

January 2022

Northern Venture Trust PLC

Northern 2 VCT PLC

Northern 3 VCT PLC

Offers for subscription in the
2021/22 tax year to raise a
total of

£40million

mercia.co.uk



Important Notice.

This document (the “Investment Brochure”) is an advertisement and not a prospectus. An investment in shares in the offers referred to in this advertisement should be made solely on the basis of information set out in the prospectus (the “Prospectus”) (available at www.mercia.co.uk) published on or around 10 January 2022 by Northern Venture Trust PLC, Northern 2 VCT PLC and Northern 3 VCT PLC (together the “Northern VCTs”, the “VCTs” or the “Companies”, and each a “Northern VCT” or “Company”). Prospective investors should read the Prospectus in full, including the Risk Factors (which are summarised in this advertisement), before applying under the Offers (as such term is defined in the Prospectus), and should seek professional financial advice if in any doubt as to whether a VCT is a suitable investment. Capitalised terms not defined in this Investment Brochure shall have the meaning given to them in the Prospectus.

This document amounts to a financial promotion for the purposes of Section 21 of the Financial Services and Markets Act 2020 and has been approved by Mercia Fund Management Ltd which is authorised and regulated by the Financial Conduct Authority (FRN 524856).

The Northern VCTs are managed or advised by Mercia Fund Management Ltd (“MFM”), which is a wholly owned subsidiary of Mercia Asset Management PLC (“MAM”). Throughout this document there are references to “Mercia” or the “Mercia Group”. Where the context of the reference to Mercia or the Mercia Group relates directly or indirectly to regulatory issues, this relates to MFM. All other references to Mercia or the Mercia Group are to the group companies of which MAM is the parent (including MFM). MFM is the investment manager or investment adviser to each of the Companies. Nothing in this investment Brochure constitutes investment, tax, legal or other advice by the Companies, MFM or MAM.

This document does not constitute a prospectus, as defined in the glossary of the FCA Handbook, and has not been prepared in accordance with the requirements of the FSMA, the UK Prospectus Regulation or the Prospectus Regulation Rules. Neither MAM nor MFM offer investment or tax advice or make recommendations regarding

investments. Mercia is acting for the Companies and no one else in connection with the Offers, and will not be responsible to anyone other than the Companies for providing the protections afforded to customers of Mercia (other than as required by the FCA rules) or for providing financial advice in relation to the Offers.

This advertisement does not constitute a direct offer to sell or a solicitation of an offer to purchase securities and, in particular, does not constitute an offering in any state, country or other jurisdiction where, or to any person or entity to whom, an offer or sale would be prohibited.

All statements of opinion or belief contained in this Investment Brochure and all views expressed and statements made regarding future events represent Mercia’s own assessment and interpretation of information available to them as at the date of this Investment Brochure.

No representation is made or assurance given that such statements or views are correct or that the objectives of the Offers will be achieved. Investors must determine for themselves what reliance (if any) they should place on such statements or views and no responsibility is accepted by Mercia in respect thereof. All information contained in this Investment Brochure has been sourced by Mercia unless otherwise stated.

We would like to take the opportunity to remind you that VCT investments are high risk and an investment in Offer Shares will not be appropriate for all recipients of this Investment Brochure. Your attention is drawn to the risk factors, as set out on page 6 of this advertisement. An investment in any one or more of the Companies is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that might arise. Please also remember that the value of an investment may go down as well as up. There is no guarantee that the Companies’ investment objectives will be met and you may not get back the full amount invested. The levels and bases of reliefs from taxation described in this document are those currently available and their value depends on an Investor’s individual circumstances. Tax rules and regulations are subject to change.

If you have any questions, please call the City Partnership helpline on 01484 240 910. Neither The City Partnership nor Mercia can provide any investment advice.

For UK investors only. Information correct as at 10 January 2022.



4.	Welcome	6.	The risks of investing	8.	The manager
11.	Northern VCTs’ investment strategy	12.	The investment opportunity	14.	Venture portfolio
16.	Northern VCTs’ track record	18.	Northern VCTs’ top 10 investments	19.	Northern VCTs’ recent investments
20.	Northern VCTs’ recent exits	22.	Dividend and share buy-back policies	24.	Attractive tax benefits
25.	Offer costs	26.	Offer pricing	28.	The Northern VCT investment team
30.	Additional information				

Contents

Welcome.

This is an opportunity to invest in three established VCTs, at an exciting time, with the benefit of attractive VCT tax reliefs.

The Companies are seeking to raise up to £40 million, with £6 million available for subscription in Northern Venture Trust and £17 million available for subscription in Northern 2 VCT and Northern 3 VCT.

This new offer will build on the Northern VCTs' successful track record taking into account the investment pipeline, while providing scale-up funding and follow-on investment for the current venture portfolio of over 50 companies with growth potential.

The independent non-executive directors of the Companies have indicated that they will be investing an aggregate of £313,000 into the Companies through the Offers, and Mercia employees (including the Investment Executives) will be investing an aggregate of £71,000 into the Companies through the Offers.

The Offers have been designed for Investors seeking a long-term tax-free return through a combination of dividend yield and capital growth, with the added benefit of VCT tax reliefs.

This Investment Brochure aims to provide an overview of the Companies and their investment strategy, the Manager and the investment team. This document also contains important information on the charges and key risks associated with investing in the Companies. Investors should refer to the Prospectus published in connection with the Offers, available at www.mercia.co.uk/vcts.

Further information, including the Prospectus, Application Form, Key Information Document and Annual Report for each Company, is available at www.mercia.co.uk.

Should you need anything else, please call the City Partnership helpline on **01484 240 910**. Neither The City Partnership nor Mercia can provide any investment advice.

**Target Raise:
£40 million**

**Closing Date:
31 March 2022**

Key features

Offer size: £6 million in Northern Venture Trust, and £17 million in Northern 2 VCT and Northern 3 VCT
Minimum individual investment: £6,000 in total (minimum £2,000 in any one Company if you are splitting your application across the Offers)

Maximum individual investment: £200,000

Please elect to split either equally or a different allocation on the application form.

Dividend policy:

The Companies each have a medium-term aim to generate a return on ordinary activities sufficient to support their target annual dividend yield, whilst avoiding as far as possible erosion of the Net Asset Value ("NAV"). The level of future dividends is not guaranteed and will have regard to the level of returns generated by each Company, the availability of distributable reserves and ongoing compliance with the VCT Rules.

Target dividend yields*:

Northern Venture Trust – **5% per annum of opening NAV**
Northern 2 VCT – **5% per annum of opening NAV**
Northern 3 VCT – **4.5% per annum of opening NAV**

*The target dividend yields are expressed as a percentage of the opening net asset value of each Company and are subject to regular review and are not guaranteed.

Timetable of Offers:

Offers open to all applicants on or around:
10 January 22

Offers close unless fully subscribed at an earlier date, or previously extended:
31 March 22, noon

All Offer Shares expected to be allotted on or around:
4 April 22

Tax certificates (enabling Investors to apply for their tax relief) expected to be despatched within:
20 business days of allotment

The risks of investing

Although it is normal for equity investments to carry risk, it is important you know what the risks are so you can make an informed decision.

