boxes.

7

To be completed by authorised intermediaries only. If you would like commission to be paid by BACS, please complete the relevant boxes.

Northern 2 VCT PLC

Application Form

Make your cheque or bankers' draft out to "Northern 2 VCT PLC" and crossed "A/C Payee only" and return this form as soon as possible to Northern 2 VCT PLC, Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER. The closing date for the 2011/12 Offer will be 5.00pm on Thursday 5 April 2012 and, in respect of the 2012/13 Offer, 5.00pm on Monday 30 April 2012 (unless extended or fully subscribed earlier).

1	Title and name in full		Existing shareholder in a VCT managed by NVM? Y/N						
	Permanent address								
	Postcode		Daytime tel						
	Email address								
	Date of birth			National Insurance no					

2	I am applying for Offer Shares as follows:	2011/12 tax year	£	A
		2012/13 tax year	£	B
		Total (A + B)	£	Min. £5,000

Or such lesser sum for which this application may be accepted on the Terms and Conditions of Application set out in Part VI of this document. Please send me a certificate(s) confirming my entitlement to VCT tax reliefs.

BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have had an opportunity to receive the Prospectus dated 9 November 2011 and to read the terms and conditions of application therein; (ii) I will be the beneficial owner of the Offer Shares in Northern 2 VCT PLC issued to me pursuant to the Offer; (iii) to the best of my knowledge and belief, the particulars I have given to Northern 2 VCT PLC are correct; and (iv) my subscription comprises the amount set out in box 2C above plus any commission waived or subscribed on my behalf for extra shares.

If this form is completed and signed by an authorised financial adviser or any other person apart from the investor:

By signing this form on behalf of the individual whose details are shown above, I make a declaration (on behalf of such individual) on the terms of sub-paragraphs (i) to (iv) above.

HM Revenue & Customs may inspect this application form. It is a serious offence to make a false declaration.

3	Signature		Date	/	/

4	Please tick this box if you would like to participate in the Dividend Investment Scheme	<input type="checkbox"/>

Authorised intermediaries should stamp and complete this box	
Contact name:	Address: St James Hall, Moore Park Road, London
Firm name: Chelsea Financial Services	Postcode: SW6 2JS
FSA No.: 114493	Tel.:
Email address:	
Due completion of the agent's box indicates that the agent is duly authorised to transact investments of this type under the Financial Services and Markets Act 2000.	

For Official Use Only	Anti-money laundering <input type="checkbox"/>	CHAPS <input type="checkbox"/>
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5

DIVIDEND MANDATE

Dividends may be paid directly into Shareholders' bank and building society accounts. In order to facilitate this, please complete the mandate instruction form below. Please note that if you are an Existing Shareholder this instruction applies to all of your shareholdings in the Company and completing the form below will direct the Company to send all dividend payments due on all your shareholdings to this bank account.

Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividend as well as the dates and amounts paid.

By completing the details below I am instructing the Company to forward until further notice, all dividends that may from time to time become due on any Shares now standing, or which may hereafter stand, in my name in the register of members of Northern 2 VCT PLC to the bank or building society account listed below. By completing the details below I am instructing the Company that I do not wish to participate in the Dividend Investment Scheme in respect of any Shares which I hold in the Company.

Name of Bank or Building Society:													
Branch:													
Branch Address:													
Account Name:													
Sort Code:	<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>												
Account Number:	<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>												
(please quote all digits and zeros)													
Signed:													
The Company and NVM do not accept responsibility if any details provided by you are incorrect.													

6

CREST

Complete this box only if you require shares to be issued electronically to a CREST account.

CREST Participant ID:	
CREST Member Account ID:	
Participant Name:	
Participant Address:	
Participant Postcode:	
Contact name for CREST queries:	
Contact Telephone:	
Signed:	

7

TO BE COMPLETED BY AUTHORISED INTERMEDIARIES ONLY

Special instructions

Please provide details of your bank account so that commission can be paid to you via BACS.

Name of Bank or Building Society:													
Branch:													
Account Name:													
Sort Code:	<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>												
Account Number:	<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>												
(please quote all digits and zeros)													
Email address for commission statements:													
The Company and NVM do not accept responsibility if any details provided by you are incorrect.													

Northern 2 VCT PLC

Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER

T 0191 244 6000

F 0191 244 6001

E n2vct@nvm.co.uk

www.nvm.co.uk