



Northern 3 VCT PLC

REGISTRATION  
DOCUMENT

Sponsor  
Howard Kennedy

This document, the Securities Note and the Summary, which together comprise the prospectus relating to Northern 3 VCT PLC ("the Prospectus"), have been prepared in accordance with the Prospectus Rules made under Section 84 of the Financial Services and Markets Act 2000 and the Prospectus has been approved by and filed with the Financial Services Authority.

Application will be made to the UK Listing Authority for up to 15,000,000 Offer Shares to be issued pursuant to the Offer to be admitted to the Official List. Application will also be made to the London Stock Exchange for up to 15,000,000 Offer Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective, and that dealings in the Offer Shares will commence, by 15 March 2010 and for subsequent allotments thereafter, within 20 business days of allotment. The Existing Shares are admitted to the Official List and are traded on the London Stock Exchange's main market for listed securities.

The Company and its Directors, whose names appear on page 4 of this document, each accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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## NORTHERN 3 VCT PLC

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 4280530)*

### Offer for Subscription of up to 15,000,000 Offer Shares of 5p each

**Sponsor**  
**Howard Kennedy**

**Manager**  
**NVM Private Equity Limited**

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The existing share capital, together with the Offer Shares to be issued under the Offer, assuming that the Offer is fully subscribed, will be:

	<b>Issued and to be issued fully paid</b>	
	<b>No. of Shares</b>	<b>Nominal value</b>
Shares of 5p each (ISIN: GB0031152027)	43,957,954	£2,197,897.70

A maximum of 15,000,000 Offer Shares, which are being offered to the public, are being made available under the Offer. The subscription list for the Offer will open on 22 January 2010 and may close at any time thereafter but, in any event, no later than 1.00pm on 5 April 2010 for the 2009/10 tax year and 5.00pm on 12 May 2010 for the 2010/11 tax year, unless previously extended by the Directors. The terms and conditions of application are set out in the Securities Note to which is attached an Application Form for use in connection with the Offer. There is no minimum subscription for the Offer to proceed. The Offer is not underwritten.

**Your attention is drawn to the Risk Factors set out on page 3 of this document. An investment in the Company is only suitable for Investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might arise. If you are in any doubt as to the action you should take, you should consult an appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000.**

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## RISK FACTORS

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

- 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 the 30% income tax relief.
- The levels and bases of reliefs from taxation may change and could apply retrospectively. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of Investors. The Company's objectives have been set on the basis that all Investors obtain 30% income tax relief on their subscriptions. Therefore, this investment may not be suitable for Investors who do not qualify for the full 30% income tax relief.
- Although the Offer Shares will be Listed, it is unlikely that a liquid market in the Offer Shares will develop as the initial income tax relief is only available to those subscribing for new shares and there may only be one market maker. It may, therefore, prove difficult for Shareholders to sell their Offer Shares. In addition, there is no guarantee that the market price of the Offer Shares will fully reflect their underlying NAV or the ability to buy and sell at that price. It should be noted that shares held in a VCT usually trade at a discount to the VCT's NAV.
- The Offer Shares are being issued at a price, calculated on the basis of a formula based on the latest published NAV of the Company. The most recent published unaudited NAV of the Company is at 31 December 2009; Investors should be aware that if a revised NAV is published during the course of the Offer, Investors may receive a different allocation of Offer Shares from that anticipated.
- Shareholders should be aware that the sale of Offer Shares within five years of their subscription will require the repayment of some or all of the 30% income tax relief obtained upon investment. Accordingly, investment in the Company is not suitable as a short or medium term investment.
- The majority of the Company's investments will be in 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 order to comply with VCT legislation, the Qualifying Companies in which the Company invests utilising the net proceeds of the Offer must have gross assets of not more than £7 million prior to such investment and have fewer than 50 full time employees. Such companies generally have a higher risk profile than larger companies and may also have limited trading records. Therefore, Qualifying Companies may not produce the anticipated returns and Investors could get back less than they invested.
- 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, including those proposed in the Pre-Budget Report 2009, concerning VCTs in general, and Qualifying Investments and qualifying trades in particular, could be applied retrospectively and may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.
- The value of Offer Shares and the income derived from them may go down as well as up and Shareholders may not receive back the full amount invested.
- The Company's ability to make market purchases of its own Shares each year may be limited by the liquidity of the Company, the rules of the UK Listing Authority, the Act and the VCT Regulations.

## FORWARD-LOOKING STATEMENTS

Potential Investors should not place undue reliance on forward-looking statements. This Registration Document 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 Registration Document, 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.**

## PART I – The Company

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### DIRECTORS AND ADVISERS

#### Directors (all Non-Executive)

James Ferguson (Chairman)  
Chris Fleetwood  
John Hustler  
Tim Levett  
John Waddell  
*in each case whose business address is*  
Northumberland House  
Princess Square  
Newcastle upon Tyne NE1 8ER

#### Company Secretary and Registered Office

Christopher Mellor FCA MSI  
Northumberland House  
Princess Square  
Newcastle upon Tyne NE1 8ER

#### Investment Manager, Receiving Agent and Administrator

NVM Private Equity Limited  
Northumberland House  
Princess Square  
Newcastle upon Tyne NE1 8ER

#### Quoted Investment/ Fixed Income Securities Advisers

Sarasin & Partners LLP  
Juxon House  
100 St Paul's Churchyard  
London EC4M 8BU

#### Solicitors to the Company

Dickinson Dees LLP  
St Ann's Wharf  
112 Quayside  
Newcastle upon Tyne NE99 1SB

#### Solicitors to the Offer

SJ Berwin LLP  
10 Queen Street Place  
London EC4R 1BE

#### Sponsor

Howard Kennedy  
Harcourt House  
19 Cavendish Square  
London W1A 2AW

#### Promoter

Downing Corporate Finance Limited  
Kings Scholars House  
230 Vauxhall Bridge Road  
London SW1V 1AU

#### Registered Auditors

KPMG Audit Plc  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

#### VCT Taxation Advisers

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

#### Bankers

Barclays Bank PLC  
71 Grey Street  
Newcastle upon Tyne NE99 1JP

#### Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing BN99 6DA

There is no family relationship between any of the Directors, the Company Secretary or any member of the Manager's investment team. Mr Levett and Mr Mellor are Directors of the Manager and members of its investment team.

## DEFINITIONS

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

"Act"	Companies Act 2006
"Admission"	admission of the Offer Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities
"AIM"	AIM, a market operated by the London Stock Exchange
"Annual Running Costs"	annual costs and expenses incurred by the Company in the ordinary course of its business (including irrecoverable VAT), but excluding any Additional Management Fees, as defined in paragraph (d) under the heading 'Material Contracts' on page 28.
"Applicant"	an Investor who subscribes for Offer Shares pursuant to the Prospectus
"Application Form"	form of application for Offer Shares under the Offer attached to the Securities Note
"Articles"	articles of association of the Company as amended from time to time
"Business Day"	day (excluding Saturdays, Sundays and public holidays) on which clearing banks are open for normal banking business in the City of London
"BVCA"	British Private Equity and Venture Capital Association
"Combined Code"	The Combined Code on Corporate Governance (2008) issued by the Financial Reporting Council
"Company" or "Northern 3 VCT"	Northern 3 VCT PLC
"CREST"	relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited
"CREST Regulations"	Uncertificated Securities Regulations 1995 (SI 1995/3272)
"Directors" or "Board"	directors of the Company from time to time
"Dividend Re-investment Plan"	Northern 3 VCT PLC Dividend Re-investment Plan established pursuant to the terms and conditions set out in the document being sent to Shareholders in January 2010, as amended from time to time
"Downing"	Downing Corporate Finance Limited, which is authorised and regulated by the Financial Services Authority
"DTR"	Disclosure and Transparency Rules, being the rules published by the FSA from time to time and relating to the disclosure of information in respect of financial instruments
"Enhanced Buyback Offer"	the enhanced buyback offer made to Shareholders set out in a circular to sent to Shareholders dated January 2010
"Existing Shares"	ordinary shares of 5p each in the capital of the Company issued as at the date of this document (ISIN: GB0031152027)
"Fixed Income Securities"	investments made by the Company which do not comprise Qualifying Investments, such as bank deposits, loan stock, preference shares and other debt instruments with a credit rating of at least A minus (Standard & Poor's) or A3 (Moody's) or equivalent in respect of preference shares and other debt instruments
"FSA"	Financial Services Authority
"FSMA"	Financial Services and Markets Act 2000, as amended
"Initial Offer Price"	95.0p per Offer Share being the price at the date of this document
"Investor"	subscriber of Shares
"ITA"	Income Tax Act 2007
"Listed"	admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities
"Listing Rules"	listing rules made by the FSA under Part VI of FSMA
"London Stock Exchange"	London Stock Exchange plc
"ML Regulations"	Money Laundering Regulations 2007
"NAV" or "Net Asset Value"	net asset value in pence per Share

<b>"Net Assets"</b>	net asset value of the Company's entire assets and undertaking as determined by reference to its latest annual audited accounts or, as applicable, unaudited half yearly accounts or interim management statements
<b>"Northern 2 VCT"</b>	Northern 2 VCT PLC
<b>"Northern AIM VCT"</b>	Northern AIM VCT PLC
<b>"Northern Investors Company"</b>	Northern Investors Company PLC
<b>"Northern Venture Trust"</b>	Northern Venture Trust PLC
<b>"NVM" or "Manager" or "NVM Private Equity"</b>	NVM Private Equity Limited which is authorised and regulated by the Financial Services Authority
<b>"Offer"</b>	offer for subscription of up to 15,000,000 Offer Shares
<b>"Offer Shares"</b>	new ordinary shares of 5p each in the capital of the Company being issued under the terms of the Offer (ISIN: GB0031152027)
<b>"Official List"</b>	official list of the UK Listing Authority
<b>"PLUS"</b>	trading facility operated by PLUS Markets Group plc
<b>"Pricing Formula"</b>	mechanism by which the pricing of the Offer may be adjusted according to the latest published NAV, after deduction (if not already deducted) of the interim dividend of 2.0p per Share in respect of the year ending 31 March 2010, as described on page 8 of this document
<b>"Prospectus"</b>	this document, the Securities Note and the Summary which together describe the Offer in full
<b>"Prospectus Rules"</b>	Prospectus Rules issued by the FSA and made under Part IV of FSMA
<b>"Qualifying Company"</b>	unquoted company carrying on a qualifying trade wholly or mainly in the United Kingdom and which satisfies certain other conditions as defined in Chapter 4 Part 6 ITA
<b>"Qualifying Investment"</b>	investment in an unquoted trading company, which comprises a qualifying holding for a VCT as defined in Chapter 4 Part 6 ITA
<b>"Registrar"</b>	Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA
<b>"Registration Document"</b>	this document prepared in accordance with the Prospectus Rules
<b>"RIS"</b>	regulatory information service
<b>"Sarasin"</b>	Sarasin & Partners LLP
<b>"Securities Note"</b>	securities note prepared in accordance with the Prospectus Rules in connection with the Offer
<b>"Shareholders"</b>	holders of Shares
<b>"Shares"</b>	Existing Shares or Offer Shares, as the context may require
<b>"Sponsor"</b>	Howard Kennedy
<b>"Summary"</b>	summary of the Offer prepared in accordance with the Prospectus Rules
<b>"Total Return"</b>	sum of NAV and the cumulative dividends paid to shareholders per share
<b>"UK Listing Authority"</b>	FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>"VCT Regulations"</b>	The Venture Capital Trust (Winding Up and Mergers) (Tax) Regulations 2004
<b>"VCT"</b>	venture capital trust as defined in Section 259 ITA