Please note that VCT investments are high risk. Prospective Investors should carefully consider the following risk factors in addition to the other information presented in this document and the Prospectus. If any of the risks described below, and/or the risk factors and other key risks set out in the Prospectus, were to materialise, they could have a material effect on the respective businesses, financial condition, results or operations of any of the Companies.

The risks and uncertainties described here are not the only ones that the Companies or Investors may face. Additional risks which are not currently known to the Companies or their Directors, or that the Companies or their Directors currently believe are not material, may also adversely affect the respective businesses, financial condition and results or operations of the Companies. The value of the Offer Shares could decline due to any of these risk factors. Investors who are in any doubt as to the action that they should take are advised to obtain advice from an independent financial adviser authorised under the Financial Services and Markets Act, who specialises in advising on the acquisition of shares.

You cannot rely on past performance

There can be no assurances that the Companies will meet their objectives or identify suitable investment opportunities. The past performance of the Companies is not a guide to future performance.

Capital is at risk

The value of the Shares and income derived from them can fluctuate. There is no guarantee Investors will get back the amount invested. Investors could lose all or part of their investment.

Investments in VCTs are long term in nature

Investors should be prepared to hold their shares for a minimum of five years.

Investments in smaller and unquoted companies are high risk and illiquid

Investments in smaller unquoted companies, such as those in which the Companies will invest, involve a higher degree of risk than investment in larger listed companies, because they generally have limited product lines, markets and financial resources and may be more dependent on their management teams or key individuals. The securities of smaller companies in which the Companies invest are typically unlisted and illiquid, which may cause difficulties in valuing and disposing of such securities.

Tax reliefs are not guaranteed

The tax rules, or their interpretation, in relation to an investment in the Companies and/or the rates of tax may change during the life of the Companies. Changes may apply retrospectively, which could affect tax reliefs obtained by Investors and the VCT status of the Companies. If an Investor disposes of his or her Offer Shares within five years of issue, he or she will be subject to claw-back by HMRC of any income tax reliefs originally claimed.

Maintaining VCT status is not guaranteed

There can be no guarantee that the Companies will retain their status as a VCT. The loss of this status could lead to adverse tax consequences for Investors, including a requirement to repay the 30% initial income tax relief.

Offer Shares may be difficult to sell

Although the Companies' Offer Shares are traded on the London Stock Exchange, there may not be a liquid market in the Offer Shares and Investors may find it difficult to sell them. In addition, the price at which Shares are traded may not reflect their underlying net asset value (NAV) and Shares are usually traded at a discount to their underlying NAV.

There are investment restrictions

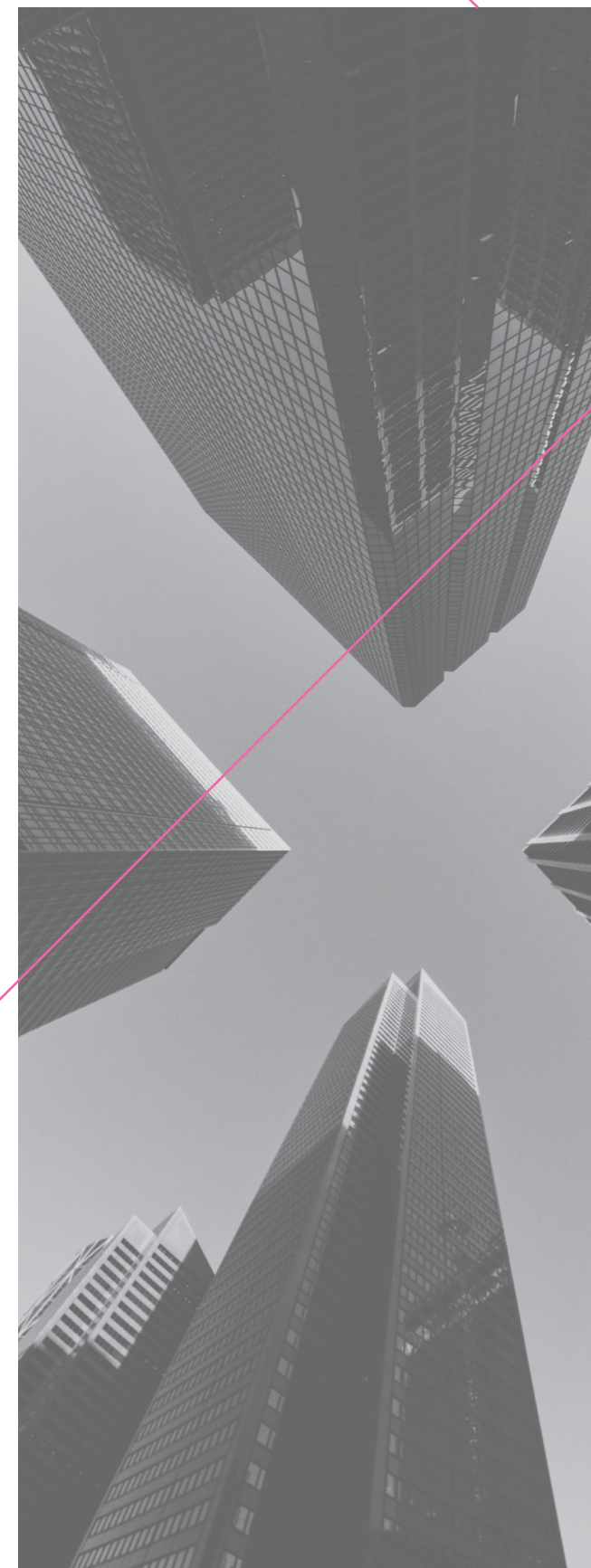
The Companies' ability to obtain maximum value from their investments may be limited by the VCT Rules. Changes in the VCT Rules may be applied retrospectively and may reduce the level of returns for Investors. A number of investment restrictions came into force in 2015, which focus investment on funding growth and development in companies that have been trading for seven years or less in a VCT-qualifying trade. In addition, the maximum lifetime amount a company can receive from VCTs has been restricted to £12 million (£20 million for a knowledge-intensive company).

There are market risks

The investments the Companies hold and will make in quoted investments will be subject to normal market fluctuations and other risks inherent in investing in securities.

Dividends will be subject to fluctuations

The VCTs are investing in young businesses requiring growth and development capital, largely in equity shares. Future returns will, therefore, be more dependent on outright exits and future dividends will be subject to fluctuations.



The manager.

The Northern VCTs are managed by Mercia Fund Management Limited ("MFM"), which is a wholly-owned subsidiary of MAM. Mercia is a specialist alternative asset manager with over 15 years' experience of providing capital to high-growth UK SMEs, meeting a large, growing and under-served need for long-term investment capital. Mercia offers high-growth UK SMEs a complete capital solution including private equity, debt, seed and venture capital (the latter category accounting for the majority of its investment activity).

Mercia currently has £948 million of funds under management of which £762 million is represented by third-party growth funds, including the Northern VCTs' net assets totalling £349 million (45.8% of third-party growth funds under management). The combination of the NVM VCT team's long-established position as a successful investor and Mercia's venture credentials has created one of the leading UK venture fund management groups. In being managed by Mercia, the VCTs have the opportunity to invest alongside other Mercia funds that are able to make larger investments and also provide replacement capital.

Including the VCT team, Mercia now has 65 investment professionals working from a network of eight offices located across the UK as well as a team of value-creating specialists from various disciplines including talent management, in-house legal counsel and operating partners.

