

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Northern 3 VCT PLC ("the Company"), you should send this document, as soon as possible, to the purchaser, transferee, stockbroker, independent financial adviser or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

This document, which comprises a prospectus relating to the Company dated 16 August 2011, has been prepared in accordance with the prospectus rules made under Part VI of the Financial Services and Markets Act 2000, and has been approved for publication by the Financial Services Authority as a prospectus under the prospectus rules on 16 August 2011.

The Company and the Directors, whose names appear on page 11 of this document, accept responsibility for the information contained herein. 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 this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Persons receiving this document should note that Howard Kennedy Corporate Services LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as sponsor for the Company and no-one else and will not be responsible to any other person for providing the protections afforded to customers of Howard Kennedy Corporate Services LLP (subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder) or providing advice in connection with any matters referred to herein.

Northern 3 VCT PLC

(Registered in England and Wales with registered number 4280530)

Prospectus

**relating to the issue of Consideration Shares in connection
with the scheme of reconstruction of
Northern AIM VCT PLC**

The Shares in issue at the date of this document are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market for listed securities. Application has been made to the UK Listing Authority for all of the New Shares to be listed on the premium segment of the Official List and application will be made to the London Stock Exchange for the New Shares to be admitted to trading on its main market for listed securities. It is expected that such admission will become effective and that trading will commence in the New Shares by 27 September 2011.

The Consideration Shares to be issued pursuant to the Scheme will not be registered under the United States Securities Act 1933 or the United States Investment Company Act 1990. The attention of persons receiving this document is drawn to the risk factors on pages 7 and 8 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.

CONTENTS

SUMMARY	3
RISK FACTORS	7
FORWARD-LOOKING STATEMENTS	9
EXPECTED TIMETABLES	10
DIRECTORS AND ADVISERS	11
DEFINITIONS	12
PART I PROPOSED MERGER OF THE COMPANY AND NORTHERN AIM	15
PART II INFORMATION ON THE COMPANY	23
PART III FINANCIAL INFORMATION ON THE COMPANY AND NORTHERN AIM	26
PART IV PRO FORMA FINANCIAL INFORMATION	28
PART V INVESTMENT PORTFOLIO AND PRINCIPAL INVESTMENTS OF THE COMPANY AND NORTHERN AIM	31
PART VI TAX POSITION OF SHAREHOLDERS	37
PART VII TAX POSITION OF THE COMPANY	38
PART VIII ADDITIONAL INFORMATION	40
1. The Company	
2. Share Capital	
3. Articles of Association	
4. Directors' and other interests in the Company	
5. Material Contracts	
6. Related Party Transactions	
7. Taxation	
8. General	
9. Other	
10. Documents available for inspection	

SUMMARY

This summary outlines the matters covered in this Prospectus. It should be read as an introduction to this Prospectus of the Company dated 16 August 2011. Any decision to invest in the New Shares should be based on consideration of the Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the claimant investor might, under the national legislation of the EEA States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary including any translation of the summary if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Background

The Company is a venture capital trust launched in 2001. It has raised over £46 million to date through its public share offers. The Company invests mainly in unquoted venture capital holdings, with its remaining assets invested in a portfolio of listed equity and fixed-interest investments and bank deposits. The Company is a member of the Association of Investment Companies ("AIC"). The Company is managed by NVM, an independent specialist firm of venture capital managers based in Newcastle upon Tyne, Reading and Manchester. NVM acts as investment manager to both the Company and Northern AIM. Northern AIM invests mainly in AIM-quoted companies although it also has some later stage unquoted holdings.

As announced on 3 June 2011, the boards of the Company and Northern AIM have been in discussions with a view to a merger. The benefits of such a merger would include the cost benefits arising to shareholders of both companies of managing one larger single entity coupled with a more diverse investment portfolio. Regulations in force since 2004 have permitted VCTs to merge without shareholders losing their VCT tax relief. Since then, more than 40 VCT mergers have taken place.

Reasons for the merger

Both the Company and Northern AIM are required to be listed on the Official List, which involves significant fixed costs in maintaining that listing and ensuring that they both comply with all relevant legislation. A larger VCT will have lower proportionate costs and, therefore, is potentially able to pay a higher level of dividends to shareholders. Additionally, there are a number of commercial advantages to both sets of shareholders of merging the companies, namely:

- the creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration, regulatory and management costs producing a reduction in the annual running costs of the Enlarged Company compared to the total annual running costs of the separate companies;
- participation in a larger VCT with a more diversified portfolio thereby spreading the portfolio risk across a broader range of investments and businesses;
- an enhanced ability to pay dividend distributions in future and the operation of a strong buyback policy due to the reduced running costs of the Enlarged Company.

Accordingly, your Board has agreed with the board of Northern AIM to merge the companies on a basis reflecting their respective net assets and on the terms set out in this Prospectus.

The Scheme

The Scheme provides for Northern AIM to be placed into members' voluntary liquidation and for all of its assets and liabilities to be transferred to the Company in consideration for Consideration Shares being issued directly to the shareholders of Northern AIM, such number of Consideration Shares being determined by reference to the adjusted relative net assets of the Company and Northern AIM. Once the Scheme is effected, the listing of Northern AIM Shares will be cancelled and Northern AIM will be wound up. A special dividend of 3.0p per Northern AIM Share is intended to be paid to the holders of Northern AIM Shares on 7 October 2011, conditional on completion of the Merger, expected to be on 26 September 2011

The number of Consideration Shares to be issued to the shareholders of Northern AIM will be calculated by multiplying the number of Northern AIM Shares in issue by the Merger Ratio, this being the Roll-Over Value per Northern AIM Share divided by the Merger Value per Share. Such Consideration Shares will be issued to Northern AIM shareholders on the register of members on the Record Date. For these purposes, dissenting shareholders in Northern AIM will be disregarded.

The holdings of dissenting Northern AIM Shareholders will be purchased for cash by the liquidator of Northern AIM at the 'break value' which will be an estimate of the amount a shareholder of Northern AIM would receive in an ordinary winding-up of Northern AIM if all its assets had to be realised. The break value is expected to be significantly below the estimated Roll-Over Value. If a sufficient number of Shareholders holding over 5% of the number of Shares in issue elect not to participate in the Merger, then it will not proceed. If the level of dissent is

less than 5% then the Merger will proceed and Shareholders who do not wish to participate in the Merger will have their Shares purchased for cash by the Liquidators but this will be at a price likely to be well below the current NAV of the Shares. Further details of this are set out in Part I.

The Board

The Board comprises four non-executive directors: James Ferguson (Chairman), Christopher Fleetwood, Timothy Levett and John Waddell.

It has been agreed that following completion of the Merger all the board members of Northern AIM will resign.

The Board has overall responsibility for the Company's affairs.

Summary of 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 HMRC. The Company's investment policy has been designed to enable the Company to comply with the VCT qualifying conditions. 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 cash or near cash investments (including listed equity and fixed interest securities), 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 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.

Investment management arrangements

NVM provides investment management and secretarial services to the Company for which it receives a fixed basic management fee of 2.06% per annum of net assets together with a performance related fee equivalent to 14.2% 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 the higher of base rate and 3% 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 be then 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.

NVM also provides administrative and secretarial services to the Company for an index linked fee currently of £44,000 per annum.

These investment management arrangements will be unchanged following completion of the Merger.

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 so 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.

Dividend policy

The Company's dividend policy is to maximise tax free dividend distributions, primarily from the successful cash realisation of investments and also partly from income. The Board has a stated minimum annual dividend objective of 4.5p per share and following completion of the Scheme, the Board intends to continue with this policy.

Share buyback policy

The Company has a stated policy of buying back shares in the market at a fixed discount of 15% to NAV, subject to applicable legislation governing the Company, market conditions at the time and the Company having both funds and distributable reserves available for the purpose. The making and timing of any share buybacks will remain at the absolute discretion of the Board.

Cost savings and costs of the Scheme

Following the completion of the Merger it is expected that the Annual Running Costs of the Company will be approximately £1,150,000 compared with an aggregate of £1,212,000 for the Company and Northern AIM based on their financial years ended 31 March 2011 and 31 October 2010 respectively – an annual saving of some 5%.

The anticipated cost of the Merger is approximately £250,000 (including VAT), half of which will be split equally between the Company and Northern AIM, with the balance being borne by NVM.

Risk Factors

An investment in the Company is subject to a number of risks, which could materially and adversely affect its value. A summary of the material risks is set out below:

- Completion of the Proposals is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and the Scheme becoming effective.
- The value of the New Shares can fluctuate and Shareholders may not get back the amount they invested.
- Although it is anticipated that the New Shares will be admitted to the premium segment of the Official List and will be traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid and Shareholders may find it difficult to realise their investment. An investment in the Company should be considered as a long-term investment.
- The past performance of the Company, Northern AIM and/or any other fund managed by NVM is no indication of future performance. It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Company invests, to be fully reflected in their market values.
- 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.
- If at any time VCT status is lost by the Company, dealings in its Shares will normally be suspended until such time as proposals to continue as a VCT or to be wound up have been announced.
- The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively.
- The majority of the Company's investments are and will continue to 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.
- There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be identified.
- 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 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.
- Changes in legislation concerning VCTs in general, and VCT qualifying investments and qualifying trades in particular, may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.
- The value of New Shares and the income derived from them may go down as well as up and Shareholders may not receive back the full amount invested.
- There is a limited secondary market for VCT shares primarily because the initial income tax relief is only available to those subscribing for newly issued shares. VCTs invest in small companies usually with limited trading records which may not produce hoped for returns and investors could get back less than they invested. The value of a VCT depends on the performance of the underlying assets. The value of the investment and the dividend stream can rise and fall.
- 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 ability to make market purchases of its own Shares each year will be limited by the liquidity of the Company, the rules of the UK Listing Authority, the Act and the VCT Regulations.

Taxation

The implementation of the Scheme should not affect the status of the Company as a VCT or the tax reliefs obtained by Shareholders on subscription of existing Shares. It is the intention of the Board to continue to comply with the requirements of ITA 2007 following implementation of the Scheme so as to continue to qualify as a VCT.

RISK FACTORS

Shareholders and prospective Shareholders should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on the Company's business, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Company, the Board or Shareholders will face. Additional risks not currently known to the Company or the Board, or that the Company or the Board currently believe are not material, may also adversely affect the Company's business, financial condition or results of operations. The value of the New Shares could decline due to any of the risk factors described below and Shareholders could lose part or all of their investment. Shareholders and prospective Shareholders should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000. References to the Company should be taken as including the Enlarged Company, if appropriate.

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 and are not set out in any particular order of priority:

- Completion of the Proposals is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and the Scheme becoming effective. If the Scheme does not proceed the Company will continue to be operated and managed as hitherto and the cost savings and other benefits that could result from the Proposals will not be achieved.
- The value of the New Shares can fluctuate and Shareholders may not get back the amount they invested.
- Although it is anticipated that the New Shares will be admitted to the premium segment of the Official List and will be traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid and Shareholders may find it difficult to realise their investment, and there may never be two competitive market makers. It may therefore prove difficult to sell the New Shares. In addition, there is no guarantee that the market price of the New Shares will reflect their underlying net asset value 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. An investment in the Company should be considered as a long-term investment.
- The past performance of the Company, Northern AIM and/or any other fund managed by NVM is no indication of future performance. It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Company invests, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods.
- 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.
- If at any time VCT status is lost by the Company, dealings in its Shares will normally be suspended until such time as proposals to continue as a VCT or to be wound up have been announced.
- The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively, and their value depends on the individual circumstances of the investors.
- The majority of the Company's investments are and will continue to 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.
- There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be identified.
- 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 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.
- Changes in legislation concerning VCTs in general, and VCT qualifying investments and qualifying trades

in particular, may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.

- The value of New Shares and the income derived from them may go down as well as up and Shareholders may not receive back the full amount invested.
- There is a limited secondary market for VCT shares primarily because the initial income tax relief is only available to those subscribing for newly issued shares. VCTs invest in small companies usually with limited trading records which may not produce hoped for returns and investors could get back less than they invested. The value of a VCT depends on the performance of the underlying assets. The value of the investment and the dividend stream can rise and fall.
- The Company's ability to make market purchases of its own Shares will be limited by the liquidity of the Company, the rules of the UK Listing Authority, the Act and the VCT Regulations.

FORWARD-LOOKING STATEMENTS

Shareholders and potential investors should not place undue reliance on forward-looking statements. This Prospectus 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 Prospectus, 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.