## INTRODUCTION

VCTs were introduced to encourage individuals, by offering them substantial tax benefits, to invest in a portfolio of investments comprising at least 70% unlisted UK trading companies. VCTs are investment companies, whose shares are listed on the Official List and traded on the London Stock Exchange. To date, over £3.5 billion has been raised by more than 100 VCTs.

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

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.

## INVESTMENT POLICY

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

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

The Company's investment policy has been designed to enable the Company to comply with the VCT qualifying conditions set out above. The Directors intend that the long-term disposition of the Company's assets will be approximately 80% in a portfolio of VCT-qualifying unquoted and AIM investments and 20% in cash or near-cash investments (including listed 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 size range for 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. As a result, and based on the Company's present gross assets of approximately £26 million, no single investment would normally represent more than 5.0% of the Company's total assets at the time of acquisition. However, shareholders should be aware that the Company's 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 Directors consider that the ability to invest jointly with other funds managed by the Manager is desirable because it will enable the Company to participate in larger investments than those which it could undertake using only its own resources. The maximum size of a joint investment is £7 million without breaking any investment rules of the relevant funds. It has been agreed that where a joint investment opportunity arises between the Company and other funds managed by NVM, an investment allocation will be offered to each party pro-rata to their respective net assets at the time of investment. Any costs associated with any such investment will be borne by the relevant party pro-rata to its respective investment.

The net proceeds of the Offer will initially be invested in a portfolio of cash, listed Fixed Income Securities and a range of other securities. In the longer term approximately 20% of the net proceeds of the Offer will be retained in cash and near cash (including listed Fixed Income Securities). The Fixed Income Securities portfolio will consist of sterling-denominated financial instruments and Fixed Income Securities issued by the UK Government,

European Union governments, and major UK and international companies and institutions, in order to protect the capital invested by concentrating on investment instruments of high credit quality.

### **Diversification**

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

It is not intended that the Company will take on any long term borrowings.

## **REASONS FOR THE OFFER**

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

- Diversity** – The additional funds raised will expand the capital base of the Company and allow an increased spread of risk across a larger number of investments and at various stages of the business cycle and be invested in accordance with the Company's investment policy. If the Offer is fully subscribed, the Directors expect that the combined pool of investments should increase to between 45 and 50 companies by 2013.
- Costs** – The fixed running costs of the Company will be spread over a larger asset base, thereby reducing the overall level of the running costs to existing Shareholders as a percentage of the Company's assets.
- Liquidity** – Increasing the overall size of the Company may lead to increased secondary market liquidity in the Company's Shares in the longer term.

## **PRICING OF THE OFFER**

The Offer Shares will be issued at a price calculated on the basis of a formula, based on the latest published NAV of the Company (after deducting (if not already deducted) the interim dividend of 2.0p per Existing Share in respect of the year ending 31 March 2010) divided by 0.945 to allow for issue costs of 5.5% of the amount raised under the Offer, rounded up to the nearest whole penny per Offer Share. Accordingly, the net proceeds of the Offer will be 94.5% of the amount subscribed. Based on the latest reported NAV of the Company as at 31 December 2009, if fully subscribed, 15,000,000 Offer Shares would be issued at a price of 95.0p per Offer Share and the maximum net proceeds available to the Company would be approximately £13.5 million.

The number of Offer Shares allotted to each Applicant will be determined by the amount subscribed divided by the issue price as determined by the Pricing Formula set out above, rounded up to the nearest whole Offer Share.

Based on the last reported unaudited NAV as at 31 December 2009 of 91.0p less the interim dividend of 2.0p per Existing Share declared in respect of the year ending 31 March 2010 and after allowing for 5.5% issue costs, each Offer Share will be offered at the Initial Offer Price of 95.0p per Share. The actual issue price may be higher or lower than this and it will be determined by the latest published NAV on the business day prior to allotment of the relevant Offer Shares, which will be subject to market conditions. Setting the issue price in accordance with the Pricing Formula has been designed to avoid any dilution of the NAV attributable to each Existing Share when the Offer Shares are issued.

## **MINIMUM AND MAXIMUM SUBSCRIPTION**

Up to 15,000,000 Offer Shares are now being offered to the public at the Initial Offer Price of 95.0p per Offer Share (unless adjusted by the Pricing Formula), payable in full upon application. The Offer is not being underwritten and there is no minimum subscription level for the Offer to proceed.

The minimum investment per Investor is £5,000. Since tax reliefs are available on a maximum investment of £200,000 per individual in any one tax year, a spouse and civil partner can each also invest up to £200,000 in the Offer. The Offer will open on 22 January 2010 and will close when fully subscribed or no later than 1 p.m. on 5 April 2010 for the 2009/10 tax year and no later than 5.00 p.m. on 12 May 2010 for the 2010/11 tax year, unless previously extended.

## **SHARE BUYBACK POLICY**

The Company wishes to ensure that there is liquidity in the Shares and accordingly it intends to pursue an active discount management policy.

The Directors therefore intend that the Company will buy back those Shares which Shareholders wish to sell, at a discount of 15% to the latest published 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. Subject to legislative requirements, the Directors may utilise the proceeds of the Offer to fund share buybacks. Shares which are bought back by the Company may be cancelled or held in treasury and later sold in the market. This buyback policy aims to support the Share price by limiting the discount to NAV at which Shares trade. The making and timing of any share buybacks will remain at the absolute discretion of the Board. Under the current listing rules of the UK Listing Authority, the price paid for the Shares cannot be more than the higher of (i) the amount equal to 105% of the average of the middle market quotations for the five business days immediately preceding the date on which the Share is purchased; (ii) the price of the last independent trade; and (iii) the highest then current independent bid on the London Stock Exchange.

## **ENHANCED BUYBACK OFFER**

The Enhanced Buyback Offer is being made to purchase in aggregate 10% of the Shares in issue as at 12 January 2010 at a price representing a discount of 1% to NAV as at 31 December 2009, adjusted for any declared but unpaid dividends. Under the terms of the Enhanced Buyback Offer each Shareholder will be entitled to apply for 10% of his or her qualifying shareholding to be purchased by the Company at the Enhanced Buyback Price. Shareholders may make applications under the Enhanced Buyback Offer in respect of more than 10% of their total shareholding on the basis that some Shareholders may not wish to participate in the Enhanced Buyback Offer. In this case, any such entitlements not taken up will be allocated on a pro rata basis to Shareholders making applications in respect of more than 10% of their shareholding. Cash arising on the sale of Shares in the Enhanced Buyback Offer will not be released to Shareholders but will be applied in taking up new Shares in the Offer. The Enhanced Buyback Offer will open at the same time as applications can be made under the Offer but will close on 26 February 2010.

## **THE MANAGER**

### **Investment Management Team**

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 £175 million through its offices in Newcastle upon Tyne, Reading and Manchester.

NVM was incorporated and registered in England and Wales on 3 December 1987 under the Act with registered number 2201762 and is domiciled in the United Kingdom. The registered office and principal place of business of NVM is at Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER (telephone number 0191 244 6000). Its 12 investment executives have together a total of over 180 years' experience in the venture capital industry. NVM is authorised and regulated by the FSA 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 10% of these opportunities are invested in by the Company and the other funds managed by NVM (*source: NVM*).

### **Track Record of the Manager**

NVM manages three generalist VCTs and Northern Investors Company, a generalist investment trust (which invests jointly with the VCTs managed by NVM). Their respective returns to investors who subscribed at launch are as follows:

## Track Record of NVM's Generalist VCT Funds

	Tax year of launch	Net cost <sup>1</sup>	Total Return to date <sup>2</sup>	Increase over net cost (%)	Movement in FTSE All Share (%) <sup>3</sup>
Northern Venture Trust – Ordinary shares	1995/96	80p	166.2p	+108%	+128%
Northern 2 VCT	1998/99	80p	123.5p	+54%	+33%
Northern 3 VCT	2001/02	80p	113.9p	+42%	+42%
Northern Venture Trust – C shares	2005/06	60p	84.8p	+41%	+2%

1 Net cost is the initial offer price of 100p per share less the income tax relief available to investors in each of the VCTs.

2 Total Return is cumulative dividends paid (including the tax credits where reclaimable) plus the most recently announced net asset value for each VCT in pence per share.

3 The movement in the FTSE All-Share Index is the total return measure of this index (i.e. it includes income) and is calculated from 5 April in the tax year of launch of each VCT up to 31 December 2009.

(Source: announcements made by the relevant VCT through a regulatory information service and FTSE All-Share (total return) Index).

**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 six executive directors (four of whom have been NVM executives for over 20 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 finance director of NVM. He qualified as a chartered accountant with Price Waterhouse and was a co-founder of NVM in 1988, serving as managing director until 2008. He is a non-executive director of Northern 2 and of Northern AIM VCT.

**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.

**Tim 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.

**Chris Mellor BSc FCA MSI** qualified as a chartered accountant with Spicer & Pegler and joined Northern Investors Company in 1986. In addition to secretarial and compliance matters, he is responsible for legal services, information technology systems, London Stock Exchange liaison and personnel. He became a director of NVM in 1996 and is company secretary of the Company, Northern Investors Company, Northern Venture Trust, Northern 2 VCT and Northern AIM VCT.