Mercia's approach

The dedicated VCT investment team of 13 within Mercia is responsible for deploying capital and delivering returns. Investment opportunities are sourced directly and from existing Mercia investee companies in other funds wishing to scale up. The expectation is that the Northern VCTs will invest around £50 million each year.

The benefits of operating alongside the other Mercia funds are threefold:

Track record

Mercia has a long track record of managing both EIS and regional funds in companies which are at an earlier stage than those in the VCT portfolio. Currently Mercia's EIS and regional funds have £252 million invested. Each year a number of promising companies within these funds seek scale-up capital, providing valuable proprietary deal flow for the VCTs. In 2021 the Northern VCTs have already backed two existing Mercia portfolio companies.

Proprietary capital

Mercia uses its proprietary capital to provide scale-up capital with a mandate to invest by way of purchasing existing shares and providing new money. There can be demand for some cash out as well as new money in companies looking to grow quickly. As VCTs are precluded from purchasing existing shares themselves, the ability to co-invest with Mercia gives the Northern VCTs a competitive advantage.

Scale

The combination of the Northern VCTs and other Mercia funds provides the opportunity for the first funding round to be around £10 million, of which the VCTs could invest up to £5 million (or £10 million for a knowledge intensive company), and follow-on rounds in which the combination of all the Mercia funds could exceed the individual ceiling for VCT investment of £12 million (or £20 million for a knowledge intensive company).

Mercia's added value

Value is created for shareholders by active management of the portfolio and to deliver this Mercia invests heavily in the following areas:

Talent management

A dedicated team has created an extensive network of suitable people to act as both non-executive and executive chairs and non-executive directors for Mercia's investee companies. The talent team is involved in deals at an early stage identifying the right people to add value to the companies Mercia backs.

Operating partners

The talent team maintains a smaller database of people focused on taking executive positions in companies looking to accelerate growth or which are not meeting expectations. Mercia's policy is to put operating partners in place initially funded by Mercia with a view to long-term employment by the investee companies if successful in driving change.

In-house legal support

It is the nature of the growth capital market that there are multiple rounds of investment and complicated preference structures. Having an in-house team to negotiate on behalf of the Companies facilitates consistent structuring across the portfolio and speedy resolution of negotiations.



£50m

annual investment target



£948m

Mercia funds under management



13

dedicated VCT investment professionals



Northern VCTs' investment strategy.

Growth focused, providing scale-up development capital

The Companies typically make equity investments of up to £10 million (of which £2-5 million is typically invested initially) into companies that have high-growth potential. The VCTs will seek to back both experienced and new management teams who demonstrate a capability and potential to grow their businesses. These are companies which, in the majority of cases, have demonstrated initial validation of their product, market or otherwise demonstrated the viability of their business plan in their chosen market sector. The VCTs also back earlier stage businesses that can demonstrate significant compensating risk mitigation, such as proven technology, or barriers to entry such as intellectual property, established contracts or embedded market relationships.

Long-term and supportive

The Companies have a growing portfolio of high-growth businesses, many of which will require further rounds of follow-on capital investment to achieve the scale and returns targeted. The Companies are committed to holding sufficient liquidity to support these businesses through their capital growth requirements. VCTs are well placed to support the scale-up of high-growth companies. Under the VCT Rules, up to £5 million can be invested in a company in a twelve month period (£10 million for a knowledge intensive company) with a limit of £12 million overall (£20 million for a knowledge intensive company).

Syndication

The Companies' intention is to grow the portfolio of high-growth businesses and to look to support growth by raising additional capital acting as a lead investor and continuing to provide growth capital in further funding rounds ('B' series and beyond) as part of a syndicate.

Diversified

Investment in smaller and unquoted companies under VCT rules carries increased risk compared with investments in more mature businesses. The Companies' strategy is to mitigate these risks for Shareholders by investing in a diversified portfolio.

UK-wide footprint

Mercia is one of the foremost asset managers providing capital to UK high-growth SMEs. It has eight offices with coverage across the UK. By operating as part of Mercia, the VCT investment team has access to a proprietary deal flow, and has local teams in Mercia's network of offices who can build long-term relationships in these regions.

“

**£133.7 million
proceeds have been
generated from
realised investments
in 2020 / 2021.**

The Investment opportunity.

The Offers represent an opportunity to subscribe for new shares in the Northern VCTs. The Companies will invest in a portfolio mainly comprising VCT-qualifying investments in smaller UK unquoted companies, with a view to long-term capital growth. Eligible Investors will be able to benefit from the tax reliefs available to VCT subscribers, including initial income tax relief at 30%, exemption from income tax on dividends and exemption from capital gains tax on the disposal of VCT shares.

Track record

The Northern VCTs were established between 1995 and 2001 and are among the longest established VCTs in the market. Since inception they have invested over £500 million in more than 250 companies, achieving an unaudited total return (net asset value plus cumulative dividends) of between 200p and 256p per share.

Well-resourced manager

Mercia is an AIM-quoted specialist asset management group, focused on making high-growth investments throughout the UK, both from managed funds and directly from its own balance sheet. Since December 2019, when Mercia took over the management of the Northern VCTs from NVM, the size of the investment team has grown to a team of 13. Having worked alongside Tim Levett for a number of years, Aaron Lawson-Clark, Ishaan Chilkoti and Jason Warren have succeeded him and have all been promoted to Investment Partner. They will lead the enlarged investment team, and will have the support of Mercia's central resource to continue to deliver growth for shareholders.

Building on existing scale

Currently the three Northern VCTs have venture capital investment portfolios valued (unaudited) at £232 million, of which £143 million is represented by venture investments made after the introduction of the 2015 VCT Rules. The return on these investments comes mainly from capital received upon realisation. Since becoming part of Mercia, the Northern VCTs have benefitted from an enhanced deal flow of earlier stage investments from Mercia's EIS funds, which have already been prepared for larger fundraising within the wider Mercia stable, and the ability to co-invest with Mercia's own funds to provide opportunities to make larger investments and provide replacement capital from the Mercia balance sheet. In the year to 30 September 2021 two investments were made into existing Mercia assets and three investments were made alongside existing Mercia funds.