EXPECTED TIMETABLES

EXPECTED TIMETABLE FOR THE COMPANY

(Dates subject to variation if any General Meeting is adjourned)

Latest time for receipt of forms of proxy for the General Meeting	2.15pm on Monday 12 September 2011
General Meeting	2.15pm on Wednesday 14 September 2011 (or as soon thereafter as the Annual General Meeting on the same day concludes)
Calculation Date	after 5.00pm on 23 September 2011
Effective Date for the transfer of the assets and liabilities of Northern AIM to the Company and the issue of Consideration Shares to Northern AIM Shareholders	26 September 2011
Announcement of the results of the Scheme	26 September 2011
Admission of and dealings in the New Shares to commence	27 September 2011
CREST accounts credited with the New Shares	27 September 2011
Certificates for the New Shares dispatched	By 11 October 2011

EXPECTED TIMETABLE FOR NORTHERN AIM

(Dates subject to variation if any General Meeting is adjourned)

Latest time for receipt of forms of proxy for the Northern AIM First General Meeting	12.30pm on Wednesday 14 September 2011
Northern AIM First General Meeting	12.30pm on Friday 16 September 2011
Record Date for Northern AIM shareholders' entitlements under the Scheme	23 September 2011
Northern AIM Register of Members closed	23 September 2011
Calculation Date	after 5.00pm on 23 September 2011
Dealings in Northern AIM Shares suspended	7.30am on 26 September 2011
Latest time for receipt of forms of proxy for the Northern AIM Second General Meeting	12.30pm on Saturday 24 September 2011
Northern AIM Second General Meeting	12.30pm on Monday 26 September 2011
Effective Date for the transfer of the assets and liabilities of Northern AIM to the Company	26 September 2011
Announcement of the results of the Scheme	26 September 2011
Cancellation of the Northern AIM Shares' listing	7.30am on 27 September 2011
Payment of the Special Dividend	7 October 2011

DIRECTORS AND ADVISERS

Directors (all Non-Executive)	James Ferguson (Chairman) Christopher Fleetwood Timothy Levett John Waddell
Company Secretary and Registered Office	Christopher Mellor FCA MCSI Northumberland House Princess Square Newcastle upon Tyne NE1 8ER
Principal Place of Business	Northumberland House Princess Square Newcastle upon Tyne NE1 8ER
Email:	n3vct@nvm.co.uk
Telephone:	0191 244 6000
Website:	www.nvm.co.uk
Company Number	4280530
Investment Manager and Administrator	NVM Private Equity Limited Northumberland House Princess Square Newcastle upon Tyne NE1 8ER
Fixed Income Investment Advisers	Sarasin & Partners LLP Juxon House 100 St Paul's Churchyard London EC4M 8BU
Sponsor	Howard Kennedy Corporate Services LLP 19 Cavendish Square London W1A 2AW
Solicitors	Howard Kennedy LLP 19 Cavendish Square London W1A 2AW
VCT Tax Advisers	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Independent Auditors	KPMG Audit Plc Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Stockbroker	Singer Capital Markets Limited 1 Hanover Street London W1S 1YB
Bankers	Barclays Bank PLC 71 Grey Street Newcastle upon Tyne NE1 6EF
Registrars	Equiniti Limited Aspect House Spencer Road Lancing BN99 6DA

DEFINITIONS

“Admission”	the date on which the Consideration Shares allotted pursuant to the Scheme are listed on the premium segment of the Official List of the UK Listing Authority and admitted to trading on the main market of the London Stock Exchange.
“Act”	the Companies Act 2006 (as amended from time to time)
“AIM”	AIM, the market of that name 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 value added tax but excluding any amount payable in respect of the Performance Incentive Fees)
“Articles”	the articles of association of the Company, as amended from time to time
“Board” or “Directors”	the board of directors of the Company
“Business Days”	any day (other than a Saturday) on which clearing banks are open for normal banking business in sterling
“Calculation Date”	the date on which the Roll-Over Value and the Merger Value will be calculated, expected to be 23 September 2011
“Company” or “the Company” or “Northern 3”	Northern 3 VCT PLC registered in England and Wales under number 4280530, whose registered office is at Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER
“Consideration Shares”	the Shares to be issued by the Company to Northern AIM Shareholders pursuant to the Scheme (and each a “Consideration Share”)
“Disclosure Rules & Transparency Rules” or “DTR”	the disclosure rules and transparency rules of the FSA
“EEA States”	the member states of the European Economic Area
“Effective Date”	the date on which the Scheme will be completed, expected to be 26 September 2011
“Enlarged Company”	the Company, following implementation of the Scheme
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000
“General Meeting”	the general meeting of the Company convened for 14 September 2011 (or any adjournment thereof)
“HMRC”	Her Majesty’s Revenue & Customs
“Howard Kennedy Corporate Services LLP”	Howard Kennedy Corporate Services LLP, which is authorised and regulated by the Financial Services Authority and is an FSA registered sponsor
“IA 1986”	Insolvency Act 1986, as amended
“Investment Manager”, “NVM Private Equity” or “NVM”	NVM Private Equity Limited, the investment manager to the Company, registered in England and Wales under number 2201762 whose registered office is at Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER
“ITA 2007”	Income Tax Act 2007, as amended
“Liquidators”	William Duncan and Sarah Louise Burge of RSM Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield WF4 3BA
“Listing Rules”	the listing rules of the UKLA
“London Stock Exchange”	London Stock Exchange plc
“Meetings”	the General Meeting and the Northern AIM Meetings (and each a “Meeting”)
“Merger Ratio”	the Roll-Over Value per Northern AIM Share divided by the Merger Value per Share

“Merger Regulations”	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
“Merger Values”	the Northern AIM Roll Over Value and the Northern 3 Merger Value
“NAV”	net asset value
“New Shares”	the Shares arising to be issued pursuant to the Scheme (and each a “New Share”)
“Northern 2”	Northern 2 VCT PLC registered in England and Wales under number 3695071, whose registered office is at Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER
“Northern 3 Merger Value”	the value of a Northern 3 VCT PLC Share calculated in accordance with Part I of this document
“Northern AIM”	Northern AIM VCT PLC registered in England and Wales under number 4075686, whose registered office is at Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER
“Northern AIM Board”	the board of directors of Northern AIM
“Northern AIM Circular”	the circular to Northern AIM shareholders dated 16 August 2011
“Northern AIM First General Meeting”	the first general meeting of Northern AIM to be held on 16 September 2011 (or any adjournment thereof)
“Northern AIM Meetings”	the Northern AIM First General Meeting and the Northern AIM Second General Meeting
“Northern AIM Roll Over Value”	the value of a Northern AIM Share calculated in accordance with Part I of this document
“Northern AIM Second General Meeting”	the second general meeting of Northern AIM expected to be held on 26 September 2011 (or any adjournment thereof)
“Northern AIM Shares”	ordinary shares of 5p each in the capital of Northern AIM
“Northern Investors Company”	Northern Investors Company PLC registered in England and Wales under number 1822966, whose registered office is at Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER
“Northern Venture Trust”	Northern Venture Trust PLC registered in England and Wales under number 3090163, whose registered office is at Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER
“Official List”	the official list of the UKLA
“Performance Incentive Fees”	fees payable to the Investment Manager in the event that certain target returns are achieved, as further described in Part I under the section headed “Investment Management Fees” and in paragraph 5.1.1 of Part VIII
“PLUS”	PLUS Markets plc, a recognised investment exchange
“Proposals”	the proposals to implement the merger by way of the Scheme and pass the resolutions to be proposed at the General Meeting
“Prospectus”	this document, being the prospectus issued by the Company dated 16 August 2011
“Prospectus Rules”	the prospectus rules of the FSA
“Qualifying Company”	a company satisfying the requirements of Chapter 4 of Part 6 of ITA 2007
“quoted”	quoted on the London Stock Exchange’s market for listed securities, AIM or PLUS Markets
“Record Date”	the record date on which Northern AIM shareholders’ entitlements will be allocated pursuant to the Scheme, expected to be 23 September 2011

“Resolutions”	the resolutions to be proposed at the General Meeting
“Roll-Over Value”	the value of a Northern AIM Share calculated in accordance with Part I of this document
“Scheme” or “Merger”	the proposed merger of the Company with Northern AIM by means of placing Northern AIM into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of all of Northern AIM’s assets and liabilities in consideration for New Shares as set out in Part I of this document
“Shareholder”	a holder of Shares
“Shares” or “Northern 3 Shares”	ordinary shares of 5p each in the capital of the Company (and each a “Share”)
“Special Dividend”	the special dividend of 3.0p per Northern AIM Share proposed to be paid on 7 October 2011 to Northern AIM shareholders on the register on the Record Date, conditional on completion of the Merger, expected to be on 26 September 2011
“Statutes”	means every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies insofar as it applies to the Company
“TCGA 1992”	Taxation of Chargeable Gains Act 1992, as amended
“Transfer Agreement”	the agreement between the Company and Northern AIM (acting through the Liquidators) for the transfer of all of the assets and liabilities of Northern AIM by the Liquidators to the Company pursuant to the Scheme
“UK”	the United Kingdom
“UK Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council in June 2010
“UKLA” or “UK Listing Authority”	the UK Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Market Act 2000
“unquoted”	private or public companies not quoted on any market or exchange
“VCT” or “venture capital trust”	a company satisfying the requirements of Chapter 3 of Part 6 of ITA 2007 for venture capital trusts
“VCT Rules”	Part 6 ITA 2007 and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning VCTs and affecting the Company
“VCT Value”	the value of an investment for VCT purposes calculated in accordance with Section 279 of ITA 2007

PART I - PROPOSED MERGER OF THE COMPANY AND NORTHERN AIM

INTRODUCTION

This document has been published in connection with the proposed merger of the Company and Northern AIM (and the issue of the associated New Shares pursuant to the Scheme).

The boards of the Company and Northern AIM consider that the interests of both companies' shareholders will be better served by an enlarged single company with a more diverse investment portfolio, reduced annual costs and an increased level of funds available for investment.

BACKGROUND

The Company is a venture capital trust launched in 2001. It has raised over £46 million to date through its public share offers. The Company invests mainly in unquoted venture capital holdings, with its remaining assets invested in a portfolio of listed equity and fixed-interest investments and bank deposits. The Company is a member of the Association of Investment Companies ("AIC").

The Company is managed by NVM, an independent specialist firm of venture capital managers based in Newcastle upon Tyne, Reading and Manchester. NVM also acts as manager of four other listed investment companies, including Northern AIM, and has a total of approximately £210 million under management.

As at 31 March 2011, the Company's audited NAV was 92.2p per share. Since incorporation, the Company has paid a total of 31.4p per share in dividends.

NVM acts as investment manager to both the Company and Northern AIM. Northern AIM invests mainly in AIM-quoted companies although it also has some later stage unquoted holdings.

As announced on 3 June 2011, the boards of the Company and Northern AIM have been in discussions with a view to a merger. The benefits of such a merger would include the cost benefits arising to shareholders of both companies of managing one larger single entity coupled with a more diverse investment portfolio. Regulations in force since 2004 have permitted VCTs to merge without shareholders losing their VCT tax relief. Since then, more than 40 VCT mergers have taken place.

REASONS FOR THE PROPOSED MERGER

Both the Company and Northern AIM are required to be listed on the Official List, which involves significant fixed costs in maintaining that listing and ensuring that they both comply with all relevant legislation. A larger VCT will have lower proportionate costs and, therefore, is potentially able to pay a higher level of dividends to shareholders. Additionally, there are a number of commercial advantages to both sets of shareholders of merging the companies, namely:

- the creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration, regulatory and management costs producing a reduction in the annual running costs of the Enlarged Company compared to the total annual running costs of the separate companies;
- participation in a larger VCT with a more diversified portfolio thereby spreading the portfolio risk across a broader range of investments and businesses;
- an enhanced ability to pay dividend distributions in future and the operation of a strong buyback policy due to the reduced running costs of the Enlarged Company; and
- an increased flexibility in continuing to meet the various requirements of the VCT Rules.

Accordingly, your Board has agreed with the board of Northern AIM to merge the companies on a basis reflecting their respective net assets and on the terms set out in this Prospectus.

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. In respect of assets not forming part of the qualifying venture capital portfolio, the Company may invest in such assets with a view to producing an enhanced return whilst avoiding undue capital volatility. The Company is a venture capital trust approved by HMRC. In order to maintain its approved status, the Company must comply on a continuing basis with the provisions of ITA 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 VCT shares issued after 6 April 2011 this figure increases to 70%) and no investment may constitute more than 15% of the Company's portfolio (by value at the time of investment). 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. For funds raised after 6 April 2011, investment may take place in any company provided that it has a permanent establishment in the UK. 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 cash or near cash investments (including listed equity and fixed interest securities), 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 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 range for VCT-qualifying investments is from approximately £250,000 to £1 million (the maximum permitted within any tax year), with an average investment of over £500,000. Shareholders should be aware that the Company's VCT qualifying investments are held with a view to long term capital growth as well as income and will often have limited marketability. As a result, it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any long term borrowings.

The Company is entitled to participate *pro rata* to net assets in all investment opportunities developed by NVM and regularly invests alongside the other funds managed by NVM (including Northern AIM), enabling the funds together to undertake investment commitments in any one investee company of up to approximately £7 million. Under a co-investment scheme introduced in 2006, NVM executives are required to invest personally alongside the funds in each new investee company on a pre-determined basis.

DIVERSIFICATION

The portfolio will be diversified by investing in a broad range of VCT-qualifying industry sectors and by holding investments in companies at different stages of maturity in the corporate development cycle. 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 Company's long term objective is to invest approximately 80% of its net assets in venture capital investments, at which point it is envisaged that the approximate split of the Company's investments will be:

- **20%** in cash and near cash investments (including listed equity and fixed income securities)
- **70%** in a spread of established unquoted companies (including companies quoted on AIM and PLUS); and
- **10%** in early-stage unquoted companies with high growth potential.

BORROWING POLICY

It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a sum equal to no more than the aggregate of the nominal capital of the Company (being issued and paid up) plus the amounts standing to the credit of the consolidated reserves of the Company.

Any material changes to the Company's investment policy will be subject to shareholder approval.

DIRECTORS

James Ferguson BA (Chairman) was chairman and managing director of Stewart Ivory Limited from 1989 until 2000. He is chairman of Value & Income Trust plc, The Monks Investment Trust PLC, Edinburgh US Tracker Trust plc and The Scottish Oriental Smaller Companies Trust plc, a non-executive director of Independent Investment Trust plc and a former deputy chairman of the Association of Investment Companies. He was appointed to the board in 2001 and became chairman in 2009.

Christopher Fleetwood BA FCA was group chief executive of Whessoe plc from 1988 until 2000. He is now managing partner of io solutions, e-business strategy advisers, and is chairman of Onyx Group Limited and Darlington Building Society. He was appointed to the Board in 2001.

Timothy Levett MBA is the executive chairman of NVM Private Equity. His biographical details are set out in the section headed "Management team" below. He was appointed to the Board in 2001.

