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Oriel Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority in the conduct of investment business, is acting for the Company and no one else in connection with the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Oriel Securities Limited nor for providing advice in relation to the Proposals.

Northern Investors Company PLC

Registered in England no 1822966

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Peter Haigh, *Chairman*
John Barnsley
Michael Denny
Frank Neale
Mark Nicholls
Sarah Stewart

24 June 2011

Dear Shareholder

Proposed modification of investment objective, proposed change to investment policy and amendment to the Investment Management Agreement, and notice of meeting

Introduction

Two years ago the Directors sought and received a mandate from shareholders to continue the life of the Company for at least a further three years until the annual general meeting in or following June 2012, at which time there would be a further vote on whether or not the Company should continue as an investment trust (the "Continuation Vote"). On 12 April 2011, the board of the Company received a requisition notice from Nortrust Nominees Limited, acting on behalf of Brookwell Limited, a shareholder holding in excess of 5% of the Company's total voting rights. The requisition notice required the Company to call a general meeting to consider resolutions requiring the Directors to (a) bring forward proposals to address the lack of liquidity in the shares and the high discount to NAV and (b) make no further investments until the resolutions had been voted on by Shareholders.

Your Board has subsequently consulted with the Company's largest Shareholders and, as announced on 10 May 2011, has concluded that, rather than awaiting the scheduled Continuation Vote in 2012, the Company should now cease making new investments and proceed to realise the investment portfolio on an orderly basis with a view to returning the cash proceeds to Shareholders over a period of time.

Accordingly, subject to Shareholder approval, it is proposed that:

- i the investment objective and policy of the Company be modified with a view to realising the Company's assets in an orderly manner that achieves a balance between an efficient return of cash to Shareholders and maximising the value of the Company's investments;
- i the terms of the Investment Management Agreement be amended in order to reflect the modification of the Company's investment objective and policy and to align the interests of Shareholders and the Manager through the realisation process;
- i the Articles be amended to delete the provisions relating to the Continuation Vote and to specifically permit the funding of share buy-backs from capital profits; and
- i the Company's share premium account be cancelled in order to create a distributable reserve to facilitate the return of cash to Shareholders,

together the "Proposals".

Subject to Shareholder approval of the Proposals, the Board will seek to return cash to Shareholders over time and is considering how this can be done as efficiently as possible.

The purpose of this document is to set out the background to and reasons for the Proposals and why the Board unanimously recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.

Shareholder approval is being sought at the General Meeting for (i) the proposed amendment to the Company's investment policy as required by the Listing Rules in view of the fact that the Company is making a material modification to its investment policy; (ii) the proposed amendment to the Investment Management Agreement as the transaction constitutes a related party transaction for the purposes of the Listing Rules; (iii) the proposed changes to the Articles as required by the Companies Act 2006; and (iv) a proposed cancellation of the Company's share premium account as required by the Companies Act 2006.

The Resolutions will be proposed at a General Meeting to be held at 12.45pm on Thursday 21 July 2011 (or as soon thereafter as the Annual General Meeting convened for the same day concludes), notice of which is set out at the end of this document.

The Board

Assuming that all resolutions proposed at the Annual General Meeting of the Company to be held at the Life Bioscience Centre, Times Square, Newcastle upon Tyne NE1 4EP at 12.30pm on Thursday 21 July 2011 (i.e. immediately before the General Meeting) are passed, the Board will consist of four members: Peter Haigh, John Barnsley, Frank Neale and Mark Nicholls. The Board believes that its size and composition are appropriate for the Company going forward and that the familiarity of the Directors with the Company and its investments and their combined experience will be beneficial to the proposed orderly realisation of the Company's investments.

Frank Neale is a director of both the Company and Northern 2 VCT PLC, which has co-invested alongside the Company in certain portfolio companies. While there are certain circumstances and situations in which Mr Neale's appointments could give rise to a conflict of interests, the Board does not expect this to be the case in practice. Furthermore, the Board believes that Mr Neale, as an experienced private equity fund manager who has successfully executed a number of realisation programmes in the past whilst with Phildrew Ventures, will be able to make a valuable contribution to the process. The Board will monitor any potential conflicts that arise and manage them in accordance with the Articles, which permit the Board to authorise conflict situations

Background to the Proposals

Following the mandate from shareholders to continue the life of the Company in 2009, the Company's investments have subsequently performed well against a difficult UK economic background. The NAV per share has risen year on year since 2009 with an overall increase of 25% over the last two years. Between 31 March 2010 and 31 March 2011 the NAV per share rose by 11.4% from 272.9p to 304.1p. Over the same period the FTSE All-Share index rose by 5.4% and the total return per share for the year was 38.9p, equivalent to 14.3% of the opening NAV. The mid-market share price also saw a rise of 27.3% from 165p to 210p.

