

**Offers for Subscription**  
for the tax Years  
2009/10 and 2010/11



**downing** structured  
OPPORTUNITIES VCT 1 plc



**Updated  
Securities Note**  
(including Application Form)

Sponsored by  
**Howard Kennedy**

Managed by  
**Downing Corporate Finance Limited**

<b>Contents</b>		<b>Page</b>
<b>Risk Factors</b>		1
<b>Chairman's Letter</b>		2
<b>Part I – The Offers</b>		
	Introduction	3
	Reasons for the Offers	3
	Taxation Benefits to Investors	4
	Objectives	4
	Illustrative Returns	4
	Investment Policy	5
	Structured Product Portfolio – Original Shares	7
	Dividends	8
	Share Buyback Policy	8
	Realisation Plans	8
	Manager – Venture Capital Investments	9
	Track Record of the Downing VCTs	10
	Co-Investment Policy	10
	Manager – Structured Products	11
	Directors	11
	Structure of the C Shares	12
	Management Fees	12
	Other Information	14
<b>Part II – Taxation</b>		16
<b>Part III – Details of the B Shares and C Shares</b>		17
<b>Part IV – Information on Structured Products</b>		18
<b>Part V – Financial Information</b>		19
<b>Part VI – Definitions</b>		20
<b>Part VII – Additional Information</b>		22
<b>Part VIII – Terms and Conditions of Application</b>		24
<b>Application Form</b>		
<b>Notes on Application Form</b>		

<b>Offer Statistics</b>	
Offer Price per New Share (unless adjusted by the Pricing Formula)	100.0p
Initial estimated Net Assets per New Share at the close of the Offers*	94.5p
Maximum number of B Shares in issue, following the Offers, at full subscription	20,000,000
Maximum number of C Shares in issue, following the Offers, at full subscription	30,000,000
Estimated net proceeds of the Offers, at full subscription*	£18,910,000
* assuming an issue price of £1 per New Share	

**Special Terms**

*Downing VCT shareholders (including spouses)*  
Accepted applications received by 15 January 2010 will attract Additional Shares equivalent to 2% of the amount subscribed under the Offers. Thereafter accepted applications will attract Additional Shares equivalent to 1% of the amount subscribed under the Offers.

*All other Investors*  
Accepted applications received by 15 January 2010 will attract Additional Shares equivalent to 1% of the amount subscribed under the Offers.

The cost of these extra shares will be paid by Downing Corporate Finance Limited.

This document, the updated Registration Document and the updated Summary, which together comprise the supplementary prospectus relating to Downing Structured Opportunities VCT 1 plc, have been prepared in accordance with the Prospectus Rules made under Section 84 of the Financial Services and Markets Act 2000 ("FSMA"), and have been approved by, and filed with, the Financial Services Authority. This supplementary prospectus consists of the text of the Registration Document, Securities Note and Summary dated 15 October 2009 updated to take account of the Company's change of name on 11 November 2009 and the terms by which Investors may qualify for Additional Shares as set out on the previous page ("the Prospectus"). Except in relation to these matters, there has been no significant new factor, material mistake or inaccuracy relating to the information included in the Registration Document, Securities Note or Summary dated 15 October 2009. A summary of the updated information is set out in the back of the Registration Document.

Application has been made to the UK Listing Authority for up to 20,000,000 B Shares and up to 30,000,000 C Shares in the Company, to be admitted to the Official List. Application will also be made to the London Stock Exchange for up to 20,000,000 B Shares and up to 30,000,000 C Shares, in the Company, to be admitted to trading on its main market for listed securities. It is expected that Admission of the first allotment of New Shares will become effective, and that dealings in these shares will commence, by 31 December 2009 and of subsequent allotments thereafter within 20 Business Days of allotment.

The Company and its Directors, whose names appear on page 11 of this document, accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Company and its Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

## Downing Structured Opportunities VCT 1 plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 6789187)

### Offers for Subscription for the 2009/10 and 2010/11 tax years

of up to, in aggregate 20,000,000 B Shares  
and 20,000,000 C Shares  
in the capital of the Company

#### Sponsor

Howard Kennedy

#### Promoter

Downing Corporate Finance Limited

Share capital of the Company immediately following the Offers, assuming full subscription under both Offers:

	Authorised		Issued and to be issued fully paid	
	No. of shares	Nominal value	No. of shares	Nominal value
Ordinary Shares of 0.1p each (ISIN: GB00B3L2G079)	80,000,000	£80,000.00	10,371,225	£10,371.23
A Shares of 0.1p each (ISIN: GB00B3L2G186)	55,185,613	£55,185.61	15,556,838	£15,556.84
B Shares of 0.1p each (ISIN: GB00B4MGR241)	80,000,000	£80,000.00	20,000,000	£20,000.00
C Shares of 0.1p each (ISIN: GB00B4MCHT95)	60,000,000	£60,000.00	30,000,000	£30,000.00
Deferred Shares of 0.1p each	4,814,387	£4,814.39	-	-

The subscription list for the Offers will open on 15 October 2009 and may close at any time thereafter but, in any event, not later than 1.00 p.m. on 5 April 2010 in the case of the 2009/10 Offer and not later than 5.00 p.m. on 30 April 2010 in the case of the 2010/11 Offer, unless previously extended by the Directors. The terms and conditions of the Offers are set out on pages 24 to 25 of this document and are followed by an Application Form for use in connection with the Offers. There is no minimum subscription for the Offers to proceed and they are not underwritten.

**Your attention is drawn to the Risk Factors set out on page 1 of this document. An investment in the Company is only suitable for Investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might arise.**

This document should be read in conjunction with the Summary and Registration Document, which may be obtained from the promoter of the Offers:

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

**telephone:** 020 7416 7780  
**download:** [www.downing.co.uk](http://www.downing.co.uk)  
**email:** [vct@downing.co.uk](mailto:vct@downing.co.uk)

## Risk Factors

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

### Risks associated with Venture Capital Trusts

- Although it is intended that the Company will be managed so as to continue qualifying as a VCT, there is no guarantee that such status will be maintained. Failure to do so could result in adverse tax consequences for Investors, including being required to repay the 30% income tax relief.
- The levels and bases of reliefs from taxation may change and could apply retrospectively. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of Investors. The Company's objectives have been set on the basis that all Investors obtain 30% income tax relief on their subscriptions. Therefore, this investment may not be suitable for Investors who do not qualify for the full 30% income tax relief.
- If any of the Company's investments do not perform to plan, then there could be a shortfall or delay in receipt of the Shareholder Proceeds and hence a reduction in the return to New Shareholders. In addition, if there is a change in VCT legislation, or the interpretation of existing VCT legislation, such that the payment of Shareholder Proceeds has an adverse effect on either the Company's or New Shareholders' VCT status, then such payments may not be made.
- Although the New Shares will be Listed, it is highly unlikely that a liquid market in the New Shares will develop as the initial income tax relief is only available to those subscribing for new shares and there may never be two competitive market makers. It may, therefore, prove difficult for New Shareholders to sell their New Shares. In addition, there is no guarantee that the market price of the New Shares will fully reflect their underlying net asset value or the ability to buy and sell at that price. It should be noted that shares held in VCTs usually trade at a discount to the VCT's net asset value.
- There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be identified.
- The Company's ability to obtain maximum value from its investments (for example, through their sale) may be limited by the requirements of the relevant VCT legislation in order to maintain the VCT status of the Company (such as the obligation to have at least 70% by value of the Company's investments in Qualifying Investments).
- The past performance of investments made by the Manager or the Company should not be regarded as an indication of the performance of investments to be made by the Company.
- Changes in legislation in respect of VCTs in general, and Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Company to meet its objectives and/or reduce the level of returns which would otherwise have been achievable.
- The value of New Shares is dependant on the performance of the Company's underlying investments. The value of the investments and the dividend stream can rise and fall. In particular, the Board's objective of paying an annual dividend of at least 5p per New Share may not be achieved and any dividend payments will reduce the Net Assets attributable to the New Shares.
- New Shareholders should be aware that the sale of New Shares within five years of their subscription will require the repayment of some or all of the 30% income tax relief obtained upon investment. Accordingly, an investment in the Company is not suitable as a short or medium term investment.
- If there are insufficient funds in one of the Company's share class pools to meet the obligations of that share class, such obligations may fall to be discharged out of the assets of the other share class.

### Risks associated with Venture Capital Investments

- Many of the Company's investments are likely to be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.
- In order to comply with VCT legislation, the Qualifying Companies, in which the Company will invest at least 70% of its capital within three years, must have gross assets of not more than £7 million prior to such investment and have fewer than 50 full time employees. Such companies generally have a higher risk profile than larger companies and may also have limited trading records. Therefore, the Qualifying Companies may not produce the anticipated returns and Investors could get back less than they invested.

### Risks associated with Structured Products

- There is no guarantee that any Structured Product in which the Company invests will meet its objective.
- Structured Products are subject to market fluctuations and are normally intended for investors who can bear the risks inherent in this type of investment, including the loss of the entire amount invested.
- Investments in Structured Products usually include a loan to a counterparty and are subject to the risk that payments may not be made by issuers on due dates or at all and that investments may lose value or become difficult to sell because of changes in credit ratings of the issuers. The Company bears the risk that the counterparty will be unable or unwilling to perform its obligations under the contract i.e. to repay its loan or any other obligations.
- There may not be a liquid market in the Structured Products and there may never be two competitive market makers. Risk is increased further where there is a single market maker who is also the issuer of the Structured Product. In the event that the Company was unable to realise sufficient funds from its Structured Product investments to enable it to hold at least 70% of its investments in Qualifying Investments within three years, then the Company could lose its VCT status.

# Chairman's Letter

## Downing Structured Opportunities VCT 1 plc

Kings Scholars House  
230 Vauxhall Bridge Road  
London SW1V 1AU

15 October 2009

Dear Investor

The Original Offer, launched in January 2009, raised £10.5 million. The Company's initial launch Net Asset Value (including dividends, after costs) has increased by 9% over the period to 30 September 2009, which represents the best performance of any new VCT launched in 2008/09 (*source: taxefficientreview.com*). This rise in the Net Asset Value of the Original Shares is primarily because of the increase in value of the Structured Product portfolio; further details are provided on page 7.

The New Share Offers follow on from the success to date of the Original Shares and provide Investors with the opportunity to benefit from generous tax reliefs whilst gaining exposure to two distinct asset classes via a separate investment pool from the previous share offer. Each asset class provides the potential for attractive returns. Within six months, it is anticipated that virtually all the Company's funds will be invested in Structured Products, prior to deploying at least 70% in Venture Capital Investments progressively over three years.

### The opportunity – Venture Capital Investments

- **Lack of finance available and attractive valuations** – Funds will be deployed over the next three years, which should allow the Company to invest at a time when entry prices are lower than they have been in recent years. In addition, the general lack of credit available for businesses should allow the Company to negotiate better terms, which may increase potential returns.
- **Lower risk VCT strategy** – The focus will be on investee companies which own substantial assets and the Company will seek to take a charge over the assets in order to reduce the risks on its investments. Risk is also reduced by restricting the investee company's ability to borrow.

### The opportunity – Structured Products

In order to enhance the potential returns available from the non-qualifying investments, the Company will invest in a portfolio of institutional Structured Products managed by Brewin Dolphin.

- **Potential for attractive returns** – Structured Products are designed to provide pre-defined returns linked to the performance of UK or overseas stockmarkets or other types of exchanges, such as those dealing in commodities.
- **Attractive pricing** – The Board believes that a number of Structured Products currently offer attractive returns without requiring any further increases in stockmarket values.

### A VCT for income

The Board has a stated objective of paying annual dividends of at least 5p per New Share. This represents a tax-free yield of 7.1% per annum on the net investment of 70p per New Share (after 30% income tax relief), which is equivalent to 10.5% per annum gross to a 40% taxpayer. Investors should note that the level of dividends is not guaranteed.

### Life of investment – approximately six years

It is intended that all the Company's investments attributable to the New Shares will be sold after five years and the net proceeds paid to New Shareholders. In contrast, many other VCTs do not have a fixed life and, in order to exit, investors have to sell their shares in the market where the share price could, in some cases, be more than 30% lower than the net asset value.

### Key tax benefits

- **30% income tax relief** – is available on the amount subscribed up to £200,000 per tax year provided the New Shares are held for at least five years.
- **Tax free distributions and capital gains.**

### Next steps

In order to invest please read the Prospectus and then complete the Application Form, which is set out at the end of this document. If Investors have any questions regarding this investment they should contact their own independent financial adviser. For questions relating to an application, please telephone Downing on 020 7416 7780. Investors should note that their capital is at risk if they invest in the Company and they may lose some or all of their investment. No investment advice can be given by Downing and Investor's attention is drawn to the Risk Factors set out on page 1 of this document.