**Norman Yarrow BCom CA** is the director responsible for the management of NVM's AIM-quoted investments. He qualified as a chartered accountant with Thomson McLintock and then worked for Edinburgh Fund Managers plc and International Leisure Group plc before joining NVM's Edinburgh office in 1989. He became a director of NVM in 1996 and is a non-executive director of Dunedin Smaller Companies Investment Trust plc and several other companies. He was a member of the London Stock Exchange's AIM Advisory Group from 2000 to 2004.

Directors of the Manager (including Tim Levett) hold over 300,000 Shares in the Company, in aggregate, and have committed to invest a further £50,000 under the Offer.

### Substantial Investments by the Board and the Executives of the Manager

By the time the Offer closes, the Directors and the executives of the Manager will beneficially own over 550,000 Shares in the Company.

## **Incentivisation of the Management Team**

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

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

At 31 December 2009 participants in the co-investment scheme held investments in 20 companies acquired at an aggregate cost of £456,000.

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

The co-investment scheme, which has been in operation since March 2006, is the only performance incentive scheme in place between the Company and the Manager's executives.

The Manager has delegated authority to make investment decisions relating to the venture capital portfolio on behalf of the Company. Where a potential conflict arises, the Company is bound by the Listing Rules and the Manager, as a Financial Services Authority regulated entity, is bound by the relevant conduct of business rules in relation to its dealings with the Company and other funds it manages.

## **DIRECTORS**

*The Company has five Directors, all of whom are non-executive. Tim Levett is an executive director of the Manager.*

**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 The Independent Investment Trust plc and a former deputy chairman of the Association of Investment Companies. He was appointed to the Board in 2001.

**Chris Fleetwood BA FCA** is currently chairman of the Darlington Building Society, the Onyx Group Limited and Adit North and is the managing partner of io solutions, e-business strategy advisers. Formerly, he was the group chief executive of Whesoe plc from 1988 until 2000. He was appointed to the Board in 2001.

**John Hustler FCA MSI CF** was for ten years a corporate finance partner at KPMG, where he was head of venture capital; he formed Hustler Venture Partners Limited, a specialist adviser to small firms, in 1993. He is non-executive chairman of Northern Venture Trust PLC and Octopus Titan VCT 2 plc and a non-executive director of Hygea VCT plc. He was appointed to the Board in 2001.

**Tim Levett MBA** is the executive chairman of NVM. His biographical details are given in the section headed 'Management Team' on page 10. He was appointed to the Board in 2001. As executive chairman of NVM he is interested in the management and administration deed between NVM and the Company.

**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 September 2007.

Directors of the Company have undertaken to subscribe at least £50,000 under the Offer which, based on an expected subscription price of 95.0p per Offer Share, will increase their aggregate holdings to over 310,000 Shares.

## **OPERATION OF THE COMPANY AND BOARD PRACTICES**

### **(a) Board of Directors**

The Company complies with the relevant requirements of the Combined Code. The Board comprises five members, all of whom are non-executive Directors. The Company considers that each of its Directors is independent for the purposes of the Combined Code, with the exception of Tim Levett who is an executive director of the Manager. John Hustler is a non-executive director of Northern Venture Trust, a company also managed by NVM; the Board has concluded that Mr Hustler's independence is not affected by this relationship.

The Board meets regularly throughout the year (normally at least quarterly), and all necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings. The Board is responsible for leading and controlling the Company.

The Board delegates specific responsibilities to the committees described below. The Board does not have a separate Remuneration Committee as the Company has no employees or executive directors.

### **(b) The Audit Committee**

The audit committee is chaired by Chris Fleetwood and its other members are James Ferguson, John Hustler and John Waddell. It normally meets three times a year. The Company's auditors and senior executives of NVM may attend and speak at meetings of the audit committee. A summary of the terms of reference of the audit committee is as follows: the committee has responsibility for, among other things, the planning and reviewing of the Company's annual financial statements, half-yearly results and interim management statements, and the supervision of its auditors in the review of such financial statements. The audit committee will focus particularly on the Company's compliance with legal requirements, accounting standards, financial and regulatory reporting requirements, the Listing Rules and the Prospectus Rules and on ensuring that effective systems for internal financial control and for reporting non-financial operating data are maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly financial report remains with the Board.

### **(c) The Nomination Committee**

The nomination committee, which meets on an ad hoc basis but at least once per year, is chaired by James Ferguson and its other members are Chris Fleetwood, John Hustler, Tim Levett and John Waddell. This committee has responsibility for considering the size, structure and composition of the Board, the retirement and appointment of Directors and the level of fees paid to Directors, and makes appropriate recommendations to the Board in relation to these matters.

### **(d) The Management Engagement Committee**

The management engagement committee is chaired by James Ferguson and its other members are Chris Fleetwood, John Hustler and John Waddell. The committee undertakes a periodic review of the performance of NVM and of the terms of the management agreement and performance incentive arrangements.

### **(e) Dividend Policy**

A significant benefit of a VCT, not available to an investment trust, is the ability to distribute realised capital gains. The Board intends, as far as possible, to declare an annual dividend of at least 4p per Offer Share, subject to the availability of sufficient distributable profits. This figure is not intended to be a maximum and the Board may declare a higher dividend where the profits in a given year make this possible. The first dividend relating to the Offer Shares is expected to be paid in July 2010 as a final dividend in respect of the year ending 31 March 2010. All dividends unclaimed for twelve years after being declared or becoming due for payment will be forfeited and revert to the Company. There are no dividend restrictions or alternative procedures applicable for non-resident holders of the Shares.

### **(f) Dividend Re-Investment Plan**

It is expected that the first applicable dividend in relation to which the Dividend Re-Investment Plan will operate will be the final dividend for the financial year ending on 31 March 2010, which is expected to be paid in July 2010. Under the Dividend Re-Investment Plan, participants' dividends will be invested in existing Shares purchased in the market, rather than being used to subscribe for new Shares. On the basis of current law, plan participants will not qualify for income tax relief on the amount applied in acquiring new Shares and so will not have to hold the Shares for the five year VCT qualifying period applicable to new subscriptions. Shareholders should note that Shares acquired first will be treated as being disposed of first, whether or not income tax relief was obtained on those Shares. The tax consequences of a Shareholder choosing to participate in the Dividend Re-Investment Plan will depend upon his or her personal circumstances. Shares

subscribed through the Dividend Re-investment Plan will not form part of each Shareholder's annual limit for new subscriptions in VCTs because they are not new Shares and no income tax relief is available. Dividends paid by the Company are tax free provided the Shareholder's holding is acquired within the current annual qualifying limit of £200,000 and need not be reported in the Shareholder's annual tax return. Any loss or gain accruing to a Shareholder on a disposal of the Shares acquired within the current annual qualifying limit of £200,000 will neither be a chargeable gain, nor an allowable tax loss, for the purposes of capital gains tax. Shareholders should consult an independent financial adviser authorised under FSMA.

## **THE COMPANY**

- (a) The Company was incorporated and registered in England and Wales on 3 September 2001 with limited liability as a public limited company under the Act with the name Northern 3 VCT PLC and with registered number 4280530. The Company is domiciled in the United Kingdom.
- (b) On 21 September 2001, the Registrar of Companies issued the Company with a certificate under Section 117 of the Companies Act 1985 entitling it to commence business.
- (c) The Company has not, during the 12 months preceding the date of this document, 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.
- (d) The principal legislation under which the Company operates is the Act and the regulations made thereunder. The City Code on Takeovers and Mergers applies to the Company. The Company is not otherwise regulated.
- (e) The principal activity of the Company is to operate as a VCT.
- (f) The Company is not regulated by the FSA.
- (g) The Company's Articles require that the Directors shall procure that at the Company's Annual General Meeting in 2015 and at every fifth annual general meeting thereafter an ordinary resolution will be proposed to the effect that the Company shall continue in being as a VCT for a further five year period. Further information on this requirement is given in paragraph (h) under the heading "Articles of Association" on page 25.
- (h) The Company was launched in September 2001 and raised over £13 million in its initial offer for subscription. By way of further offers for subscription between 2002 and 2005, the Company raised an additional £18 million.

## PART II –Taxation

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To obtain VCT status a company must be approved by HM Revenue & Customs as a VCT. HM Revenue & Customs has granted the Company provisional approval under Section 274 ITA as a VCT and the Company intends to continue complying with the requirements of such section.

For a VCT to obtain full unconditional approval, the conditions summarised below must be satisfied in relation to the accounting period of the company which is current when the application for approval is made, or in any event must be satisfied by no later than the beginning of the VCT's next accounting period and must continue to be satisfied throughout the life of the VCT:

- (i) the VCT's income must have been derived wholly or mainly from shares and securities (in the case of securities issued by a company, meaning loans with a five-year or greater maturity period);
- (ii) no holding in a company (other than a VCT or a company which would, if its shares were listed, qualify as a VCT) by the VCT may represent more than 15% by value of the VCT's total investments at the time of investment; and
- (iii) the VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period.

The VCT must not be a close company. Its ordinary share capital must be quoted on the London Stock Exchange by no later than the beginning of the accounting period following that in which the application for approval is made.

The following conditions also have to be satisfied by no later than the beginning of the VCT's accounting period which commences no later than three years after provisional approval takes effect and must continue to be satisfied throughout the life of the VCT:

- (i) at least 70% by value of its investments is represented by shares or securities comprising qualifying investments;
- (ii) at least 30% by value of its qualifying investments is represented by holdings of ordinary shares which carry no present or future preferential rights to dividends, return of capital on a winding up or any redemption rights; and
- (iii) for funds raised after 5 April 2010, at least 70 per cent. by VCT value of a VCT's Qualifying Investments must be in shares which have no fixed rights to dividends, no preferential rights to assets on a winding up and no rights to be redeemed.

Disposals of Qualifying Companies after 5 April 2007, which have been a qualifying holding throughout the six months prior to disposal, are disregarded for the purposes of the 70% test for a period of six months.