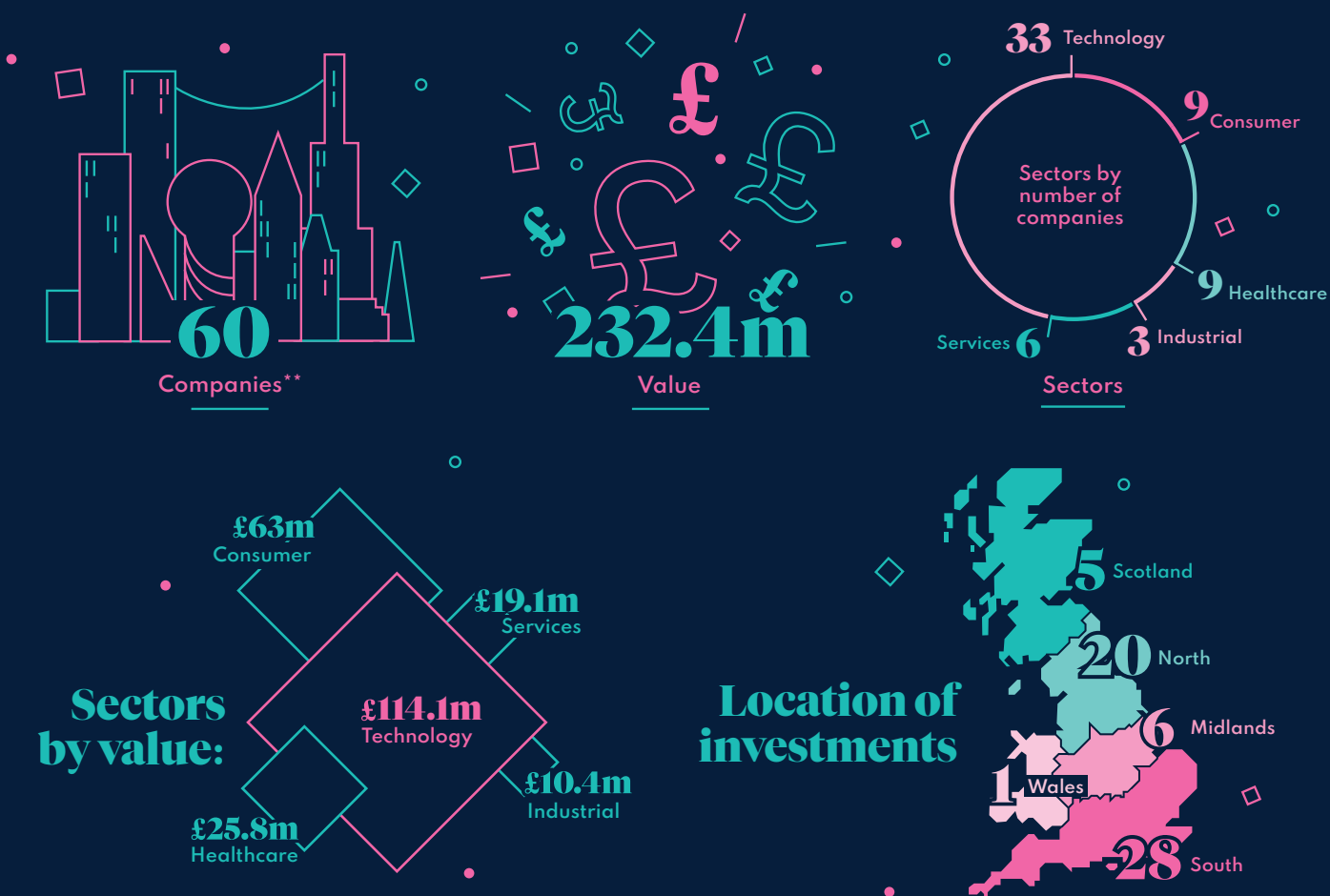
Liquidity

Shareholders may, from time to time, wish to sell some of their shares to assist with personal and financial estate planning. It is currently the policy of each Company to maintain the capability to buy back its shares in the market, at a discount of 5% to the most recently announced Net Asset Value.

Venture portfolio.

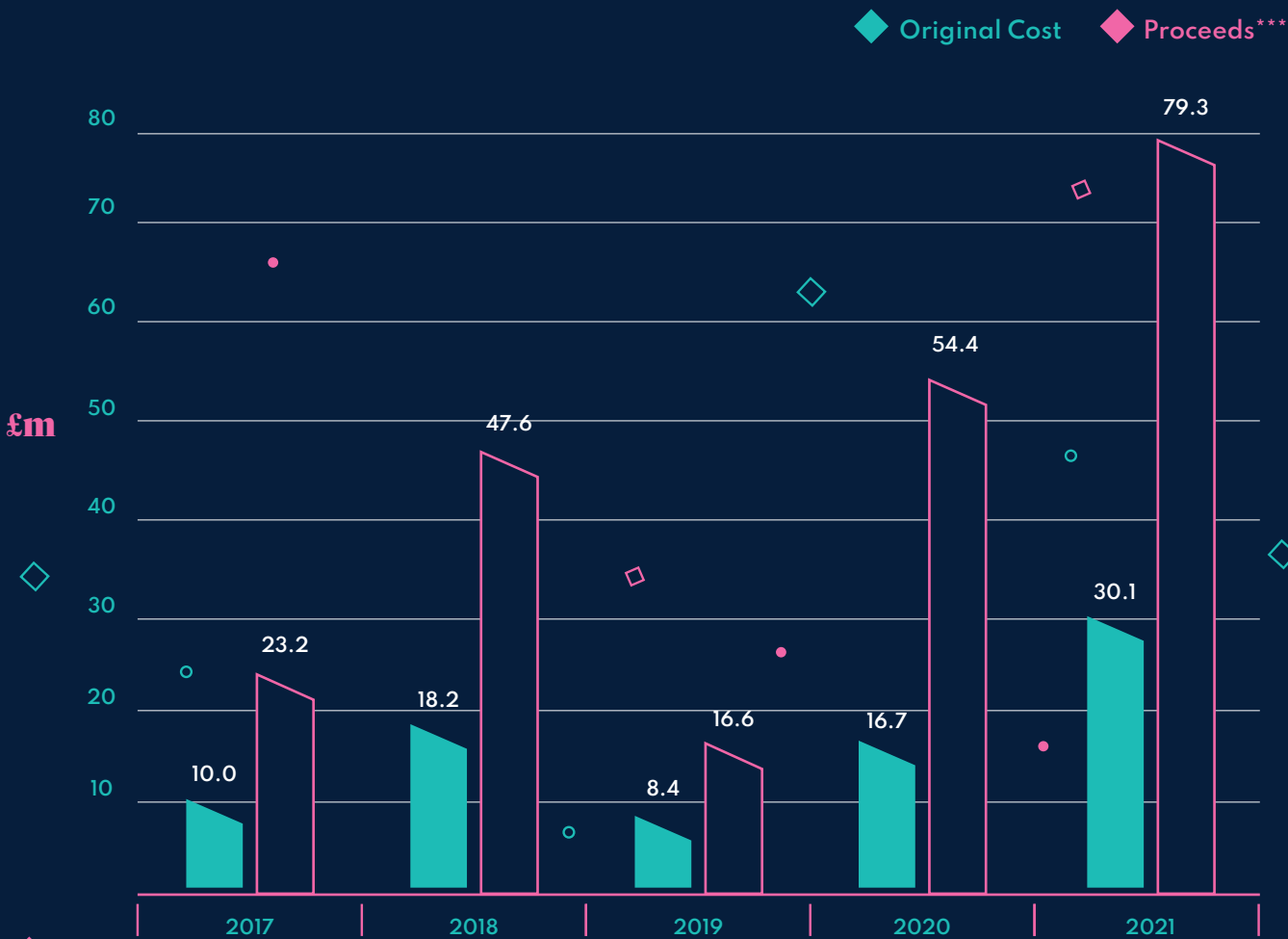
Portfolio

as at 30 September 2021*



Investments realised

5 years to December 2021



*Information and valuations as at 30 September 2021, adjusted for additions and disposals since this date.
 Includes unquoted investments and investments quoted on AIM. *Total capital and income returns over the investment lifetime for investments exited in each calendar year.