Yours sincerely



Howard Flight  
Chairman

# Part I – The Offers

---

## Introduction

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

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

The Company's share offers were initially launched in January 2009 under the name Downing Protected Opportunities VCT 1 plc. The Company's principal objectives include reducing the risks normally associated with Venture Capital Investments; hence the use of the "Protected" name. The Company seeks to be low risk within its sector, however, potential investors need to be aware that VCTs, as a whole, are high risk. The Financial Services Authority carried out a review of financial promotions in the structured investments products marketplace in October 2009, which highlighted the use of the term "Protected" without explaining the limitation of the protection. Although the review was not in respect of VCTs, the Board considers that it may no longer be best practice to use "Protected" in the name of the Company. Therefore, on 11 November 2009, the Board changed the name of the Company to Downing Structured Opportunities VCT 1 plc, which it believes more clearly highlights the Structured Products within its asset allocation. Accordingly, this document has been updated to clarify the nature of the Company's profile, further details of which are set out in the Schedule of Amendments at the back of the updated Registration Document. It should be noted that the Company's investment objectives and strategy are unchanged.

The Company raised gross proceeds of £10.5 million from its Original Shareholders earlier in 2009. As at 30 September 2009, the Company held 13 Structured Products with a total value of £7.2 million (after realisations) and four Venture Capital Investments with a total value of £2.5 million. The initial offer price of the Original Shares (after issue costs) was 94.5p. As at 30 September 2009, the Net Asset Value per Original Share was 100.4p and, in addition, a dividend of 2.5p per Ordinary Share was paid on 25 September 2009 (*source: unaudited management accounts of the Company for the period ended 30 September 2009*).

## Reasons for the Offers

The Offers have been designed for Investors seeking to invest in two distinct asset classes: asset-backed unquoted investments and Structured Products, whilst taking advantage of the VCT tax reliefs. At the Company's outset, its objective was to provide a full exit for Original Shareholders after approximately six years from the close of the Original Offers.

Based on an Offer Price of £1 per New Share, an Investor will receive one B Share and one C Share at the following subscription price: 99.9p for each B Share; and 0.1p for each C Share. Further details on the New Shares can be found in Part III of this document.

The Offers will also allow the running costs for all Shareholders to be spread over a larger asset base, reducing the running costs per Share. Downing Structured Opportunities VCT 1 plc is seeking to raise up to an additional £20 million under the Offers.

### The New Shares

The existing investments and cash attributable to the Original Shares will be kept separate from the proceeds of the issue of the New Shares, which will be administered as a separate investment pool. The holders of New Shares will have the right to participate (by way of dividends and return of capital) in those assets attributable to the New Shares but not in those assets attributable to the Original Shares. Conversely, the holders of Original Shares will have the right to participate (by way of dividends and return of capital) in the assets attributable to the Original Shares but not in those assets attributable to the New Shares.

The New Shareholders will be entitled in respect of those shares: (i) to vote at meetings of the Company in the same way as Original Shareholders – New Shareholders must approve separately any change to the Articles which affects the rights attaching to the New Shares; (ii) to receive dividends declared on income received from and realised profits arising on investments funded from the proceeds of the New Share issue; and (iii) in the event that the Company is wound up, to receive those assets attributable to the New Shares.

## Taxation Benefits to Investors (see Part II for further details)

The principal UK tax reliefs, which are available on a maximum investment of £200,000 per individual in each of the 2009/10 and 2010/11 tax years, are set out below:

- **Income tax relief at 30%** of the amount subscribed provided the VCT shares are held for at least five years. Relief is restricted to the amount which reduces the investor's income tax liability to nil.
- **Tax-free dividends and capital distributions** from a VCT.
- **Capital gains tax exemption** on any gains arising on the disposal of VCT shares.

The table below shows the effect of the initial 30% income tax relief:

Effect of Initial 30% Income Tax Relief	
<b>Cost of investment</b>	<b>Per New Share</b>
Gross subscription by Investor	100.0p
30% income tax relief	(30.0p)
Net of tax cost of investment	<b>70.0p</b>
<b>Initial value of investment</b>	
Gross subscription by Investor	100.0p
Issue costs	(5.5p)
Initial Net Asset Value	<b>94.5p</b>
<b>Initial "uplift" (pence)</b>	+24.5p
<b>Initial "uplift" (%)</b>	+35.0%
<p>The above table shows that, assuming income tax relief is received at 30%, the Investor's net of tax cost of investment is 70p per New Share and the initial NAV is 94.5p, an "uplift" of 24.5p per New Share or +35%. <b>Investors should note that they are required to hold the New Shares for at least five years in order to retain the income tax relief and, as such, this initial uplift cannot be immediately realised.</b></p> <p style="text-align: right;"><i>(Source: Downing)</i></p>	

**Only a very brief summary of the UK tax position of investors in VCTs, based on the Company's understanding of current law and practice, is provided above. Further details are set out in Part II of this document. Potential investors are recommended to consult their own appropriate professional advisers as to the taxation consequences of their investing in a VCT.**

## Objectives

The Company's principal objectives for Investors are to:

- invest in a portfolio of Venture Capital Investments and Structured Products;
- reduce the risks normally associated with Venture Capital Investments;
- target an annual dividend of at least 5p per New Share;
- provide a full exit for New Shareholders in approximately six years at no discount to NAV; and
- maintain VCT status to enable New Shareholders to retain their 30% income tax relief on investment.

The Company will not vary these investment objectives, to any material extent, without the approval of Shareholders.

## Illustrative Returns

Set out below is a table illustrating the hypothetical returns to Investors at four different levels of Shareholder Proceeds, paid out within six years from the close of the Offers. New Shareholders' and Management's interests are aligned through the Performance Incentive (see page 13 for details). The payout to Management will be maximised if New Shareholders receive cash proceeds of at least 115p on their net 70p invested, which equates to an approximate tax-free return of 10% p.a. (17% p.a. gross equivalent to a 40% taxpayer). In the Director's opinion, any of these illustrative outcomes would represent a satisfactory return to Shareholders.

<b>Illustrative returns based on an Offer Price of £1 per New Share</b>				
<b>Shareholder Proceeds</b>	85p	100p	115p	130p
<b>Less: net cost of investment</b> (assuming 30% income tax relief)	(70p)	(70p)	(70p)	(70p)
<b>Tax-free cash profit</b>	15p	30p	45p	60p
<b>Tax-free profit</b> (as a % of net cost of investment)	+21%	+43%	+64%	+86%
<b>Net Return<sup>1</sup></b>	4.0% p.a.	7.3% p.a.	10.2% p.a.	12.7% p.a.
<b>Gross equivalent return<sup>2</sup></b> (to a 40% taxpayer)	6.7% p.a.	12.2% p.a.	17.0% p.a.	21.2% p.a.

**The returns set out above are for illustrative purposes only and no forecast or projection is implied or should be inferred.** <sup>1</sup> The Net Return is the internal rate of return based on an investment of 100p deemed to be made on 5 April 2010, 30p income tax relief deemed to be received seven months later on 5 November 2010 and either 85p, 100p, 115p or 130p of Shareholders Proceeds, comprising dividends of 2.5p payable on 30 September 2010 and 31 January 2011 and on the same dates each year until 31 January 2015, 75% of the balance of the Shareholder Proceeds on 30 September 2015 and the remaining funds on 30 April 2016. <sup>2</sup> The gross equivalent return to a 40% taxpayer is calculated by dividing the Net Return by 0.6.

## Investment Policy

The investment policy for the New Shares is identical to that for the Original Shares.

### Asset allocation

It is anticipated that, subject to market conditions and working capital requirements, up to 90% of the funds raised under the Offers will be invested in Structured Products within six months of the close of the Offers, with the balance held in cash or cash equivalents. The level of funds invested in Structured Products will be progressively reduced over three years as Venture Capital Investments are made. By 31 March 2013, and thereafter, it is estimated that approximately 75% of the funds attributable to the New Shares will be invested in Venture Capital Investments (by 31 March 2012 for funds attributable to the Original Shares). The approximate investment allocation for the New Shares (ignoring cash balances) is set out below.

<b>Investment allocation – New Shares</b>					
<b>Asset Class</b> <small>(ignoring cash balances)</small>	<b>Initially</b> <small>(within six months)</small>	<b>End of Year</b>			<b>Average<sup>1</sup></b>
		<b>1</b>	<b>2</b>	<b>3</b> <small>(and thereafter)</small>	
<b>Structured Products</b>	100%	75%	50%	25%	50%
<b>Venture Capital Investments</b>	0%	25%	50%	75%	50%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup> Estimated average allocation over the expected life of the New Shares (being six years).

**Note:** the investment allocation set out above is only an estimate and the actual allocation will depend on market conditions, the level of opportunities and the comparative rates of returns available from Venture Capital Investments and Structured Products.

It is intended that the Venture Capital Investments will be Qualifying Investments under the VCT rules and the Structured Products will be non-VCT qualifying.

### Venture Capital Investments

Venture Capital Investments will be sought in UK trading companies. The majority of these companies are likely to own substantial assets such as children's nurseries, health clubs, pubs, stock or work-in-progress. Venture Capital Investments will also be sought in companies with predictable revenue streams from financially sound customers, ideally with contracts pending or in place. Subject to the VCT tax rules, the Company will maximise the use of its loans to investee companies and generally seek to take a charge over the investee company's assets. In the event of a material default by an investee company, it would be the Manager's intention to exercise the charge over the assets and seek to recover the Company's loan.

As a condition of each of its investments, it is intended that the Company will have the ability to restrict the investee company's ability to borrow. Typically, Downing VCTs' investee companies have no external borrowings ranking ahead (for security purposes) of the VCTs' investments. However, certain investee companies may be permitted to borrow limited sums (typically up to 25% of the value of their assets) where the Manager believes it is prudent to do so.

## Structured Products

The funds attributable to the New Shares will be invested in a portfolio of 7-25 institutional Structured Products (depending on the amount raised under the Offers), managed by Brewin Dolphin. Brewin Dolphin has investment discretion but operates within the Board's guidelines.

The Company's holdings of Structured Products are primarily designed to produce capital appreciation, rather than income. Therefore, profits arising from the disposal or maturity of the Structured Products typically gives rise to capital gains, which are tax-free for the Company and can be distributed tax-free to New Shareholders.

The choice of index or exchange that the Company's Structured Products are linked to will be dependant on market conditions at the time of investment. The maximum exposure to various indices and exchanges will be as follows: i) between 50% and 100% will be linked to the FTSE 100; ii) no more than 20% will be linked to the S&P 500; iii) no more than 20% will be linked to the Dow Jones Euro Stoxx 50; iv) no more than 20% will be linked to the Topix 1000; and v) no more than 20% in aggregate will be linked to all other indices and exchanges.

## Counterparty risk on Structured Products

Brewin Dolphin monitors the counterparty risk on an ongoing basis and follows the guidelines set out below.

- **Types of counterparties:** Combination of UK gilt backed, A rated or higher (Standard and Poor's\*) and cash collateralised issues.
- **Examples of currently acceptable counterparties:** UK Government (Gilts); Citigroup; Morgan Stanley; Barclays Bank; Deutsche Bank; HSBC Bank and Nationwide Building Society.
- **Maximum exposure to any one counterparty:** 20% (no maximum for UK Gilts or cash), at the time of investment.

\* Standard & Poor's is an independent rating agency which rates companies from AAA (most secure/best) to D (most risky/worst).

## Risk diversification

The Directors control the overall risk of the Company. The Manager ensures the Company has exposure to a diversified range of Venture Capital Investments from different sectors. The Structured Product portfolio is a separate asset class to that of its Venture Capital Investments and this provides further diversification.

## Venture capital trust requirements

To maintain its VCT status, the Company complies with a number of requirements within specified time periods as set out in Part 6 of the ITA. Part II of the Registration Document summarises how the main VCT requirements apply to the Company and they include the following restrictions:

- (i) not more than 15% by value of the Company's investments (at the time of investment) can be held in a single company or group (other than a VCT); and
- (ii) the Company is limited to investing up to £1 million per tax year in each Qualifying Company.

## Listing Rules

In accordance with the Listing Rules:

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

## Borrowing policy

Under its Articles, the Company has the ability to borrow a maximum amount equal to 15% of the aggregate amount paid on any shares issued by the Company (together with any share premium thereon). Although the Board does not intend to borrow, it has the flexibility to do so. In particular, because the Board intends to minimise cash balances, the Company may borrow on a short-term basis for cashflow purposes.

The Directors do not intend to vary the Company's New Share investment policy, which will be adhered to for at least three years following the date on which the Shares are Listed. However, should a change in the investment policy be deemed appropriate this will be adopted with Shareholders' approval and in accordance with the Listing Rules.

## Structured Product Portfolio – Original Shares

The Company acquired its first Structured Products on 12 March 2009. From this date to 30 September 2009, 17 different Structured Products have been acquired at a total cost of £8.3 million. During the period to 30 September 2009, four Structured Product investments were either sold or matured yielding a profit of £126,000, against a cost of £1,926,000 representing a profit over cost of 7%.