"Qualifying investments" comprise shares or securities (including loans with a five year or greater maturity period but excluding guaranteed loans and securities) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades wholly or mainly in the United Kingdom. The trade must be carried on by, or be intended to be carried on by, the investee company or a 90% held qualifying subsidiary (directly held or in the third tier within the group) at the time of the issue of the shares or securities to the VCT and at all times thereafter).

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. The definition of a qualifying trade excludes certain activities, including dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving royalties or licence fees in certain circumstances, leasing, the provision of legal and accounting services, farming and market gardening, forestry and timber production, property development and operating or managing hotels, guest houses, nursing and residential care homes. The funds raised by the investment must be used for the purposes of the qualifying trade within certain time limits.

Qualifying investments are limited to investments of up to £1 million per investee company in any one tax year or in any six month period straddling two tax years. A qualifying investment can also be made in a company which is a parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades, one of which is carried on wholly or mainly in the United Kingdom. For funds raised after 5 April 2010, the trading company must have a permanent establishment in the United Kingdom. The subsidiary carrying on the qualifying trade in question must be at least 90% owned by the parent company. The investee company's gross assets must not exceed £7 million immediately prior to the investment and £8 million immediately thereafter. Neither the VCT nor any other company may control the investee company. At least 10% of the VCT's total investment in the investee company must be in ordinary non-preferential shares.

For VCT money raised after 5 April 2007, Qualifying Companies or groups must have fewer than 50 full-time employees at the date of issue of shares to the VCT. In addition, the company is not permitted to receive more than £2 million from VCTs, enterprise investment schemes, corporate venturing schemes and enterprise capital funds within any 12 month period.

There are proposals announced in the Pre-Budget Report 2009 to change the definition of Qualifying Companies for investments made on or after 6 April 2010. It is proposed to replace the gross assets requirement with a net assets requirement of €10 million which also takes into account the assets and employees of certain "linked enterprises". It is proposed that a company's compliance with the assets and employees requirements should be reassessed following certain changes to its ownership or structure. These proposals are subject to consultation.

Companies whose shares are traded on AIM or are PLUS quoted or PLUS traded are treated as unquoted companies for the purposes of calculating qualifying investments. Shares in an unquoted company which subsequently become listed may still be regarded as a qualifying investment for a further five years following listing, provided all other conditions are met.

The Company will notify an RIS as to any action that the Manager will take in the event of a breach of any of the conditions to remaining a VCT.

## PART III – Financial Information

### 1. Introduction

Audited statutory accounts of the Company for the financial periods ended 31 March 2009, 31 March 2008 and 30 September 2006 contain unqualified reports under Section 235 of the Act made by the Company's auditors KPMG Audit Plc of Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EG. The reports made by KPMG Audit plc, registered auditor and a member firm of the Institute of Chartered Accountants in England and Wales, on the statutory accounts of the Company for the periods ended 31 March 2009, 31 March 2008 and 30 September 2006 did not contain any statements under Section 237(2) or (3) of the Act. Copies of these audited statutory accounts are available at Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER. The audited statutory accounts of the Company are drawn up under UK Generally Accepted Accounting Practice (UK GAAP). These financial statements also contain a description of the Company's financial condition, changes in financial condition and results of operations for each financial period.

### 2. Historical Financial Information Incorporated by Reference

The historical financial information (which includes information on certain related party transactions) contained in the Company's audited statutory accounts for the periods ended 31 March 2009, 31 March 2008 and 30 September 2006 and in its unaudited half yearly accounts for the six months ended 30 September 2009 is incorporated by reference in the Prospectus. Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this Prospectus.

### 3. Historical Financial Information

Historical financial information relating to the Company on the matters referred to below is included in the published annual and half-yearly reports and audited statutory accounts of the Company for the periods stated as follows:

	Audited Statutory Accounts for Year Ended 30 September 2006	Audited Statutory Accounts for Period Ended 31 March 2008	Audited Statutory Accounts for Year Ended 31 March 2009	Unaudited Half yearly Accounts for the Six Months ended 30 September 2009
<i>Nature of information</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Financial highlights	1	1	1	1
Profit and loss account	28	30	30	4
Dividend per Share	34	36	36	4
Balance sheet	29	31	31	6
Cash flow statement	30	32	32	7
Notes to the financial statements	31	33	33	8
Independent auditors' report	27	28	28	n/a
Related party transactions	33	34	34	n/a

### 4. Operating and Financial Review

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. Your attention is drawn to the Risk Factors on page 3 of this document.

	Audited Statutory Accounts for Year Ended 30 September 2006	Audited Statutory Accounts for Year Ended 31 March 2008	Audited Statutory Accounts for Year Ended 31 March 2009	Unaudited Half yearly Accounts for the Six Months ended 30 September 2009
<i>Nature of Information</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Chairman's statement	2	2	2	2
Business review	6	6	6	n/a
Investment portfolio	12	11	11	9

The Investment Portfolio table on page 19 of this document has been extracted without material adjustment from the Company's unaudited management accounts for the period ended 31 December 2009.

### 5. No Significant Change

Since 30 September 2009, being the date of the last published financial information of the Company (unaudited half-yearly financial report), there has been no significant change in the financial or trading position of the Company. The Company's most recently announced unaudited NAV is 91.0p, as at 31 December 2009. As at 30 September 2009 the NAV was 90.5p.

The Offer may result in the net assets of the Company being increased by up to approximately £13.5 million (based on the Initial Offer price of 95.0p per Offer Share) and should enable the Company to increase its earnings. However, as the Shares are being issued by reference to the latest published NAV plus issue costs there should be no dilution of the value of net assets attributable to the holders of Existing Shares.

## 6. The Company's Ten Largest Holdings

The Company's ten largest investments, by valuation (unaudited), as at 31 December 2009 represented in total 32.8% of the net assets of the Company. Details of the ten largest investments are given below.

<b>AXIAL SYSTEMS HOLDINGS LIMITED</b>			
<b>Cost</b>	£1,004,000	<b>Audited financial information:</b>	
<b>Valuation</b>	£1,148,000	<b>14 months ended 31 May</b>	
<b>Basis of valuation</b>	Earnings multiple		<b>2009</b>
<b>Equity held</b>	8.2%		<b>£m</b>
<b>Business/location</b>	Supplier of distributed network management solutions, Maidenhead	Sales	21.9
<b>History</b>	Management buy-out from private ownership, March 2008, led by NVM	Profit before tax	-
<b>Other NVM funds investing</b>	Northern Investors Company, Northern Venture Trust, Northern 2 VCT, Northern AIM VCT	Loss after tax	(0.3)
		Net assets	1.3
<b>PALADIN GROUP LIMITED</b>			
<b>Cost</b>	£861,000	<b>Audited financial information:</b>	
<b>Valuation</b>	£1,007,000	<b>Year ended 31 March</b>	
<b>Basis of valuation</b>	Earnings multiple	<b>2009</b>	<b>2008</b>
<b>Equity held</b>	6.0%	<b>£m</b>	<b>£m</b>
<b>Business/location</b>	Provider of property management services, Bath	Sales	20.5
<b>History</b>	Development capital investment, June 2006, led by NVM	Profit before tax	0.7
<b>Other NVM funds investing</b>	Northern Investors Company, Northern Venture Trust, Northern 2 VCT	Profit after tax	0.4
		Net assets	6.5
			5.8
<b>PHUSION HEALTHCARE LIMITED</b>			
<b>Cost</b>	£995,000	<b>Audited financial information:</b>	
<b>Valuation</b>	£995,000	The first audited accounts will be for the period to 30 June 2010	
<b>Basis of valuation</b>	Cost		
<b>Equity held</b>	15.8%		
<b>Business/location</b>	Developer of pharmaceutical products, London		
<b>History</b>	Acquisition capital financing in July 2009, led by NVM		
<b>Other NVM funds investing</b>	Northern Venture Trust, Northern 2 VCT		
<b>ADVANCED COMPUTER SOFTWARE PLC</b>			
<b>Cost</b>	£429,000	<b>Audited financial information:</b>	
<b>Valuation</b>	£884,000	<b>14 months ended 28 February</b>	
<b>Basis of valuation</b>	Bid price (AIM)		<b>2009</b>
<b>Equity held</b>	0.7%		<b>£m</b>
<b>Business/location</b>	Provider of software to the healthcare sector, London	Sales	7.3
<b>History</b>	Reverse take-over of an AIM quoted company and additional fundraising, August 2008	Profit before tax	1.5
<b>Other NVM funds investing</b>	Northern Venture Trust, Northern 2 VCT, Northern AIM VCT	Profit after tax	1.2
		Net assets	25.4

<b>OPTILAN GROUP LIMITED</b>			
<b>Cost</b>	£1,000,000	<b>Audited financial information:</b>	
<b>Valuation</b>	£821,000	<b>7 months ended 31 October</b>	
<b>Basis of valuation</b>	Earnings multiple		<b>2008</b>
<b>Equity held</b>	7.2%		<b>£m</b>
<b>Business/location</b>	Telecommunications systems integrator, Coventry	Sales	19.3
<b>History</b>	Management buy-out from private ownership, March 2008, led by NVM	Profit before tax	0.8
<b>Other NVM funds investing</b>	Northern Investors Company, Northern Venture Trust, Northern 2 VCT, Northern AIM VCT	Profit after tax	0.6
		Net assets	3.0
<b>CRANTOCK BAKERY LIMITED</b>			
<b>Cost</b>	£442,000	<b>Audited financial information:</b>	
<b>Valuation</b>	£799,000	<b>Year ended 30 September</b>	
<b>Basis of valuation</b>	Earnings multiple	<b>2008</b>	<b>2007</b>
<b>Equity held</b>	6.2%	<b>£m</b>	<b>£m</b>
<b>Business/location</b>	Manufacturer of premium hand-made Cornish pasties, Newquay	Sales	9.3
<b>History</b>	Management buy-out/buy-in from private ownership, October 2002, led by NVM	Profit before tax	0.2
<b>Other NVM funds investing</b>	Northern Investors Company, Northern AIM VCT, Northern 2 VCT	Profit after tax	0.1
		Net assets	1.5
			1.5
<b>CROSSCO (1168) LIMITED</b>			
<b>Cost</b>	£794,000	<b>Audited financial information:</b>	
<b>Valuation</b>	£794,000	First audited accounts will be for the period to 31 March 2010	
<b>Basis of valuation</b>	Cost		
<b>Equity held</b>	13.5%		
<b>Business/location</b>	Manufacturer of modular buildings, Hull		
<b>History</b>	Incorporated to facilitate restructuring of existing investment in Britspace Holdings, November 2009		
<b>Other NVM funds investing</b>	Northern Investors Company, Northern AIM VCT, Northern 2 VCT		
<b>PROMANEX GROUP HOLDINGS LIMITED</b>			
<b>Cost</b>	£1,000,000	<b>Audited financial information:</b>	
<b>Valuation</b>	£750,000	<b>Year ended 30 September</b>	
<b>Basis of valuation</b>	Cost less provision	<b>2008</b>	<b>2007*</b>
<b>Equity held</b>	12.0%	<b>£m</b>	<b>£m</b>
<b>Business/location</b>	Provider of engineering and maintenance services, Nuneaton	Sales	74.4
<b>History</b>	Management buy-out from venture capital ownership, March 2007, led by NVM	(Loss)/profit before tax	(6.6)
<b>Other NVM funds investing</b>	Northern Investors Company, Northern Venture Trust, Northern 2 VCT	(Loss)/profit after tax	(6.7)
		Net (liabilities)/assets	(5.4)
			1.3
		* 7 months ended 30 September	
<b>CLOSERSTILL HOLDINGS LIMITED</b>			
<b>Cost</b>	£743,000	<b>Audited financial information:</b>	
<b>Valuation</b>	£743,000	First audited accounts will be for the period to 31 August 2009	
<b>Basis of valuation</b>	Cost		
<b>Equity held</b>	8.9%		
<b>Business/location</b>	Business-to-business exhibition management, London		
<b>History</b>	Acquisition capital financing in September 2008, led by NVM		
<b>Other NVM funds investing</b>	Northern Investors Company, Northern Venture Trust, Northern 2 VCT		