John Waddell LLB is chief executive of Archangel Informal Investment Limited, a Scottish-based syndicate of individual private equity investors, and was previously a director of Noble Grossart Limited. He was appointed to the Board in 2007.

INVESTMENT MANAGER

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 £210 million through its offices in Newcastle upon Tyne, Reading and Manchester.

NVM's 11 investment executives have together a total of over 180 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 approximately 400 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 AIM and a generalist private equity investment trust (all of which invest mainly in UK unquoted and AIM quoted companies). 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 June 2011	183.1p	+129%
Northern 2	1998/99	80p	30 June 2011	133.1p	+66%
Northern 3	2001/02	80p	30 June 2011	123.3p	+54%

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 at the time of launch.

² Total return is cumulative dividends paid (including the tax credits where reclaimable) plus the most recently announced 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	386.4p	+527%

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 June 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.

Management team

NVM's investment team comprises five executive directors (three of whom have been NVM executives for over 25 years) and six other executives. The background and experience of NVM's executive directors is as follows:

James Arrowsmith BSc ACIB spent his early career in corporate banking and then leveraged finance with HSBC in London. He joined 3i in London in 1995 and moved to their Birmingham office in 1998 where he was responsible for sourcing and executing new investments. He joined NVM in October 2005 as an investment executive and was appointed as a director in October 2007.

Alastair Conn MA FCA is financial director of NVM. He qualified as a chartered accountant with Price Waterhouse, joined Northern Investors Company in 1984 and was a co-founder of NVM in 1988, serving as managing director until 2008. He is a non-executive director of Northern 2 and of Northern AIM and is a member of The Association of Investment Companies' VCT Technical Committee.

Martin Green BSc is managing director of NVM. He qualified as a chartered accountant with Coopers & Lybrand. He joined 3i in 1990 and became a local director in Birmingham in 1996. He moved to the East Midlands to manage three 3i offices, then returned to Birmingham to take responsibility for new investments across the Midlands. In 2002 he joined Montagu Capital, focusing on the UK regional mid-market, before joining NVM as a director in August 2004. He became managing director of NVM in 2008 and is a non-executive director of a number of NVM's portfolio companies.

Timothy Levett MBA is executive chairman of NVM. He joined Northern Investors Company in 1985 and became investment director of NVM in 1988, with overall responsibility for NVM's investment activities. He became chairman of NVM in 2008. He is a non-executive director of the Company and of a number of NVM's portfolio companies.

Christopher Mellor BSc FCA MCSI 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 Venture Trust, Northern Investors Company, Northern 2 and Northern AIM.

INVESTMENT MANAGEMENT FEES

NVM provides investment management and secretarial services to the Company under an agreement dated 24 September 2001, which may be terminated at any time by not less than 12 months' notice being given by either party. NVM receives a fixed basic management fee of 2.06% per annum of net assets together with a performance related fee equivalent to 14.2% 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 the higher of base rate and 3% 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 be then 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. NVM bears the cost of Sarasin & Partners LLP's fees for managing the fixed income portfolio. NVM also provides administrative and secretarial services to the Company for an index linked fee currently of £44,000 per annum. The Annual Running Costs of the Company are capped at 3.5% of net assets and NVM has agreed that any excess will be refunded by way of a reduction in its fees.

These investment management arrangements will be unchanged following completion of the Merger.

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 so 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.

As at 30 June 2011 participants in the co-investment scheme held investments in 30 companies across all NVM managed funds, acquired at an aggregate cost of £772,000.

Where a potential conflict of interest arises, the Company is bound by the Listing Rules and the Manager, as an FSA regulated entity, is bound by the relevant conduct of business rules in relation to its dealings with the Company and other funds it manages.

DETAILS OF SCHEME OF ARRANGEMENT

Transfer of assets and liabilities

The Scheme provides for Northern AIM to be placed into members' voluntary liquidation and for all of its assets and liabilities to be transferred to the Company in consideration for Consideration Shares being issued directly to the shareholders of Northern AIM, such number of Consideration Shares being determined by reference to the adjusted relative net assets of the Company and Northern AIM. Once the Scheme is effected, the listing of Northern AIM Shares will be cancelled and Northern AIM will be wound up.

Effect of the Scheme

As at 31 March 2011, the audited net asset value of the Company was £37.4 million. As at 30 April 2011, the unaudited net asset value of Northern AIM was £6.5 million. Following Completion of the Scheme, the Company's unaudited net assets are expected to be approximately £43 million.

The number of Consideration Shares to be issued to the shareholders of Northern AIM will be calculated by multiplying the number of Northern AIM Shares in issue by the Merger Ratio, this being the Roll-Over Value per Northern AIM Share divided by the Merger Value per Share. Such Consideration Shares will be issued to Northern AIM shareholders on the register of members on the Record Date. For these purposes, dissenting shareholders in Northern AIM will be disregarded.

Holdings of dissenting Northern AIM shareholders will be purchased for cash by the Liquidators of Northern AIM at the 'break value' which will be an estimate of the amount a shareholder of Northern AIM would receive in an ordinary winding-up of Northern AIM if all the assets of Northern AIM had to be realised. The break value is expected to be significantly below the estimated Roll-Over Value.

Scheme Conditionality

The Scheme is conditional upon:

- the passing of certain of the Resolutions to be proposed at the General Meeting;
- notice of dissent not having been received from shareholders of Northern AIM holding more than 5(five)% in nominal value of the issued capital of Northern AIM under Section 111 IA 1986 (this condition may be waived by the board of Northern AIM);
- the passing of the resolutions to be proposed at the Northern AIM Meetings.

Terms of the Scheme

NVM, instructed by the Liquidators, will be required to calculate the Roll-Over Value and the Merger Value as set out below on or immediately prior to the Effective Date.

On the Effective Date, the Liquidators will receive all the cash, undertakings and other assets and will assume all the liabilities of Northern AIM and will deliver to the Company:

- details of all the assets and liabilities of Northern AIM;
- a list certified by the registrars of the names and addresses of, and the number of Northern AIM Shares held by, each of the shareholders of Northern AIM on the register at 5.30pm on the Record Date;
- an estimate of the costs of the Scheme (half of which will be allocated equally between the Company and Northern AIM); and
- the amount estimated to be required to purchase the shareholdings of any dissenting Northern AIM Shareholders.

On the Effective Date, the Company will enter into the Transfer Agreement (subject to such modifications as may be agreed between the parties thereto) pursuant to which the Liquidators will procure the transfer of all of the assets and liabilities of Northern AIM to the Company in consideration of the issue of Consideration Shares to the shareholders of Northern AIM on the basis set out below. Under the Transfer Agreement, the Company will undertake to pay all liabilities incurred by the Liquidators including but not limited to the implementation of the Scheme, the winding-up of Northern AIM and the purchase for cash of any holdings of dissenting Northern AIM Shareholders.

For the purposes of calculating the Roll-Over Value, the Merger Value and the number of Consideration Shares to be issued, the following provisions will apply:

Northern AIM

The Northern AIM Roll-Over Value will be calculated as:

$$\frac{(A + B + C) - (D + E)}{F}$$

where:

A = the unaudited net asset value of Northern AIM as at 30 April 2011, calculated in accordance with Northern AIM's normal accounting policies (except that securities quoted on AIM will be valued at their closing bid price less 3(three)%, less the Special Dividend);

B = any increase/decrease in the valuations of: (i) investments held by Northern AIM in securities quoted on a recognised stock exchange (including AIM and the PLUS market) by reference to their bid price (less 3(three)%) as at the close of business from 30 April 2011 to the Record Date; (ii) unquoted investments held by Northern AIM where there has been an event in the period between 30 April 2011 and the Record Date which requires a revaluation of the investment in accordance with Financial Reporting Standard 26 'Financial Instruments: Measurement (IAS 39)', which will be re-valued at their fair value as determined by the directors of Northern AIM; and (iii) any investment held by Northern AIM following an event in the period between 30 April 2011 and the Record Date, which, in the opinion of the boards of the Company and Northern AIM (acting jointly), has had a material impact on such an investment, which will be re-valued as previously stated;

C = any adjustment that both the Board and the Northern AIM board (acting jointly) consider appropriate to reflect any other actual or contingent benefit or liability of Northern AIM arising between 30 April 2011 and the Record Date (including, for the avoidance of doubt, acquisitions and disposals of investments, income from securities and running costs of Northern AIM);

D = 25(twenty-five)% of the costs of the Scheme;

E = the amount estimated to be required to purchase the holdings of Northern AIM Shares from dissenting Northern AIM shareholders; and

F = the number of Northern AIM Shares in issue following close of business on the Record Date (save for any Northern AIM Shares held by dissenting Northern AIM Shareholders).

The Company

The Merger Value will be calculated as follows:

$$\frac{(G + H + I) - (J)}{K}$$

where:

G = the audited net asset value of the Company as at 31 March 2011, calculated in accordance with the Company's normal accounting policies;

H = any increase/decrease in the valuations of: (i) investments held by the Company in securities quoted on a recognised stock exchange (including AIM and the PLUS market) by reference to their bid price as at the close of business from 31 March 2011 to the Record Date; (ii) unquoted investments held by the Company where there has been an event in the period between 31 March 2011 and the Record Date which requires a revaluation of the investment in accordance with Financial Reporting Standard 26 'Financial Instruments: Measurement (IAS 39)', which will be re-valued at their fair value as determined by the directors of the Company; and (iii) any investment held by the Company following an event in the period between 31 March 2011 and the Record Date, which, in the opinion of the boards of the Company and Northern AIM (acting jointly), has had a material impact on such an investment, which will be re-valued as previously stated;

I = any adjustment that the boards of the Company and Northern AIM (acting jointly) consider appropriate to reflect any other actual or contingent benefit or liability of the Company arising between 31 March 2011 and the Record Date (including, for the avoidance of doubt, acquisitions and disposals of investments, income from securities and running costs of the Company);

J = 25(twenty-five)% of the costs of the Scheme; and

K = the number of Shares in issue as at close of business on the Record Date.

Consideration Shares

The number of Consideration Shares to be issued to Northern AIM Shareholders (save for any dissenting Northern AIM Shareholders) will be calculated as follows:

$$\left(\frac{L}{M} \right) \times N$$

where:

L = the Northern AIM Roll-Over Value;

M = the Merger Value; and

N = the number of Northern AIM Shares in issue as at close of business on the Record Date (save for any Northern AIM Shares held by dissenting Northern AIM shareholders).

The Consideration Shares to be issued pursuant to the Scheme will be issued directly to Northern AIM Shareholders (save for any dissenting Northern AIM shareholders) *pro rata* to their existing holdings on the instruction of the Liquidators.

Entitlements will be rounded down to the nearest whole number and any fractional entitlements (which will not exceed £5) will be sold in the market and the proceeds retained for the benefit of the Enlarged Company.

The Consideration Shares will be issued in registered form. Consideration Shares are eligible for electronic settlement and can be held within the CREST system. If, following issue, recipients of Consideration Shares pursuant to the Scheme should wish to hold their Consideration Shares in uncertificated form they should contact their broker or independent financial adviser. Any dividend payment mandates provided for Northern AIM will, unless Northern AIM Shareholders advise otherwise, be transferred to the Company.

Application has been made to the UKLA for the Consideration Shares to be listed on the premium segment of the Official List and will be made to the London Stock Exchange for such Consideration Shares to be admitted to trading on its market for listed securities. The Consideration Shares will rank *pari passu* with the New Shares from the date of issue.

Taxation

The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice. The following paragraphs apply to the Company and to persons holding Consideration Shares as an investment in the Company who are the absolute beneficial owners of such Consideration Shares and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities.

The implementation of the Scheme should not affect the status of the Company as a VCT or the tax reliefs obtained by Shareholders on subscription of existing Shares. It is the intention of the Board to continue to comply with the requirements of ITA 2007 following implementation of the Scheme so as to continue to qualify as a VCT.

If you are in any doubt about your position, or if you may be subject to tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

Receipt by Northern AIM Shareholders of Consideration Shares under the Scheme

The effective exchange of existing Northern AIM Shares for Consideration Shares will not constitute a disposal of the existing Northern AIM Shares for the purposes of UK taxation. Instead, the new holding of Consideration Shares will be treated as having been acquired at the same time and at the same cost as the existing shares from which they are derived. Northern AIM shareholders will receive a new share certificate in respect of the Consideration Shares issued pursuant to the Scheme.

Shareholders in the Company will be afforded the usual tax reliefs available to shareholders in VCTs. Qualifying shareholders should continue to receive tax-free dividends and will not be subject to UK taxation on any capital gains on the disposal of Consideration Shares.

Dissenting Northern AIM Shareholders

Dissenting Northern AIM shareholders' holdings will be purchased for cash at the 'break value', which will be an estimate of the amount a shareholder of Northern AIM would receive in an ordinary winding-up of Northern AIM if all the assets of Northern AIM had to be realised. The break value is expected to be significantly less than the estimated Roll-Over Value.

Dissenting Northern AIM shareholders whose Northern AIM Shares are purchased will be treated as having disposed of their existing Northern AIM Shares. Northern AIM will still be able to claim the benefit of VCT status whilst in liquidation under the Merger Regulations and the dissenting Northern AIM shareholders will not be subject to any UK taxation in respect of any capital gains arising on disposal of their New Shares under the Scheme. However, the purchase will constitute a disposal of the existing holding in Northern AIM Shares and dissenting Northern AIM shareholders will be liable to repay any initial income tax relief obtained on Northern AIM Shares not held for the requisite holding period.

The Company

The implementation of the Scheme should not affect the status of the Company as a VCT or the tax reliefs obtained by Shareholders on subscription of existing Shares.