Realisations	Date of first acquisition	Cost £'000	Sales proceeds £'000	Profit £'000	IRR %
BNP Paribas Harewood 12% FTSE Autocall	4 Jun 2009	732	784	+52	+56%
Citigroup Gilt Backed Defensive Autocall 3	12 Mar 2009	372	391	+19	+14%
Citigroup Gilt Backed Defensive Autocall 2	12 Mar 2009	249	270	+21	+24%
Sienna (Morgan Stanley) Three Year FTSE Bonus Shares	12 Mar 2009	573	607	+34	+21%
<b>Total</b>		<b>1,926</b>	<b>2,052</b>	<b>+126</b>	<b>+26%</b>

*(source: unaudited management accounts of the Company for the period ended 30 September 2009)*

The market value of the remaining Structured Products as at 30 September 2009 had increased by 12% compared to the cost of the portfolio. The table below lists the Structured Products held by the Company as at 30 September 2009, which are attributable to the Original Shares.

Holdings as at 30 September 2009	Date of first acquisition	Cost £'000	Value £'000	Increase £'000	Increase %
Barclays Three Year Semi-Annual Synthetic Zero	13 Mar 2009	476	552	+76	+16%
Barclays 12.2% FTSE Autocall	16 Jun 2009	859	970	+111	+13%
Citigroup FTSE Defensive	12 Aug 2009	130	137	+7	+5%
Citigroup Gilt Backed Defensive Autocall 1	14 Apr 2009	488	551	+63	+13%
Elders Capital Accumulator II (various counterparties)	16 Mar 2009	259	308	+49	+19%
Elders Capital Accumulator VI (cash collateralised)	19 Mar 2009	634	776	+142	+22%
Elders Japan Capital Prot'd 3 (various counterparties)	16 Mar 2009	626	656	+30	+5%
Goldman Sachs Defensive Autocall	3 Jul 2009	337	394	+57	+17%
Goldman Sachs Reservoir Autocall	27 Jul 2009	401	418	+17	+4%
Morgan Stanley FTSE Synthetic Zero	11 May 2009	449	559	+110	+24%
Platinum (Deutsche Bank) Defensive FTSE Autocall	27 Mar 2009	656	704	+48	+7%
Platinum (Deutsche Bank) 3 Year Callable	7 Jul 2009	351	367	+16	+5%
Symphony (Citigroup) 3.5 Year FTSE 4.85 Call	11 Jun 2009	710	777	+67	+9%
<b>Total Structured Products</b>		<b>6,376</b>	<b>7,169</b>	<b>+793</b>	<b>+12%</b>

Valuations are based on bid prices as at 30 September 2009.  
*(source: unaudited management accounts of the Company for the period ended 30 September 2009)*

There is no guarantee that the Structured Products that will be acquired for the New Share pool will replicate the existing make-up or performance of the Structured Product portfolio of the Company or that similar products will remain available.

### Counterparty risk – Original Shares

The main counterparties for the Structured Product portfolio and cash at bank attributable to the Original Shareholders as at 30 September 2009 are set out below:

Institutions	Exposure
Barclays Bank	19%
Deutsche Bank	13%
Citigroup	11%
Cash at bank (Bank of Scotland)	11%
Cash collateralised	10%
Goldman Sachs	10%
UK Gilts	7%
Morgan Stanley	7%
Other counterparties (8 institutions all 'A' rated or above at the time of purchase, each less than 3%)	12%
	<b>100%</b>

*(source: unaudited management accounts of the Company for the period ended 30 September 2009)*

## Dividends

The Board has a stated objective of paying annual dividends of at least 5p per New Share. Set out below is a table illustrating the returns to New Shareholders assuming annual dividends of 5p per New Share are paid. Investors should note that the level of dividends is not guaranteed.

<b>Illustrative yield per New Share</b>			
<b>Before 30% income tax relief</b>			
<b>Offer Price</b>	<b>Target annual dividends</b>	<b>Tax-free yield</b>	<b>Gross equivalent yield <sup>2</sup></b>
100.0p	5.0p	5.0% p.a.	7.4% p.a.
<b>After 30% income tax relief</b>			
<b>Net of tax offer price <sup>1</sup></b>	<b>Target annual dividends</b>	<b>Tax-free yield</b>	<b>Gross equivalent yield <sup>2</sup></b>
70.0p	5.0p	7.1% p.a.	10.5% p.a.

<sup>1</sup> The returns listed after 30% income tax relief are based on an Offer Price of 100p 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.

<sup>2</sup> The gross equivalent yield from UK dividends to a 40% taxpayer (reflecting the 32.5% income tax charge to a 40% taxpayer on taxable gross non-VCT dividends including the notional 10% tax credit) is calculated by dividing the tax-free yield by 67.5%.

Dividends are expected to be paid bi-annually around the end of January and September each year; the first dividend in respect of the New Shares is expected to be paid in September 2010.

## Share Buyback Policy

During the period of up to five years from the date of this document, the Company will make market purchases of its own New Shares, up to a maximum annual number of New Shares equivalent to 14.9% of the total number of issued New Shares from time to time. The Board intends to operate a policy of purchasing New Shares that become available in the market at a price equivalent to the Company's most recently published Net Asset Value, less a discount of 10%. The proceeds received by New Shareholders on the sale of their New Shares to the Company will be reduced by costs such as the market-maker's margin and stockbroker's commission.

The Company's share buyback policy will be subject to VCT Regulations, liquidity and Listing Rules, which include:

- the Company is usually prohibited from purchasing its own Shares during close periods, which are a minimum of two months prior to the announcement of its half-yearly and annual results;
- the minimum price the Company may pay for each Share will be its nominal value of 0.1p; and
- the maximum price the Company may pay for each Share is an amount not more than 5% above the average of the middle market values of the Shares taken from the Official List for the five business days immediately preceding the day on which the Shares are contracted to be purchased.

## Realisation Plans

It is intended that the assets held in the New Share pool will be sold and that the proceeds will be distributed to New Shareholders within approximately six years from the close of the Offers. It is intended that any proceeds received from the sale of investments after five years, attributable to the New Shares, will not be re-invested by the Company, but instead used to fund payments to New Shareholders by way of dividends or tender offers. The Performance Incentive has been structured to encourage the early payment of cash proceeds to New Shareholders (see page 13 for details).

### Exit mechanism

It is intended that tax-free cash proceeds will be paid to New Shareholders (net of the Performance Incentive, if applicable) as follows:

<b>Dividends</b>	Tax-free revenue and capital dividends.
<b>Tender offers</b>	Buybacks of New Shares by way of tender offers at prices equal to the Company's NAV, funded by the proceeds received from the sale of the underlying investments.

## Manager – Venture Capital Investments

### Downing Corporate Finance Limited

The Company's Venture Capital Investments will continue to be managed by Downing Corporate Finance Limited, which was incorporated in 1986 and is authorised and regulated by the Financial Services Authority. Since 1991, Downing has specialised in structuring, promoting, managing and administering tax efficient products. Downing has raised over £130 million for the the Downing VCTs.

### Management Team

The Management Team comprises the following executives:

**Paul Beaumont** joined The Royal Bank of Scotland plc in 1983 and held the position of associate director. He was responsible for leading several leveraged debt transactions within the small and medium enterprise arena, which included working alongside a number of VCTs. He joined Downing in September 2007.

**Jonathan Boss** joined Downing in July 2008 after 12 years at 3i Group where latterly he was a portfolio director responsible for a large number of small and medium enterprise investments in the South West, and previously an investment manager in London. He qualified as a chartered accountant at Deloitte in 1993.

**Pierre Clarke** qualified as a chartered accountant at Deloitte in 1998. He joined Downing in January 2008 after seven years at Close Investments Limited, where he was a director and responsible for the launch and management of a number of tax efficient investments.

**Colin Corbally** qualified as a solicitor with Linklaters and Paines in 1996. He spent six years at 3i Group in corporate finance and venture capital where he was a senior investment manager. He then spent four years at The Royal Bank of Scotland plc where he was a director, structuring debt and equity investments, before joining Downing in June 2006.

**Michael Hughes** qualified as a chartered accountant in 2001 and spent seven years at Close Investments Limited where he was a director within the property and tax division. He joined Downing in May 2009.

**Steven Kenee** qualified as a chartered accountant in 2004 with Baker Tilly, where he worked for over six years in corporate finance, corporate restructuring and audit. He joined Downing in January 2008.

**Nicholas Lewis** is a director and founder of Downing. He is currently a director of a number of other VCTs including Downing VCT 1, Downing VCT 6 and Downing VCT 7. He was formerly with NatWest Ventures Limited and before that with Apax Partners and Co. Limited.

**Judith MacKenzie** joined Downing in October 2009. Previously, she was a partner at Acuity Capital Management LLP with specific responsibility for AIM quoted VCT and IHT investments and a small-cap activist fund. She also spent seven years as a senior investment manager with Aberdeen Asset Management Growth Capital focusing on AIM and unquoted VCT investments.

**Tony McGing** is a director of Downing, having joined in 1992. He is also a director of Pennine Downing AIM VCT 2 plc and formerly a director of Downing VCT 1. He qualified as a chartered accountant with Kingston Smith in 1990.

**Grant Whitehouse** qualified as a chartered accountant with Kingston Smith in 1991, becoming a senior manager in corporate finance. He joined Downing in 2000 where he has overall responsibility for the VCT administration function and is company secretary to a number of VCTs.

## Track Record of the Downing VCTs

Downing's Management Team is responsible for the management of the Downing VCTs, each of which has a strategy of investing in Qualifying Companies primarily benefiting from asset-backing.

Downing's first VCT, Downing VCT 1, was launched in 1997. It is known as an "Evergreen VCT" because it has no fixed wind-up date. It targets an attractive dividend return, whilst providing an asset backed environment for the capital. Downing's more recent VCTs (launched 2004/05 onwards) target lower returns from their investments than Downing VCT 1 and each has a fixed life ("Planned Exit VCTs").

The income tax relief provides a substantial reduction in the net cost of investment to VCT investors, which will cushion any subsequent fall in value. The value of the tax reliefs combined with a conservative investment strategy has resulted in all 12 Downing VCT offers providing positive returns from inception (see the table below for details). Investors should note that they are required to hold shares for a minimum period (currently five years) to retain the income tax relief and that some of the VCTs listed below have only recently been launched; consequently, it is too early to judge their performance.

The table below shows the performance of each of the Downing VCTs and compares this performance to the FTSE All-Share (total return) Index. This table demonstrates that the performance of the Downing VCTs is not strongly correlated to the FTSE All-Share Index. The movement in the FTSE All-Share is stated gross of any capital gains tax, income tax and charges which may be payable by investors whereas the Downing VCTs' returns are tax-free.

Track record of the Downing VCTs					
	Tax year of launch	Net cost <sup>1</sup>	Total return to date <sup>2</sup>	Increase over net cost (%)	Movement in FTSE All Share (%) <sup>3</sup>
<b>Evergreen VCT</b> (no fixed wind-up date)					
Downing VCT 1	96/97	80p	140.10p	+75%	+80%
<b>Planned Exit VCTs</b> (fixed term)					
Downing VCT 2 – Ordinary Shares	04/05	60p	90.40p	+51%	+19%
Downing VCT 3 – Ordinary Shares	04/05	60p	90.30p	+51%	+19%
Downing VCT 4	05/06	60p	95.60p	+59%	-7%
Downing VCT 5	05/06	60p	95.70p	+60%	-7%
Downing VCT 6	06/07	70p	91.05p	+30%	-17%
Downing VCT 7	06/07	70p	90.95p	+30%	-17%
Downing VCT 8/9	07/08	70p	93.40p	+33%	-12%
Downing Structured Opportunities	08/09	70p	102.90p	+47%	+25%
Downing VCT 2 – 2008 Shares	08/09	70p	95.70p	+37%	+25%
Downing VCT 3 – 2008 Shares	08/09	70p	95.70p	+37%	+25%

1 Net cost is the initial offer price of 100p per share less the income tax relief available to investors in each of the VCTs.  
2 Total return is cumulative dividends paid (including the tax credits where reclaimable) and the most recently announced net asset value for each VCT in pence per share.  
3 The movement in the FTSE All-Share Index is the total return measure of this index (i.e. it includes income) and is calculated from 5 April in the tax year of launch of each VCT up to 31 August 2009.  
(Source: announcements made by the relevant VCT through a regulatory information service and FTSE All-Share (total return) Index).

## Co-investment Policy

The Company has a co-investment agreement with Downing VCTs 1–9, Downing's IHT and EIS funds (together "the Funds"). It has been agreed that allocations will be offered to each party in proportion to their respective funds available for investment, subject to: (i) a priority being given to any of the Funds in order to maintain their tax status; (ii) the time horizon of the investment opportunity being compatible with the exit strategy of each Fund; and (iii) the risk/reward profile of the investment opportunity being compatible with the target return for each Fund. The terms of the investments may differ between the parties, but all investments will be approved by the relevant board, designated members or committees. In the event of any conflicts between the parties, the issues will be resolved at the discretion of the independent directors, designated members and committees. It is not intended that the Company will co-invest with Directors or members of the Management Team (including family members).