During the 12 months to 23 June 2011 there has been a reduction in the share price discount to NAV from 41.3% to 19.9% but in spite of the narrowing of the discount the Board believes it is still at an unacceptably high level and is unlikely to narrow naturally in the short to medium term.

Having explored various options and consulted with the Company's largest Shareholders, the Board has now concluded that it is in the best interests of Shareholders to undertake an orderly realisation of assets, ultimately leading to the voluntary liquidation of the Company.

The Proposals

1 *Amendment to the investment objective and policy of the Company*

The Board and the Manager believe that a carefully managed process of divesting the Company's investments, which are mainly in small and medium-sized unquoted companies, will return better value to Shareholders than any other option. The Company's portfolio companies have continued to perform well and the majority are well positioned to benefit from a continuation of the slow emergence of the UK economy from recession. Shareholders will be aware that realising value from a portfolio of minority interests in small unquoted companies is not a process that can be rushed, but the Manager has a good record in identifying the right strategic time to exit from such holdings at prices in excess of book value and the Board believes that the Manager is best positioned to manage the realisation process. Consequently, we believe that there are good prospects for Shareholders in due course to realise proceeds in excess of the present NAV per share.

Existing investment objective and policy

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

The Company is listed as an investment trust on the London Stock Exchange and the Directors conduct its affairs so as to maintain its approval by HM Revenue & Customs as an investment trust under the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010. The Company's investments are managed by NVM Private Equity Limited, a specialist manager of smaller UK unquoted investments.

The Company's current investment policy has been designed with a view to enabling the Company to achieve its stated objective, whilst as far as possible limiting the risks inherent in investing in smaller unquoted companies. The Company's portfolio, which currently comprises 30 investments, is diversified by covering a wide range of industry sectors and including companies at different stages of maturity in the corporate development cycle. Individual investments are structured using various investment instruments, including ordinary and preference shares, loan stock and convertible securities, to achieve an appropriate balance of capital and income return. The Manager monitors the progress of each investment closely and carries out extensive due diligence investigations into new investment opportunities.

Normally up to 20% of the Company's assets comprise cash or near-cash investments, to provide a reserve of liquidity to maximise the Company's flexibility as to the timing and scale of investment acquisitions and disposals, dividend payments and share buy-backs.

The broad target size range for new private equity investments is from £1 million to £4 million. As a result, and based on the Company's present net assets of approximately £59 million, no single investment would normally represent in excess of 10% of the Company's shareholders' funds at the time of acquisition.

Revised investment objective

The Board is proposing that the investment objective be restated as follows:

"The investment objective of the Company is to conduct an orderly realisation of the assets of the Company, to be effected in a manner that seeks to achieve a balance between an efficient return of cash to Shareholders and maximising the value of the Company's investments."

Revised investment policy

The Board and the Manager believe that the Company's portfolio will require careful management in order to achieve the Company's proposed new investment objective.

If Resolution 1 to be proposed at the General Meeting is passed, the Company's entire existing investment policy will be replaced and the Company will adopt and adhere to the following amended and restated investment policy, which will be published each year in the Company's annual report and accounts in accordance with the Listing Rules (commencing with the annual report and accounts for the year ending 31 March 2012).

"The Company's investments will be realised in an orderly manner that seeks to achieve a balance between an efficient return of cash to Shareholders and maximising the value of the Company's investments.

The Company may not make any new investments save that (a) investments may be made to honour commitments under existing contractual arrangements; (b) further investment may be made into the Company's existing portfolio companies in order to protect or enhance the value of such investments or facilitate the orderly realisation of such investments; and (c) cash (including realised cash) may be invested in liquid cash-equivalent securities, including short-dated corporate bonds, government bonds or cash funds, or in bank cash deposits and/or in other permitted investments as set out above, pending its return to Shareholders in accordance with the Company's investment objective.

No more than 10% of total assets or, if lower, £2 million may be invested in any single cash equivalent instrument or placed on deposit with any single institution except that this limit does not apply to investment in government bonds, which shall be unconstrained.