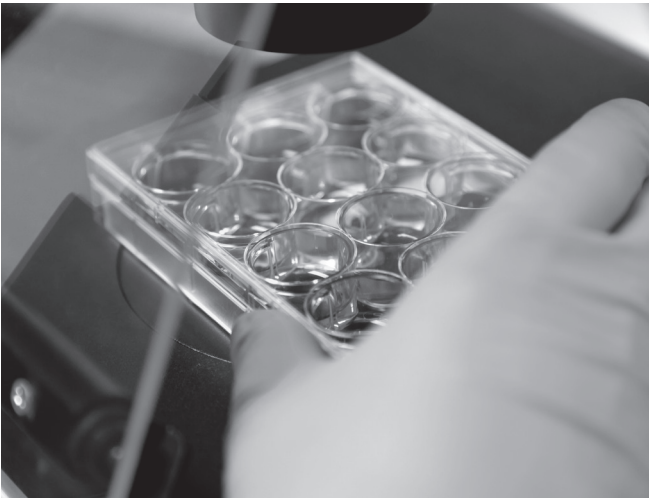
Northern VCTs’ track record.

Northern Venture Trust (launched in 1995)					
Year ended:	30 Sept 21	30 Sept 20	30 Sept 19	30 Sept 18	30 Sept 17
Dividends per Share in respect of the year*	10.0p	4.0p	4.0p	4.0p	11.0p
Cumulative dividends per Share paid since inception†	182.5p	172.0p	168.5p	164.5p	159.5p
NAV per Share at year end	74.1p	70.7p	68.9p	70.8p	72.6p
Total Return per Share	256.6p	242.7p	237.4p	235.3p	232.1p

Northern 2 VCT (launched in 1999)						
Year ended:	30 Sept 21 6 month period	31 Mar 21	31 Mar 20	31 Mar 19	31 Mar 18	31 Mar 17
Dividends per Share in respect of the year*	2.0p	7.5p	3.5p	4.0p	5.5p	10.5p
Cumulative dividends per Share paid since inception†	130.4p	124.9p	121.4p	117.4p	111.9p	101.4p
NAV per Share at year end	69.2p	71.3p	53.5p	64.7p	66.9p	76.6p
Total Return per Share	199.6p	196.2p	174.9p	182.1p	178.8p	178.0p

Northern 3 VCT (launched in 2001)						
Year ended:	30 Sept 21 6 month period	31 Mar 21	31 Mar 20	31 Mar 19	31 Mar 18	31 Mar 17
Dividends per Share in respect of the year*	2.0p	9.0p	4.0p	4.0p	5.5p	10.5p
Cumulative dividends per Share paid since inception†	106.4p	99.4p	95.4p	91.4p	85.9p	75.4p
NAV per Share at year end	106.1p	107.0p	78.1p	94.2p	94.0p	106.2p
Total Return per Share	212.5p	206.4p	173.5p	185.6p	179.9p	181.6p

† Excluding dividends declared but not yet paid at the balance sheet date.* Note: Special dividends of 5p per Share were paid by each of the Northern VCTs in 2017 and special dividends of 6.0p, 4.0p and 4.5p per Share respectively were paid in 2021. Past performance is not a reliable indicator of future performance.



Northern VCTs’ top 10 investments.

As at 30 September 2021

Company	Sector	Year of original investment	Cost (£000)	Valuation (£000)	% of net assets by value
musicMagpie (Quoted on AIM) - Re-commerce website for pre-owned media and electronics	Consumer	2015	662	21,110	6.1%
Lineup Systems - Multi-channel advertising and media software	IT Services	2011	2,923	17,908	5.1%
Currentbody.com - Online marketplace for home beauty devices	Consumer	2018	5,759	16,427	4.7%
Oddbox - Supply and delivery of fruit and vegetable boxes	Consumer	2020	1,091	11,913	3.4%
Evotix Holdings (formerly SHE Software Group) - Health and safety platform provider	IT Services	2018	6,775	11,327	3.2%
Intelling Group - Customer handling and support specialist	Services	2017	3,483	9,978	2.9%
The Climbing Hangar - Indoor climbing wall facility operator	Leisure	2018	9,917	9,917	2.8%
Volumatic Holdings - Manufacturer of intelligent cash handling equipment	Industrial	2012	647	8,389	2.4%
Buoyant Upholstery - Design and manufacture of upholstered furniture	Consumer	2013	3,137	7,413	2.1%
Clarilis - Automated document preparation software	IT Services	2018	5,572	7,212	2.1%

Northern VCTs’ recent investments.



The Northern VCTs invested £4 million in August 2021. The company provides online marketing content, producing sensory mobile ads for agencies and brands. The company will use the capital to grow the businesses to reach profitability.



The Northern VCTs invested £2.5 million in August 2021. The company is developing a range of orthobiologics, which are biological substances that help musculoskeletal injuries to heal. The company will use the capital to continue its research.



The Northern VCTs invested £2.7 million in October 2021. The company provides software products and supporting services to help police forces undertake digital forensic analysis in investigations. The company will use the capital for growth initiatives including scale up of its sales team and exploration of new markets.



The Northern VCTs invested £2.3 million in June 2021. The company was set up to improve preventative medicine by building a technology platform to detect undiagnosed chronic disease by analysing medical images using their machine learning software. The company will use the capital to develop a proof of concept, collate and publish clinical data and gain regulatory approval for one of its products.

Northern VCTs' recent exits.

£134m of cash receipts from realisations have been received since 1 January 2020. Below are details of some of these exits:

ODDBOX

10.9x return

The Northern VCTs provided £2.0 million of funding in March 2020.

London-based Oddbox is a leading purpose-led supplier of fruit and vegetables that aims to reduce food waste by selling mis-shapen and excess produce. The investment was used to launch the concept in new UK regions. The business experienced significant growth, notably during the COVID-19 pandemic. A portion of the Northern VCT's stake in the company was sold to Burda Principal Investments in July 2021, with the remaining portion of the investment retained, **providing a 10.9x return for the Companies.**

CURRENTBODY

THE BEAUTY DEVICE EXPERTS

2.9x return

The Northern VCTs provided £5.8 million of funding over two funding rounds in March 2018 and December 2019.

Cheadle-based Currentbody.com is an online retailer for home-use beauty products. The company's sales have grown significantly, increasing by 100% in 2020 alone. In November 2021, the Northern VCTs realised part of their investment for cash proceeds of £17.1 million and retained an investment of £5.0 million in the new owner's holding vehicle. **This represented a 2.9x return for the Northern VCTs.**

ALL GOOD

3.3x return

The Northern VCTs provided £3.5 million of growth funding in February 2014.

Gateshead-based It's All Good is a high-quality snack manufacturer of retailer-branded tortilla chips, pitta chips and rice cakes, as well as the premium tortilla brand 'Manomasa'. The investment was used to build the Manomasa brand and develop the innovation team and manufacturing facilities. The business experienced significant yearly sales growth, eventually becoming the largest independent private label tortilla manufacturer in the UK. The company was sold to Valeo Foods in December 2020, **providing a 3.3x return for the Companies.**

intelling

3.9x return

The Northern VCTs provided £3.5 million of funding in March 2017 and March 2018.