## Manager – Structured Products

### Brewin Dolphin

The Company's Structured Products are managed by Brewin Dolphin Limited. Brewin Dolphin is the principal operating company of Brewin Dolphin Holdings PLC, which is listed on the London Stock Exchange. Brewin Dolphin is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange.

Brewin Dolphin is one of the largest independent private client investment managers in the UK, managing £17 billion of funds for more than 130,000 clients, of which £10.1 billion is managed on a discretionary basis. As at 10 September 2009, Brewin Dolphin managed in excess of £119 million of Structured Products. (*source: Brewin Dolphin*)

Brewin Dolphin does not create its own Structured Products and, therefore, provides independent advice on products in which the Company invests. It actively manages the Company's Structured Product portfolio on a discretionary basis and, where appropriate, sells securities prior to maturity.

Brewin Dolphin receives an annual management fee of 0.25% of the value of the funds it manages, which is payable by Downing out of its fees. Dealing charges are incurred by the Company on the purchase and sale of securities, including a commission of 0.27% payable to Brewin Dolphin.

### Monitoring the counterparty risk

The Company's Structured Products are managed by an experienced team, which is headed by Stephen Glazzard (details below) and based in Brewin Dolphin's Birmingham office. This team can also draw upon the expertise of the Brewin Dolphin research team based in London. The focus of the research team, when looking at Structured Products, is to assess the level of risk related to each issue. The research tools available to the research team and the relationships they have with Structured Product providers, allow Brewin Dolphin to compare terms across the market. Brewin Dolphin also reviews operational risk to assess the ability of each Structured Product provider to manage risks to liquidity.

**Stephen Glazzard** is a senior divisional director of Brewin Dolphin. His role is supported by his co-directors David H Smith and Mark Cloves. Stephen began his career in investment management in 1980 and he has specialised in discretionary fund management of individual portfolios for over twenty years. He is a member of Brewin Dolphin's asset allocation committee and structured products committee.

## Directors

The Board comprises four Directors, all of whom are non-executive.

**Howard Flight** (Chairman) has worked in the financial services industry for over 35 years, and co-founded Guinness Flight Global Asset Management. In 1998, upon Guinness Flight's acquisition by Investec, he became joint chairman of Investec Asset Management Limited. He was an MP for Arundel and South Downs from 1997 to 2005, and was Shadow Chief Secretary to the Treasury between 2000 and 2004. He is chairman of the EIS Association, CIM Investment Management Limited and Speymill Property Managers Limited; and is a director of Investec Asset Management Limited and of a number of other companies in the financial services sector. He is also a Commissioner of the Guernsey Financial Services Commission.

**Russell Catley** has over 25 years' experience in the financial sector and is a founding partner at Catley Lakeman LLP, which specialises in structuring, advising on and selling structured products. Their clients include J.P. Morgan, Citigroup, Nomura and HSBC. He was previously with Citigroup Global Markets Limited and AXA Investment Managers UK Ltd, also specialising in structured products.

**Robin Chamberlayne** is a chartered financial planner and has over 20 years' experience in the financial services industry. He formed Progressive Strategic Solutions in 1997, which provides financial advice and tax planning strategies.

**Mark Mathias** is the founder and chief executive of Quantum Asset Management. He has an MBA from Cranfield School of Management and has extensive experience of closed ended investment funds, having also been marketing director of the investment trust business at Henderson Investors, and managing director of Finsbury Asset Management.

The Directors and the Management Team (including spouses) will be investing at least £140,000 under the Offers on the same terms as Investors. This will bring the total invested by the Management Team in the Downing VCTs to approximately £1.7 million.

## Structure of the C Shares

Based on an Offer Price of £1 per New Share, each Investor will receive one B Share and one C Share at the following subscription prices:

- 99.9p for each B Share; and
- 0.1p for each C Share.

Management has been conditionally allotted 10,000,000 C Shares, at a price of 0.1p each. These C Shares will be unconditionally issued to Management after 3,333,334 C Shares in the Company have been issued to Shareholders who are not connected to Management.

In the event that the Offers are fully subscribed, 30,000,000 C Shares will be issued, of which the 10,000,000 C Shares issued to Management will represent one-third of the total issued C Shares in the Company. In the event that the Offers are not fully subscribed, the proportion of Management's C Shares in excess of one-third of the issued C Share capital in the Company will be converted into worthless Deferred Shares. Therefore, after the close of the Offers, Management will own one-third of the issued C Share capital of the Company.

The holders of C Shares will be entitled to distributions equivalent to three times the Performance Incentive. Two-thirds of the distributions in respect of the C Shares will be allocated to Shareholders and one-third to Management, which will result in Management receiving the level of Performance Incentive described below.

Since the C Shares are VCT qualifying, income tax relief is available at 30% of the amount subscribed (provided the C Shares are held for at least five years) and all gains and distributions can be made free of tax. Further details of the terms of the C Shares are set out in Part III of this document.

## Management Fees

### Annual Fees

Downing will receive an annual investment management fee of 1.5% of the Net Assets attributable to the New Shares (1.5% in respect of the Original Shares) out of which it will pay Brewin Dolphin's annual fees for managing the Company's Structured Product portfolio. Downing will also receive an annual fee of £65,000 (plus VAT, if applicable, and RPI linked) for administration services. The Annual Running Costs of the New Share pool are capped at 3.5% (including irrecoverable VAT and annual trail commission) of the Net Assets attributable to the New Shares, calculated on a semi-annual basis (capped at 3.5% in respect of the Original Share pool) and any excess will be paid by the Manager, or refunded by way of a reduction in its fees. Annual Running Costs include, *inter alia*, Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders, annual trail commission and the annual fees payable to Downing, but not the Performance Incentive. Assuming full subscription, the Directors estimate that the Annual Running Costs of the New Share pool will be approximately 2.7% of its Net Assets (including irrecoverable VAT) in the next accounting period (calculated on an annualised basis). General running costs not specific to either the Original Share pool or New Share pool will be allocated based on the weighted pro-rata net assets of each pool, subject to the discretion of the Board.

Downing will receive fees for acting as the promoter of the Offers, as described under "Launch costs" on page 15. Downing will also receive arrangement fees (capped at 1% of the sums invested by the Company, with any excess paid to the Company) and monitoring fees (capped at £10,000 (exclusive of VAT) per annum in respect of each of the Company's investments) from investee companies. Costs incurred on abortive investment proposals will be the responsibility of Downing.

## Performance Incentive

As is customary in the venture capital industry, Management will be entitled to receive a performance-related incentive based upon returns to Shareholders. The calculation of the Performance Incentive is based wholly on the payment of cash proceeds to Shareholders.

### New Shares

The Performance Incentive in respect of the New Shares will have no impact on Original Shareholders. No Performance Incentive will arise until New Shareholders: (i) receive Shareholder Proceeds of at least 100p per New Share (excluding income tax relief); and (ii) achieve a tax-free Compound Return of at least 7% per annum (after allowing for income tax relief on investment). The maximum Performance Incentive is limited to an amount equivalent to 1.25% of Net Assets attributable to New Shares per annum. If, in any accounting period of the Company, the Performance Incentive payable is less than the Cap then the Cap for following accounting periods will increase by the amount of the shortfall until fully utilised by payments of the Performance Incentive.

#### Split of Total Proceeds

Subject to New Shareholders receiving at least 100p per New Share and a 7% Compound Return, Total Proceeds will be distributed as follows:

**Shareholders** 97% of the first 100p of proceeds (per New Share) and 80% thereafter

**Management** 3% of the first 100p of proceeds (per New Share) and 20% thereafter

If the distribution set out above would result in New Shareholders receiving less than 100p per New Share or lower than a 7% Compound Return, then the return to Management will be reduced until New Shareholders receive at least 100p per New Share and a 7% Compound Return. Management's share of the Total Proceeds will be subject to a Cap of 1.25% of Net Assets attributable to New Shares per annum and will only be payable if the Hurdle is achieved.

The table below illustrates the allocation of Total Proceeds between New Shareholders and Management at five hypothetical levels of Shareholder Proceeds. **No forecast or projection is implied or should be inferred.**

#### Illustrative allocation of Total Proceeds

Total Proceeds Per New Share	Performance Incentive Per New Share	Shareholder Proceeds <sup>1</sup> Per New Share	Returns to New Shareholders	
			Net Return <sup>2</sup>	Gross equivalent <sup>3</sup>
100p	0p	100p	7.3% p.a.	12.2% p.a.
103p	3p	100p	7.3% p.a.	12.2% p.a.
116p	6p	110p	9.3% p.a.	15.4% p.a.
127p	7p <sup>4</sup>	120p	11.0% p.a.	18.4% p.a.
137p	7p <sup>4</sup>	130p	12.7% p.a.	21.2% p.a.

<sup>1</sup> Shareholder Proceeds represent amounts paid by way of dividends or other distributions, New Share buybacks, proceeds on a sale or liquidation of the Company and any other value received by New Shareholders, but excludes receipt of any income tax relief on subscription. <sup>2</sup> The Net Return is the internal rate of return based on an investment of 100p deemed to be made on 5 April 2010, 30p income tax relief deemed to be received seven months later on 5 November 2010 and either 100p, 110p, 120p or 130p of Shareholder Proceeds, comprising dividends of 2.5p payable on 30 September 2010 and 31 January 2011 and on the same dates each year until 31 January 2015, 75% of the balance of the Shareholder Proceeds on 30 September 2015 and the remaining funds on 30 April 2016.

<sup>3</sup> The gross equivalent return is the annual return a higher rate taxpayer would have to earn from an alternative investment, which is subject to 40% tax, to achieve the Net Return. It is calculated as the Net Return divided by 0.6.

<sup>4</sup> The Performance Incentive is limited by the Cap (1.25% of Net Assets attributable to the New Shares per annum). Note: All figures are rounded to the nearest whole pence.

### Original Shares

The performance incentive in respect of the Original Shares will have no impact on New Shareholders. The performance incentive is calculated on the same basis as described above, with the requirements for the hurdle beginning from September 2009, the close of the offers for the Original Shares.

## Other Information

### Taxation and HM Revenue & Customs approval

The Directors intend to conduct the affairs of the Company so that they continue to satisfy the conditions for approval as a VCT and that such approval will be maintained. HM Revenue & Customs has granted the Company provisional approval under the ITA. The Company intends to continue complying with the ITA and has retained PricewaterhouseCoopers LLP to advise it on VCT taxation matters.

### The Offers and minimum and maximum subscription

B Shares are being offered at 99.9p each and C Shares are being offered at 0.1p each and, therefore, for each 100p subscribed by Investors and accepted by the Company, Applicants will be allocated one B Share and one C Share, subject to any adjustment under the Pricing Formula. The Offer Price will remain at £1 per New Share unless the Company announces a new NAV before the Offers close. In such circumstances, New Shares will be issued at a price calculated on the basis of a formula based on the latest published NAV of the Company, divided by 0.945 to allow for issue costs of 5.5%, rounded up to the nearest one-tenth of a penny per New Share. Accordingly, the net proceeds of the Offers will be 94.5% of the amount subscribed. The C Shares will be priced at 0.1p each at all times and, therefore, any adjustment of the price due to the Pricing Formula will be reflected in the price of the B Shares.

The number of New Shares allotted to each Applicant will be determined by the amount subscribed divided by the Offer Price as adjusted by the Pricing Formula, rounded up to the nearest whole New Share. The application of this Pricing Formula avoids the necessity to announce the Offer Price of the New Shares when New Shares are being allotted whilst the Offers are open should a new NAV be announced or otherwise published.

A maximum of 20 million B Shares and 20 million C Shares, which are being offered to the public, are being made available by the Company under the Offers. In the event that applications are received in excess of the maximum subscription under the Offers, the Directors and the Sponsor reserve the right to use their absolute discretion in the allocation of successful applications, giving priority to the earliest Applicants. Applicants are encouraged to submit their Application Forms early in order to be confident that their applications will be successful and to benefit from Additional Shares as set out on the inside front cover of this document.

The minimum investment per Applicant is £10,000. The maximum investment, on which tax reliefs in VCTs are available, is £200,000 per Applicant in each of the 2009/10 and 2010/11 tax years. A husband and wife can each invest up to £200,000 in each of the 2009/10 and 2010/11 tax years. The subscription list for the Offers will open at 9 a.m. on 15 October 2009 and may close at any time thereafter, but in any event, not later than 1.00 p.m. on 5 April 2010 in the case of the 2009/10 Offer, and not later than 5.00 p.m. on 30 April 2010, unless previously extended by the Directors, in the case of the 2010/11 Offer. The Offers are not underwritten. There is no minimum subscription for the Offers to proceed.

New Shares will be allotted and issued in respect of valid applications on 5 April 2010, on 30 April 2010 and on any other dates on which the Directors decide.