The Company will continue to comply with the restrictions imposed by the Listing Rules in force and ensure compliance with current and future legislation to maintain investment trust status.

The Company will maintain a sufficient cash reserve in order to fund any further investments falling within sub-paragraphs (a) and (b) above and to pay dividends. The Board currently estimates that this reserve will not exceed £2.5 million, but will be subject to downward change throughout the realisation process. The Company's use of gearing shall be limited to a maximum of £5 million and the Board will not borrow unless required to do so for short term working capital purposes (for example, to make a dividend payment that is not covered by the cash reserve in order to ensure that investment trust status is maintained)."

Any material change to the revised investment policy would require Shareholder approval in accordance with the Listing Rules.

This policy will involve a continuing evaluation of the portfolio in order to assess the most appropriate realisation strategy to be pursued in relation to each investment. Whilst some investments may be considered appropriate for sale in the shorter term, other investments may be held for a longer period with a view to enabling their inherent value to be realised successfully.

The strategy for realising individual investments will be flexible and may need to be altered to reflect changes in the circumstances of a particular investment or in the prevailing market conditions. The Board will meet regularly to review progress in implementing the Company's new investment objective and policy and the then current position of unrealised holdings.

Currently, the Company regularly invests alongside the Northern VCTs and is entitled to participate with such funds pro rata to net assets in all investment opportunities developed by the Manager. If the Company adopts the proposed new investment policy, conflicts may arise between the Company and the Northern VCTs if they wish to make follow on investments in circumstances where the Company cannot invest or retain investments that the Company wishes to sell, although it is currently anticipated that in most cases interests will be aligned. The Board will carefully monitor any situations that arise.

The Company intends to maintain investment trust status for as long as possible during the realisation process and intends to continue to declare dividends to Shareholders in accordance with the applicable legislation for the foreseeable future.

The Board and the Manager regard the orderly realisation of the Company's assets as the best strategic option in all the circumstances. Should, however, Shareholders reject the proposed change, the Board and the Manager will continue to deliver the existing investment strategy and work to identify other options for developing the Company.

The Board aims to realise the portfolio and return cash in an efficient manner to ensure that a balance between value and speed is achieved. Due to the illiquid nature of private equity investments and the fact that the Company's investments represent minority holdings alongside a number of other investors, it is very difficult to provide any certainty on the timeframe for realisation. However, the Board is aware that Shareholders will expect some guidance on the expected timeframe for the return of capital. With this in mind, the Board, assisted by the Manager, has undertaken an exercise to estimate a realisation timetable. Although Shareholders should place only limited reliance on this information, it is the Board's current estimate that the overall timeframe for realisation will be approximately 5 financial years with a substantial proportion of the current NAV expected to be returned to Shareholders within the next 3 financial years ending in March 2015. As the portfolio realisation will be an ongoing process, the Board intends to provide Shareholders with 6-monthly updates to the estimated timetable in the Company's annual and half-yearly reports.

The Board has considered alternatives to an orderly realisation and concluded that, currently, these would not offer best value to shareholders. A more rapid divestment programme would almost certainly involve selling minority stakes in portfolio companies rather than selling whole companies alongside the Northern VCTs and the executives of each company. Such minority stakes would inevitably be sold at a considerable discount to that which could be obtained by selling the whole company. A sale of the whole Company's portfolio or substantial parts of it to a secondary investor would also attract similar levels of discount. In addition the universe of potential buyers is likely to be far lower than for our recommended strategy.

2 *Amendments to the Investment Management Agreement*

The Manager will be managing the orderly realisation process over time by seeking appropriate values for the underlying investments and managing the process of delivering cash to Shareholders.

The Board believes that the continued appointment of the Manager, which has managed the Company's portfolio for over 20 years and is very familiar with the investments, is important to achieving these aims. The Board has accordingly agreed, subject to Shareholder approval, to restructure the Manager's management and performance fee arrangements, which are not currently designed to accommodate the management of an orderly realisation process, in order to align so far as is possible the interests of the Company and the Manager throughout the realisation process.

Management fee

Under the current arrangements, the Manager receives a basic management fee, payable quarterly in advance, at the rate of 1.75% per annum of net assets as shown in the balance sheet as at 31 March in the preceding financial year save that, where the basic fee in any year is less than £1,056,000, a supplementary fee equivalent to 50% of the difference between £1,056,000 and the basic fee will be payable (but will be deducted from any performance-related fee which is payable in respect of the same year).