Manchester-based Intelling is a communications specialist providing customer support solutions. The company secured a significant contract, initially to respond to NHS 111 calls, which then evolved into part of the Track and Trace initiative during the COVID-19 pandemic. In October 2021, the Northern VCTs realised their investment for proceeds of £12.1 million, **representing a 3.9x return.**

musicMagpie

11.8x return

The Northern VCTs invested £4.5 million of development capital in September 2015.

Stockport-based musicMagpie specialises in re-commerce in the UK and USA focusing on the circular economy of consumer technology (smartphones, tablets, consoles, personal computers), books and disc media (CDs, DVDs and video games). Under the leadership of Steve Oliver (CEO and co-founder), the company has evolved significantly. In April 2021, the company launched its shares on AIM at a valuation of £208 million. The Northern VCTs partially exited on flotation but **retained a 11.5% shareholding, making a 11.8x return at the IPO price.**



In June 2014 the Northern VCTs invested £4.8 million in Agilitas IT Holdings as part of a management buyout.

Nottingham-based Agilitas is one of the UK's leading channel services providers, delivering managed inventory solutions as well as technical, lifecycle and training services to businesses in over 60 countries. This funding facilitated the automation of systems which fuelled growth both nationally and internationally. Over the next six years the company delivered year-on-year double digit growth through the expansion of its channel service propositions and geographic footprint. In November 2020, the Northern VCTs sold their stake in Agilitas to private equity firm Perwyn, **providing a 8.1x return for the Companies.**



Dividend and share buy-back policies.

Dividend policy

The Companies each have a medium-term aim to generate a return on ordinary activities sufficient to support their target annual dividend yield, whilst avoiding as far as possible erosion of the NAV per Share. The level of future dividend distributions is not guaranteed and will have regard to the level of returns generated by each Company, the availability of distributable reserves and ongoing compliance with the VCT Rules. Investors will be eligible for the next dividend payments announced after their Offer Shares have been allotted, which are expected to be paid in July/August 2022. The Companies all intend to pay dividends bi-annually, usually in July and January in respect of Northern Venture Trust (although timing of dividend payments is under review by the board of Northern Venture Trust) and January and August in respect of Northern 2 VCT and Northern 3 VCT.

Dividend investment schemes

The Companies have established dividend investment schemes under which Shareholders are given the opportunity to reinvest dividend payments by way of subscription for new Shares, with the benefit of the tax reliefs currently available to VCT subscribers. The terms for participation in those schemes are available from the Mercia website www.mercia.co.uk/vcts.

Share buy-back policy

We understand that, from time to time, Shareholders may wish to sell some of their Shares to assist with personal and financial estate planning. The Companies wish to ensure that there is liquidity in their Shares and, accordingly, each Company currently intends to pursue an active Share buy-back policy. Each Company currently maintains a policy of regularly buying back Shares in the market, at a discount of around 5% to the latest published NAV (subject to regular review, VCT regulations and guidance, shareholder approval, market conditions at the time and the relevant Company having both cash resources and distributable reserves available for the purpose).

Set out on the next page is a table illustrating the current income yields to Investors assuming that the dividend yield target is met in each case.

Illustrative Annual Yield per Offer share
(After 30% income tax relief)

Company	NAV at 30 September 2021 ¹	Target yield on NAV ²	Illustrative Offer price after tax relief ³	Equivalent tax-free yield	Gross equivalent yield ⁴	
					Higher rate tax payer	Additional rate tax payer
Northern Venture Trust	72.1p	5.0%	51.7p	7.0%	10.6%	11.5%
Northern 2 VCT	67.2p	5.0%	48.1p	7.0%	10.6%	11.5%
Northern 3 VCT	104.1p	4.5%	74.6p	6.3%	9.5%	10.4%

1.

Adjusted for 2.0p dividend payable subsequently. The stated NAV is unaudited for Northern 2 VCT and Northern 3 VCT.
2.

The target dividend yields are expressed as a percentage of opening NAV per annum, are not guaranteed and are subject to regular review by the Directors of each Company.
3.

The returns listed are based on an illustrative Offer Price (including Offer Charges of 2.5%) of 73.8p for Northern Venture Trust, 68.7p for Northern 2 VCT and 106.5p for Northern 3 VCT, multiplied by 70%, to reflect initial income tax relief of 30%. Investors should note that they will be required to pay the full Offer Price and claim the income tax relief separately. The Offer Price may differ as it depends on the level of Promoter's Fee payable and will be based on the most recently published NAV per share at the point of allotment.
4.

The gross equivalent yield is the yield on a non-VCT UK dividend subject to income tax that would result in a net yield of 7.0% for Northern Venture Trust, 7.0% for Northern 2 VCT and 6.3% for Northern 3 VCT, assuming a higher rate taxpayer and an additional rate taxpayer respectively with at least £2,000 of other dividend income.
- The above table is an illustration of yields, and no forecast or projection is inferred or implied.

Attractive tax benefits.

Listed below are the main VCT tax reliefs available under the Offers on a maximum investment in VCTs of £200,000 per individual tax year.

Income tax relief at 30% of the amount subscribed

This is conditional upon you holding your VCT shares for at least five years and not having sold any shares in the Company for six months before or after the issue of the new Shares. Relief is restricted to the amount which reduces your income tax liability to nil.

Tax-free dividends and capital distributions

Dividends and capital distributions from a VCT are tax-free.

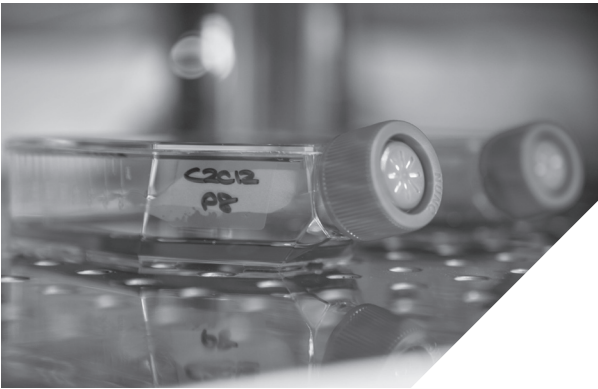
Capital gains tax exemption on any gains arising on the disposal of VCT shares

In the example opposite the effect of any Adviser Charges has been ignored (see page 25 for information on Adviser Charges). You should note that because you are required to hold the Shares for at least five years in order to retain income tax relief on your investment, this initial uplift cannot be immediately realised.

This is only a very brief summary of the UK tax position for investors in VCTs, based on the Companies' and Mercia's understanding of current law and practice. Investors are recommended to consult their own appropriate professional advisers before investing in the Offers and remember that the availability of the VCT tax reliefs is subject to personal circumstances and relies on the relevant Company maintaining its VCT qualifying status. Please refer to the HMRC website for further guidance on VCT tax reliefs.

To help you understand the benefits of investing in a VCT, here is an example which shows the effect of the initial 30% income tax relief (based on a notional investment of £10,000):

Your gross investment:	£10,000
30% income tax relief:	£(3,000)
Your net investment:	£7,000
Assumed issue costs of 2.5%:	£(250)
Initial value of holding:	£9,750
Initial uplift on the net investment (£):	+£2,750
Initial uplift on the net investment (%):	+39%



Offer costs.

The summary below sets out the initial and ongoing costs relating to a subscription for VCT Shares under the Offers.