Application has been made to the UK Listing Authority on behalf of the Company for the Admission of up to 20,000,000 B Shares and 30,000,000 C Shares. B Shares and C Shares will be issued in registered form and be transferable in both certificated and uncertificated form and will rank for all dividends and other distributions declared, paid or made by the Company in respect of the New Shares thereafter. It is anticipated that dealings in the first allotment of B Shares and C Shares will commence by 31 December 2009 and subsequent allotments thereafter within 20 Business Days of allotment. Dealings may not begin before notification of allotments is made. Revocation of the Offers cannot occur after dealings in the New Shares have commenced. The Company has applied for its B Shares and C Shares to be admitted to CREST and it is expected that the B Shares and C Shares will be so admitted and, accordingly, enabled for settlement in CREST as soon as practicable after Admission has occurred. Accordingly, settlement of transactions in the B Shares and C Shares following Admission may take place within the CREST system if New Shareholders wish. CREST is a voluntary system and New Shareholders who wish to receive and retain share certificates will be able to do so. Share certificates (where applicable) and certificates to enable a claim for income tax relief to be made in respect of New Shares will be posted to New Shareholders within 30 days of each allotment. No notification will be made to successful applicants prior to despatch of definitive share certificates. Prior to despatch of definitive share certificates (where applicable), transfers (if any) will be certified against the register. No temporary documents of title will be issued. CREST accounts will first be credited on the same day on which dealings in the New Shares first commence. The Offers are not underwritten. The initial costs of the Offers are fixed at 5.5% of the gross proceeds; consequently the net proceeds of the Offers will be 94.5% of the amount subscribed per New Share. The result of the Offers will be announced through a regulatory information service provider authorised by the Financial Services Authority.

## Launch costs

Downing has agreed to underwrite all the costs of the Offers in return for an initial fee of 5.5% of the gross funds raised (i.e. 5.5p per New Share issued at £1.00), together with an annual fee of 0.5% per annum of the Net Assets attributable to the New Shares (capped at 4.5% of the gross proceeds of the Offers). Out of its capital raising fees, Downing will be responsible for paying all the costs of the Offers including initial and trail commission (as described in the paragraph headed "Commission" below) to authorised financial intermediaries.

## Commission

Authorised financial intermediaries will usually be entitled to receive an initial commission of either 3% or 2% (depending on whether they wish to receive trail commission) of the amount invested by their clients. Additionally, provided that the intermediary continues to act for the client and the client continues to be the beneficial owner of the New Shares, intermediaries who elect to take an initial commission of 2% will usually be paid an annual trail commission of 0.5% of the Net Asset Value of their clients' holdings for the life of this investment (the cumulative trail commission is subject to a cap of 4.5% of the gross proceeds of the Offers). Trail commission will be paid annually in July (commencing July 2011) based on the audited Net Asset Value at the preceding 31 March.

## Forward-looking statements

You should not place undue reliance on forward-looking statements. This Securities Note includes statements that are (or may be deemed to be) "forward-looking statements", which can be identified by the use of forward-looking terminology including the terms "believes", "continues", "expects", "intends", "may", "will", "would", "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements contained in this Securities Note, based on past trends or activities, should not be taken as a representation that such trends or activities will continue in the future.

The information contained in this document will be updated as required by the Prospectus Rules, Listing Rules and the DTR, as appropriate.

## Availability of the Prospectus

Copies of the Prospectus relating to the Company are available for inspection only during normal business hours on any weekday (public holidays excepted) at the UK Listing Authority's Document Viewing Facility, which is situated at the Financial Services Authority, 25 The North Colonnade, London E14 5HS until the Offers close and may be obtained, free of charge, from the Company's registered office, where they are also on display, and from:

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

**telephone:** 020 7416 7780  
**download:** [www.downing.co.uk](http://www.downing.co.uk)  
**email:** [vct@downing.co.uk](mailto:vct@downing.co.uk)

### Financial Calendar

Financial year end	31 March
Final results announcement	July
Annual general meeting	September
Dividends paid at the end of	January & September
Half yearly results announcement	November

# Part II – Taxation

## VCTs: Summary of the applicable legislation in respect of investors

### 1. Taxation of a VCT

VCTs are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT, subject to the requirements of company law. The Company will be subject to corporation tax on its income (excluding dividends received from UK companies) after deduction of attributable expenses.

### 2. Tax reliefs for individual investors

Individuals who subscribe for New Shares must be aged 18 or over to qualify for the tax reliefs outlined below.

#### *Relief from income tax*

An investor subscribing up to £200,000 in the 2009/10 tax year for eligible shares in a VCT will be entitled to claim income tax relief, at the rate of 30%, although this relief will be withdrawn if either the shares are sold within five years or the investor takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of such shares. Relief is restricted to the amount which reduces the investor's income tax liability to nil. However, tax credits on dividends are notional and cannot be repaid and, therefore, investors should take this into account when calculating the value of the income tax relief.

#### *Dividend relief*

An investor who subscribes for or acquires eligible shares in a VCT (up to a maximum of £200,000 in the 2009/10 tax year) will not be liable for UK income tax on dividends paid by the VCT. The income received by the VCT will usually constitute either interest (on which the VCT may be subject to tax) or a dividend from a UK company (on which the VCT would not be subject to tax). The VCT's income, reduced by the payment of tax (if applicable), can then be distributed tax-free to investors who benefit from this dividend relief. There is no withholding tax on dividends paid by a UK company and consequently the Company does not assume responsibility for the withholding of tax at source. Dividends carry a tax credit at the rate of one-ninth of the net dividend which is not repayable and which cannot be utilised in any other way.

#### *Capital gains tax relief*

A disposal by an individual investor of his shares in a VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is also limited to disposals of shares acquired within the £200,000 limit described above.

#### *Loss of tax reliefs*

- (i) If a company which has been granted approval or provisional approval as a VCT subsequently fails to comply with the conditions for approval, VCT status may be withdrawn or treated as never having been given. The exemptions from corporation tax on capital gains will not apply to any gain realised after VCT status is lost (and on any gain realised by the VCT if approval is deemed never to have been given).
- (ii) For investors, the withdrawal of VCT status may (depending upon the timing of such withdrawal) result in:
  - repayment of the 30% income tax relief on subscription for new VCT shares;
  - income tax becoming payable on subsequent payments of dividends by the company; and
  - a liability to tax on capital gains being suffered in the normal way on the disposal of shares in the company, except that any part of the gain attributable to the period for which the VCT was approved would be exempt.
- (iii) The consequences for investors in a company which never obtains full unconditional approval as a VCT are as follows:
  - repayment of the 30% income tax relief on subscriptions for new VCT shares and interest on overdue tax may arise;

- income tax becoming payable on all payments of dividends by the company; and
- any gain arising on a disposal of the shares would be liable to capital gains tax and losses on the shares would be allowable losses for capital gains tax purposes.

The B Shares and C Shares are both eligible VCT shares for the purposes of this section.

### 3. Consequences of an investor dying or a transfer of Shares between spouses

- (i) *Initial income tax*  
If an investor dies at any time after making an investment in a VCT, the transfer of shares on death is not treated as a disposal and, therefore, the initial income tax relief is not withdrawn. However, the shares will become part of the deceased's estate for inheritance tax purposes.
- (ii) *Tax implications for the beneficiary*  
Provided a number of conditions are met, the beneficiary of any VCT shares will be entitled to tax-free dividends and will not pay capital gains tax on any disposal, but will not be entitled to any initial income tax relief.
- (iii) *Transfer of shares between spouses*  
Transfers of shares in a VCT between spouses is not deemed to be a disposal and therefore all tax reliefs will be retained.

### 4. General

- (i) *Investors who are not resident in the UK*  
Non-resident investors, or investors who may become non-resident, should seek their own professional advice as to the consequences of making an investment in the Company, because they may be subject to tax in other jurisdictions.
- (ii) *Stamp duty and stamp duty reserve tax*  
No stamp duty or (unless shares in a VCT are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax will be payable on the issue of such shares. The transfer on the sale of shares would normally be subject to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) stamp duty reserve tax generally, in each case at the rate of 50p for every £100 or part of £100 of the consideration paid where the total consideration exceeds £1,000 or if it forms part of a series of transactions where the total consideration exceeds £1,000. Such duties would be payable by a person who purchases such shares from the original subscriber.
- (iii) *Purchases in the market after listing*  
Any subsequent purchaser of existing VCT shares, as opposed to a subscriber for new VCT shares, will not qualify for income tax relief on investment but may benefit from dividend relief and from capital gains tax relief on the disposal of his VCT shares.
- (iv) *The VCT Regulations 2004*  
The VCT Regulations came into force on 17 October 2004. Under the VCT Regulations, monies raised by any further issue of shares by an existing VCT must be applied by that VCT for qualifying purposes. If any of the money raised (except for amounts which HM Revenue & Customs agrees are insignificant in the context of the whole issued ordinary share capital of the VCT) is used by the VCT to purchase its own shares then the funds may be deemed to not have been used for a qualifying purpose.

**The above is only a summary of the tax position of individual investors in VCTs and is based on the Company's understanding of current law and practice. Investors are recommended to consult a professional adviser as to the taxation consequences of their investing in a VCT. All tax reliefs referred to in this document are UK tax reliefs.**

## Part III – Details of the B Shares and C Shares

---

### Reasons for issuing C Shares

The C Shares provide a Performance Incentive to Management and only pay out in the event that certain hurdles are achieved (see the paragraph headed "Performance Incentive" in Part I of this document for further information).

### Allocation of Shareholders' subscriptions

Assuming an Offer Price of 100p per New Share, Applicants will be allocated:

- One B Share at a price of 99.9p each; AND
- One C Share at a price of 0.1p each.

In the case of fractional entitlements to C Shares, such amounts will be rounded down to the nearest whole number of C Shares, and for the avoidance of doubt fractions of C Shares will not be issued but will be consolidated and sold in the market for the benefit of the Company.

In the event of further issues of B Shares after the close of the Offers, Management will be entitled to subscribe for such number of further C Shares, such that they continue to hold one-third of the aggregate number of issued C Shares.

Both the B Shares and the C Shares will be Listed and should be VCT Qualifying.

### Management's holding of C Shares

Before the launch of the Offers, 10,000,000 C Shares in the Company were conditionally allotted to Management, at a price of 0.1p each. These C Shares will be unconditionally issued to Management once 3,333,334 C Shares in the Company have been issued to New Shareholders who are not connected to Management. In the event that the Offers are fully subscribed, 30,000,000 C Shares will be issued, of which the 10,000,000 C Shares issued to Management will represent one-third of the total issued C Shares in the Company. In the event that the Offers are not fully subscribed, the proportion of Management C Shares in excess of one-third of the entire issued C Share capital in the Company will be converted into worthless Deferred Shares. Therefore, after the close of the Offers, the Management C Shares will represent one-third of the issued C Share capital of the Company, irrespective of the amount raised under the Offers.

### Distributions of income and capital

Distributions of income and returns of capital (whether by way of reduction of capital or otherwise) shall be made on the following basis to the holders of B Shares and C Shares (from the funds attributable to B Shares and C Shares):

- Provided that the Hurdle is met (i.e. New Shareholders receive proceeds of at least £1 per Share and a 7% Compound Return) distributions are made as to 91% to B Shares and 9% to C Shares (i.e. 3% in respect of the Management C Shares) until an amount equivalent to the total subscribed has been distributed, based on an Offer Price of 100p per New Share; thereafter
- All distributions will be allocated pro-rata to the number of shares held (i.e. 60% to the C Shares, including 20% in respect of the Management C Shares).

The above distributions to holders of C Shares are subject to the Hurdle being met. Distributions will be made to the holders of B Shares and the holders of C Shares in proportion to the amount subscribed for each class of Shares, until the Hurdle is met. Once the Hurdle is met, all distributions will be to the holders of C Shares until the above split of distributions is achieved (i.e. a catch-up). Once the Cap in the relevant years has been reached, then all distributions made thereafter will be paid to the holders of B Shares.

In relation to the C Shares, if the amount of any dividend on those shares would in aggregate be less than £5,000, or would be less than an amount being equivalent to 0.25p per C Share, then that dividend will not be declared and paid, but the funds relating to the dividend will be retained by the Company and aggregated, with a dividend being declared and paid once either of those thresholds is reached. No interest will be paid on the funds prior to, or after, the declaration of such dividend.

### Voting Rights

#### B Shares

B Shareholders are entitled to receive notice of, to attend, speak and vote at any general meeting, *pari passu* in such respects with the holders of Ordinary Shares.

#### C Shares

The C Shareholders are not entitled to receive notice of, to attend or vote at any general meeting, except where the resolution to be considered by a meeting of Shareholders is in respect of a variation to the rights of the C Shares or where an offer (as defined in the City Code on Takeovers and Mergers published by the Panel on Takeovers and Mergers) remains open for acceptance at the time of the relevant meeting, in which event the holders of C Shares shall be entitled to receive notice of and vote at and attend such meetings and their voting rights shall be *pari passu* with those of the B Shareholders.

### Note:

This section relates to the relationship between B Shares and C Shares and, therefore, has no impact on the share rights attaching to the Original Shares.