The Manager has entered into a side letter amending the terms of the Investment Management Agreement dated 18 April 1990 (the "Side Letter"), conditional upon the passing of Resolution 2 to be proposed at the General Meeting, pursuant to which the Manager will cease to be paid the current management fee (which based on current NAV would be £1,032,000 for the year ending March 2012) and will instead be paid £900,000 for the current year ending March 2012 and thereafter will receive a fee each year until 31 March 2016 which declines annually as follows:

Year to:	Management Fee (£)
31 March 2013	750,000
31 March 2014	600,000
31 March 2015	450,000
31 March 2016	300,000

If at 31 March 2016 there are investments remaining in the Company's portfolio the management fee will be renegotiated.

The Manager will continue to receive an annual fee of £35,000 for the provision of administrative and secretarial services to the Company.

Resolution 2 is itself conditional on the passing of Resolution 1. Investment management and performance fees payable by investment trusts are exempt from VAT.

Performance fee

The Manager is currently also entitled to receive a performance-related fee equivalent to 12.5% of the amount, if any, by which the total return in each financial year (expressed as a percentage of opening NAV) exceeds a performance hurdle. The hurdle is a composite rate based on 7% of the average of opening and closing long-term investments and base rate plus 1% on the average of opening and closing cash and near-cash investments during the year. Following a period in which net assets decline, a "high water mark" will apply to the calculation of the performance-related fee but will then be adjusted downwards to the extent that a positive return is achieved in the following financial year. The performance-related management fee is subject to an overall cap of 2.25% of net assets.

Under the terms of the Side Letter the Manager's performance fee will no longer be calculated on a NAV basis. The Board believes that the Manager's performance fee during the realisation process would be better aligned with Shareholders' interests if it were only paid to the extent that cash, equivalent to NAV plus a compounding hurdle, has actually been received by Shareholders. The performance fee will therefore only become payable once the Company has made aggregate distributions in cash to Shareholders equal to the Company's NAV at 31 March 2011 (the "Initial NAV") plus a 7% per annum compounding hurdle applied to the Initial NAV (as adjusted to take into account any capital returned to Shareholders), following which there will be a 100% catch-up to the Manager until the Manager has received 12.5% of all amounts in excess of the Initial NAV distributed to Shareholders with, thereafter, all amounts distributed by the Company being split 12.5/87.5 between the Manager's performance fee and cash distributions to the Shareholders respectively.

If there is a dispute between the Company and the Manager in relation to the amount of the Performance Fee payable to the Manager (including in relation to the Performance Fee payable in the event of early termination of the Investment Management Agreement as detailed below), the dispute shall be referred for determination to an independent firm of accountants in the United Kingdom selected by agreement between the Manager and the Company (or in default of agreement within 30 days of the dispute arising, to the President of the Institute of Chartered Accountants in England and Wales) in accordance with the current arrangements under the Investment Management Agreement.

Termination of Investment Management Agreement

In addition to certain existing termination rights under the current arrangements including change of control of the Manager, gross or repeated breach by the Manager of its obligations under the Investment Management Agreement and departure of certain key personnel of the Manager, the Side Letter provides that either party may terminate the Management Agreement by not less than 12 months' notice being given to the other party provided that if the Company serves such notice on the Manager at any time prior to 31 March 2014, the Manager shall be entitled, during the 12 month notice period, to receive: (a) the Basic Fee at the annual rate that would otherwise be payable in accordance with the table set out at pages 5 and 6 of this Circular; and (b) an amount of £250,000 in respect of

the costs, charges and expenses that will be incurred by the Manager upon termination of the Investment Management Agreement.. Such amounts shall be payable quarterly in advance in the same manner as the Basic Fee, during the 12 month notice period.

If the Investment Management Agreement is terminated early on 12 months' notice from the Company to the Manager as set out in the paragraph above, the Manager shall be entitled to the accrued but unpaid Performance Fee at the time of actual termination which shall be based on the net asset value as set out in the Company's last half-yearly report as adjusted to reflect any changes since the end of the relevant six month period, such changes to be agreed by the Board and the Manager, each acting reasonably.

Co-investment

The requirement of executives of the Manager to co-invest alongside the Company and the Northern VCTs will continue under the revised arrangements, giving executives of the Manager the right to co-invest alongside the Company in any permitted investments made by the Company under its revised investment policy.