Offer costs

Mercia will receive from the Companies a "Promoter's Fee", at the rate of 2.5% (discounted to 2.0% if the valid application is from an existing Northern VCT shareholder or their spouse or civil partner) of the gross proceeds of the Offers in the case of subscriptions received direct or through a financial adviser or 4.5% (discounted to 4.0% if the valid application is received from an existing Northern VCT shareholder or their spouse or civil partner) in the case of subscriptions received through an execution-only platform or broker. Mercia has undertaken to pay out of its Promoter's Fee all the upfront costs associated with the Offers, including initial commissions payable to execution-only brokers.

Adviser charges

The Companies have agreed to facilitate the payment of one-off "Adviser Charges", by accepting instructions from an Investor through the Application Form to deduct the amount of the fee agreed by them with their Intermediary, from the amount they send to the Companies. Ongoing fees to Intermediaries will not be facilitated by the Companies. The Investor will be issued fewer Offer Shares (to the equivalent value of the Adviser Charge) as set out in the Pricing Formula. The Adviser Charge stated on the Application Form is deemed to be inclusive of VAT. If, however, VAT remains payable then the Investor is liable for the payment of such VAT.

The total amount subscribed will be the application proceeds gross of the Adviser Charges. Income tax relief should still be available on the total amount subscribed, before deduction of Adviser Charges, subject to the VCT Rules and personal circumstances.

Trail Commission and Annual Running Costs: Subsequent to the Offers, execution-only brokers will usually be paid an annual trail commission for five years, of which the Companies will pay 0.2% and the balance will be paid by the Manager. The total Annual Running Costs of the Companies, including the basic management fee, the accounting and secretarial fee, directors' fees, fees for audit and taxation services, fees for legal and professional services, registrar's fees and trail commissions, but excluding the performance-related management fee, are capped at 2.9% of average net assets with any excess being borne by the Manager.

Existing Northern VCTs shareholder discount

In recognition of the loyalty of existing Shareholders, many of whom have supported the Northern VCTs for over 20 years, applications from Northern VCT shareholders on the register of members at close of business on 29 November 2021 will be eligible for a 0.5% discount, as mentioned in the section headed "Offer pricing". This discount will apply for any of the Northern VCTs and not just the VCT to which the shareholder or their spouse or civil partner is already subscribed.

Offer pricing.

The number of Shares issued to each successful Applicant under the Offers is based on the Pricing Formula.

The number of Offer Shares to be issued to each Applicant in each Company will be calculated based on the following Pricing Formula (rounded down to the nearest whole Offer Share):

Number of Offer Shares

Amount subscribed, less:
(i) initial Promoter's Fee¹
and
(ii) Adviser Charge (if any)

÷

Latest published NAV per Share²

1.

Less any reduction for commission waived by Intermediaries (where applicable) and any reduction for Investors (or their spouse or civil partners) on the register of members of any of the Northern VCTs as at close of business on 29 November 2021.

Set out below is an illustration of the number of Offer Shares that would be allotted for a subscription of £10,000 in each of the three Companies, based on the NAV per Share as at 30 September 2021. Where applicable these examples assume an Adviser Charge (to an Intermediary) of 2.0% or commission waived by an execution only broker of 2.25%. The actual number of Shares to be issued will be based on the latest published NAV per Share as at the time of allotment and so may differ from those set out below.
2.

After deducting any dividends declared but not yet received by Shareholders and not already deducted from the NAV

Northern Venture Trust				
Example application of Pricing Formula	Direct or through a financial adviser (no Adviser Charge)	Through a financial adviser (Adviser Charge of 2.0%)	Execution only platform or broker – no commission waived by an Intermediary	Execution only platform or broker – 2.25% commission waived by an Intermediary
Amount subscribed	£10,000	£10,000	£10,000	£10,000
Initial Promoter's Fee	£(250)	£(250)	£(450)	£(450)
Adviser Charge	-	£(200)	-	-
Commission waived by the Intermediary	-	-	-	£225
Net subscription proceeds	£9,750	£9,550	£9,550	£9,775
Latest (audited) published NAV per share (adjusted for 2p dividend)	72.1p	72.1p	72.1p	72.1p
Number of Offer Shares to be allotted	13,522	13,245	13,245	13,557

Northern 2 VCT				
Example application of Pricing Formula	Direct or through a financial adviser (no Adviser Charge)	Through a financial adviser (Adviser Charge of 2.0%)	Execution only platform or broker – no commission waived by an Intermediary	Execution only platform or broker – 2.25% commission waived by an Intermediary
Amount subscribed	£10,000	£10,000	£10,000	£10,000
Initial Promoter's Fee	£(250)	£(250)	£(450)	£(450)
Adviser Charge	-	£(200)	-	-
Commission waived by the Intermediary	-	-	-	£225
Net subscription proceeds	£9,750	£9,550	£9,550	£9,775
Latest (unaudited) published NAV per share (adjusted for 2p dividend)	67.2p	67.2p	67.2p	67.2p
Number of Offer Shares to be allotted	14,508	14,211	14,211	14,546

Northern 3 VCT				
Example application of Pricing Formula	Direct or through a financial adviser (no Adviser Charge)	Through a financial adviser (Adviser Charge of 2.0%)	Execution only platform or broker – no commission waived by an Intermediary	Execution only platform or broker – 2.25% commission waived by an Intermediary
Amount subscribed	£10,000	£10,000	£10,000	£10,000
Initial Promoter's Fee	£(250)	£(250)	£(450)	£(450)
Adviser Charge	-	£(200)	-	-
Commission waived by the Intermediary	-	-	-	£225
Net subscription proceeds	£9,750	£9,550	£9,550	£9,775
Latest (unaudited) published NAV per share	104.1p	104.1p	104.1p	104.1p
Number of Offer Shares to be allotted	9,365	9,173	9,173	9,390

It should be noted that in the examples set out above, it is assumed that the valid application has been received from a new Northern VCT shareholder. The NAV per share is as at 30 September 2021 less any dividends declared but not yet reflected in the NAV per share.

It should also be noted that the Adviser Charges set out above have been provided to illustrate the effect on the number of Shares to be issued and should not be considered as a recommendation as to the appropriate levels of Adviser Charges.



The Northern VCT investment team

The Manager's VCT investment team background and experience is as follows:



Ishaan Chilkoti, Investment Partner joined the VCT team in 2018 and is responsible for sourcing, transacting and managing investments across all sectors but has a specific interest in software, engineering and social businesses. Additionally, as Investment Partner he focuses on recruitment and training of the investment team. He has over 10 years' experience, initially in investment banking and at a mid-market private equity fund. For the past seven years, both as part of the Mercia and NVM teams, and also whilst at Nesta, he has been working with, and leading investments in, high-growth businesses. Ishaan has a BA in Engineering from the University of Cambridge and a Masters in Engineering Management from Duke University in the United States.



Peter Dines, MD of Mercia Fund Management joined Mercia in 2015 as Head of Life Sciences & Biosciences, with over 20 years' experience in this sector. He is Managing Director of Mercia Fund Management, the venture subsidiary of Mercia with £426 million under management, with responsibility for the VCT and EIS divisions. He has been involved with a number of turnarounds and exits within the sector, including the acquisition of Surgicraft's loss-making business where, while he was managing director, sales quadrupled within three years and the business was subsequently sold to a private equity-backed business, and Diagnostic World, a fast-growing diagnostic provider to the NHS now rebranded as C7 Health.