## Part IV – Information on Structured Products

A Structured Product is an investment that will typically seek to provide some form of capital protection, together with the potential for a capital gain or income, dependant on the performance of an underlying stockmarket index, commodity (basket) or interest rate. A typical Structured Product has two elements – a bond and a derivative.

The majority of the funds within a Structured Product are invested in a corporate or UK government bond, which is a loan to a company or the UK Government. It is these bonds that are intended to provide the capital protection, and they are issued by financial institutions (known as counterparties) such as banks and building societies. Should these counterparties become bankrupt or be unable to pay back the loan, the Company may lose some or all of an investment. The funds invested in the derivative (or option) are linked to the performance of an underlying asset, such as the FTSE 100.

The amount of money invested in the bond will be based on the life of the Structured Product, the level of capital protection sought, the credit quality of the counterparty and interest rates. After the required sum has been set aside to provide the protection the remainder of the subscription can be used to purchase a derivative (or option) linked to the performance of an underlying asset.

If, at the maturity date of the Structured Product, the underlying assets are priced at a higher level than their initial value, the option value will have risen, providing a positive investment return. Conversely, if they close at a lower level, the option will expire worthless leaving the corporate bond to repay the predetermined amount of the protected capital.

### **"Hard" and "soft" protection in Structured Products**

If the bond within the Structured Product is designed to provide a pre-determined level of capital protection, it is known as "hard protection". As described above capital is still at risk if the counterparty becomes bankrupt or is unable to repay the loan to it ("counterparty risk"). As a general rule, the higher the level of capital protection, the more expensive the protection becomes and less is available to purchase options. The net effect of this will be a reduced level of potential return. Structured Products with "soft protection" aim to provide higher levels of return than those that offer hard protection. Soft protected products are able to do this because they assume greater risk of capital loss. In products of this type, capital will no longer be protected should the relevant asset price fall below a specific level, known as a "breach level" (e.g. capital (subject to counterparty risk) is protected so long as an index, to which the Structured Product is linked, does not fall below, say, 50% of the starting value). If this should occur, the capital loss on the product will usually mirror that of the underlying asset. In addition, if the breach level is approached, the value of the Structured Product can be significantly marked down in value. The Directors set and regularly review the maximum acceptable breach level for the Company.

Part of the soft protection structure involves putting capital at greater risk than hard protected products. The result of this additional risk, and the resulting potential loss of capital, is offset by increased leverage into asset prices, boosting growth if those assets should rise. As a consequence there is a

higher level of investment risk for soft protected Structured Products.

### **Structured Product Portfolio - Original Shareholders**

Under the Original Offers in January 2009, £10.5 million was raised. Since March 2009, £8.3 million has been invested in Structured Products (a table of holdings as at 15 October 2009 is provided on page 19).

As at 30 September 2009, the Structured Products held by the Company were valued at 12% higher than cost. The majority of these investments are soft protected and the underlying index is the FTSE 100. The breach levels range from 1949 to 2937 such that, subject to counterparty exposure (i.e. the risk that the counterparty to the loan becomes bankrupt or is unable to repay the loan, in which case the Company may lose some or all of an investment), the Company should not lose any capital unless the FTSE 100 falls below these breach levels. The majority of the Structured Products have annual calls such that a pre-determined return is paid if the underlying index is higher than the call level on the annual observation date. The FTSE 100 products held by the Company as at 30 September 2009 have call levels of between 3509 and 4651, where applicable. If on each of the annual observation dates the FTSE 100 is below the call level then 100p per unit will be returned at the end of the term of the Structured Product, subject to counterparty risk and the FTSE 100 not falling below the relevant breach levels (1949 to 2937) during the term of the Structured Product. All counterparties have a credit rating of A (Standard & Poor's) or higher at the time of investment (a summary of the current counterparties is provided on page 7).

### **Current opportunities**

The Board believes that a number of soft protection Structured Products offer attractive potential returns without requiring any further increases in stockmarket values. In line with the Original Shareholder funds, a significant proportion of the portfolio may be invested in these types of Structured Products, subject to the prevailing market conditions at the time of investment. Brewin Dolphin (the manager of the Company's Structured Product portfolio) retains the flexibility to acquire or sell corporate bonds and/or options (which are two components that make up conventional Structured Products) on behalf of the Company should market conditions provide more favourable terms (or in order to reduce risk) compared with acquiring or selling Structured Products. Brewin Dolphin and the Board may alter the proposed timing of the purchase or sale of Structured Products subject to market conditions. The Company may dispose of some of its Structured Products in the secondary market and hold others until maturity.

### **Added value of institutional Structured Products**

The Company will principally invest in Structured Products created for the institutional market. As a consequence, the Company should benefit from better terms and enjoy the added value benefits these investments are able to provide compared to those offered by the retail market, such as lower costs, greater growth potential or protection and daily dealing.

## Part V – Financial Information

A summary of the Company's investment portfolio as at 15 October 2009 (being the date of publication of this document) is set out below.

	<b>Cost</b>	<b>Valuation*</b>	<b>% of</b>
	<b>£'000</b>	<b>£'000</b>	<b>portfolio</b>
<b>Structured Product investments</b>			
Barclays 12.2% FTSE Autocall	859	970	9.2%
Symphony (Citigroup) 3.5 Year FTSE 4.85 Call	710	777	7.4%
Elders Capital Accumulator VI (cash collateralised)	634	776	7.4%
Platinum (Deutsche Bank) Defensive FTSE Autocall	656	704	6.7%
Elders Japan Capital Protected 3 (various counterparties)	626	656	6.2%
Morgan Stanley FTSE Synthetic Zero	449	559	5.3%
Barclays Three Year Semi-Annual Synthetic Zero	476	552	5.2%
Citigroup Gilt Backed Defensive Autocall	488	551	5.2%
Goldman Sachs Reservoir Autocall	401	418	4.0%
Goldman Sachs Defensive Autocall	337	394	3.7%
Platinum (Deutsche Bank) 3 Year Callable Growth	351	367	3.5%
Elders Capital Accumulator II (various counterparties)	259	308	2.9%
Citigroup Defensive Autocall 1	130	137	1.3%
	<u>6,376</u>	<u>7,169</u>	<u>68.0%</u>
<b>Venture Capital Investments</b>			
Bijou Wedding Venues Limited	1,415	1,415	13.4%
East Dulwich Tavern Limited	459	459	4.4%
Westow House Limited	405	405	3.8%
Atlantic Dogstar Limited	216	216	2.0%
	<u>2,495</u>	<u>2,495</u>	<u>23.6%</u>
<b>Total investments</b>			
	<u>8,870</u>	9,664	91.6%
Cash at bank and in hand		<u>886</u>	8.4%
		<u>10,550</u>	<u>100.0%</u>

\*Valuation as at 30 September 2009 - source: unaudited management accounts of the Company for the period ended 30 September 2009.

Investors should note that the net proceeds of the Offers will be invested in accordance with the Company's investment policy, as set out on pages 5 and 6 of this document. As general economic circumstances and prospects may vary over time there can be no guarantee that future investments will be made in the same types of securities as the present portfolio.

## Part VI – Definitions

---

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

<b>"2006 Act"</b>	the Companies Act 2006 (as amended)
<b>"A Shares"</b>	A Shares of 0.1p each in the capital of the Company (ISIN: GB00B3L2G186)
<b>"the Acts"</b>	the Companies Acts as defined in s.2 of the 2006 Act and every other statute from time to time in force in the United Kingdom concerning companies insofar as the same applies to the Company or any re-enactment thereof for the time being in force
<b>"Additional Shares"</b>	New Shares issued, at no additional cost to the Applicant, by virtue of accepted Application Forms being received by set dates
<b>"Admission"</b>	admission of the B Shares and C Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities
<b>"Annual Running Costs"</b>	annual costs incurred by the Company in the ordinary course of its business (including irrecoverable VAT but excluding any amount payable in respect of the Performance Incentive)
<b>"Applicant"</b>	Investor who subscribes for New Shares pursuant to the Prospectus
<b>"Application Form"</b>	form of application for New Shares under the Offers set out at the end of this document
<b>"Articles"</b>	Articles of Association of the Company
<b>"B Shares"</b>	B Shares of 0.1p each in the capital of the Company (ISIN: GB00B4MGR241)
<b>"Brewin Dolphin"</b>	Brewin Dolphin Limited, which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority
<b>"Business Day"</b>	any day other than a Saturday or Sunday on which clearing banks in London are open for all normal banking business
<b>"C Shares"</b>	C Shares of 0.1p each in the capital of the Company (ISIN: GB00B4MCHT95)
<b>"Cap"</b>	limits the maximum Performance Incentive in respect of the New Shares to an amount equivalent to 1.25% of Net Assets attributable to the New Shares per annum, calculated on a semi-annual basis by reference to the Company's unaudited half yearly accounts and audited year-end accounts. If, in any accounting period of the Company, the Performance Incentive payable in respect of the New Shares is less than the Cap then the Cap for following accounting periods will increase by the amount of the shortfall until fully utilised by payments of the Performance Incentive
<b>"Combined Code"</b>	The Combined Code on Corporate Governance (2008) issued by the Financial Reporting Council
<b>"Company" or "Downing Structured Opportunities"</b>	Downing Structured Opportunities VCT 1 plc (formerly Downing Protected Opportunities VCT 1 plc)
<b>"CREST"</b>	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited
<b>"CREST Regulations"</b>	Uncertificated Securities Regulations 1995 (SI 1995/3272)
<b>"Deferred Shares"</b>	deferred Shares of 0.1p each in the capital of the Company
<b>"Directors" or "Board"</b>	Directors of the Company
<b>"Downing" or "Manager"</b>	Downing Corporate Finance Limited, which is authorised and regulated by the Financial Services Authority
<b>"Downing VCT *"</b>	Downing Protected VCT * plc, where * is any combination of I-IX, or expressed as 1-9, as applicable
<b>"Downing VCTs"</b>	Downing Protected I – IX and the Company, as applicable
<b>"DTR"</b>	the Disclosure and Transparency Rules, being the rules published by the FSA from time to time and relating to the disclosure of information in respect of financial instruments
<b>"FSA"</b>	Financial Services Authority
<b>"General Meeting"</b>	general meeting of the Company held on 11 November 2009 at which the resolutions described in paragraph 2(c) of Part IV of the Registration Document were passed
<b>"Hurdle"</b>	achievement calculated on a per New Share basis, based on an Offer Price of £1 per New Share, of (a) a Compound Return of at least 7% per annum and (b) the payment of Shareholder Proceeds of at least 100% of the gross amount subscribed under the Offers
<b>"Investor"</b>	subscriber for New Shares under the Offers
<b>"IRR"</b>	the internal rate of return, which applied to the relevant cash flows, produces a net present value of zero (expressed as a percentage)
<b>"ITA"</b>	Income Tax Act 2007
<b>"Listed"</b>	admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities
<b>"Listing Rules"</b>	Listing Rules of the UK Listing Authority
<b>"London Stock Exchange"</b>	London Stock Exchange plc
<b>"Management"</b>	individuals engaged in the business of the Company and/or Downing, the Management Team and two of the non-executive Directors, namely Russell Catley and Robin Chamberlayne
<b>"Management A Shares"</b>	5,185,613 A Shares in the Company issued to Management in connection with the Original Offers
<b>"Management C Shares"</b>	up to 10,000,000 C Shares in the Company to be issued to Management
<b>"Management Team"</b>	as at the date of this document, Paul Beaumont, Jonathan Boss, Pierre Clarke, Colin Corbally, Michael Hughes, Steven Kenee, Nicholas Lewis, Judith MacKenzie, Tony McGing and Grant Whitehouse