<b>ENVIROTEC LIMITED</b>		<b>Audited financial information: Year ended 28 February</b>		
<b>Cost</b>	£456,000			
<b>Valuation</b>	£674,000			
<b>Basis of valuation</b>	Earnings multiple		<b>2009</b>	<b>2008</b>
<b>Equity held</b>	5.4%		<b>£m</b>	<b>£m</b>
<b>Business/location</b>	Manufacture of hot air curtains and air handling equipment, High Wycombe	Sales	18.6	16.7
		Profit before tax	2.1	2.6
		Profit after tax	1.3	1.7
<b>History</b>	Management buy-out from institutional investor, January 2005, led by NVM	Net assets	4.2	3.3
<b>Other NVM funds investing</b>	Northern Investors Company, Northern Venture Trust, Northern 2 VCT			

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

## 7. Investment Portfolio as at 31 December 2009

Unaudited information on the Company's investment portfolio as at 31 December 2009 is set out below. All the companies below are incorporated in the UK and are valued in sterling.

	Cost £000	Valuation £000	% of net assets by value
Axial Systems Holdings	1,004	1,148	4.4
Paladin Group	861	1,007	3.8
Phusion Healthcare	995	995	3.8
Advanced Computer Software*	429	884	3.4
Optilan Group	1,000	821	3.1
Crantock Bakery	442	799	3.0
Crossco (1168)	794	794	3.0
Promanex Group Holdings	1,000	750	2.9
CloserStill Holdings	743	743	2.8
Envirotec	456	674	2.6
<b>Ten largest investments</b>	<b>7,724</b>	<b>8,615</b>	<b>32.8</b>
IG Doors	500	500	1.9
Arleigh International	210	462	1.8
Promatic Group	568	426	1.6
Wear Inns	490	413	1.6
IDOX*	298	407	1.5
KPJ Software Services	362	362	1.4
S&P Coil Products	186	347	1.3
Direct Valeting	324	324	1.2
Andor Technology*	201	312	1.2
<b>Twenty largest investments</b>	<b>3,264</b>	<b>3,859</b>	<b>14.7</b>
IS Pharma*	277	289	1.1
e-know.net	225	286	1.1
Brulines Group*	184	205	0.8
Cello Group*	251	93	0.4
Shieldtech*	247	89	0.3
Warmseal Windows (Newcastle)	339	85	0.3
Gentronix	238	59	0.2
Connaught**	60	57	0.2
Adept Telecom*	235	35	0.1
Twenty*	198	15	0.1
Spectrum Interactive*	163	11	-
Summit Corporation*	122	5	-
Astbury Marsden Holdings	1,000	-	-
Frontier Foods	542	-	-
Oxonica	45	-	-
Foreman Roberts Group	11	-	-
John Laing Partnership	5	-	-
<b>Total venture capital investments</b>	<b>15,130</b>	<b>13,703</b>	<b>52.1</b>
<b>Listed fixed-interest investments</b>	<b>7,944</b>	<b>7,955</b>	<b>30.3</b>
<b>Total fixed asset investments</b>	<b>23,074</b>	<b>21,658</b>	<b>82.4</b>
Net current assets		<b>4,615</b>	<b>17.6</b>
<b>Net assets</b>		<b>26,273</b>	<b>100.0</b>

\* Quoted on AIM

\*\* Listed on London Stock Exchange

So far as the Company is aware, at the date of this document, there has been no material change to the investment portfolio since 31 December 2009.

## PART IV – General Information

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### SHARE CAPITAL

(a) Since 1 January 2007 the following buy-backs and issues of Shares have taken place:

<b>Date Share buy-back entered in register of members</b>	<b>Number of Shares</b>	<b>Price per Share (pence)</b>
12-Feb-07	41,060	83.9
15-Feb-07	82,028	83.9
28-Mar-07	75,000	83.9
26-Apr-07	209,930	83.9
5-Jul-07	215,300	87.3
27-Jul-07	50,000	85.5
23-Aug-07	10,000	85.5
31-Oct-07	70,000	86.1
20-Dec-07	68,352	88.2
23-Jan-08	25,000	86.4
18-Feb-08	186,711	87.3
28-Mar-08	160,000	87.3
19-Apr-08	94,000	85.5
20-Jun-08	270,056	86.7
24-Jul-08	250,769	86.7
27-Aug-08	130,080	84.6
3-Oct-08	32,324	84.6
1-Dec-08	189,389	84.6
21-Nov-08	22,348	84.6
7-Aug-09	84,509	48.25
11-Jan-10	60,000	76.9

<b>Date of Share issue</b>	<b>Number of Shares</b>	<b>Issue Price (pence)</b>
19-Jan-07	79,167	93.2
20-Jul-07	78,018	95.0
18-Jan-08	76,202	95.9
28-Mar-08	76,770	94.9
16-Jan-09	84,917	84.1
10-Jul-09	85,757	82.0
15-Jan-10	77,667	88.5

(b) The authorised share capital of the Company for the whole of the period covered by the historical financial information was £2,500,000, divided into 50,000,000 ordinary shares of 5p each. During the year ended 30 September 2006: the Company issued 152,263 Shares; the Company repurchased 857,930 Shares for cancellation; and the Company's issued share capital as at 30 September 2006 was £1,537,816 represented by 30,756,312 Shares. During the period from 1 October 2006 to 31 March 2008: the Company issued 310,157 Shares; the Company repurchased 1,317,381 Shares for cancellation; and the Company's issued share capital as at 31 March 2008 was £1,487,454 represented by 29,749,088 Shares. During the year ended 31 March 2009: the Company issued 84,917 Shares; the Company repurchased 894,966 Shares for cancellation; and the Company's issued share capital as at 31 March 2009 was £1,446,952 represented by 28,939,039 Shares.

(c) As at the date of this document, 28,957,954 Shares are in issue and fully paid.

(d) No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

(e) The Shares will be in registered form. The Company's share register is kept by Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA. Evidence of title to Shares will be through possession of a share certificate in the Shareholder's name; alternatively, Shares may be held in an account through the CREST system.

### ARTICLES OF ASSOCIATION

The Articles, a copy of which is available for inspection as stated in the Documents For Inspection section of this Part IV, set out details of the rights attaching to the Shares. The Articles, and the rights of the holders of the Shares set out therein, may be changed by the members of the Company by special resolution (requiring a

majority of at least 75% of the persons voting on the relevant resolution). The following is a summary of certain provisions of the Articles.

(a) Dividends and distributions

- (i) The Company may in general meeting from time to time declare dividends to be paid to members not exceeding the amount recommended by the Board. If, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends on any class of shares of such amounts and on such dates as they see fit. Provided that the Directors act in good faith, they shall not be liable for any loss the holders of such shares may suffer as a consequence of such a payment.
- (ii) Unless otherwise provided all dividends shall be declared and paid pro rata to the nominal amounts of the shares in respect whereof the dividend is paid. Dividends shall be paid only from profits available for distribution. Subject to the provisions of the Act the profits and losses of the Company on a purchase of any asset, business or property previously bought by the Company (before or after the date of incorporation of the Company) may be treated for all purposes as profits and losses of the Company. Any dividend or interest payable in shares or securities may at the discretion of the Directors be treated as revenue and it shall not be obligatory to capitalise the same. No dividend or other monies payable on shares shall bear interest against the Company.
- (iii) The Directors may deduct from any dividend or other monies payable to any member on or in respect of a share any sums presently payable by the member on account of calls or otherwise in relation to shares in the Company. The Directors may retain the dividends payable upon shares in respect of which any person is entitled to become a member, or which any person is entitled to transfer, until such person shall become a member or shall transfer the shares. A waiver of any dividend shall be effective only if such waiver document is signed by the shareholder and delivered to the Company. Payment by the Directors of any unclaimed dividend into a separate account shall not constitute the Company as a trustee in respect of the unclaimed amount. Any unclaimed dividend shall revert to the Company after a period of 12 years.
- (iv) Upon the recommendation of the Directors by ordinary resolution the Company may direct payment of a dividend by distribution of specific assets. The Directors may settle any difficulty in this respect in a matter they think expedient and in particular may issue fractional certificates, may fix the value for distribution, may determine that cash payments shall be made in order to adjust the rights of all parties and may vest any such specific assets in trustees. A waiver of any dividend is only effective if signed and delivered by the Shareholder to the Company and if or to the extent that it is accepted or acted upon by the Company.
- (v) Any dividend or other monies payable in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member, or such person as the member directs in writing. Every such cheque or warrant should be made payable to the member or the person the member directs in writing. Dividends may also be paid by any other method the Directors consider appropriate. Every such cheque or warrant is sent at the risk of the person entitled to the money. If on two consecutive occasions cheques or warrants sent are returned undelivered or left uncashed the Company need not despatch further cheques or warrants until the member has notified the Company of the correct address or appropriate address. If two or more people are registered as joint holders of any share any one of them may give effectual receipts for any dividend or other monies payable or properly distributable on or in respect of the shares.
- (vi) A resolution declaring a dividend may be retrospective and payable in accordance with the Shareholders' respective holdings.
- (vii) The Directors, if so authorised by ordinary resolution, may offer the holders of Shares the right to receive further Shares instead of cash in respect of any dividend payment. The following provisions shall apply:
  - a particular dividend may be specified, or all or any dividends resolved to be paid within a specified period (such period may not end later than the fifth annual general meeting after the meeting at which such ordinary resolution is passed);
  - the value of the entitlement of each holder to new Shares shall be not less than but may (by special resolution) exceed, such cash amount of the dividend that such holder elects to forgo;
  - if the Directors intend to offer an election in respect of a dividend, they shall announce that intention, and shall notify the holders in writing and specify the procedure;
  - the Directors shall not proceed with any election unless the Company has sufficient authorised share capital and sufficient reserves or funds;
  - the Directors may exclude any holders if they believe that the making of the offer to them would or might involve the contravention of the laws of any regulatory body or stock exchange;
  - a dividend shall not be payable on the Shares on which an election has been made and instead additional Shares shall be allotted to the holders of these Shares but the additional Shares when allotted shall rank *pari passu* in all other respects with the fully paid Shares; and
  - the Directors may do all things necessary or expedient to give effect to such capitalisation.