Related party transaction

Under the Listing Rules, the Manager is a related party of the Company in relation to the amendments to the Investment Management Agreement. Accordingly, the amendments to the Investment Management Agreement require the approval of the Independent Shareholders.

The Manager has undertaken to take all reasonable steps to ensure that its associates do not vote, on Resolution 2 to be proposed at the General Meeting. As at 23 June 2011, the latest practicable date prior to publication of this document, "associates" (as defined in the Listing Rules) of the Manager, held approximately 2.67% of the Shares.

Return of Capital

The Board intends to consider with its advisers mechanisms for returning capital to Shareholders during the realisation period. The Company intends to maintain its investment trust status for as long as possible during this managed realisation process prior to liquidation and intends that dividends will accordingly continue to be paid as required by the relevant legislation.

The Board will write to Shareholders again in due course with details of its proposals to return capital to Shareholders. The Board may consider tender offers and/or other capital return schemes as the portfolio is realised and will seek to adopt the most efficient method of returning capital to Shareholders as a whole.

It is the intention of the Board to return £7.5 million of the Company's cash reserve (which equates to approximately 38 pence per Share) to Shareholders by 31 December 2011. The balance will be held back, in the first instance, as working capital to fund dividends, guarantees and further investments as permitted under the revised investment policy.

Depending on the rate and amount of realisations the Board will also consider proposing that the Company enter into voluntary liquidation.

3 *Amendment to Articles*

Article 147 of the Articles provides that, at the Company's annual general meeting in 2012 and at each fifth subsequent annual general meeting, a resolution that the Company continue as an investment trust for a further five years be put to the vote. Article 148 provides that if the Continuation Vote resolution is not passed, the Directors shall prepare proposals for the voluntary liquidation, unitisation or other re-organisation of the Company for approval by the Shareholders.

In light of the Proposals, Articles 147 and 148 are no longer relevant and it is proposed, as set out in Resolution 3, that these articles be deleted and any consequential amendments made to the Articles.

It is also proposed to amend Article 122 to make it clear that, as permitted by section 853(2) of the Companies Act 2006, the Company's capital reserve can be used to fund share buy-backs and redemptions.

Resolution 3 will be proposed as a special resolution.

4 *Cancellation of Share Premium Account*

The Company's current distributable reserves (excluding reserves arising from the realisation of investments which under the Articles are not available for distribution) amount to approximately £2.0 million prior to payment of the proposed final dividend in respect of the year ended 31 March 2011. The Company wishes to create additional distributable reserves through a Court approved cancellation of the Company's share premium account. Your Board considers it prudent to do so in light of the Proposals as it will facilitate the return of cash to Shareholders.

Shareholder approval is accordingly being sought to the cancellation of the Company's share premium account. The Company's share premium account stood at approximately £12.7 million as at 31 March 2011.

The Company's distributable reserves will be increased by the amount of the share premium account, subject to any direction given by the Court and the terms of any undertaking for the protection of the Company's creditors as at the date the cancellation takes effect.

The cancellation of the Company's share premium account itself will not involve any distribution or repayment of capital or share premium by the Company to Shareholders and will not reduce the Company's net assets. The Company will seek approval from Shareholders in relation to detailed proposals to achieve the efficient return of cash to Shareholders in due course.

Resolution 4 will be proposed as a special resolution.

Benefits of the Proposals

The Board believes that the Proposals offer the following significant potential benefits to Shareholders:

- i the realisation process will give Shareholders the opportunity of potentially liquidating their investments at a valuation in excess of NAV over a period of time.
- i commencing a managed realisation of assets, rather than placing the Company in liquidation immediately or seeking an immediate sale of the portfolio, should enable the Company to increase the value realised on the sale of its investments.
- i since the Company will remain listed throughout the realisation process, Shareholders and prospective investors will, subject to market conditions, continue to be able to buy and sell the Company's Shares if they choose to do so.
- i the implementation of the Proposals may lead to a narrowing of the discount to NAV and increased liquidity in the Company's Shares, which would be of benefit to all Shareholders whether or not they choose to sell their Shares.
- i there will be an immediate saving due to the changes to the management fee in respect of the year ending 31 March 2012 and it is expected that there will be further savings in future years.
- i there will be a further saving on directors' fees as the Board does not believe there is a need in view of the realisation process to replace Michael Denny and Sarah Stewart following their retirement at the 2011 annual general meeting.
- i the Manager will be fully incentivised through the new performance fee arrangements to maximise proceeds throughout the entire realisation process (consistent with an efficient return of cash to Shareholders) and would thereby be aligned with the interests of Shareholders. Management fees alone could not achieve this degree of alignment.