<b>"ML Regulations"</b>	Money Laundering Regulations 2007
<b>"NAV" or "Net Asset Value"</b>	net asset value per share
<b>"Net Assets"</b>	gross assets less all liabilities (excluding contingent liabilities) of the Company
<b>"Net Return" or</b>	internal rate of return, calculated from the date of the last allotment of New
<b>"Compound Return"</b>	Shares under the Offers, on the cash flows arising in respect of the gross amount subscribed for New Shares based on an Offer Price of £1 per New Share, the deemed receipt of 30% of such amounts (representing income tax relief thereon) seven months later and the receipt of any Shareholder Proceeds. These cash flows will be calculated on a daily basis and annualised and are in respect of New Shares issued in the Company
<b>"New Shareholders"</b>	subscribers under the Offers
<b>"New Share(s)"</b>	one B Share and one C Share or multiples thereof
<b>"Notice"</b>	notice of the General Meeting of the Company as set out in the circular to Ordinary Shareholders dated 15 October 2009
<b>"Offer Agreement"</b>	agreement dated 15 October 2009 between the Company, the Directors, the Sponsor and Downing, a summary of which is set out in paragraph 5(a) of Part IV of the Registration Document
<b>"Offer Price"</b>	100p per New Share, or a price per New Share adjusted by the Pricing Formula
<b>"Offers" or</b>	together the 2009/10 Offer and the 2010/11 Offer
<b>"New Share Offers"</b>	
<b>"2009/10 Offer"</b>	offer for subscription in respect of the 2009/10 tax year, being made by the Company on the terms set out in this document
<b>"2010/11 Offer"</b>	offer for subscription in respect of the 2010/11 tax year, being made by the Company on the terms set out in this document
<b>"Official List"</b>	the Official List of the UK Listing Authority
<b>"Ordinary Shareholders"</b>	holders of Ordinary Shares
<b>"Ordinary Shares"</b>	Ordinary Shares of 0.1p each in the capital of the Company (ISIN: GB00B3L2G079)
<b>"Original Offers"</b>	the offers for subscription of up to, 20,000,000 Ordinary Shares and 20,000,000 A Shares on the terms set out in the securities note dated 27 January 2009
<b>"Original Shareholders"</b>	holders of Ordinary Shares and/or A Shares
<b>"Original Shares"</b>	Ordinary Shares and A Shares
<b>"Performance Incentive"</b>	performance-related incentive payable in relation to the New Shares to Management in the event that the Hurdle is achieved, represented by the profit on the Management C Shares, as described in this document under the section headed "Management Fees"
<b>"Pricing Formula"</b>	mechanism by which the pricing of the Offers may be adjusted according to the Company's latest published NAV, as described on page 14 of this document
<b>"Prospectus Rules"</b>	the Prospectus Rules issued by the Financial Services Authority and made under Part IV of the Financial Services and Markets Act 2000
<b>"Qualifying Companies"</b>	unquoted companies carrying on qualifying trades wholly or mainly in the United Kingdom and which satisfy certain other conditions as defined in Chapter 4 Part 6 ITA
<b>"Qualifying Investment"</b>	investment in an unquoted trading company, which comprises a qualifying holding for a VCT as defined in Chapter 4 Part 6 ITA
<b>"Registrar"</b>	Capita Registrars Limited
<b>"Registration Document"</b>	the document which has been prepared in accordance with the Prospectus Rules in connection with the Offers
<b>"RPI"</b>	Retail Prices Index
<b>"Securities Note"</b>	this document, which has been prepared in accordance with the Prospectus Rules in connection with the Offers
<b>"Shareholder Proceeds"</b>	amounts paid by way of dividends or other distributions, share buybacks, proceeds on a sale or liquidation of the Company and any other proceeds or value received, or deemed to be received, by New Shareholders in the Company, excluding any income tax relief on subscription
<b>"Shareholders"</b>	holders of Shares
<b>"Share(s)"</b>	Ordinary Share(s) and/or A Share(s) and/or B Share(s) and/or C Share(s) (excluding Management A Shares and Management C Shares)
<b>"Sponsor"</b>	Howard Kennedy
<b>"Structured Product(s)"</b>	securities whose cash flow characteristics depend upon the performance of one or more assets or that have embedded options or securities where an investor's investment return and the issuer's payment obligations are contingent on, or highly sensitive to, changes in the value of underlying assets, indices, interest rates or cash flows.
<b>"Summary"</b>	the summary of the Offers prepared in accordance with the Prospectus Rules
<b>"Total Proceeds"</b>	Shareholder Proceeds together with the Performance Incentive
<b>"Total Return"</b>	NAV together with cumulative dividends paid including tax credits where reclaimable
<b>"UK Listing Authority"</b>	Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
<b>"VCT"</b>	a company approved as a venture capital trust under Section 274 ITA
<b>"VCT Regulations"</b>	The Venture Capital Trust (Winding Up and Mergers) (Tax) Regulations 2004
<b>"Venture Capital Investment"</b>	investment in an unquoted trading company

# Part VII – Additional Information

## 1. The Company

### 1.1 Incorporation

The Company was incorporated in England and Wales as a public company with limited liability on 12 January 2009 with registered number 6789187. The Company changed its name to Downing Structured Opportunities VCT 1 plc on 11 November 2009. The principal legislation under which the Company operates and under which the Ordinary Shares, A Shares, B Shares and C Shares have been created is the Acts and regulations made thereunder.

### 1.2 Duration of the Company

Originally, it was intended to put an ordinary resolution, for the Company to discontinue as a Venture Capital Trust, to the Company's Shareholders in 2015. A resolution has been proposed at the General Meeting to remove this requirement from the articles of association and instead wind up individual share classes as appropriate.

### 1.3 Borrowing Policy

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital. The Directors shall restrict the borrowings of the Company so that the amount at any time outstanding in respect of money the Company, shall not, without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to 15% of the aggregate total amount received from time to time on the subscription of shares to the Company.

### 1.4 Cancellation of Share Premium Account

The Directors are aware of the possibility that the Company's Shares may trade at a discount to their net asset value at some point. The Directors consider that the Company should have the ability to purchase its shares in the market (such shares to be automatically cancelled) with the aim of reducing any discount and increasing the net asset value per share of the remaining Shares. In the view of the Directors the awareness of Investors that the Company has such a capability may tend to moderate the scale of any discount which may emerge and the action of buying in Shares should enable any such discount to be reduced.

The Acts provides that a public company may only purchase its own shares out of distributable profits or out of the proceeds of a fresh issue of shares made for the purpose of the purchase. Subject to confirmation from HM Revenue & Customs that such proposals will not adversely affect the Company's VCT status and Court approval, the Company may decide to reduce and/or cancel the share premium account (created on the issue of the Shares pursuant to the Offers) and to transfer the balance of the Special Reserve, which was established by the cancellation of a previous share premium account, which may be treated as a distributable profit, out of which purchases of Shares can be made subject to regulations, VCT Regulations and company legislation.

### 1.5 Stamp Duty and close company status

The Company has been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of the New Shares issued under the Offers. On the issue of the New Shares pursuant to the Offers, the Company will not be a close company for tax purposes.

### 1.6 Material Interests

Downing will be paid an annual investment management fee of 1.5% of the Net Assets attributable to the New Shares. In line with normal VCT practice, Management will be entitled to receive a Performance Incentive, of up to 1.25% of the Net Assets attributable to the New Shares per annum. Further details of these arrangements are set out on page 13.

### 1.7 Investor profile

A typical Investor will be a retail client (not a corporate), who is aged 18 or over and pays UK income tax who already has a portfolio of non-VCT investments such as unit trusts/OEICs, investment trusts and direct shareholdings in listed companies and has sufficient income and capital so that his investment in the Company can be held for over five years. The individual will be professionally advised and/or a sophisticated investor. The individual's income tax liability should be more than sufficient to utilise all the initial income tax relief available on the investment. The individual should be willing to invest over the medium to long term and be comfortable with higher risk investments.

### 1.8 Results of the Offers

The results of the Offers will be announced through a regulatory information service provider.

## 2. Taxation and HM Revenue & Customs Approval

The Directors intend to conduct the affairs of the Company so that it continues to satisfy the conditions for approval as a VCT and that such approval will be maintained. HM Revenue & Customs has granted the Company provisional approval under Part 6 of the ITA as a VCT. The Company intends to comply with Section 274 of the ITA and has retained PricewaterhouseCoopers LLP to advise it on VCT taxation matters.

## 3. Working Capital and Capitalisation and Indebtedness Statements

### 3.1 Working Capital

The Company is of the opinion that it has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

### 3.2 Statement of Capitalisation and Indebtedness

The table below shows the capitalisation of the Company as at 30 September 2009 (extracted from the unaudited management accounts of the Company for the period ended 30 September 2009) the most practicable date prior to the publication of this document.

	£'000
<b>Total current debt</b>	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
<b>Total non-current debt</b>	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
<b>Shareholders' equity</b>	
Share capital*	31
Other reserves	10,392
	10,423

\* The share capital includes £4,814 of Deferred Shares which were redeemed on 8 October 2009.

There has been no material change in the capitalisation of the Company, total debt or Shareholder equity since 30 September 2009.

The following table shows the Company's net indebtedness as at 30 September 2009 (extracted from the unaudited management accounts of the Company for the period ended 30 September 2009).

	<b>£'000</b>
A Cash	886
B Cash equivalent	-
C Trading Securities	-
<b>D Liquidity (A+B+C)</b>	<b>886</b>
E Current financial receivables	12
F Current bank debt	-
G Current position of non current debt	-
H Other current financial debt	-
<b>I Current financial debt (F+G+H)</b>	<b>-</b>
<b>J Net current financial indebtedness (I-E-D)</b>	<b>(898)</b>
K Non-current bank loans	-
L Bonds issued	-
M Other non-current loans	-
<b>N Non-current financial indebtedness (K+L+M)</b>	<b>-</b>
<b>O Net financial indebtedness (J+N)</b>	<b>(898)</b>

#### 4. Creation of the New Shares

The Company issued a circular dated 15 October 2009 to Ordinary Shareholders convening a general meeting on 11 November 2009. The following resolutions were proposed and passed at that general meeting:

##### Ordinary Resolutions:

- 1) to increase the authorised share capital from £140,000 to £280,000 by the creation of 80,000,000 B Shares and 60,000,000 C Shares representing an increase of 100% in the current authorised share capital;
- 2) to authorise the directors to allot relevant securities up to an aggregate nominal amount of £140,000. The allotments referred to represent, in aggregate, approximately 540% of the issued share capital of the Company as at the date of this document. Such authority will expire on the later of 15 months from the date the resolution is passed and the end of the Company's next annual general meeting.

##### Special Resolutions:

- 3) to authorise the directors to allot the shares referred to in the previous resolution as if section 561(1) of the 2006 Act did not apply. This dis-application represents approximately 540% of the Company's current issued Share capital. This authority will expire on the later of 15 months from the date the resolution is passed and the end of the Companies' next annual general meetings;
- 4) to alter the Articles of Association to, *inter alia*, to provide for the rights attaching to the B Shares and C Shares;
- 5) to authorise the Boards to make market purchases of B Shares and C Shares; and
- 6) to authorise the cancellation of the share premium account arising on the issue of the B Shares.

#### 5. Overseas Investors

- (a) No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase New Shares unless, in such territory, such an offer or invitation could lawfully be made.
- (b) No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All Applicants will be required to warrant that they are not a US person as defined in paragraph 5(x) of Part VIII of this document or a resident of Canada.

#### 6. Information Sourced from Third Parties

Where information set out in this document has been sourced from third parties the source has been identified at the relevant place in the document and the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

#### 7. Withdrawal Rights

The issue of the supplementary prospectus entitles applicants for New Shares to withdraw applications made in respect of the Offers until 5 p.m. on 24 November 2009. Notice of withdrawal may be given in writing to the Company at Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU or by email to [withdrawals@downing.co.uk](mailto:withdrawals@downing.co.uk).

## Part VIII – Terms and Conditions of Application

1. In these Terms and Conditions of Application, the expression "Prospectus" means this document, the Registration Document and the Summary, each dated 15 October 2009. The expression "Application Form" means the application form for use in accordance with these Terms and Conditions of Application. Save where the content requires otherwise, the terms used in the Application Form bear the same meaning as in the Prospectus.
  2. The right is reserved to reject any application or to accept any application in part only. Multiple applications are permitted. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer New Shares than the number applied for, or if in any other circumstances there is an excess payment in relation to an application, the application monies or the balance of the amount paid or the excess paid on application will be returned without interest by post at the risk of the Applicant. In the meantime application monies will be retained in the Company's account with Bank of Scotland.
  3. You may pay for your application for New Shares by cheque or bankers' draft submitted with the Application Form.
  4. The contract created by the acceptance of applications in respect of the first allotment of New Shares under the Offers will be conditional on:
    - (a) all resolutions being passed at the Company's General Meeting to be held on 11 November 2009; and
    - (b) Admission of the C Shares and B Shares (in respect of such first allotment of Shares) being granted not later than 5:00 p.m. on 30 April 2010.
  5. By completing and delivering an Application Form, you:
    - (a) offer to subscribe for the amount specified on your Application Form or any smaller sum for which such application is accepted at the Offer Price subject to the Pricing Formula, the Prospectus, these Terms and Conditions of Application, the Memorandum of Association of the Company and its Articles;
    - (b) acknowledge that, subject to any adjustment in respect of the Pricing Formula, for Additional Shares and IFA commission waived as extra Shares, if your subscription is accepted, you will be allocated one B Share (price 99.9p per share) and one C Share (price 0.1p per share) for each 100p invested;
    - (c) authorise your financial adviser, or whoever he or she may direct, the Registrar or the Company to send a document of title for, or credit your CREST account in respect of, the number of New Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address as set out on your Application Form;
    - (d) agree that your application may not be revoked and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon despatch by post or delivery of your duly completed Application Form to the Company or to your financial adviser;
    - (e) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive share certificates for the New Shares applied for or to enjoy or receive any rights or distributions in respect of such New Shares unless and until you make payment in cleared funds for such New Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such New Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such New Shares as void and may allot such New Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such New Shares (other than return of such late payment at your risk and without interest);
    - (f) agree that all cheques and bankers' drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the verification of identity required by the ML Regulations and that such monies will not bear interest;
- (g) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Sponsor) to ensure compliance with the ML Regulations;
  - (h) agree that, in respect of those New Shares for which your application has been received and processed and not rejected, acceptance of your application shall be constituted by the Company instructing Downing or the Registrar to enter your name on the share register;
  - (i) agree that all documents in connection with the Offers and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;
  - (j) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations including the risk factors contained therein;
  - (k) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information and representation other than those contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof will have any liability for any such other information or representation;
  - (l) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offers shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
  - (m) irrevocably authorise the Company, the Registrar or Downing or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any New Shares subscribed by or issued to you into your name and authorise any representatives of the Company, the Registrar or Downing to execute any documents required and to enter your name on the register of members of the Company;
  - (n) agree to provide the Company with any information which it may request in connection with your application or to comply with the VCT Regulations or other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the ML Regulations;
  - (o) warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, Downing or the Sponsor acting in breach of the regulatory or legal requirements of any territory in connection with the Offers or your application;
  - (p) confirm that you have read and complied with paragraph 6 below;
  - (q) confirm that you have reviewed the restrictions contained in paragraph 7 below;
  - (r) warrant that you are not under the age of 18 years;
  - (s) warrant that, if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, you have complied with all such laws and none of the Company, Downing or the Sponsor or any of their respective agents will infringe any laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your application;
  - (t) agree that Downing and the Sponsor are acting for the Company in connection with the Offers and for no-one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of New Shares