(b) Voting rights

- (i) The Shares shall carry the right to receive notice of and to attend and to speak and vote at any general meeting of the Company.

- (ii) Subject to the provisions of the Act, to any special terms as to voting on which any Shares may be issued, or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, on a show of hands every member who is present in person or by proxy at any general meeting of the Company shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.
  - (iii) A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing in any common form or in such other form as the Board may approve. The proxy instrument shall be delivered to the registered office of the Company or at such other specified place in the UK not less than 48 hours before the time appointed for holding the meeting (or adjourned meeting). Any proxy instrument that is not properly delivered shall be invalid. The proxy instrument shall be valid for any adjournment of the meeting for which the original proxy was intended. A member may appoint more than one proxy to attend on the same occasion, provided that each proxy is appointed to exercise rights attached to a different share or shares held by him or her.
  - (iv) In the case of joint holders, the vote of the senior holder shall be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names of the holders stand in the register of members. A member against whom an order by a court has been made concerning mental disorder may vote by his receiver, curator bonis or other person authorised on that person's behalf appointed by the court.
  - (v) No member shall, unless the Board otherwise determines, be entitled to receive any dividend or to be present and to vote, either personally or by proxy, or to be reckoned in a quorum at any general meeting unless all calls or other sums payable by him in respect of shares have been paid.
- (c) Variation of rights
- (i) Rights attached to any share or class of shares may be varied or abrogated with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or by the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. Rights may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up.
  - (ii) The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly stated, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them but in no respect in priority to them.
- (d) Alteration of capital
- (i) The Company may from time to time in general meeting, by ordinary resolution, consolidate or sub-divide its share capital.
  - (ii) The Company may, subject to the provisions of the Act and to any rights attached to any shares at the time, by special resolution reduce its share capital or any capital redemption reserve, or any share premium account.
  - (iii) The Company may cancel any shares that at the date of the passing of the resolution have not been taken by any person, and diminish the amount of its share capital by the amount of shares so cancelled.
  - (iv) Any fractions of shares as a result of a consolidation of shares may be sold to any person (including the Company) and any distribution and the profits made distributed among those members or the Company. The Directors may issue such shares as necessary to round up a member's holdings provided such shares are available.
  - (v) Subject to the Act the Company may purchase any of its own shares, including redeemable shares.
- (e) Borrowing powers
- (i) The Board may exercise all powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the Act, to create and issue debenture and other loan stock and debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
  - (ii) The Directors are required to restrict the borrowings of the Company so as to secure that the aggregate amount at any one time owing or deemed to be owing by the Company in respect of moneys borrowed by it shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to the aggregate of the amount paid on the issued share capital of the Company and 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..
- (f) Transfer of shares
- (i) Any member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any other form that the Board may approve and may be under hand only and such instruments shall be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee. The transferor shall remain the holder of the shares until the name of the transferee is entered in the register of members.

- (ii) The Directors may refuse to register a transfer of shares in favour of more than four persons jointly. If the Directors refuse to register a transfer of shares they shall promptly send to the transferee a notice of refusal.
  - (iii) The Directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of one class of share, has been lodged at the transfer office accompanied by the relevant share certificate and such other evidence as the Directors may reasonably require. In the case of a transfer by a recognised person, the lodgement of a share certificate may not be necessary. Other instruments of transfer that are registered may be retained by the Company.
  - (iv) No fee will be charged by the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage, death or other such documentation.
  - (v) The Company shall be entitled to destroy instruments of transfer which have been registered six years from the date of registration.
- (g) Directors
- (i) Unless and until otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate Directors) shall be not less than two and shall not be more than ten in number.
  - (ii) At every annual general meeting one third of the Directors or the number nearest to one third shall retire from office by rotation. If there is only one Director subject to retirement by rotation he shall retire. No executive Director shall retire by rotation nor shall be taken into account in determining the number of Directors to retire by rotation. Other Directors to retire by rotation shall be those who have been longest in office since their last appointment or reappointment. Those who became or were last reappointed as Directors on the same day shall be determined for retirement by rotation by lot. A retiring Director shall be eligible for re-election.
  - (iii) If the Company does not fill the vacancy left by a retiring Director and that Director is willing to act he shall be deemed to be reappointed unless it was resolved not to fill the vacancy or unless a resolution for the reappointment of the Director was put to the meeting and lost, or if the Director is unwilling to be re-elected. Retirement by rotation shall not have effect until the conclusion of the meeting unless some other person has been re-elected in place of the retired Director or he has not been reappointed.
  - (iv) A resolution for the appointment of two or more persons as Directors by a single resolution shall not be moved without a prior resolution but it shall be so moved. A notice must be served not less than seven and no more than forty two days before a general meeting signed by a member duly qualified to attend and vote at the meeting of his intention to propose a person for election as a Director including the relevant particulars together with notice in writing signed by the person to be proposed of his willingness to be appointed or re-appointed. The Company may by ordinary resolution appoint any person to be a Director either to fill a casual vacancy or as an additional Director. Any person so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election and shall not be taken into account in determining the number of Directors who are to retire by rotation. A Director shall not be required to hold any shares in the Company.
  - (v) Any Director may appoint by writing any other Director or any other person approved by the Directors and willing to act as an alternate Director and may in like manner remove from office an alternate Director so appointed by him. An alternate Director shall be entitled to receive notice of all meetings of Directors and Committees of Directors of which his appointer is a member, to attend and vote at any such meeting at which his appointer is not personally present and generally to perform the functions of appointer as if a Director in his absence. An alternate Director shall not receive any remuneration from the Company for his services as such. If appointed as alternate Director for more than one Director his voting rights shall be cumulative. An alternate Director shall cease to be an alternate Director if his appointer ceases to be a Director, but if his appointer retires by rotation and is re-appointed at the same meeting the appointment of the alternate Director shall continue. An alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the appointer.
  - (vi) The office of a Director shall be vacated if the Director ceases to be a Director by virtue of any provision of the Act or otherwise becomes prohibited by law from becoming a Director, or he becomes bankrupt or makes any arrangements or composition with his creditors generally, or he is or may be suffering from mental disorder and is either admitted to hospital or has an order made against him by a court in matters concerning mental disorder, or he shall for more than six consecutive months have been absent without permission of the Directors from meetings of the Board of Directors, or he resigned his office by notice in writing to the Company, or he offers in writing to resign and the Directors accept, or he is dismissed from being a managing director or an executive Director, or he has been requested in writing by all the other Directors to resign.
  - (vii) The Directors shall be entitled to such remuneration as the Directors shall determine. Such ordinary remuneration shall not exceed a maximum of £100,000 per annum. However, such remuneration shall be divisible among the Directors as they agree or, failing agreement, equally. Any executive Director or any Director who performs duties outside the scope of the ordinary duties of a Director may be paid such extra remuneration by way of salary or otherwise as the Directors may determine.
  - (viii) The Directors may elect from their number one or more to hold executive office (including but not limited to chairman, deputy chairman, vice-chairman or managing director) and may, without prejudice

to the terms of any contract of service, revoke such appointment at any time. A Director appointed to such office shall receive such remuneration as the Directors may determine. The appointment of any Director to Chairman, vice-chairman or deputy chairman shall cease if the Director appointed ceases to be a Director. The appointment of Directors to other executive offices shall not cease automatically upon the Director ceasing to be a Director unless so stated in a contract or resolution of appointment.