Clearances

Application for clearance has been made to HMRC in respect of the Scheme under Section 701 ITA 2007 and Section 138 TCGA 1992 such that the receipt of Consideration Shares should not, except in the case of dealers, be regarded as an income receipt for the purposes of UK taxation.

Clearance has been obtained from HMRC that the Scheme meets the requirements of the Merger Regulations and as such the receipt by Northern AIM shareholders of Consideration Shares should not prejudice tax reliefs obtained by Northern AIM Shareholders on their existing Northern AIM Shares.

Stamp Duty and Stamp Duty Reserve Tax

No UK stamp duty or stamp duty reserve tax will be payable by Northern AIM shareholders as a result of the implementation of the Scheme.

PART II - INFORMATION ON THE COMPANY

Introduction

The Company was incorporated and registered in England and Wales on 3 September 2001 with limited liability as a public limited company under the Companies Act 1985 with registered number 4280530. The Company is domiciled in the United Kingdom. The Company revoked its investment company status on 1 October 2004. The Company operates under the Acts and the regulations made thereunder.

VCTs are unregulated but are required to manage their affairs so as to obtain and maintain approval as a VCT under the provisions of chapter 3 of Part 6 of ITA 2007. HMRC granted approval of the Company as a VCT on 1 September 2001 and approval has not since been withdrawn. The Company is not authorised and/or regulated by the FSA or an equivalent overseas regulator. The Company's Shares are listed on the Official List.

The business of the Company has been, and it is intended will be, carried on so as to continue to comply with chapter 3 of Part 6 of ITA 2007 to maintain full approval.

Selected Financial Information

Certain selected financial information is set out below:

Report and Accounts (audited) for the year ended 31 March

	2009	2010	2011
Investment income and deposit interest	£1,249,000	£926,000	£1,100,000
Revenue return on ordinary activities before tax	£963,000	£579,000	£684,000
Revenue return per Share	2.6p	1.7p	1.4p
Dividends per Share	4.0p	4.0p	4.5p
Net assets	£24,323,000	£32,412,000	£37,428,000
NAV per Share	84.0p	90.2p	92.2p

As at 31 March 2011, the audited NAV of the Company was £37.4 million or 92.2p per Share (taken from the audited statutory accounts of the Company for the year ended 31 March 2011).

Board of Directors

The Board comprises four non-executive directors: James Ferguson (Chairman), Christopher Fleetwood, Timothy Levett and John Waddell.

It has been agreed that following completion of the Merger all the board members of Northern AIM will resign.

Biographical information on the directors of the Company is set out on pages 16 and 17.

Corporate Governance and Board Committees

The Board, which meets regularly, comprises four Directors, all of whom are non-executive and three of whom are considered independent of the Manager. The Company complies with the Association of Investment Companies Code of Corporate Governance ("AIC Code") as explained in the Association of Investment Companies Corporate Governance Guide for Investment Companies ("AIC Guide") and has done so during the year ended 31 March 2011. It also complies with the relevant provisions of the UK Corporate Governance Code except as set out below.

The Board has appointed three standing committees to make recommendations to the Board in specific areas. The Board does not have a separate remuneration committee as the Company has no employees or executive directors. These committees are: Audit, Nomination and Management Engagement. Each has been established with appropriate terms of reference. The committees' membership comprises all of the directors of the Company, except that Tim Levett is not a member of the Audit and Management Engagement Committees.

The UK Corporate Governance Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Guide, and in the preamble to the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of Northern 3, which is an externally managed venture capital trust.

Investment Manager

The Company and Northern AIM have the same investment manager, namely NVM.

NVM was established in 1998 and is authorised and regulated by the FSA. NVM has 11 investment executives, with a total of over 180 years' experience in the venture capital industry, with approximately £210 million currently under management.

NVM will continue to manage the Enlarged Company following completion of the Merger.

Investment Policy

The Company's investment policy is set out on page 16.

Further Investment Restrictions

The Company will also comply with the investment restrictions set out under the legislation relating to VCTs, further details of which are set out in Part VII, and with the Listing Rules, further details of which are set out in paragraph 9.19 of Part VIII.

Dividend Policy

The Company's dividend policy is to maximise tax free dividend distributions, primarily from the successful cash realisation of investments and also partly from income. The Board has a stated minimum annual dividend objective of 4.5p per share. Since its launch the Company has paid dividends totalling £9.4 million or 31.4p per share.

Following completion of the Scheme, the Board intends to continue with this policy.

Buy Back Policy

The Company has a stated policy of buying back shares in the market at a fixed discount of 15% to NAV, subject to applicable legislation governing the Company, market conditions at the time and the Company having both funds and distributable reserves available for the purpose. Shares which are bought back by the Company may be cancelled or held in treasury and later sold in the market. This buy back 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 Listing Rules, the price paid for a Share cannot be more than the highest 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. In the year to 31 March 2011 the Company purchased a total of 950,000 shares in the market for cancellation pursuant to this policy.

Dividend Re-Investment Plan

The Company operates a dividend reinvestment plan, giving shareholders the option of reinvesting their dividends in existing shares purchased in the market.

Merger Cost Savings

Following the completion of the Merger it is expected that the Annual Running Costs of Northern 3 will be approximately £1,150,000 compared with an aggregate of £1,212,000 for the Company and Northern 3 based on their financial years ended 31 March 2011 and 31 October 2010 respectively – an annual saving of some 5%.

Communication with Shareholders and Financial Calendar

Shareholders will be sent both half yearly and annual results, and the Company will publish interim management statements. The Company's financial calendar is as follows:

Financial year end	31 March
Final results announcement	May
Annual general meeting	July
Final dividend payable	July
Half yearly results announcement	November
Interim dividend payable	January

VCT Compliance

The Company intends to continue to comply with Part 6 ITA 2007 to maintain its VCT status and has retained PricewaterhouseCoopers LLP to advise it on VCT taxation matters.

Valuation Policy

Listed investments and investments traded on AIM will be stated at closing bid prices. Unquoted investments and investments traded on PLUS will be stated at fair value as determined by the directors. In valuing unquoted investments, the directors will follow a number of general principles in accordance with the latest venture capital industry guidelines.

Crest

The Shares are in registered form and are eligible for electronic settlement. The Shares can be held within the CREST system so that, should they so wish, Shareholders are able to hold their Shares in uncertificated form. The Consideration Shares issued pursuant to the Scheme will be in registered form. If, following issue, recipients of Consideration Shares pursuant to the Scheme should wish to hold their Shares in uncertificated form they should contact their broker or independent financial adviser.

Further Investment Restrictions

Venture Capital Trust Regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of ITA 2007. The current application of the main regulations to the Company is summarised as follows:

1. the Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of ITA 2007);
2. at least 30% of the Company's qualifying investments (by value) are held in "eligible shares" ("eligible shares" generally being ordinary share capital with no preferential rights or redemption rights); for shares issued after 6 April 2011 at least 70% of the qualifying investments (by value) are held in "eligible shares". ("Eligible shares" for these purposes are shares which have no redemption rights and no preferential rights to assets on a winding up, but are permitted to have certain preferential rights to dividends.)
3. at least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);
4. no investment constitutes more than 15% of the Company's portfolio (by value at time of investment);
5. the Company's income for each financial year is derived wholly or mainly from shares and securities;
6. the Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained; and
7. a maximum unit size of £1 million in each VCT qualifying investment (per tax year).

Listing Rules

In accordance with the Listing Rules:

- (i) the Company may not invest more than 10%, in aggregate, of the value of the total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds;
- (ii) the Company must not conduct any trading activity which is significant in the context of its group as a whole; and
- (iii) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy set out in this document. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 ITA 2007.

PART III - FINANCIAL INFORMATION ON THE COMPANY AND NORTHERN AIM

Audited financial information on the Company is published in the annual reports for the years ended 31 March 2009, 31 March 2010 and 31 March 2011. Audited financial information on Northern AIM is published in the annual reports for the years ended 31 October 2008, 31 October 2009 and 31 October 2010.

All these annual reports were audited by KPMG Audit Plc of Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EG. All audited reports were unqualified under either the Companies Act 1985 or the Act (as applicable).

These annual reports were all prepared in accordance with UK generally accepted accounting practice (UK GAAP) and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' and each contains a description of the relevant company's financial condition, changes in financial condition and results of operation for each relevant financial year end, together with half year reports referred to. These reports are being incorporated into this document by reference and can be accessed at the following website:

www.nvm.co.uk

and, in respect of the annual reports for the years ended 31 March 2010 and 31 March 2011, are available for download at the National Storage Mechanism (www.hemscott.com/nsm.do).

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document.

Such information includes the following:

The Company

Description	31 March 2009 Annual Report	31 March 2010 Annual Report	31 March 2011 Annual Report
Financial Highlights	Page 1	Page 1	Page 1
Profit and Loss Account	Page 30	Page 30	Page 30
Dividend per Share	Page 36	Page 36	Page 36
Balance Sheet	Page 31	Page 31	Page 31
Cash Flow Statement	Page 32	Page 32	Page 32
Notes to the Financial Statements	Page 33	Page 33	Page 33
Independent Auditors' Report	Page 28	Page 28	Page 28
Related Party Transactions	Page 34	Page 34	Page 34

This information in the annual reports has been prepared in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

A description of the changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Business Review" and "Investment Portfolio" in the published audited statutory accounts of the Company for the periods stated as follows:

Description	31 March 2009 Annual Report	31 March 2010 Annual Report	31 March 2011 Annual Report
Chairman's Statement	Page 2	Page 2	Page 2
Business Review	Page 6	Page 6	Page 6
Investment Portfolio	Page 11	Page 11	Page 11

As at 31 March 2011, the date to which the most recent audited financial information on the Company has been drawn up, the Company had audited net assets of £37.4 million or 92.2p per share.

Description	31 October 2008 Annual Report	31 October 2009 Annual Report	31 October 2010 Annual Report
Financial Highlights	Page 1	Page 1	Page 1
Profit and Loss Account	Page 30	Page 30	Page 30
Dividend per Share	Page 36	Page 36	Page 35
Balance Sheet	Page 31	Page 31	Page 31
Cash Flow Statement	Page 32	Page 32	Page 32
Notes to the Financial Statements	Page 33	Page 33	Page 33
Independent Auditors' Report	Page 43	Page 43	Page 28
Related Party Transactions	Page 34	Page 34	Page 34

A description of the changes in the performance of Northern AIM, both capital and revenue, and changes to Northern AIM's portfolio of investments is set out in the sections headed "Chairman's Statement", "Business Review" and "Investment Portfolio" in the published audited statutory accounts of the Company for the periods stated as follows:

Description	31 October 2008 Annual Report	31 October 2009 Annual Report	31 October 2010 Annual Report
Chairman's Statement	Page 2	Page 2	Page 2
Business Review	Page 6	Page 6	Page 6
Investment Portfolio	Page 12	Page 12	Page 12

As at 31 October 2010, the date to which the most recent audited financial information on Northern AIM has been drawn up, Northern AIM had net assets of £7.0 million or 31.6p per share. As at 30 April 2011, the unaudited NAV of Northern AIM was £6.5 million or 29.0p per share.

PART IV - PRO FORMA FINANCIAL INFORMATION

ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION

The following is the full text of a report on the Company from Lubbock Fine, the Reporting Accountants, to the directors of the Company.

The Directors
Northern 3 VCT PLC
Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER

16 August 2011

Dear Sirs

Northern 3 VCT PLC ("the Company")

We report on the unaudited pro forma statement of net assets of the Company (the "Pro Forma Financial Information") set out in Part IV of the prospectus dated 16 August 2011 (the "Prospectus"), which has been prepared on the basis described therein, for illustrative purposes only, to provide information about how the Scheme (as defined in the Prospectus) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 March 2011. This report has been prepared in accordance with the requirements of paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 5.5.3 (2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Rules, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of Appendix 3.1.1 of the Prospectus Rules, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules and paragraph 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules.

Yours faithfully

Lubbock Fine
Regulated by the Institute of Chartered Accountants in England and Wales

Lubbock Fine is a partnership. A list of the names of partners is available for inspection at Russell Bedford House, City Forum, 250 City Road, London EC1V 2QQ.

PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of net assets of the Company has been prepared for illustrative purposes only, to show the impact of the Scheme on the Company's net assets as at 31 March 2011 on the basis that the Scheme and the acquisition of the investment portfolio and all of the other assets and liabilities of Northern AIM by the Company had been completed on that date.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

	Adjustments			
	Company (as at 31 March 2011) £000 (Note 1)	Acquisition of the assets and liabilities of Northern AIM £000 (Notes 2, 3, 4)	Expenses of the Scheme £000 (Note 5)	Enlarged Company pro forma £000
Investments (at fair value)	33,746	5,958	-	39,704
Debtors	397	37	-	434
Cash deposits	3,940	128	-	4,068
Creditors: amounts falling due within one year	(655)	(258)	(125)	(1,038)
Net current assets	3,682	(93)	(125)	3,464
Net assets	37,428	5,865	(125)	43,168
Capital and reserves				
Called-up equity share capital	2,029	311	-	2,340
Share premium	21,378	5,554	-	26,932
Capital redemption reserve	392	-	-	392
Capital reserve	12,307	-	-	12,307
Revaluation reserve	743	-	-	743
Revenue reserve	579	-	(125)	454
Total equity shareholders' funds	37,428	5,865	(125)	43,168
Net asset value per share		92.2p		92.3p

Notes:

1. The net assets of the Company have been extracted without material adjustment from the audited financial statements of the Company for the twelve month period ended 31 March 2011.
2. The net assets of Northern AIM have been extracted without material adjustment from its unaudited half-yearly financial statements for the six month period ended 30 April 2011.
3. The Special Dividend to Northern AIM Shareholders of £678,000 (3.0p per share) is paid, thereby reducing the net assets of Northern AIM.
4. The assets and liabilities of Northern AIM are transferred to the Company in return for 6,216,626 ordinary shares of 5p each in the Company being issued directly to the shareholders of Northern AIM (the Consideration Shares). The Consideration Shares have been determined by reference to the adjusted relative net assets of the Company and Northern AIM as set out on pages 20 and 21 of this document.
5. Total costs of approximately £250,000 (inclusive of VAT) are expected to be incurred in relation to the Scheme, half of which are to be borne equally by the Company and Northern AIM.
6. The pro forma statement of net assets of the Company does not take account of any transactions of the Company or Northern AIM or other changes in value of the assets and liabilities of the Company or Northern AIM since 31 March 2011 in respect of the Company and since 30 April 2011 in respect of Northern AIM, except as stated in these Notes.
7. The Company is now proposing to acquire the investment portfolio and all of the other assets and liabilities of Northern AIM as set out on page 32 of this document, which, as at 30 April 2011 (being the date of the most recently published unaudited half-yearly financial statements of Northern AIM), amounted in aggregate to £6.543 million.
8. The earnings of the Company would not have been affected, other than being reduced by the amount of the costs described in Note 5 above, had the Merger completed on 31 March 2011.
9. The financial information has been prepared in a manner which is consistent with the accounting policies adopted by the Company in its audited financial statements for the year ended 31 March 2011.

