Northern 2 VCT PLC
SUMMARY

Important notice

This document, the Securities Note and the Registration Document, 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. This Summary conveys the essential characteristics and risks associated with Northern 2 VCT PLC ("the Company") and the Offer Shares and should be read as an introduction to the Prospectus. Any decision to invest in the Offer Shares should be based on consideration of the Prospectus as a whole by an Investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA states, have to bear the costs of translating the prospectus before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for the Summary, including any translation of the Summary, only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Investors are advised to obtain appropriate financial advice on the consequences and suitability of their investing in a Venture Capital Trust ("VCT") before doing so. 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 that may arise.

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. 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.**

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]	Gross equivalent yield 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.

Summary of investment policy

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

The directors intend that the long-term disposition of the Company's assets will be approximately 80% in a portfolio of mainly 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 buy-backs. 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.

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. 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.

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.

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.

Risk Factors

- **Speculative Risk** – 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.
- **Holding Period** – 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.
- **Investment Opportunities** – there is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be identified.
- **Investment Performance** – 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.
- **Liquidity** – 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.
- **Manager's Performance** – 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.
- **Tax Reliefs** – 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.
- **Investment Restrictions** – the Company's ability to obtain maximum value from its investments may be limited by the requirements imposed in order to maintain the VCT status of the Company. Changes in legislation concerning VCTs in general, and Qualifying Investments and qualifying trades in particular, which could be applied retrospectively and may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.

The Manager

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. 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 investment trust. The respective returns of those generalist VCTs 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)

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.

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 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. Alastair Conn's holdings have been included in the figures stated for NVM employees set out below.

Substantial investments by employees of the Manager

By the time the Offer closes, assuming full take up under the tender offer the Company launched on 9 November 2011 and an expected subscription price of 81.0p per Offer Share, the employees of the Manager will beneficially own over 645,000 Shares in the Company.

Taxation benefits for investors

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 as follows:

- **Income tax relief of up to 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 the disposal of shares in a VCT.

The Offer

- The Offer is for a total of up to 20,000,000 Offer Shares at an issue price of 81.0p per Offer Share (unless adjusted by the pricing formula).
- The maximum amount to be raised (before issue costs) is £15,000,000.
- The minimum investment for each Applicant is £5,000.
- The subscription list for the Offer will open on 9 November 2011 and will close on 5 April 2012 for the 2011/12 tax year and on 30 April 2012 for the 2012/13 tax year (unless previously extended or fully subscribed earlier).

9 November 2011