- (ix) Subject to the provisions of the Act and provided that he has disclosed to the Directors the nature and extent of any interest, a Director notwithstanding his office may be a party to or otherwise interested in any transaction or arrangement with which the Company is otherwise interested, may be a Director or other officer of another body corporate or may be a party to any transaction or arrangement with any other such body corporate. Such Director shall not by reason of his office be accountable to the Company for any benefit which he derives from any such office or employment or interest. The Directors are authorised to permit in respect of individuals matters which are or may be in breach of that Director's duty under the Act to avoid conflicts of interest.
- (x) The Company may provide benefits for any Director or former Director and for any member of his family or any other person or any other dependant.
- (xi) The business and affairs of the Company shall be managed by the Directors who shall exercise all powers of the Company as are not by the Act or Articles required to be exercised by the Company in general meeting. Such management by the Directors shall be subject to the Articles, the provisions of the Act and to such regulations as may be subscribed by special resolution of the Company but no regulation made by the Company shall invalidate any prior act of the Directors which would have been valid had such regulation not been made. Subject to the provisions of the Articles all powers of the Directors shall be exercised at a meeting of the Directors which has been validly convened and at which a quorum is present.
- (xii) The Directors may establish any local, group or divisional boards or agencies for managing any part of the affairs of the Company. They may appoint any persons to such and may fix their remuneration and may, subject to the provisions of the Articles, delegate to such groups any of the powers, authorities and discretions vested in the Directors, with power to sub-delegate and may authorise the members of any such boards or agencies to fill any vacancies therein. The Directors may from time to time appoint any company, firm or person to be agent or agents or attorneys of the Company for such purposes and with such powers, authorities and discretions and for such period and subject to such conditions as they may think fit. The Directors may delegate any of their powers and discretions to committees consisting of one or more members of their body. Meetings and proceedings of any such committee shall be governed by the provisions of the Articles.
- (xiii) Subject to the provisions of the Articles the Directors may regulate their proceedings as they think fit. A Director may and the secretary shall at the request of the Director call a meeting of the Directors. It shall not be necessary to give notice of a meeting to a Director who is absent from the UK, unless the Director has notified the secretary in writing of his absence. Any Director may waive notice of any meeting and such waiver may be retroactive. Questions arising at the meeting shall be decided by a majority of votes. The chairman shall have a casting vote. A Director may participate in a meeting by means of conference telephone or other suitable communication equipment. A quorum is necessary for the transaction of business. The quorum may be fixed by the Directors. If not so fixed the quorum shall be two.
- (xiv) The subsequent discovery of a defect in the appointment of a Director or alternate Director or any disqualification shall not invalidate any acts done by such Directors, or committee of Directors.
- (xv) Save as otherwise provided by the Articles, a Director shall not vote in respect of any contract or arrangement in which he has a material interest otherwise than by virtue of interest in shares or debentures or other securities or of otherwise in or through the Company. A Director with such interests shall not be counted in the quorum at a meeting in relation to any resolution.
- (xvi) Subject to the provisions of the Act a Director shall be entitled to vote in respect of any resolution concerning the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred at the request of or for the benefit of the Company or any subsidiary; the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any subsidiary for which he himself has assumed responsibility under a guarantee or indemnity or by the giving of security; any proposal concerning an offer for shares or debentures or other securities of the Company for subscription or purchase in which offer he is or may be entitled to participate; 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 does not to his knowledge hold an interest in 1% or more of the issued shares of any class of such company or other voting rights available to members of the relevant company; any proposal concerning an arrangement for the benefit of employees of the Company or which does not accord to any Director any privilege or benefit not generally accorded to employees; or any proposal concerning any insurance which the Company has the power to purchase or maintain for the benefit of any Directors or for persons who include Directors.
- (xvii) A proposal under consideration concerning the appointment or termination of two or more Directors in relation to any company in which the Company is interested, may be divided and considered in relation to each Director separately thus allowing Directors to vote in respect of each resolution except that concerning his own appointment or termination.

(xviii) If a question of materiality of a Director's interest is not resolved by his voluntarily agreeing to abstain from voting, the question shall be referred to the chairman and his ruling shall be final and conclusive except in a case of unfair disclosure.

(h) Duration and winding-up

(i) The Board shall procure that at the Company's annual general meeting in 2015 and at every fifth annual general meeting thereafter, an ordinary resolution will be proposed to the effect that the Company shall continue in being as a VCT for a further five year period. 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 an extraordinary 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.

(ii) If the Company shall be wound up, the liquidator may, with the authority of an extraordinary resolution and subject to any provision sanctioned in accordance with the Act, divide among the members in specie the whole or any part of the assets of the Company and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the like authority shall think fit but no member shall be compelled to accept any assets in respect of which there is a liability.

(iii) The Company may, subject to the provisions of the Act and the Articles, issue warrants or grant options to subscribe for shares in the Company. Such warrants or options should be issued upon such terms and subject to such conditions as may be resolved by the Directors including terms and conditions which provide that on a winding-up of the Company the holder of warrants or grantee of options may be entitled to receive out of the assets of the Company available, shares of the same class as the shares in respect of which the subscription rights conferred by the warrants or the options can be exercised such a sum as he would have received had he exercised the subscription rights conferred by his warrants or options prior to the winding-up but after deduction of the price payable on exercise of such subscription rights.

(i) Uncertificated Shares

The Articles are consistent with CREST membership and allow for the holding and transfer of Shares in uncertificated form pursuant to the Regulations.

(j) Calling of annual general meetings and general meetings

An annual general meeting shall be held within six months of the Company's accounting reference date. The Directors may, whenever they see fit, and shall on requisition in accordance with statute, proceed with proper expedition to convene a general meeting.

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 be in writing and shall specify the place, day and time of the meeting. Every notice must include a prominent statement that a member (including a corporation) entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him and that a proxy need not be a member of the Company.

The notice shall specify the general nature of the business to take place at the meeting. The notice shall say whether any resolution is to be proposed as a special resolution. Each notice shall include a form of proxy which shall provide for two way voting on all resolutions; state that members are entitled to appoint a proxy of their choice and provide a place for the name of that proxy and state that the proxy will use his discretion if not otherwise directed on how to vote. Should a special notice of a resolution be required pursuant to the Act 28 days' notice of the intention to move it shall be required.

## DIRECTORS' AND OTHERS' INTERESTS IN THE COMPANY

- (a) 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, directly or indirectly has an interest in 3% or more of the issued share capital of the Company or of the voting rights exercisable at a general meeting of the Company which is notifiable to the Company under the DTR.
- (b) As at the date of this document, the shareholdings (all of which are beneficial) of the Directors are as follows:

Name	Number of Shares	% of issued share capital
James Ferguson	102,800	0.36%
Chris Fleetwood	15,300	0.05%
John Hustler	25,100	0.09%
Tim Levett	117,300	0.41%
John Waddell	5,000	0.02%

Following the Offer, assuming full subscription and disregarding any take up under the Enhanced Buyback Offer, the shareholdings of the Directors will be not less than as follows:

Name	Number of Shares	% of issued share capital held following the close of the Offer and assuming full subscription
James Ferguson	102,800	0.23%
Chris Fleetwood	20,563	0.05%
John Hustler	25,100	0.06%
Tim Levett	138,353	0.31%
John Waddell	5,000	0.01%

The Directors have committed to subscribe, in aggregate, at least £50,000 for new Shares under the Offer.

- (c) None of the Directors has a service contract with the Company, and no such contract is proposed. However, the Company has entered into letters of appointment with each of the Directors under the terms of which the Chairman is entitled to annual remuneration of £18,000 and the other Directors are entitled to annual remuneration at the rate of £13,500 each respectively for the financial year to 31 March 2010. In the financial year ended 31 March 2009 each director received remuneration of £13,500 with the Chairman receiving £18,000. These letters of appointment are for a specified term of three years subject to reappointment. Directors may be removed from office under the terms of the Articles or may resign from office, in each case with immediate effect at any time. No benefits are payable on termination.
- The Directors receive no other remuneration or benefits in addition to their fees detailed above and, therefore, no amounts have been set aside for such matters.
- (d) No loan or guarantee has been granted or provided by the Company to any Director.
- (e) It is estimated that the aggregate fees payable to the Directors by the Company for the financial year ending 31 March 2010, under the arrangements in force at the date of this document, will not exceed £59,000 (plus employer's National Insurance where applicable).
- (f) The Company has in place directors' and officers' liability insurance for the benefit of the Directors and the Company Secretary.
- (g) 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 outside the Company where these are significant with respect to the Company (\*denotes no longer held):

James Ferguson - Aberlour House Limited\*, Audax Properties plc, Edinburgh US Tracker Trust plc, Gordonstoun Foundation Limited, Gordonstoun Schools Limited, Inspiring Scotland\*, Lloyds TSB Foundation for Scotland, Lloyds TSB Scotland plc\*, Monks Investment Trust Public Limited Company, North Foreland Lodge Limited\*, Northern 3 VCT PLC, Penicuik House Preservation Trust, Randotte (No. 478) Limited\*, Real Tennis Edinburgh, The Independent Investment Trust plc, The Scottish Oriental Smaller Companies Trust, V.I.T. Securities Limited\*, Value & Income Trust plc

Christopher Fleetwood - Chieftain Group Limited\*, Enterprise Development North East Limited\*, IO Solutions Limited, North East Community Services C.I.C.\*, Northern 3 VCT PLC, Nufast (UK) Limited\*, Onyx Group Limited, Onyx Internet Limited\*, VPTA Limited\* (went into liquidation and was subsequently dissolved)

John Hustler - Adval Group plc\* (went into liquidation and was subsequently dissolved), Blaven Technologies Limited\*, Hustler Venture Partners Limited, Hygea VCT plc, Insurance Direct Underwriting Limited\*(in liquidation), Medical Marketing International Group plc\*, Northern 3 VCT PLC, Northern Venture Trust PLC, Octopus Titan VCT 2 plc, Renaissancere Syndicate Management Limited, RTC Group plc\*, The Bioscience Innovation Centre Limited\*, The Ofex VCT Limited\*, Viratis Limited\*

Timothy Levett - Alaric Systems Limited, Britspace Holdings Limited, Britspace Investments Limited, Britspace Modular Buildings Limited, Crabtree of Gateshead Limited\*, Crantock Bakery Limited, Crossco (1168) Limited, Develop Training Limited\*, DMN Limited\*, Gateway Chassis Limited\*, GB Industries Limited, GB Industries Trustees Limited, Gentronix Limited, Impala Partnership Limited\*, LEDA Holdings Limited\*, Longhirst Group Limited, Longhirst Venues Limited\*, MPW Employee Trustee Company Limited\*, Norham House 1108 Limited\* (went into liquidation and was subsequently dissolved), Northern 3 VCT PLC, Northern VCT Managers Limited, Northern Venture Managers Limited, Northern Venture Trust PLC\*, Northstar Equity Investors Limited, NSEI General Partner Limited, NVM Group Limited, NVM Nominees Limited, NVM Private Equity Limited, NVPF General Partner Limited\*, NVPF Trustee Limited\*, Project NVM Limited, Shalibane plc\* (went into receivership and was subsequently dissolved), TFB Group Limited\*, Ultra Secure Products Limited (in administration), Wear Inns Limited

John Waddell - Archangel Directors Limited, Archangel Informal Investment Limited, Aurora Computer Services Limited\*, City Health Clinic Edinburgh Limited, CXR Biosciences Limited, Edinburgh Partners Limited\*, Eologic Limited (in liquidation), Instant Group Limited, LAB901 Limited, Noble Grossart Limited\*, Northern 3 VCT PLC, PRL (Scotland) PDA Systems Limited, PRL Scotland Limited, Reactec Limited\*, Sentient Medical Limited, Terry Trim Limited, The Map Magazine Limited, Trig Avionics Limited\*

- (h) Other than as disclosed in paragraph (g) above, none of the Directors in the five years prior to the date of this document has:
- (i) been convicted in relation to fraudulent offences;
  - (ii) been declared bankrupt or entered into any individual voluntary arrangement or had a receiver appointed in respect of any of his assets;
  - (iii) been a director or member of the administrative, management or supervisory bodies of any company at a time when that company became subject to receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or made any composition or arrangement with its creditors generally or any class of its creditors, nor has any Director been a director or member of the administrative, management or supervisory bodies of any such company in the 12 months prior to any such event;
  - (iv) been a partner or member of the administrative, management or supervisory bodies of any partnership at a time when that partnership became subject to compulsory liquidation, administration or partnership voluntary arrangement or made any composition or arrangement with its creditors generally or had any receiver appointed in respect of any of its assets, nor has any Director been partner or member of the administrative, management or supervisory bodies of any such partnership in the 12 months prior to any such event; or
  - (v) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including 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.
- (i) The Company is not aware of any persons who, directly or indirectly, exercise or could exercise control over the Company.
- (j) None of the Company's major holders of Shares has or will have voting rights different from other holders of Shares.
- (k) Other than in respect of Tim Levett and John Hustler, and for the reasons given on page 12, there are no potential conflicts of interest between the duties each Director has to the Company and their private interests.