**PART V – INVESTMENT PORTFOLIO AND PRINCIPAL INVESTMENTS OF
THE COMPANY AND NORTHERN AIM**

The investment portfolio of the Company as at 15 August 2011 (being the latest practical date prior to publication of this document) is as set out in the following comprehensive and meaningful analysis (all of which information is unaudited):

	Cost £000	Valuation* £000
Venture capital investments:		
<i>Unquoted</i>		
Promanex Group Holdings	1,695	2,172
Kerridge Commercial Systems	1,244	2,162
Axial Systems Holdings	1,004	1,142
Closerstill Holdings	743	1,126
Paladin Group	1,013	1,030
Kitwave One	1,000	1,000
Evolve Investments	995	995
RCC Lifesciences	995	995
Tinglobal Holdings	988	988
Wear Inns	839	839
Cawood Scientific	825	825
Control Risks Group Holdings	746	746
Envirotec	456	713
Promatic Group	701	701
Arleigh International	432	686
IG Doors	307	646
Closer2 Investments	549	549
Crantock Bakery	442	508
Optilan Group	1,000	500
Lanner Group	475	475
Mantis Deposition Holdings	457	457
Direct Valeting	253	351
KPJ Software Services	362	362
Altacor	336	336
S&P Coil Products	120	336
e-know.net	225	323
Longhirst Venues	125	198
Gentronix	313	142
Astbury Marsden Holdings	1,120	120
Warmseal Windows (Newcastle)	339	85
Spectrum Interactive	163	39
	<hr/>	<hr/>
	22,262	21,547
<i>AIM quoted</i>		
IDOX	298	943
Advanced Computer Software Group	381	895
Andor Technology	65	471
Sinclair IS Pharma	426	433
Brulines Group	184	152
Cello Group	251	98
Adept Telecom	235	61
Twenty	198	17
Summit Corporation	122	6
	<hr/>	<hr/>
	2,160	3,076
Total venture capital investments	22,422	24,623
Listed equity investments	3,987	4,359
Listed fixed-interest investments	4,545	4,594
Total fixed asset investments	30,954	33,576

*as at 30 June 2011

The investment portfolio of Northern AIM as at 15 August 2011 (being the latest practical date prior to publication of this document) is as follows (all of which information is unaudited):

	Cost £000	Valuation* £000
Venture capital investments:		
<i>Unquoted</i>		
Crantock Bakery	490	605
IG Doors	193	428
Kerridge Commercial Systems	251	419
Axial Systems Holdings	251	289
Longhirst Venues	145	230
Optilan Group	250	125
Spectrum Interactive	250	63
	<hr/>	<hr/>
	1,830	2,159
<i>AIM quoted</i>		
Andor Technology	89	576
IDOX	250	453
Advanced Computer Software Group	176	411
Sinclair IS Pharma	404	338
Nationwide Accident Repair Services	296	283
Pilat Media Global	151	271
Brulines Group	262	189
Quadnetics Group	235	173
Jelf Group	297	168
Bond International Software	182	154
Prologic	300	109
Cello Group	301	90
Twenty	198	12
	<hr/>	<hr/>
	3,141	3,486
Total fixed asset investments	<hr/>	<hr/>
	4,971	5,645

* AIM-quoted holdings are shown at bid price as at close of business on 15 August 2011; unquoted holdings are carried at the directors' valuation as at 30 April 2011 with subsequent movements at cost.

Since 30 June 2011, there has been no significant change in the value and composition of the investments in the Company's portfolio.

The Company's entire portfolio is invested in the United Kingdom. The overall spread of the Company's investment portfolio by industry sector as at 15 August 2011 was as follows:

Industry sector	
IT/electronics	34.0%
Construction	3.0%
Consumer	12.3%
Industrial/manufacturing	7.1%
Services	34.0%
Healthcare/biotechnology	9.6%

Twenty largest investments

The twenty largest investments of the Company by valuation as at 30 June 2011, representing over 50% by value of the net assets of the Company at that date, were as follows:

Promanex Group Holdings Limited

Industrial support services contractor specialising in the power generation, petrochemical, process and manufacturing sectors (first investment March 2007)

Cost:	£1,695,000	Fair value:	£2,172,000
Valuation basis:	Earnings multiple	% of equity held:	14.4%

Audited results for the year ended 30 September 2010:

Sales	£56.2m
Profit/(loss) before tax	£0.9m
Net assets/(liabilities)	£(3.7)m

Kerridge Commercial Systems Limited

Software developer for wholesale and retail distribution sectors (first investment March 2010)

<i>Cost:</i>	£1,244,000	<i>Fair value:</i>	£2,162,000
<i>Valuation basis:</i>	Earnings multiple	<i>% of equity held:</i>	5.9%

Audited results for the period ended 30 September 2010:

<i>Sales</i>	£11.6m
<i>Profit/(loss) before tax</i>	£0.7m
<i>Net assets/(liabilities)</i>	£1.7m

Axial Systems Holdings Limited

Supplier of distributed network management solutions (first investment March 2008)

<i>Cost:</i>	£1,004,000	<i>Fair value:</i>	£1,142,000
<i>Valuation basis:</i>	Earnings multiple	<i>% of equity held:</i>	8.2%

Audited results for the year ended 31 May 2010:

<i>Sales</i>	£18.3m
<i>Profit/(loss) before tax</i>	£0.2m
<i>Net assets/(liabilities)</i>	£1.3m

Closerstill Holdings Limited

Promoter and manager of business-to-business exhibitions (first investment September 2008)

<i>Cost:</i>	£743,000	<i>Fair value:</i>	£1,126,000
<i>Valuation basis:</i>	Earnings multiple	<i>% of equity held:</i>	8.9%

Unaudited results for the year ended 31 December 2009:

<i>Sales</i>	-
<i>Profit/(loss) before tax</i>	£(0.6)m
<i>Net assets/(liabilities)</i>	£0.9m

Paladin Group Limited

Provider of integrated commercial and residential property management services (first investment June 2006)

<i>Cost:</i>	£1,013,000	<i>Fair value:</i>	£1,030,000
<i>Valuation basis:</i>	Earnings multiple	<i>% of equity held:</i>	8.7%

Audited results for the year ended 31 March 2010:

<i>Sales</i>	£19.6m
<i>Profit/(loss) before tax</i>	£(1.1)m
<i>Net assets/(liabilities)</i>	£1.2m

Kitwave One Limited

Wholesaler of confectionery, soft drinks, snacks, beers, wines and tobacco (first investment March 2011)

<i>Cost:</i>	£1,000,000	<i>Fair value:</i>	£1,000,000
<i>Valuation basis:</i>	Cost	<i>% of equity held:</i>	5.1%

The company has not yet published any audited financial statements

Evolve Investments Limited

Holding company for the acquisition and turnaround of underperforming businesses (first investment April 2010)

<i>Cost:</i>	£995,000	<i>Fair value:</i>	£995,000
<i>Valuation basis:</i>	Cost	<i>% of equity held:</i>	15.5%

The company has not yet published any audited financial statements

RCC Lifesciences Limited

Development of pharmaceutical and lifescience products (first investment March 2010)

<i>Cost:</i>	£995,000	<i>Fair value:</i>	£995,000
<i>Valuation basis:</i>	Cost	<i>% of equity held:</i>	15.8%

The company has not yet published any audited financial statements

Tinglobal Holdings Limited

Supplier of refurbished mid-range computer equipment (first investment June 2011)

<i>Cost:</i>	£988,000	<i>Fair value:</i>	£988,000
<i>Valuation basis:</i>	Cost	<i>% of equity held:</i>	10.8%

The company has not yet published any audited financial statements

IDOX plc

Developer of software products for document, content and information management (first investment May 2007)

<i>Cost:</i>	£298,000	<i>Fair value:</i>	£943,000
<i>Valuation basis:</i>	Bid price (AIM)	<i>% of equity held:</i>	1.2%

Audited results for the year ended 31 October 2010:

<i>Sales</i>	£31.1m
<i>Profit/(loss) before tax</i>	£4.9m
<i>Net assets/(liabilities)</i>	£31.0m

Advanced Computer Software Group plc

Developer of software for the healthcare sector (first investment August 2008)

<i>Cost:</i>	£381,000	<i>Fair value:</i>	£895,000
<i>Valuation basis:</i>	Bid price (AIM)	<i>% of equity held:</i>	0.6%

Audited results for the year ended 28 February 2010:

<i>Sales</i>	£30.2m
<i>Profit/(loss) before tax</i>	£4.2m
<i>Net assets/(liabilities)</i>	£78.5m

Wear Inns Limited

Owner and operator of managed public houses (first investment February 2006)

<i>Cost:</i>	£839,000	<i>Fair value:</i>	£839,000
<i>Valuation basis:</i>	Cost	<i>% of equity held:</i>	10.3%

Audited results for the year ended 31 March 2010:

<i>Sales</i>	£3.8m
<i>Profit/(loss) before tax</i>	£(0.1)m
<i>Net assets/(liabilities)</i>	£0.1m

Cawood Scientific Limited

Laboratory services for land-based industries (first investment December 2010)

<i>Cost:</i>	£825,000	<i>Fair value:</i>	£825,000
<i>Valuation basis:</i>	Cost	<i>% of equity held:</i>	9.1%

The company has not yet published any audited financial statements

Control Risks Group Holdings Limited

International specialist risk consultancy (first investment March 2011)

<i>Cost:</i>	£746,000	<i>Fair value:</i>	£746,000
<i>Valuation basis:</i>	Cost	<i>% of equity held:</i>	1.4%

Audited results for the year ended 31 March 2010:

<i>Sales</i>	£136.6m
<i>Profit/(loss) before tax</i>	£5.1m
<i>Net assets/(liabilities)</i>	£8.3m

Envirotec Limited

Manufacturer of air curtains and air handling equipment (first investment January 2005)

<i>Cost:</i>	£456,000	<i>Fair value:</i>	£713,000
<i>Valuation basis:</i>	Earnings multiple	<i>% of equity held:</i>	5.2%

Audited results for the year ended 28 February 2010:

<i>Sales</i>	£8.2m
<i>Profit/(loss) before tax</i>	£1.0m
<i>Net assets/(liabilities)</i>	£4.1m

Promatic Group Limited

Manufacturer and distributor of clay target launch equipment (first investment August 2007)

<i>Cost:</i>	£701,000	<i>Fair value:</i>	£701,000
<i>Valuation basis:</i>	Cost	<i>% of equity held:</i>	7.9%

Audited results for the year ended 31 January 2010:

<i>Sales</i>	£7.2m
<i>Profit/(loss) before tax</i>	£(0.1)m
<i>Net assets/(liabilities)</i>	£(0.2)m

Arleigh International Limited

Supplier of accessories and spares to the holiday home and boating markets (first investment October 2004)

<i>Cost:</i>	£432,000	<i>Fair value:</i>	£686,000
<i>Valuation basis:</i>	Earnings multiple	<i>% of equity held:</i>	5.8%

Audited results for the year ended 31 December 2010:

<i>Sales</i>	£13.2m
<i>Profit/(loss) before tax</i>	£0.8m
<i>Net assets/(liabilities)</i>	£0.7m

IG Doors Limited

Manufacturer of steel and GRP composite doors (first investment November 2003)

<i>Cost:</i>	£307,000	<i>Fair value:</i>	£646,000
<i>Valuation basis:</i>	Earnings multiple	<i>% of equity held:</i>	4.8%

Audited results for the year ended 31 December 2010:

<i>Sales</i>	£18.6m
<i>Profit/(loss) before tax</i>	£1.4m
<i>Net assets/(liabilities)</i>	£2.3m

Closer2 Investments Limited

Promoter and manager of business-to-business exhibitions (first investment March 2011)

<i>Cost:</i>	£549,000	<i>Fair value:</i>	£549,000
<i>Valuation basis:</i>	Cost	<i>% of equity held:</i>	8.7%

The company has not yet published any audited financial statements

Crantock Bakery Limited

Manufacturer of premium hand-made Cornish pasties (first investment October 2002)

<i>Cost:</i>	£442,000	<i>Fair value:</i>	£508,000
<i>Valuation basis:</i>	Earnings multiple	<i>% of equity held:</i>	6.2%

Audited results for the year ended 30 September 2010:

<i>Sales</i>	£11.9m
<i>Profit/(loss) before tax</i>	£0.9m
<i>Net assets/(liabilities)</i>	£2.6m

Note:

Investment and portfolio information in this Part V has been derived from the Company's accounting records, including its unaudited management accounts for the three months to 30 June 2011, and, in respect of the information on the portfolio companies, from the latest audited year end accounts published by those companies. In respect of information published by third parties that has been reproduced in this document, including the information on portfolio companies, the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published, no facts have been omitted which would render the reproduced information inaccurate or misleading. All portfolio companies are incorporated in the UK.