Risk factors

As a result of the Proposals, Shareholders should be aware of the following risk factors:

- i there is no guarantee that the change to the Company's investment objective and policy will provide the returns or realise the capital sought by Shareholders. There can be no guarantee that the Company will achieve its new investment objective.

- i all of the Company's equity investments are minority stakes in small and medium sized unquoted companies, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies and investments such as those in the Company's portfolio are also generally less valuable unless all or the majority of shareholders agree to sell alongside each other.
- i as investments are sold it is likely that the portfolio will become less diverse and more concentrated in fewer sectors. The Board will review the investment portfolio with the Manager on a regular basis throughout the realisation process.
- i events such as economic recession or general fluctuations in stock markets and interest rates may affect the valuation of investee companies and their ability to access adequate financial resources, as well as affecting the Company's own share price and discount to net asset value.
- i the revised investment objective and policy could lead to a divergence of approach with the Northern VCTs, which have co-invested with the Company, as they may wish to make follow on investments when the Company is not in a position to do so or they may not want to divest their investments at a time when the Company wants to make a realisation. Any such difference in approach will need to be carefully managed by the Board but the Board currently anticipates that most investments will be divested at the same time by both the Company and the Northern VCTs.

General Meeting

Page 15 of this Circular contains a notice convening a General Meeting of the Company to be held at 12.45pm on Thursday 21 July 2011 (or as soon thereafter as the Annual General Meeting convened for the same day concludes) at the Life Bioscience Centre, Times Square, Newcastle upon Tyne NE1 4EP, when the following resolutions will be proposed:

- 1 That the Company's investment policy be amended to one which will achieve an orderly realisation of the assets of the Company, to be effected in a manner that seeks to achieve a balance between an efficient return of cash to Shareholders and maximising the value of the Company's investments.
- 2 That, subject to the passing of Resolution 1, the Investment Management Agreement be amended in order to achieve the aims and objective of the Company's new investment policy, including changes to the Manager's fee arrangements.
- 3 That the Articles of the Company be amended by (a) deleting Articles 147 and 148 of the Company's Articles, and (b) amending Article 122 to make it clear that the Company's capital reserve can be used to fund share buy-backs and redemptions.
- 4 That the share premium account of the Company be cancelled.

The Manager has undertaken to take all reasonable steps to ensure that its associates will not vote on Resolution 2 at the General Meeting.

Action to be taken by shareholders

If you would like to vote on the Resolutions but cannot attend the General Meeting, please complete the Form of Proxy attached to this notice and return it to the Company's registrars, Equiniti Limited at Aspect House, Spencer Road, Lancing BN99 6ZR as soon as possible. They must receive it no later than 12.45pm on Tuesday 19 July 2011. Completion and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person should you so wish.

Recommendation

In the opinion of the Board, the Proposals described in this Circular are in the best interests of the Shareholders as a whole.

In the opinion of the Board, which has been so advised by Oriel Securities Limited, the proposed changes to the Investment Management Agreement are fair and reasonable so far as the Shareholders are concerned. In providing its advice to the Board, Oriel Securities Limited has taken into account the Board's commercial assessment of the Proposals.

The Board strongly and unanimously recommends Shareholders to vote in favour of the Resolutions as the Directors intend to do in respect of their own holdings representing 296,150 Ordinary Shares (in total representing 1.53% of the Company's total voting rights).

Yours sincerely

PETER HAIGH

Chairman

Definitions

In this letter, unless the context otherwise requires, the following expressions bear the following meanings:

Articles	the articles of association of the Company adopted on 23 June 2010
Circular	this document dated 24 June 2011, addressed to the Shareholders
Company	Northern Investors Company PLC
Continuation Vote	the meaning set out on page 1 of this document
Directors or Board	the directors of the Company from time to time
Form of Proxy	the form of proxy for use at the General Meeting
General Meeting	the general meeting of the Company to be held at the Life Bioscience Centre, Times Square, Newcastle upon Tyne, NE1 4EP at 12.45pm on Thursday 21 July 2011 (or as soon thereafter as the Annual General Meeting convened for the same day concludes)
Independent Shareholders	Shareholders excluding the Manager and any associates of the Manager
Investment Management Agreement	the investment management agreement between the Company and the Manager dated 18 April 1990, as amended by a supplemental management agreement dated 2 September 2004 and further amended by a side letter dated 8 May 2007 and a side letter dated 4 April 2011
Listing Rules	the listing rules published from time to time by the Financial Services Authority acting in its capacity as the United Kingdom Listing Authority under Part VI of the Financial Services and Markets Act 2000 (as amended)
Manager	NVM Private Equity Limited
Northern VCTs	Venture Capital Trusts which are managed by the Manager
Ordinary Shares	ordinary shares of 25p each in the capital of the Company
Proposals	the meaning set out on page 2 of this Circular
Resolutions	the resolutions to be put to the General Meeting as detailed on page 9 of this Circular and the Notice of Meeting
Shareholders	holders of Ordinary Shares
Side Letter	the meaning set out on page 5 of this Circular

Additional Information

1 Share Capital

As at 23 June 2011 (being the latest practicable date prior to the publication of this document), the issued share capital of the Company was as follows:

	<i>Number</i>	<i>£</i>
Shares	19,395,440	4,848,860

2 Directors and their interests

2.1 The names and business address of the Directors are:

Peter Haigh (Chairman)

John Barnsley

Michael Denny

Frank Neale

Mark Nicholls

Sarah Stewart

all of Northumberland House, Princess Square, Newcastle upon Tyne, NE1 8ER.

2.2 As at 23 June 2011 (being the latest practicable date prior to publication of this document), the interests of the Directors and their connected persons in the issued share capital of the Company, were as follows:

	<i>Number of Shares</i>	<i>Percentage of issued Share Capital</i>
Peter Haigh	5,000	0.026%
John Barnsley	48,750	0.25%
Michael Denny	210,000	1.08%
Frank Neale	20,000	0.10%
Mark Nicholls	10,000	0.05%
Sarah Stewart	2,400	0.012%

3 Substantial and other Share interests

As at the close of business on 23 June 2011 (being the latest practicable date prior to publication of this document), insofar as is known to the Company, the following persons (other than the Directors) were directly or indirectly interested in 3%. (or, in the case of investment firms, 5%) or more of its issued Share capital:

	<i>Number of Ordinary Shares of 25p</i>	<i>Percentage of issued Share Capital</i>
Middlesbrough Borough Council	3,225,620	16.63%

The Joseph Rowntree Charitable Trust	2,260,000	11.65%
Tyne & Wear County Pension Fund	1,950,000	10.05%
National Grid UK Pension Scheme	1,912,020	9.86%
Brookwell Limited	1,350,000	6.96%
Church Commissioners for England	1,186,000	6.11%
SVM Global Fund plc	706,220	3.64%
East Riding Pension Fund	670,000	3.45%

4 Material Contracts

Investment Management Agreement

The Manager provides investment management and secretarial services to the Company under an agreement dated 18 April 1990. The agreement runs until terminated by not less than twelve months' notice given by either party. The Company may also terminate the agreement without notice in the event of a change of control of the Manager.

The Manager receives a basic management fee, payable quarterly in advance at the rate of 1.75% per annum of net assets as shown in the audited balance sheet as at 31 March in the preceding year. The Manager is also entitled to receive a performance-related fee equivalent to 12.5% of the amount, if any, by which the total return in each financial year (expressed as a percentage of opening net asset value) exceeds a performance hurdle. The hurdle is a composite rate based on 7% of the average of opening and closing long-term investments and base rate plus 1% on the average of opening and closing cash and near-cash investments during the year. Where the basic fee in any year is less than £1,056,000, a supplementary fee equivalent to 50% of the difference between £1,056,000 and the basic fee will be payable, but will be deducted from any performance-related fee which is payable in respect of the same year. Following a period in which net assets decline, a "high water mark" will apply to the calculation of the performance-related fee but will be then adjusted downwards to the extent that a positive return is achieved in the following financial year. The performance-related management fee is subject to an overall cap of 2.25% of net assets.

The Manager also provides administration and secretarial services to the Company for a fee of £35,000 per annum. At 31 March 2011 the amount owing to the Manager in respect of investment management fees was £669,000 (31 March 2010 £nil).