## MATERIAL CONTRACTS

The following are (i) the only contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company for the two years immediately preceding publication of this document and which are or may be material to the Company, and (ii) the only contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company at any time 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:

- (a) Under the Offer Agreement dated 22 January 2010 between the Company, the Directors, the Sponsor and Downing, the Sponsor has agreed to act as sponsor to the Offer and Downing has undertaken, as agent of the Company, to use its reasonable endeavours to procure subscribers under the Offer for up to 15,000,000 Offer Shares. Neither the Sponsor nor Downing is obliged to subscribe for Offer Shares.

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

Under the Offer Agreement, which may be terminated by the Sponsor and Downing in certain circumstances, certain warranties have been given by the Company and the Directors to the Sponsor and Downing, without limitation in time or amount. The Company has also agreed to indemnify the Sponsor in respect of its role as Sponsor and under the Offer Agreement. The warranties and indemnity are in usual form for a contract of this type. The Offer Agreement may be terminated by the Sponsor if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

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

- (c) 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, whether from the proceeds of the Share issue or from the funds attributable to the Existing Shares. 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 the 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 terms 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.

- (d) A Management and Administration Deed dated 24 September 2001 made between the Company and NVM and as amended on 26 September 2007, pursuant to which NVM is responsible for managing Northern 3 VCT and its investment portfolio in line with the investment policy determined by the Board of Northern 3 VCT. The Board retains overall responsibility for the conduct of Northern 3 VCT's affairs. NVM has agreed to offer investment opportunities to the Company and to other funds it manages pro-rata to the NAV of each fund at the time of investment.

The Management and Administration Deed continues without limitation in point of time unless terminated by either party on giving one year's notice.

The basic rate of management fee payable to NVM is 2.06% of the Company's Net Assets per annum and a performance-related element of up to an additional 1% of Net Assets per annum ("Additional Management Fee") can be earned. If the Company's total return (NAV growth plus dividends paid) per Share in a financial year exceeds a target set by the Board, the Additional Management Fee is payable at the maximum level of 1% if the total return is two or more times the target, reducing to nil if the total return is equal to or less than the target. The target for the year ending 31 March 2010 is 7%. Out of such fees NVM will pay the fees of the Fixed Income Securities Manager. NVM also provides secretarial and administration services to the Company, for which it receives an annual fee of £42,000 payable quarterly in advance. The secretarial and administration fee is adjusted annually in line with changes in the UK Index of Retail Prices.

The Annual Running Costs of the Company are capped at 3.5% of its Net Assets (including any irrecoverable VAT), any excess being borne by the Manager by way of a reduction of its fees. Annual Running Costs include, inter alia, Directors' fees, fees for audit and taxation advice, registrars' fees, costs of communicating with Shareholders, the annual fees payable to the Manager (excluding any Additional Management Fee) and the annual commission payment to Downing. The Company's total running costs were 2.92% (including VAT) of its net assets in the year ended 31 March 2009.

NVM is entitled to receive arrangement fees (i.e. fees to cover costs of due diligence and implementing investments) and monitoring/directors' fees from companies in which Northern 3 VCT invests. Costs incurred on abortive investment proposals are the responsibility of NVM.

- (e) Each of the Directors has entered into a letter of appointment with the Company for a period of three years from the dates set out against their names below and each letter of engagement is terminable on three months' notice given by either side.

<b>Director</b>	<b>Date of appointment or reappointment</b>
James Ferguson	2 July 2009
John Hustler	3 July 2008
Chris Fleetwood	3 July 2008
Tim Levett	2 July 2009
John Waddell	3 July 2008

Pursuant to the terms of each letter of engagement, a Director is required to devote such time to the affairs of the Company as the Board reasonably requires consistent with his role as a non-executive Director. Each Director is entitled to receive the fees set out in paragraph (c) under the heading Directors' and Others' Interests in the Company in this Part IV. Each Director is entitled to be reimbursed for expenses properly incurred. There are no specific provisions for compensation in the event of early termination of the letters of engagement. In such event, the Director will be entitled to remuneration pro-rata to the proportion of the accounting period for which he has served. None of the Directors has entered into any service contract with the Company.

## **GENERAL**

- (a) The principal place of business and registered office of the Company is at Northumberland House, Princess Square, Newcastle upon Tyne NE1 8ER (telephone no: 0191 244 6000). The Company does not have, nor has it had since incorporation, any employees.
- (b) The Company has no subsidiaries or associated companies.
- (c) KPMG Audit Plc of Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EG are the current registered auditors of the Company. PricewaterhouseCoopers were the original auditors from incorporation to 14 February 2003.
- (d) Directors of the Company or the Manager may, from time to time, become interested in transactions with or in certain companies in which the Company has invested or proposes to invest, subject to full disclosure, Board approval and compliance with the Listing Rules.
- (e) The Board intends to announce the Company's NAV on a quarterly basis, through an RIS. The Board believes that, by announcing the Company's financial results on a regular basis, it should help to provide a fairer market price for its Shares. The NAV will be calculated by the Manager. If for any reason NAV calculations are suspended at any time, investors would be notified through an announcement on an RIS.
- (f) 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 custodian of the Company's quoted venture capital assets is Brewin Dolphin Limited, which is authorised and regulated by the Financial Services Authority and whose address is 12 Smithfield Street, London EC1A 9BD. 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.

- (g) 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.

- (h) Reporting to Shareholders - the Company's annual report and accounts are made up to 31 March in each year and are normally sent to Shareholders in May. The Company's unaudited half yearly reports are made up to 30 September in each year and are normally sent to Shareholders in November.
- (i) Certain information in this document has been sourced from NVM, Downing and Sarasin. 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 NVM, Downing and Sarasin respectively, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- (j) Save for payments made under the Management and Administration Deed described in paragraph (d) of the Material Contracts section on page 28 above and investments in which Co-Investors have invested (as described on page 11), there have been no related party transactions since 1 October 2005.
- (k) All material contracts of the Company will be in English and the Company and/or the Manager will communicate with Investors and/or Shareholders in English.
- (l) 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.
- (m) The Offer is only being made in the United Kingdom. In particular, neither this document nor the Securities Note nor the Summary constitutes an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Shares in any jurisdiction in which such offer or solicitation is unlawful. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) ("The Securities Act") or qualify for sale under the laws of any state of the United States or under applicable laws in Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Neither this document, the Securities Note nor the Summary nor any copy of any of them may be sent to or taken into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or any other jurisdiction where to do so would violate the laws of that jurisdiction, nor may any of them be distributed to any US person (within the meaning of Regulation S under the Securities Act).
- (n) The Company's investment policy, as detailed in this document, will, in the absence of unforeseen circumstances, be adhered to for at least three years from Admission. Any material change in this policy within this period will be made only with Shareholders' approval.
- (o) The Company's registrar is Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA.
- (p) The Company has no employees.
- (q) A typical investor will be a retail client (not a corporate) 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, structured products, investment trusts and/or direct shareholdings in listed companies and has sufficient income and capital so that his investment in the Company can be held for over five years. The individual will be professionally advised and/or a sophisticated investor.

## **STAMP DUTY, STAMP DUTY RESERVE TAX AND CLOSE COMPANY STATUS**

The Company has been advised that no stamp duty or stamp duty reserve tax ("SDRT") will be payable on the issue of the Shares issued under the Offer.

The transfer on sale of any Shares will be liable to ad valorem stamp duty normally at the rate of 0.5% of the amount or value of the consideration (rounded up to the nearest £5). An unconditional agreement to transfer Shares also gives rise to an obligation to account for SDRT, which is payable within seven days of the start of the month following that in which the agreement was entered into.

The payment of stamp duty gives rise to a right to repayment of any SDRT paid.

There will be no stamp duty or SDRT on the transfer of the Shares into CREST unless such a transfer is made for consideration in money or money's worth, in which case a liability to SDRT will arise usually at a rate of 0.5%. A transfer of Shares effected on a paperless basis through CREST will generally be subject to SDRT at a rate of 0.5% of the value of the consideration.

Following the issue of the Shares pursuant to the Offer, the Company is not likely to be a close company for tax purposes.

## **CONSENTS**

The Sponsor, Downing and the Manager have each given and have not withdrawn their written consents to the issue of this document with the references to them in the form and context in which they appear.

## **DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the offices of SJ Berwin LLP at 10 Queen Street Place, London EC4R 1BE during normal business hours on any weekday (public holidays excepted) from the date of this document until the closing date of the Offer:

- (a) the Articles of Association of the Company;
- (b) the material contracts referred to in paragraphs (a) to (d) on pages 28 and 29;
- (c) the consent letters referred to above;
- (d) the Directors' letters of appointment referred to on page 29;
- (e) the audited annual accounts of the Company for the financial periods ended 31 March 2009, 31 March 2008 and 30 September 2006; and
- (f) the unaudited half yearly accounts of the Company for the financial period ended 30 September 2009.

Dated 22 January 2010

**Northern 3 VCT PLC**

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