PART VI - TAX POSITION OF SHAREHOLDERS

The following paragraphs apply to the Company and to persons holding Shares as an investment who are the absolute beneficial owners of such Shares and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to a tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

The tax reliefs set out below are available to individuals aged 18 or over who receive Shares under the Scheme.

The Company

The Company has obtained approval as a VCT under Chapter 3 of Part 6 ITA 2007.

The Board considers that the Company has conducted its affairs and will continue to do so to enable it to qualify as a VCT. The implementation of the Scheme will not affect the VCT status of the Company.

Receipt by Northern AIM Shareholders of Consideration Shares under the Scheme

The effective exchange of existing Northern AIM Shares for Consideration Shares should not constitute a disposal of such shares for the purposes of UK taxation. Instead, the new holding of Consideration Shares should be treated as having been acquired at the same time and at the same cost as the existing Northern AIM Shares from which they are derived.

For Northern AIM shareholders holding (together with their associates) more than 5% of the Northern AIM Shares in issue, application for clearance has been made to HMRC in terms of Section 138 of TCGA 1992 that the treatment described above for persons who (together with their associates) own less than 5% of the Northern AIM Shares in issue should also apply to them.

Existing Shareholders of the Company and New Shareholders under the Scheme

Existing Shareholders and New Shareholders under the Scheme should all be afforded the usual tax reliefs as shareholders of a VCT.

Withdrawal of relief

Relief from income tax on a subscription for VCT shares will be withdrawn if the VCT shares are disposed of (other than between spouses) within five years of issue (or three years if issued after 5 April 2000 but before 6 April 2006) or if the VCT loses its approval within this period. Dividend relief ceases to be available once the investor ceases to own the VCT shares in respect of which it has been given.

Capital Gains Tax

Relief from capital gains tax on the disposal of VCT shares

A disposal by a shareholder of VCT shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the annual limit for any tax year.

Purchasers in the market

An individual purchaser of existing VCT shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in the paragraph above).

Withdrawal of Approval

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval as a VCT, approval may be withdrawn or treated as never having been given. In these circumstances, reliefs from income tax on the initial investment are repayable unless loss of approval occurs more than five years after the issue (three years if issued after 5 April 2000 but before 6 April 2006) of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in an accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

Shareholders not resident in the UK

Shareholders not resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

PART VII — TAX POSITION OF THE COMPANY

The Company has to satisfy a number of tests to continue to qualify as a VCT. A summary of these tests is set out below. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- not be a close company;
- have each class of its ordinary share capital quoted on a regulated European market;
- derive its income wholly or mainly from shares or securities;
- have at least 70% by VCT Value of its investments in shares or securities in qualifying holdings, of which 30% by VCT Value must be in ordinary shares carrying no preferential rights to dividends or assets on a winding-up and no rights to be redeemed;
- for funds raised after 5 April 2011, have at least 70% by VCT Value of the Company's qualifying investments in "eligible shares", which will include shares with certain preferential rights to dividends;
- have at least 10% by VCT Value of each qualifying holding in ordinary shares which carry no preferential rights to dividends or assets on a winding-up and no rights to be redeemed;
- not have more than 15% by VCT Value of its investments in a single company at the time of investment (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and
- not retain more than 15% of its income derived from shares and securities in any accounting period.

Qualifying Holdings

A qualifying holding consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions and for which not more than £1 million was subscribed in any one tax year (nor more than £1 million in, broadly, any period of six months straddling two tax years). The conditions are detailed but include for funds raised before 6 April 2006, that the company must be a qualifying company, that it has gross assets not exceeding £15 million immediately before and not exceeding £16 million immediately after the investment and £7 million and £8 million immediately after the investment for funds raised thereafter, applies the money raised for the purposes of a qualifying trade within certain time periods and that it is not controlled by another company. In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding.

Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on AIM and the PLUS Markets) and must carry on a qualifying trade. For this purpose certain activities are excluded such as dealing in land or shares or providing financial services. The qualifying trade must be carried on by, or be intended to be carried on by, the Qualifying Company or by a qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter). Qualifying Companies must at all times have a permanent establishment in the UK. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than qualifying subsidiaries which must be more than 50% owned.

For the investment of funds raised after 5 April 2007 a Qualifying Company is one with less than 50 full-time equivalent employees and which has not had more than £2 million of VCT funds raised after 5 April 2007 (together with funds under the Enterprise Incentive Scheme) in any rolling 12 month period.

A Qualifying Company may have up to 250 full time employees, gross assets of £15 million before and £16 million after the investment and need not carry on its trade wholly or mainly in the UK, provided it has a permanent establishment in the UK.

Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval. A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such funds need to meet the relevant tests.

Withdrawal of Approval

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. Withdrawal of approval generally has effect from time to time when notice is given to the VCT but, in relation to capital gains tax of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

Changes in legislation concerning VCTs in general, and VCT qualifying investments and qualifying trades in particular, may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.

PART VIII — ADDITIONAL INFORMATION

1. THE COMPANY

1.1 *General Information*

- 1.1.1 The Company was incorporated and registered in England and Wales on 3 September 2001 with limited liability as a public limited company under the Companies Act 1985 with the name Northern 3 VCT PLC and with registered number 4280530.
- 1.1.2 On 24 September 2001 the Company gave notice to the Registrar of Companies of its intention to carry on business as an investment company under Section 266 of the Companies Act 1985. The Company revoked this status on 1 October 2004.
- 1.1.3 The Company has not, since incorporation, been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against the Company of which the Company is aware) which may have or have had a significant effect on the Company's financial position or profitability.
- 1.1.4 The principal legislation under which the Company operates is the Companies Act 1985 and the Act and the regulations made thereunder.
- 1.1.5 The principal activity of the Company is to operate as a VCT.
- 1.1.6 The Company does not hold any share capital in treasury.
- 1.1.7 The ISIN number of the Shares is GB0031152027.
- 1.1.8 The Company is neither authorised nor regulated by the FSA.

1.2 *Duration of the Company*

Shareholders are currently given the opportunity to review the future of the Company at regular intervals. The Articles contain provisions requiring the Directors to propose an ordinary resolution at the annual general meeting of the Company held in 2015 and, if the Company has not then been liquidated, unitised, or reconstructed, at each fifth subsequent annual general meeting, proposing that the Company should continue as a VCT for a further five year period.

1.3 *Borrowing Policy*

The Articles allow the Company to borrow up to an amount equal to the adjusted capital and reserves of the Company. The Directors have no present intention of using this power, but it has been made available to provide the Company with flexibility, if required, in future. A summary of the borrowing powers of the Company contained in the Articles is set out in paragraph 3.11 below.

2. SHARE CAPITAL

- 2.1 As at 15 August 2011, the issued and fully paid share capital was £2,021,740, comprising 40,434,802 Shares.
- 2.2 During the three year period preceding the date of this document, the following purchases and issues of Shares have taken place:

Date Share buy-back entered in register of members	Number of Shares	Price per Share (pence)
27 August 2008	130,080	84.60
3 October 2008	32,324	84.60
1 December 2008	189,389	84.60
21 November 2008	22,348	84.60
7 August 2009	84,509	48.25
11 January 2010	60,000	76.90
1 March 2010	2,858,255	88.10
29 March 2010	140,000	75.65
18 June 2010	300,000	76.60
5 October 2010	200,000	74.60
4 February 2011	200,000	75.50
21 March 2011	200,000	75.50
6 April 2011	50,000	75.50
24 June 2011	140,000	78.25

Date of Share Issue	Number of Shares	Issue Price (pence)
16 January 2009	84,917	84.1
10 July 2009	85,757	82.0
15 January 2010	77,667	88.5
1 March 2010	2,393,661	95.0
1 March 2010	2,703,665	95.0
24 March 2010	2,720,211	95.0
31 March 2010	2,143,564	95.0
5 April 2010	1,893,323	95.0
12 April 2010	552,456	95.0
13 May 2010	979,181	95.0
22 March 2011	1,763,380	94.0
30 March 2011	470,662	94.0

2.3 Since the date of its incorporation, no share or loan capital of the Company has been issued or agreed to be issued or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital except as disclosed herein. The Company has no contingent liabilities.

2.4 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option. Other than pursuant to the Scheme and the authorities referred to above in this paragraph 2, no material issue of Shares (other than in circumstances where such Shares are offered to Shareholders *pro rata* to their existing holdings) will be made within one year without the prior approval of Shareholders in general meeting.

2.5 The New Shares will be in registered form and temporary documents of title will not be issued. It is intended that the Shares may be held in certificated form or in the CREST system.

2.6 The following resolutions will be proposed at the General Meeting, that:

2.6.1 in substitution for existing authorities, the Directors be and hereby are authorised in accordance with Section 551 of the Act to exercise all of the powers of the Company to allot Shares and to grant rights to subscribe for or to convert any security into Shares up to an aggregate nominal value of £500,000 in connection with the Scheme, provided that the authority conferred by this resolution shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting;

2.6.2 in substitution for existing authorities but without prejudice to the authority conferred by resolution 2.6.1 described above, the Directors be and hereby are authorised in accordance with Section 551 of the Act to exercise all of the powers of the Company to allot Shares and to grant rights to subscribe for or to convert any security into Shares up to an aggregate nominal value representing no more than 10% of the aggregate nominal value of the Shares issued from time to time provided that the authority conferred by this resolution shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting (except that the Company may, before such expiry, make offers or

agreements which would or might require Shares to be allotted or rights to be granted to subscribe for or to convert any security into Shares in the Company after such expiry and notwithstanding such expiry the Directors may allot Shares or grant rights to subscribe for or to convert any security into Shares in pursuance of such offers or agreements);

- 2.6.3 the acquisition of all of the assets and liabilities of Northern AIM on the terms set out in the circular to shareholders dated 16 August 2011 be and hereby is approved;
- 2.6.4 in substitution for existing authorities, the Directors be and hereby are empowered pursuant to Section 570(1) of the Act to allot or make offers or agreements to allot equity securities for cash pursuant to the authority given in accordance with Section 551 of the Act by resolutions 2.6.2 and 2.6.3 as if Section 561(1) of the Act did not apply to such allotments, provided that the power provided by this resolution shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting; and
- 2.6.5 that the amount standing to the credit of the share premium account of the Company at the date the order is made confirming such cancellation by the court, be and is hereby cancelled.

The resolutions described at 2.6.1 and 2.6.2 will be proposed as ordinary resolutions and the resolutions described at 2.6.3 to 2.6.5 (inclusive) will be proposed as special resolutions.

3. ARTICLES OF ASSOCIATION

The Articles currently contain provisions, *inter alia*, to the following effect:

3.1 Voting Rights

Subject to any disenfranchisement as provided in the Articles and subject to any special terms as to voting on which any shares may be issued, on a show of hands every member present in person (or, being a corporation present by a duly authorised representative) shall have one vote and, on a poll, every member present in person or by proxy shall have one vote for every shares of which he is the holder.

3.2 Transfer of Shares

All transfers of shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer of a share shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid share, provided that such refusal does not prevent dealings taking place on an open and proper basis, and may also refuse to register any instrument of transfer unless:

- 3.2.1 it is duly stamped (if so required), is lodged with the Company's registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- 3.2.2 it is in respect of only one class of share;
- 3.2.3 the transferees do not exceed four in number; and
- 3.2.4 the transfer relates to a share in respect of which all sums payable to the Company have been paid.

3.3 Dividends

The Company may in general meeting by ordinary resolution declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other monies payable in respect of a share shall bear interest as against the Company. All dividends unclaimed for a period of twelve years after being declared or becoming due for payment shall be forfeited and shall revert to the Company.

3.4 Disclosure of interests in shares

If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in Section 793 of the Act, the Directors may, for such period as the default shall continue, impose restrictions upon the relevant shares.

The restrictions available are the suspension of voting and rights of attendance at meetings of the Company in respect of the relevant shares and, additionally, in the case of a shareholder representing at least 0.25% by nominal value of any class of shares of the Company then in issue the withholding of payment of any dividends on and the restriction of transfer of the relevant shares.

3.5 ***Distribution of assets on liquidation***

On a winding-up any surplus assets will be divided amongst the holders of the shares according to the respective numbers of shares held by them and in accordance with the provisions of the Acts, subject to the rights of any shares which may be issued with special rights or privileges. The Articles provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Acts, divide amongst the members *in specie* the whole or any part of the assets of the Company in such manner as he may determine.

3.6 ***Changes in share capital***

- 3.6.1 Without prejudice to any rights attached to any existing shares, any shares may be issued with such rights or conditions as the Company may by ordinary resolution determine or, in the absence of such determination, as the Directors may determine. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are, liable to be redeemed.
- 3.6.2 The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide its shares or any of them into shares of smaller amounts, cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount so cancelled or the amount of the reduction.
- 3.6.3 Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account and may also, subject to the Act, purchase its own shares (excluding any redeemable shares).

3.7 ***Variation of rights***

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of such holders.

3.8 ***Directors' interests***

A Director who is in any way, directly or indirectly, interested in any transaction or arrangement with the Company shall, at a meeting of the Directors, declare, in accordance with the Act, the nature of his interest.