5 General

- 5.1 Oriel Securities Limited has given and not withdrawn its written consent to the issue of this document with its letter and with the references to its name in the form and context in which they are included.
- 5.2 There has been no significant change in the Company's financial or trading position since 31 March 2011, the date of the latest audited accounts.

6 Documents Available For Inspection

Copies of the following documents will be available for inspection at the Company's registered office at Northumberland House, Princess Square, Newcastle upon Tyne NE1

8ER and at the offices of SJ Berwin LLP, 10 Queen Street Place, London EC4R 1BE during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted) from the date of this document until the General Meeting:

- (a) this Circular;
- (b) the consent letter referred to in paragraph 5.1 above;
- (c) the Articles of the Company as at the date of this document;
- (d) the annual report and financial statements of the Company for the year ended 31 March 2011; and
- (e) the material contract described in paragraph 4 above.

24 June 2011

Northern Investors Company PLC

Notice of General Meeting

Notice is hereby given that a General Meeting of the Company will be held at the Life Bioscience Centre, Times Square, Newcastle upon Tyne NE1 4EP at 12.45pm on Thursday 21 July 2011 (or as soon thereafter as the Annual General Meeting convened for the same day concludes) for the purpose of considering and, if thought fit, passing the following resolutions of which Resolutions 1 and 2 will be proposed as ordinary resolutions and Resolutions 3 and 4 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

- 1 That the proposed new investment objective and policy of the Company set out in the circular to Shareholders dated 24 June 2011 of which this notice forms part (the “**Circular**”) be adopted as the investment objective and policy of the Company with immediate effect and the existing investment objective and policy be and is hereby replaced.
- 2 That, conditional upon the passing of Resolution 1, the amendments to the Investment Management Agreement described in the Circular be and are hereby approved and the Company be and is authorised to enter into the Side Letter on such terms as the Directors think fit.

SPECIAL RESOLUTIONS

- 3 That, conditional upon the passing of Resolution 1 the Articles of the Company be amended by:
 - (a) deleting Articles 147 and 148 of the Company’s Articles; and
 - (b) adding the wording "otherwise than by way of the redemption or purchase of any of the Company's own shares in accordance with Chapter 3 or 4 of Part 18 of the Act" at the end of the fifth sentence of Article 122.
- 4 That the share premium account of the Company be cancelled.

By order of the Board

C D Mellor

Secretary
Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER

24 June 2011

NOTES:

- 1 A member entitled to attend and vote at this meeting is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend, to speak and, both on a show of hands and on a poll, to vote in his or her stead at the meeting. A proxy need not be a member of the company. The appointment of a proxy does not preclude a member from attending and voting in person at the meeting should he or she subsequently decide to do so. A form of proxy which may be used is attached.
- 2 A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her.
- 3 To be valid, a form of proxy together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be received by Equiniti Limited at Aspect House, Spencer Road, Lancing BN99 6ZR not later than 12.45pm on Tuesday 19 July 2011.

- 4 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the company as at 6.00pm on Tuesday 19 July 2011 shall be entitled to attend or vote (whether on a show of hands or on a poll) at the meeting in respect of the number of shares registered in their name at the time. Changes to entries on the register after 6.00pm on Tuesday 19 July 2011 (or after 6.00pm on the day which is two working days before any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 5 As at 23 June 2011 (being the last business day prior to the date of this notice) the company's issued share capital consisted of 19,395,440 ordinary shares each carrying one vote per share. Accordingly the total number of voting rights in the company as at 23 June 2011 was 19,395,440.
- 6 CREST members who wish to appoint a proxy or proxies for the meeting or any adjournment thereof by utilising the CREST electronic proxy appointment service may do so by following the procedures described in the CREST Manual (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 7 In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 8 The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 9 The above statement as to proxy rights does not apply to a person who receives this notice of meeting as a person nominated to enjoy "information rights" under Section 146 of the Companies Act 2006. If you have been sent this notice of meeting because you are such a nominated person, the following statements apply: (a) you may have a right under an agreement between you and the member of the company by whom you were nominated to be appointed or to have someone else appointed as a proxy for this general meeting; and (b) if you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to that member as to the exercise of voting rights.
- 10 A copy of this notice, and the other information required by Section 311A of the Companies Act 2006, can be found at www.nvm.co.uk/nicgm2011.
- 11 Any member attending the meeting has the right to ask questions.
- 12 You may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the company for any purposes other than those expressly stated.