- or concerning the suitability of New Shares for you or be responsible to you for the protections afforded to their customers;
- (u) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
  - (v) warrant that you are not subscribing for the New Shares using a loan which would not have been given to you or any associate, or not given to you on such favourable terms, if you had not been proposing to subscribe for the New Shares;
  - (w) warrant that the New Shares are being acquired by you for *bona fide* investment purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax. Obtaining tax reliefs given under the applicable VCT legislation is not of itself tax avoidance;
  - (x) warrant that you are not a "US person" as defined in the United States Securities Act of 1933 (as amended) nor a resident of Canada and that you are not applying for any New Shares on behalf of or with a view to their offer, sale or delivery, directly or indirectly, to or for the benefit of any US person or resident of Canada;
  - (y) warrant that the information contained in the Application Form is accurate; and
  - (z) agree that if New Shares are not issued to you, or not issued to you on any particular date, the Company and Downing will have no liability to you.
6. No person receiving a copy of the Prospectus, or an Application Form, in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
  7. The New Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager will not be registered under the United States Investment Adviser Act of 1940 (as amended). No application will be accepted if it bears an address in the USA.
  8. This application is addressed to the Company and the Sponsor. The rights and remedies of the Company and the Sponsor under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.
  9. The dates and times referred to in these Terms and Conditions of Application may be altered by the Company with the agreement of the Sponsor.
  10. Authorised financial advisers who, acting on behalf of their clients, return valid Application Forms bearing their stamp and Financial Services Authority number will be entitled to commission on the amount payable in respect of the Shares allocated for each such Application Form at the rates specified in the paragraph headed "Commission" in Part I of this document. Authorised financial advisers may agree to waive part or all of their initial commission in respect of an application. If this is the case, then such application will be treated as an application to subscribe the amount stated in box number 2 of the Application Form together with an additional subscription equivalent to the amount of commission waived. Downing or the Registrar is authorised to amend such box number 2 to include any such additional Subscription. Financial advisers should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission.
  11. The section headed Notes on Application Form forms part of these Terms and Conditions of Application.
  12. It is a condition of the Offers to ensure compliance with the ML Regulations. Downing is therefore entitled to require, in its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to Downing to be acting on behalf of some other person. Pending the provision of evidence satisfactory to Downing as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, Downing may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or the Registrar may not enter the Applicant on the register of members or issue any share certificates in respect of such application. If verification of identity is required, this may result in a delay in dealing with an application and in rejection of the application. The Company reserves the right, in its absolute discretion, for it or Downing to reject any application in respect of which Downing considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the New Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to Downing such information as may be specified by it as being required for the purpose of the ML Regulations.
  13. The right is also reserved to treat as valid and binding any application not complying fully with these Terms and Conditions of Application or not in all respects complying with the Notes on Application Form. In particular, but without limitation, the Company may accept applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner acceptable to the Company to apply in accordance with these Terms and Conditions of Application.
  14. The Company and/or Downing may use the information you give for administration, research and/or statistical purposes. Your details may be used by the Company and/or Downing (but will not be sold to third parties) to send you information on other potential investment opportunities (maximum six communications per annum). If you would prefer not to receive such information, please write to Downing.

# DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC

## Application Form

Reservation Number  
 (if applicable)

Make your cheque or bankers' draft out to "Downing Structured Opportunities VCT 1 plc – New Share" and crossed "A/C Payee only" and return this form as soon as possible to Downing Corporate Finance Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU. The closing date for the 2009/10 Offer will be 1.00 p.m. on Monday 5 April 2010 and, in respect of the 2010/11 Offer, 5.00 p.m. on Friday 30 April 2010 (unless extended or fully subscribed earlier).

<b>1</b>	Title and Name in Full					
	Permanent Address					
	Postcode	Daytime Tel				
	Email Address					
	Date of Birth	/ 19		National Insurance No.		
	(day/month/year)					

<b>2</b>	I am subscribing for New Shares as Follows:	2009/10 tax year	£ <input style="width: 100%; height: 25px;" type="text"/>	<b>A</b>
		2010/11 tax year	£ <input style="width: 100%; height: 25px;" type="text"/>	<b>B</b>
		TOTAL (A + B)	£ <input style="width: 100%; height: 25px;" type="text"/>	<b>C</b>
			Min £10,000	

Or such lesser sum for which this application may be accepted on the Terms and Conditions of Application set out in Part VIII of this document. Please send me a certificate(s) confirming my entitlement to VCT tax reliefs.

BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have had an opportunity to receive the Prospectus and to read the terms and conditions of application therein; (ii) I will be the beneficial owner of the New Shares in Downing Structured Opportunities VCT 1 plc issued to me pursuant to the Offers; (iii) to the best of my knowledge and belief, the particulars I have given to Downing Structured Opportunities VCT 1 plc are correct; and (iv) I acknowledge that my application for Shares will be allocated in the manner described under the heading "The Offers and minimum and maximum subscription" in Part I of this document.

**Investors and their advisers are required to provide an email address if they require the receipt of the Application Form to be acknowledged.**

<b>3</b>	Please tick this box if you would like to receive progress updates from the Company by email (approximately five emails per year)	<input style="width: 40px; height: 30px;" type="checkbox"/>
----------	-----------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------

**HM Revenue and Customs may inspect this application form. It is a serious offence to make a false declaration.**

<b>4</b>	Signature	<input style="width: 100%; height: 30px;" type="text"/>	Date	<input style="width: 20px; height: 20px;" type="text"/> / <input style="width: 20px; height: 20px;" type="text"/> / <input style="width: 20px; height: 20px;" type="text"/>
----------	-----------	---------------------------------------------------------	------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Authorised intermediaries should stamp and complete this box	
Contact Name	
Firm Name	Bestinvest
FSA No.	165169
Address	6 Chesterfield Gardens, Curzon Street, London
Postcode	W1J 5BQ
Tel.	020 7189 9905
Email Address	

Commission Options (tick one box)	
<b>Authorised intermediaries should complete this box</b>	
A) 3% upfront; no trail	<input style="width: 80px; height: 20px;" type="text"/>
OR	
B) 2% upfront; 0.5% p.a. trail	<input checked="" type="checkbox"/>
<b>Commission waived (leave blank if nil waived)</b>	
Commission waived as extra shares (insert the sum in £s)	<input style="width: 80px; height: 20px;" type="text" value="£ All"/>
Due completion of the agent's box indicates that the agent is duly authorised to transact investments of this type under the Financial Services and Markets Act 2000.	

For Official Use Only			
Less than £11,000	<input style="width: 100%; height: 20px;" type="text"/>	List A	<input style="width: 100%; height: 20px;" type="text"/>
Personal Cheque	<input style="width: 100%; height: 20px;" type="text"/>	List B	<input style="width: 100%; height: 20px;" type="text"/>
Letter of Introduction	<input style="width: 100%; height: 20px;" type="text"/>	Money Laundering Officer	<input style="width: 100%; height: 20px;" type="text"/>



# Notes on Application Form

**Before making an application to acquire New Shares you are strongly recommended to consult an appropriate financial adviser authorised under the Financial Services and Markets Act 2000.** It is essential that you complete all parts of the Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or bankers' draft by post, or deliver it by hand, to Downing Corporate Finance Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU. If you have any questions on how to complete the Application Form please contact Downing Corporate Finance Limited on 020 7416 7780 or your financial adviser.

The following notes should be read in conjunction with the Application Form and the Terms and Conditions of Application.

**1**

Insert in Box 1 in BLOCK CAPITALS your full name, permanent address, daytime telephone number, date of birth, National Insurance number and, if you have one, your email address. Joint applications are not permitted.

**2**

Insert (in figures) in Box A the total amount you wish to invest under the Offers in respect of the 2009/10 tax year (state nil if appropriate). Insert (in figures) in Box B the amount you wish to invest under the Offers in respect of the 2010/11 tax year (state nil if appropriate). **You may post-date your cheque to 6 April 2010 in respect of the sum in Box B.** Insert (in figures) the total of Boxes A and B in Box C. This is the total amount you are subscribing under the Offers. Share subscriptions will be adjusted to reflect any commission waived (by agents) as extra New Shares or Additional Shares issued for early subscriptions.

**Please note that the minimum investment is £10,000.** The maximum investment, on which tax reliefs on investments in VCTs are available, is £200,000 in each of the 2009/10 and 2010/11 tax years.

Attach your cheque or bankers' draft to the Application Form for the exact amount shown in Box C. Your cheque or bankers' draft must be made payable to "**Downing Structured Opportunities VCT 1 plc – New Share**" and crossed "**A/C Payee only**". Your payment must relate solely to this application.

## Money Laundering Regulations 2007 – Important note for applications of £11,000 or more

If the value of the shares applied for is £11,000 or more (or is one of a series of linked applications, the value of which exceeds that amount) payment should be made by means of a cheque drawn on an account in the name of the Applicant. If this is not practicable and you use a cheque drawn by a third party or a building society cheque or bankers' draft, you should write the name, address and date of birth of the Applicant on the back of the cheque or bankers' draft and:

- (a) if a building society cheque or bankers' draft is used, the building society or bank must also endorse on the cheque or draft the name and account number of the person whose account is being debited; or
- (b) if a cheque is drawn by a third party, you must ensure that one item from each of List A and List B (see below) is enclosed with the form.

Alternatively, verification of the Applicant's identity may be provided by means of a "Letter of Introduction" in the prescribed form from a UK or European Economic Area financial institution (such as a bank or stockbroker) or other regulated person (such as a solicitor, accountant or appropriate financial adviser) who is required to comply with the ML Regulations. The relevant financial institution or regulated person will be familiar with the requirements and the relevant form.

## For applications of £11,000 or more and subscription by way of a cheque drawn by a third party

(one item from List A AND one item from List B)

### List A (Verification of Identity)

Current signed passport  
Current UK Driving Licence  
HM Revenue and Customs Tax Notification  
Firearms Certificate

### List B (Verification of Address)

Recent\* utility bill (but not a mobile telephone bill)  
Recent\* local authority tax bill  
Recent\* bank or building society statement  
Recent\* mortgage statement from a recognised lender

Please send original (not passport or driving licence) or certified copies of the documents. Certified as a true copy of the original by a UK lawyer, banker, authorised financial intermediary (e.g. financial adviser or an FSA authorised mortgage broker), accountant, teacher, doctor, minister of religion, postmaster or sub-postmaster. The person certifying the document should state that the copy is a true copy of the original, print their name, address, telephone number and profession and sign and date the copy. \*"Recent" means dated within the last three months.

**No money laundering verification is required to be enclosed if the application is for less than £11,000 or if payment is by means of a cheque drawn on an account in the name of the Applicant** (provided that (a) the cheque includes details of the Applicant's bank account or building society account (as applicable) and (b) the cheque is drawn on a UK or European Union authorised bank or credit institution). Please note, however, that Downing may, in its absolute discretion, require Money Laundering verification and that Money Laundering verification will be required by introducing financial advisers.

**3**

Please tick this box if you would like to receive email updates from the Company (approximately five emails per year).

**4**

**Read the declaration and sign and date the Application Form in Box 4.** If someone other than the Applicant named in Box 1 signs on such Applicant's behalf, such signatory must ensure that the declaration given on behalf of such Applicant is correct.

Authorised intermediaries who are entitled to receive commission should stamp and complete the agent's box, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of commission if the Company is not, at its sole discretion, satisfied that the agent is so authorised. Intermediaries should indicate which commission option they prefer by ticking one of the boxes. Intermediaries can choose to waive some or all of their upfront commission, which will be invested in additional shares for their clients.

**Investors and their advisers are required to provide an email address if they require the receipt of the Application Form to be acknowledged.**



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

tel: **020 7416 7780**  
email: **vct@downing.co.uk**  
web: **www.downing.co.uk**

Authorised and regulated by the  
Financial Services Authority