- 3.8.1 Provided that he has declared his interest in accordance with the Articles a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer of or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit or remuneration which he derives from such office, interest, any such action or arrangement.
- 3.8.2 A Director shall not vote at a meeting of the Directors in respect of a matter in which he has any direct/indirect interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company unless the Director has made a declaration disclosing the nature and extent of such interests and has obtained from the other Directors their authorisation for the above in accordance with the provisions of the statutes and unless his interest arises only because the case falls within one or more of the following paragraphs:
 - 3.8.2.1 the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - 3.8.2.2 the giving to a third party of any guarantee, security or indemnity in respect of a debt or an obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- 3.8.2.3 any proposal concerning the subscription by him of shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participating in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities for subscription, purchase or exchange;
- 3.8.2.4 any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing 1% or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
- 3.8.2.5 any proposal relating to an arrangement for the benefit of the employees of the Company or any subsidiary undertaking which does not award to any Director as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates;
- 3.8.2.6 any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors of the Company or for the benefit of persons including directors of the Company.

3.8.3 Where proposals are under consideration concerning the appointment of two or more Directors to offices or employment with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment

3.9 *Remuneration of Directors*

- 3.9.1 The ordinary remuneration of the Directors (other than an executive director appointed under the Articles) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting, the aggregate of the ordinary remuneration of such Directors shall not exceed £100,000 per year). The Directors shall also be paid by the Company all travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.
- 3.9.2 Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.
- 3.9.3 The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

3.10 *Retirement of Directors*

At the annual general meeting of the Company next following the appointment of a Director he shall retire from office. A Director shall also retire from office at or before the third annual general meeting following the annual general meeting at which he last retired and was re-elected. A retiring Director shall be eligible for re-election. A Director shall be capable of being appointed or re-appointed a Director.

3.11 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital. The Directors shall restrict the borrowings of the Company and, by the exercise of the Company's voting and other rights or powers of control over its subsidiary undertakings (if any), secure that they restrict their borrowings, so that the aggregate amount at any time outstanding in respect of money borrowed by the group, being the Company and its subsidiary undertakings for the time being, shall not, without the previous sanction of an ordinary resolution of the Company, exceed the amount standing to the credit of the reserves of the Company (all as shown by the latest published audited balance sheet of the Company) subject to certain adjustments and deductions as set out in the Articles of Association.

3.12 *Distribution of realised capital profits*

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company (a Relevant Period), distribution of the Company's capital profits (within the meaning of Section 833 of the Act) shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment or other dealing with any investments or other capital assets and, subject to the Act, any expenses, loss or liability (or provision therefor) which the Board considers to relate to capital or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by Section 829 of the Act) except to the extent that the requirements for investment company status under the Act do not require a company to prohibit the distribution of capital profits in its articles of association or be applied in paying dividends on any shares in the Company. In periods other than a Relevant Period any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by Section 829 of the Act) or be applied in paying distributions on any shares in the Company.

3.13 *Duration of the Company*

At the Annual General Meeting of the Company held in 2015 and, if the Company has not then been liquidated, unitised or reconstructed, at each fifth subsequent Annual General Meeting of the Company convened by the Directors thereafter, the Directors shall propose a resolution that the Company shall continue as a VCT for a further five year period, on which resolution the vote shall be decided on a show of hands unless on declaration of the results of that show of hands a poll is duly demanded. The resolution that the Company should continue as a VCT shall not be passed only if those members in person or by proxy who vote against the resolution hold in aggregate not less than 25% of the issued share capital of the Company at such time entitled to attend and vote at such meeting. If at any such meeting such resolution is not passed the Board shall, within nine months of such meeting, convene a general meeting to propose a special resolution for the reorganisation or unitisation of the Company or a special resolution to wind-up the Company voluntarily. The Directors shall use all reasonable endeavours to ensure that such proposals for liquidation, unitisation or reorganisation of the Company are approved by special resolution or implemented as soon as reasonably practicable.

3.14 *Uncertificated Shares*

CREST, a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument, was introduced in July 1996. The Articles are consistent with CREST membership and allow for the holding and transfer of shares in uncertificated form pursuant to the Regulations.

3.15 *General Meetings*

An annual general meeting shall be held once a year (and specified as such in the notice convening the meeting) at such time (within a period of six months beginning on the day following the Company's accounting reference date) and place as may be determined by the Directors.

An annual general meeting and any general meeting at which it is proposed to pass a special resolution or (except as provided by statute) a resolution of which special notice has been given to the Company, shall be called by at least 21 clear days' notice in writing. Any other general meeting shall be called by at least 14 clear days' notice given by the Company. Notice shall be given to all members, other than those who are not entitled under the Articles to receive notice.

Every notice calling a general meeting shall specify the place, day and hour of the meeting. Every notice must include a prominent statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

3.16 Issue of Shares

Subject to the provisions of the Act relating to authority, pre-emption rights and otherwise and of any resolution of the Company in general meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

4. DIRECTORS' AND OTHER INTERESTS IN THE COMPANY

4.1 The Company is not aware of any person, not being a member of its administrative, management or supervisory bodies, who, as at the date of this document, is directly or indirectly interested in 3% or more of the issued share capital of the Company and is required to notify such interest in accordance with the Disclosure Rules & Transparency Rules or who directly or indirectly owns or controls the Company.

4.2 As at 15 August 2011 (being the latest practicable date prior to the publication of this document), the interests (all of which are beneficial) of the Directors and their respective immediate families and persons connected with them in the share capital of the Company were as follows:

Name	Number of Shares	Percentage of issued Share capital
James Ferguson	176,734	0.44%
Christopher Fleetwood	25,577	0.06%
Timothy Levett	169,182	0.42%
John Waddell	7,283	0.02%

Save as disclosed in this paragraph 4, no Director nor any person (to the extent the same is known to, or could with reasonable diligence be ascertained by, that Director) connected with any Director has any interest in the share or loan capital of the Company.

4.3 Each of the Directors has entered into a letter of appointment with the Company, a copy of which is available for inspection at the address set out in paragraph 10 of this Part VIII below, for the provision of their services as directors for the fees disclosed in paragraph 4.6 below. These agreements were entered into on 17 July 2008, 3 July 2009 and 1 July 2010 between the Company and each of the Directors. These agreements remain in force for an initial three year period and then as agreed. They are also terminable by either party giving the other at least three months' notice in writing, are subject to retirement by rotation and earlier cessation for any reason under the Articles or any other event of default. There are no commission or profit sharing arrangements and no compensation is payable on termination of the agreements. No amounts have been put aside to provide pensions, retirement or similar benefits to any Directors. Save as disclosed in this paragraph, none of the Directors has entered into any service contract with the Company.

4.4 No loan or guarantee has been granted or provided by the Company to any Director.

4.5 Save as disclosed in paragraphs 4 and 5 of this Part VIII, no Director has an interest in any transaction effected by the Company since its incorporation which is or was unusual in its nature or conditions or significant to the business of the Company or material to the Company or the Scheme.

4.6 The current annual remuneration of the Directors is as follows:

Director	Annual Fees
James Ferguson	£20,000
Christopher Fleetwood	£15,000
Timothy Levett (fees waived)	£15,000
John Waddell	£15,000

The fees paid to the Directors by the Company for the financial period ended 31 March 2011 under the arrangements in force at the date of this document were £14,500 for each Director (other than Timothy Levett who waived his fee) and £19,500 for the Chairman, James Ferguson, plus NIC/VAT (where applicable).

4.7 The Company maintains directors' and officers' liability insurance for the benefit of the Directors and the Company Secretary.

4.8 The following are directorships (unless otherwise stated) and partnerships held by the Directors in the five years prior to the date of this document and the principal activities of the Directors other than in relation to the Company where these are significant with respect to the Company:

Directorships and partnerships

	Current	Previous
James Ferguson	Audax Properties plc Edinburgh US Tracker plc Gordonstoun Foundation Limited Gordonstoun Schools Limited Lloyds TSB Foundation for Scotland Monks Investment Trust Public Limited Company Northern 3 VCT PLC Penicuik House Preservation Trust Real Tennis Edinburgh The Independent Investment Trust plc The Scottish Oriental Smaller Companies Trust plc Value & Income Trust plc	Aberlour House Limited Inspiring Scotland Lloyds TSB Scotland plc North Foreland Lodge Limited Randotte (No. 478) Limited V.I.T. Securities Limited
Christopher Fleetwood	IO Solutions Limited Northern 3 VCT PLC Onyx Group Limited	Adit North Limited Chieftain Group Limited Enterprise Development North East Limited North East Community Services C.I.C. Nufast (UK) Limited Onyx Internet Limited VPTA Limited (went into liquidation and was subsequently dissolved)
Timothy Levett	Alaric Systems Limited Control Risks Group Holdings Limited Crantock Bakery Limited Gentronix Limited Northern 3 VCT PLC Northern VCT Managers Limited Northern Venture Managers Limited Northstar Equity Investors Limited NVM Group Limited NVM Nominees Limited NVM Private Equity Limited Project NVM Limited Wear Inns Limited	Britspace Holdings Limited Britspace Investments Limited Britspace Modular Buildings Limited Develop Training Limited DMN Limited Gateway Chassis Limited GB Industries Limited GB Industries Trustees Limited Impala Partnership Limited LEDA Holdings Limited Longhirst Group Limited Longhirst Venues Limited Northern Venture Trust PLC NSEI General Partner Limited Tikit TFB Limited Ultra Secure Products Limited (in administration)
John Waddell	Archangel Directors Limited Archangel Informal Investment Limited City Health Clinic Edinburgh Limited CXR Biosciences Limited Eologic Limited (in liquidation) Instant Group Limited LAB901 Limited Northern 3 VCT PLC PRL (Scotland) PDA Systems Limited PRL Scotland Limited Sentient Medical Limited Terry Trim Limited The Map Magazine Limited	Aurora Computer Services Limited Edinburgh Partners Limited Noble Grossart Limited Reactec Limited Trig Avionics Limited

4.9 Other than as disclosed in paragraph 4.8, none of the Directors has:

- 4.9.1 any unspent convictions in relation to indictable offences or convictions in relation to fraudulent offences in the previous five years;
- 4.9.2 been associated with any bankruptcy, receivership or liquidation in his capacity as director or other member of an administrative, management or supervisory body, or as senior manager, in each case for the previous five years;
- 4.9.3 been an executive director or senior manager of any company which, at the time of or within 12 months following his executive directorship, has been subject to receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors;
- 4.9.4 been a partner or senior manager in any partnership which, at the time of or within 12 months following his being a partner, has been subject to a compulsory liquidation, administration, or partnership voluntary arrangement;
- 4.9.5 owned any assets which have been subject to a receivership or been a partner in partnership subject to a receivership where he was a partner at the time or within the 12 months preceding such event; or

4.9.6 been subject to public criticism or any official public incrimination and/or sanctions by any statutory or regulatory authority (including recognised or designated professional bodies) or been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company for the previous five years.

4.10 The Company is not aware of any persons who, directly or indirectly, exercise or could exercise control over the Company. At the date of the Prospectus, there are no arrangements in place that may, at a subsequent date, result in a change of control of the Company.

4.11 As at the date of this document, there are no potential conflicts of interest between any duties of any Director or the Investment Manager to the Company and their private interests and/or other duties.

4.12 None of the Company's major shareholders has voting rights different from other holders of Shares.

5. MATERIAL CONTRACTS

5.1 The following, together with the non-executive director appointment letters, are (a) the only contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company within the two years preceding date of publication of this document and which are or may be material to the Company, and (b) the only contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company within the two preceding years and contain any provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

5.1.1 An agreement dated 24 September 2001 between the Company and NVM (as varied by Deeds of Amendment dated 26 September 2007 and 13 May 2011) whereby NVM agreed to provide discretionary portfolio management services to the Company in relation to its investments, money and assets for a fee of 2.06% per annum of the net assets of the Company payable quarterly in advance and calculated at half yearly intervals. NVM bears the cost of Sarasin & Partners' fees for managing the listed fixed-interest portfolio. NVM also provides administrative and secretarial services to the Company for a fee currently of £44,000 per annum (linked to the movement in the RPI). NVM is also entitled to receive a performance-related management fee equivalent to 14.2% 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 the higher of base rate and 3% 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 be then 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.

If the Annual Running Costs of the Company exceed 3.5% of its net assets, the Manager has undertaken to refund its fees to the extent of such excess.

5.1.2 Each of the Directors has entered into a letter of engagement on the terms described in paragraph 4.3 above.

5.1.3 A discretionary portfolio management agreement dated 6 August 2010 between the Company and Speirs & Jeffrey, Stockbrokers, for the provision of discretionary portfolio services. Under this agreement commission is payable at a flat rate of 0.25% and certain nominee fees are charged on a per holdings basis.

5.1.4 An agreement dated 24 February 2003 between the Company and Brewin Dolphin Securities Limited for the provision of general advisory and dealing services, together with related research, in relation to certain securities.

5.1.5 A discretionary investment management entered into on or around 2 April 2008 between the Company and Sarasin & Partners LLP (formerly Sarasin Investment Management Limited) for the provision of discretionary investment management services.

5.1.6 A letter agreement dated 8 October 2009 between the Company and Singer Capital Markets Limited for the provision of corporate broking services.

5.1.7 An offer agreement ("Offer Agreement") dated 22 January 2010 between the Company, the Directors, Howard Kennedy and Downing Corporate Finance Limited ("Downing"), whereby Howard Kennedy agreed to act as sponsor to the Company's offer for subscription ("2010 Offer")

and Downing undertook, as agent of the Company, to use its reasonable endeavours to procure subscribers for up to 15,000,000 Shares.

Under the Offer Agreement the Company agreed to pay Downing an amount equal to 5.5% of the aggregate amount of subscription monies received by the Company pursuant to the 2010 Offer together with an annual commission of 0.2% of the gross funds subscribed under the 2010 Offer for five years. Pursuant to this agreement, Downing agreed to pay all costs, charges, fees and expenses payable by the Company or the Manager in connection with, or incidental to, the 2010 Offer.