Jason Warren, Investment Partner joined the VCT team in 2017. He studied Mathematics and Computer Science at the University of Oxford, where he obtained a Masters degree. Additionally, as Investment Partner he focuses on portfolio strategy and research. He became a software engineer with Morgan Stanley, before joining a systematic hedge fund as a quantitative developer, where he was responsible for the trade generation systems and working with the research team on automated trading algorithms. His software skills are valuable in assessing IT business opportunities and in identifying growth sectors and future developments; to enable informed investment decisions.



Aaron Lawson-Clark, Investment Partner joined the VCT team in 2017 following nine years in corporate banking with Barclays and NatWest. Additionally, as Investment Partner he focuses on marketing and deal origination. In his previous roles, the majority of his time was spent supporting the needs of corporate banking customers across the North of England where he built a specialty technology, media and, telecoms portfolio. Following this, Aaron was the lead for Barclays' venture debt proposition in the North East, working with a series of fast-growth and private equity backed businesses. During his time in banking, Aaron won the award for North East Insider Dealmakers Award for fast-growth Corporate Banker of the Year three times and, prior to banking, he had a successful career with the Foreign & Commonwealth Office and HM Revenue & Customs. Aaron has a degree in Business Finance from Northumbria University.



Hugo Lough, Investment Manager joined the VCT team in 2021, following four years working in the growth capital team at finnCap, advising private UK businesses on their funding options. During this time, Hugo advised numerous companies across the Consumer and Technology sectors on funding for both organic and acquisitive growth. He has a BSc degree in Economics from Warwick University.



Sue Bromham, Research Manager joined Mercia in 2021 and is a qualified chartered accountant who worked for The Go-Ahead Group PLC for a number of years as Group Financial Controller before joining NVM in 2005. She carries out market research and financial analysis projects as well as working with other members of the team on portfolio matters.



Alex Gwyther, Investment Associate joined the VCT team in 2021 after seven years in the world of science and technology: first as a science policy adviser for the UK Government, and then as a consultant and client manager at IBM. He specialises in supporting on Life Science opportunities. Alex has a first-class undergraduate degree in Biological Sciences from the University of Oxford and an MSc in Science Communication from Imperial College London.



Alex Wilson, Investment Manager joined the VCT team in 2019 and is responsible for identifying investment opportunities in the North West and working with the team in sourcing, transacting and managing investments across all sectors and regions. Recently, he has led the profitable disposals of Currentbody.com and Soda Software Labs. He joined NVM from North West corporate finance advisers Rickitt Mitchell & Partners, and, before that spent five years at PricewaterhouseCoopers. He has a first class degree in Economics from the University of Nottingham.



Daniela Tsoneva, Investment Manager joined the VCT team in 2021 and has a specific interest in Technology and Life Sciences specialising in Medtech and Life Sciences opportunities. She has been a venture capital investor since 2016, having started her career in investment banking in the United States. Daniela has a BA degree in International Politics and Economics from Middlebury College in the USA and an MBA from Oxford University.



Adam Lovell, Investment Associate joined the VCT team in 2021, following three years working at Rickitt Mitchell & Partners advising UK businesses and private equity clients on strategic acquisitions and disposals. Based in Manchester, he now focuses on sourcing, transacting and managing investments through to broader roles with portfolio companies. He has recently led the Northern VCTs' investment in Forensic Analytics. He holds an undergraduate degree in Accounting and Finance from Loughborough University.



Stephen Johnson, Investment Manager joined the VCT team in 2019 after a career in IT consulting with Capgemini and as a senior consultant with Agile Solutions. He is responsible for sourcing investment activity in the Midlands and has a specific interest in Deep Tech, IT and IT-enabled business, SaaS and technology-based solutions to business challenges. Stephen has a BSc degree in Information Management with Business Studies from Loughborough University.



Lee Lindley, Investment Associate joined the VCT team in 2021 after seven years working in Corporate Finance at PricewaterhouseCoopers; firstly advising public and private sector bodies across the Healthcare, Telecoms and Transport sectors, and then as an assistant director advising digital infrastructure and energy businesses on growth equity fundraising and M&A transactions. He holds a BA in Natural Sciences from the University of Cambridge and a Masters (Distinction) in Research Methods from the University of Manchester.



Adam Watts, Investment Associate joined the VCT team in 2021, following two and a half years working in the investment team at Wealth Club. Previously, Adam trained at EY in Bristol as a chartered accountant, working in financial services audit before spending two years with Deloitte's financial advisory team in restructuring. He has joined the investment team to source new opportunities. Adam graduated from the University of Southampton with a BSc in Economics.

Boards of directors

Biographical summaries of the directors may be viewed in the Prospectus, available at www.mercia.co.uk/vcts

Northern Venture Trust

Simon Constantine
(Chairman)
Richard Green
Tim Levett
David Mayes
Deborah Hudson

Northern 2 VCT

David Gravells
(Chairman)
Alastair Conn
Simon Devonshire OBE
Cecilia McAnulty
Frank Neale

Northern 3 VCT

James Ferguson
(Chairman)
Anna Brown
Chris Fleetwood
Tim Levett
John Waddell

Annual fees

Basic management fee: The Manager receives a basic annual management fee from the Companies at the rate of 2.06% of net assets, calculated half-yearly on 31 March and 30 September. The basic management fee payable in respect of the level of cash and liquid investments over and above £20 million in each Company is reduced to 1%.

Accounting and secretarial fee: The Manager provides accounting, administrative and secretarial services to each of the Companies for an annual fee which is adjusted annually by reference to the movement in the RPI. The fees payable for the Companies' current financial years are £75,400 by Northern Venture Trust, £62,000 by Northern 2 VCT and £59,000 by Northern 3 VCT.

Performance-related management fee: The Manager is entitled to receive a performance-related management fee from each of the Companies equivalent to a specified percentage 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 relevant specified percentages are 15.0% for Northern Venture Trust, 12.0% for Northern 2 VCT and 14.2% for Northern 3 VCT. The hurdle is a composite rate based on the level of long-term investments and cash and near-cash investments during the year. For the most recent financial year the hurdle rate for Northern Venture Trust was 6.0%, for Northern 2 VCT 6.0% and for Northern 3 VCT 5.8%. The performance-related fee payable by each of the Companies is subject to an overall annual cap of 2.25% of net assets.

Charges payable by investee companies

The Manager is entitled to receive fees from investee companies for the arrangement of investments (typically 3% of the amount invested) and for the provision of non-executive directors and other advisory services. Due diligence and other costs incurred in relation to investment proposals which for whatever reason do not proceed to completion are borne by the Manager.

Pricing of the Offers

The Offer price for each Company is calculated based on the latest NAV adjusted to reflect the fees applicable to your applications and, if applicable, any Adviser Charges, or waived commission.

Closing date - 12.00 noon on 31 March 2022 (unless fully subscribed earlier)

Usual dividend payment dates

Northern Venture Trust

July and January

Northern 2 VCT and Northern 3 VCT

January and August

Financial reporting

Northern Venture Trust

Annual results to 30 September announced in November

Half yearly results to 31 March announced in June

Northern 2 VCT and Northern 3 VCT

Annual results to 31 March announced in June

Half yearly results to 30 September announced in November



mercia.co.uk



@Mercia_PLC