Under the Offer Agreement, certain warranties were given by the Company and the Directors to Howard Kennedy and Downing, without limitation in time or amount. The Company also agreed to indemnify Howard Kennedy in respect of its role as sponsor and under the Offer Agreement. These warranties and indemnity were in usual form for a contract of this type.

5.1.8 An engagement letter dated 12 January 2010 between the Company, NVM and Downing, whereby Downing was appointed to co-ordinate the 2010 Offer and to assist the Company in achieving its objective of issuing 15,000,000 Shares. Downing was entitled to receive an amount equal to 5.5% of the aggregate amount of subscription monies received by the Company pursuant to the 2010 Offer together with an annual commission of 0.4% of the gross funds subscribed under the 2010 Offer for five years. This latter payment was made by the Company and NVM in equal proportions. Pursuant to the letter, Downing agreed to pay all costs, charges, fees and expenses payable by the Company or NVM in connection with, or incidental to, the 2010 Offer, including paying for "early-bird" shares.

5.1.9 A co-investment agreement dated 24 March 2006 between the Company and NVM pursuant to which investment executives employed by the Manager who have been nominated by the Manager (in its absolute discretion) to participate in the scheme and who agree to participate (the "Co-Investors") are required to invest directly (and on the same terms as the Company) in the ordinary shares of the investee companies in which the Company invests. Co-Investors are required to subscribe for:

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

All investments made by Co-investors under the co-investment scheme will be realised at the same time as, and on the same term as, the corresponding investments made by the Company in unquoted entities. Co-Investors under the scheme will not 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.

5.1.10 An agreement dated 16 August 2011 between the Company, the Directors, Howard Kennedy Corporate Services LLP and NVM pursuant to which Howard Kennedy Corporate Services LLP will act as sponsor to the Company in respect of the Proposals. Under the agreement, which may be terminated by Howard Kennedy Corporate Services LLP in certain circumstances, certain warranties have been given by the Company and the Directors to Howard Kennedy Corporate Services LLP. The Company has also agreed to indemnify Howard Kennedy Corporate Services LLP in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement may be terminated if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

5.2 The following contracts will be entered into subject, *inter alia*, to the approval by Shareholders of the resolutions to be proposed at the General Meeting and the shareholders of Northern AIM at the Northern AIM Meetings:

5.2.1 A transfer agreement between the Company and Northern AIM (acting through the Liquidators) pursuant to which all of the assets and liabilities of Northern AIM will be transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for Consideration Shares in accordance with Part I of this document. The

Liquidators will agree under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of Northern AIM will be transferred on receipt to the Company as part of the Scheme.

5.2.2 An indemnity from the Company to the Liquidators pursuant to which the Company will indemnify the Liquidators for expenses and costs incurred by them in connection with the Scheme.

6. RELATED PARTY TRANSACTIONS

Other than as disclosed in paragraph 5.1.1 above, the Company has not entered into any related party transactions during the period covered by the financial information referred to in Part III of this document and up to the date of this document.

7. TAXATION

7.1 The following paragraphs, which are intended as a general guide only and are based on current legislation and HMRC practice, summarise advice received by the Board as to the position of the Company's Shareholders who hold Shares other than for trading purposes. Any person who is in any doubt as to his taxation position or may be subject to taxation in any jurisdiction other than the United Kingdom should consult his professional advisers.

7.2 **Taxation of dividends** - under current law, no tax will be withheld by the Company when it pays a dividend.

7.3 **Stamp duty and stamp duty reserve tax** - the Company has been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of the Consideration Shares to be issued pursuant to the Scheme. The Company has been advised that the transfer of Consideration Shares will, subject to any applicable exemptions, be liable to *ad valorem* stamp duty at the rate of 0.5% of the consideration paid. An unconditional agreement to transfer such Consideration Shares if not completed by a duly stamped stock transfer will be subject to stamp duty reserve tax generally at the rate of 50p per £100 (or part thereof) of the consideration paid.

7.4 **Close company** - the Board believes that the Company is not, and expects that following completion of the Scheme it will not be, a close company within the meaning of ITA 2007. If the Company was a close company in any accounting period, approval as a VCT for the Company would be withdrawn.

8. GENERAL

Working Capital Statement

8.1 The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

Capitalisation and Indebtedness Statement

8.2 The table set out below shows the capitalisation of the Company as at 30 June 2011 (being the latest practical date prior to publication of this document).

Shares

	£000
Shareholders' equity	
Share capital	2,022
Share premium	21,378
Capital redemption reserve	399
Revenue reserve	702
Capital reserve – realised	11,395
Revaluation reserve	2,288
	<hr/>
	38,182

There has been no material change in the capitalisation of the Company since 30 June 2011.

The following table shows the Company's net indebtedness as at 30 June 2011:

	£000
A Cash	4,879
B Cash equivalents	-
C Trading securities	-
D Liquidity (A+B+C)	<u>4,879</u>
 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)	<u> </u>
 J Net current financial indebtedness (I-E-D)	<u>(4,879)</u>
 K Non-current bank loans	-
L Bonds issued	-
M Other non-current loans	-
N Non-current financial indebtedness (K+L+M)	<u> </u>
O Net financial indebtedness (J+N)	<u>(4,879)</u>

8.3 There is no indirect or contingent indebtedness.

9. OTHER

9.1 Other than the costs of the Scheme, the acquisition of Northern AIM is not expected to have a material effect on the levels of revenue and profits made by the Company relative to its enlarged asset base had the acquisition occurred on 31 March 2011.

9.2 There are no Governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

9.3 There has been no significant change in the financial or trading position of the Company since 31 March 2011, the date to which the most recent audited financial statements of the Company were made up, except for the following investment transactions:

Additions

	Amount invested £000
Tinglobal Holdings (unquoted)	988
Paladin Group (unquoted)	152

Disposals

	Cost £000	Carrying value as at 31 March 2011 £000	Disposal proceeds £000	Realised gain £000
Andor Technology (AIM quoted)*	14	58	85	27
Britspace Group (unquoted)	794	-	-	-

*Part disposal

9.4 The Company has paid dividends totalling 31.4p per Share to holders of Shares in the period from incorporation to date.

9.5 There have been no important events so far as the Company and the Directors are aware relating to the development of the Company or its business.

9.6 There have been no significant factors, whether governmental, economic, fiscal, monetary or political, including unusual or infrequent events or new developments nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have an effect on the Company's prospects or which have materially affected the Company's income from operations so far as the Company and the Directors are aware.

9.7 There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year, so far as the Company and the Directors are aware.

9.8 Lubbock Fine (a member firm of the Institute of Chartered Accountants of England and Wales) has given and has not withdrawn its written consent to the inclusion in this document of its report set out in Part IV of this document in the form and context in which it is included.

9.9 Howard Kennedy Corporate Services LLP and the Liquidators have given and not withdrawn their written consent to the issue of this document and the inclusion of their names and the references to them in this document in the form and context in which they appear.

9.10 The costs and expenses of the Scheme payable by the Company, including any irrecoverable value added tax and all fees and commissions payable, are estimated to be £62,500 inclusive of VAT.

9.11 Shareholders will be informed, by means of the half-yearly and/or annual report or through a Regulatory Information Service announcement, if the investment restrictions which apply to the Company as a VCT detailed in this document are breached.

9.12 The Company's capital resources are restricted insofar as they may be used only in putting into effect the investment policies in this document. There are no firm commitments in respect of the Company's principal future investments.

9.13 All Shareholders have the same voting rights in respect of the share capital of the Company. The Company is not aware of any person who, directly or indirectly, exercises or could exercise control over the Company, nor of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

9.14 KPMG Audit Plc have been auditors of the Company for the three years ended 31 March 2011. KPMG Audit Plc is registered to carry on audit work by the Institute of Chartered Accountants of Scotland.

9.15 Other than the Directors, the Company has no employees or subsidiaries.

9.16 A typical investor is expected by the Directors to be an individual (not a corporate entity), who is aged 18 or over and pays UK income tax and who already owns a portfolio of non-VCT investments such as unit trusts/OEICs, investment trusts and shareholdings in listed companies. The individual should be willing to invest over the long term and be comfortable with higher risk investments, such as unquoted company shares. Such an individual is often classified as "retail" and may also be sophisticated. The investor should either have experience of such investments and/or seek advice from an appropriate financial adviser.

9.17 The Company does not have any material shareholders with different voting rights.

9.18 Application has been made for the admission of the Consideration Shares to be issued under the Scheme to be listed on the Official List and application will be made for the Consideration Shares to be admitted to trading on the London Stock Exchange's market for listed securities. A Regulatory Information Service

announcement will be made following the Calculation Date stating the number of such Consideration Shares to be issued. Dealings may not commence in the Consideration Shares issued pursuant to the Scheme before notification of the number of Consideration Shares to be issued is given. The Consideration Shares issued pursuant to the Scheme will be in registered form. If, following issue, recipients of Consideration Shares pursuant to the Scheme should wish to hold their Shares in uncertified form they should contact the Company's registrar.

9.19 The Company is subject to the investment restrictions relating to a venture capital trust in ITA 2007, as more particularly detailed in Part III of this document, and in the Listing Rules which specify that (i) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy as set out on page 16 of this document; (ii) the Company must not conduct any trading activity which is significant in the context of its group as a whole; and (iii) the Company may not invest more than 10%, in aggregate, of the value of the total assets of the issuer at the time an investment is made in other listed closed-ended investment funds. Any material change to the investment policy of the Company will require the approval of Shareholders pursuant to the Listing Rules. The Company intends to direct its affairs in respect of each of its accounting periods so as to qualify as a venture capital trust and accordingly:

- 9.19.1 the Company's income is intended to be derived wholly or mainly from shares or other securities, as this phrase is interpreted by HMRC;
- 9.19.2 the Company will not control the companies in which it invests in such a way as to render them subsidiary undertakings;
- 9.19.3 none of the investments at the time of acquisition will represent more than 15% by VCT Value of the Company's investments; and
- 9.19.4 not more than 20% of the Company's gross assets will at any time be invested in the securities of property companies.

9.20 The Company and its Shareholders are subject to the provisions of the Takeover Code and the Act, which require shares to be acquired/transferred in certain circumstances.

9.21 Had the Scheme had been implemented on 31 March 2011, based on the relative unaudited net asset value of the Company as at 30 April 2011 and the audited net asset value of the Company as at 31 March 2011, 6,177,927 Consideration Shares would have been issued to Northern AIM Shareholders, representing 15.22% of the current issued share capital of the Company.

9.22 The total costs of the Scheme are anticipated to be £250,000 (inclusive of VAT), which will be split as to 25% to each of the Company and Northern AIM and 50% to NVM.

9.23 The Company is not regulated by the Financial Services Authority as an authorised person under the Financial Services and Markets Act 2000, but it is subject to regulation by HMRC under the VCT Rules in order to continue to qualify as a VCT.

9.24 The custodian of the Company's unquoted assets is NVM, which is authorised and regulated by the Financial Services Authority and whose address is Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER. The custodians of the Company's quoted equity assets are Brewin Dolphin Securities Limited, which is authorised and regulated by the Financial Services Authority and whose address is 12 Smithfield Street, London EC1A 9BD and Speirs & Jeffrey, which is authorised and regulated by the Financial Services Authority and whose address is 36 Renfield Street, Glasgow G2 1NA. The custodian of the Company's listed fixed income securities is Sarasin & Partners LLP, which is authorised and regulated by the Financial Services Authority and whose address is Juxon House, 100 St Paul's Churchyard, London EC4M 8BU.

9.25 Certain information in this document has been sourced from the Manager or investee companies, 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 the Manager or investee companies respectively, no facts have been omitted which would render the reproduced information inaccurate or misleading.

9.26 All material contracts of the Company will be in English and the Company and/or the Investment Manager will communicate with Investors and/or Shareholders in English.

9.27 Valuation of investments – listed investments and investments traded on AIM will be stated at closing bid prices. Unquoted investments and investments traded on PLUS will be stated at fair value as determined by the Directors. In valuing unquoted investments, the Directors will follow a number of general principles in accordance with the latest venture capital industry guidelines.

- 9.28 Complaints about the Company or the Manager should be referred to the chairman of the Board at Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER. Any such complaint may subsequently be referred to the Financial Ombudsman Service. Compensation will not be available from the Financial Services Compensation Scheme in the event of default by the Manager.
- 9.29 NVM was incorporated and registered in England and Wales on 3 December 1987 under the Companies Act 1985 with registered number 2201762 and is domiciled in the United Kingdom. The registered office and principal place of business of NVM is Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER (telephone number 0191 244 6000). NVM is authorised and regulated by the FSA under number 141943 and is a member of the BVCA.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until the Effective Date at the offices of Howard Kennedy Corporate Services LLP, 19 Cavendish Square, London W1A 2AW and also at the registered office of the Company:

- 10.1 the Articles of the Company;
- 10.2 the audited statutory accounts of the Company for the three financial years ended 31 March 2009, 31 March 2010 and 31 March 2011;
- 10.3 the audited statutory accounts of Northern AIM for the three financial years ended 31 October 2008, 31 October 2009 and 31 October 2010 ;
- 10.4 the material contracts referred to in paragraph 5 above;
- 10.5 a draft of the Transfer Agreement;
- 10.6 the consents referred to in paragraphs 9.10 and 9.11 above;
- 10.7 the circular to Shareholders dated 16 August 2011;
- 10.8 the Northern AIM Circular dated 16 August 2011;
- 10.9 the unaudited pro forma financial information together with a report from Lubbock Fine set out in Part IV of this document; and
- 10.10 this document.

16 August 2011