



# DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC

SECURITIES NOTE (INCLUDING APPLICATION FORM)

**Downing**

Managed by Downing LLP

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Offer Statistics	
Offer Price per D Share (unless adjusted by the Pricing Formula)	100.0p
Initial estimated Net Assets per D Share at the close of the Offers*	94.5p
Maximum number of D Shares in issue, following the Offers, at Full Subscription	20,000,000
Estimated net proceeds of the Offers, at full subscription*	£18,900,000
* assuming an issue price of £1 per D Share	
If the Minimum Subscription is not received by 3.00 p.m. on 5 April 2012, the Offers will be withdrawn. In the event that the Minimum Subscription is not received, subscription monies will be returned to Investors within seven days of 5 April 2012, at their own risk, without interest.	

Special Terms	
<i>Applications from Downing Managed VCT shareholders (including Spouses)</i>	
Accepted valid applications received by 30 November 2011 will attract Additional Shares equivalent to 2% of the amount subscribed under the Offers. Accepted valid applications received between 1 December 2011 and 17 February 2012 will attract Additional Shares equivalent to 1% of the amount subscribed under the Offers.	
<i>Applications from all other Investors</i>	
Accepted valid applications received by 30 November 2011 will attract Additional Shares equivalent to 1% of the amount subscribed under the Offers.	
The cost of these Additional Shares will be borne by Downing LLP.	

This document, the Registration Document and the Summary, which together comprise a 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.

Application has been made to the UK Listing Authority for all the D Shares, issued and to be issued, in the Company, to be admitted to the premium segment of the Official List. Application will also be made to the London Stock Exchange for all the D Shares, issued and to be issued, to be admitted to trading on its main market for listed securities. Subject to the Minimum Subscription being received by then, it is expected that Admission of the first allotment of D Shares will become effective, and that dealings in these shares will commence, by 30 April 2012 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 and belief 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 Corporate Services LLP is acting as sponsor and Downing LLP 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 or other regulatory regime established thereunder) will be responsible to any such person for providing the protections afforded to their respective customers or clients, or for providing advice in connection with the 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 2011/12 and 2012/13 tax years of up to 20,000,000 D Shares in the capital of the Company

#### Sponsor

Howard Kennedy Corporate Services LLP

#### Promoter

Downing LLP

Share capital of the Company immediately following the Offers, assuming Full Subscription under both Offers:

	Issued and to be issued fully paid	
	No. of shares	Nominal value
Ordinary Shares of 0.1p each (ISIN: GB00B3L2G079)	10,371,225	£10,371.23
A Shares of 0.1p each (ISIN: GB00B3L2G186)	15,556,838	£15,556.84
B Shares of 0.1p each (ISIN: GB00B4MGR241)	19,936,370	£19,936.37
C Shares of 0.1p each (ISIN: GB00B4MCHT95)	29,936,370	£29,936.37
D Shares of 0.1p each (ISIN: GB00B6QPQ463)	20,000,000	£20,000.00

The subscription list for the Offers will open on 31 August 2011 and may close at any time thereafter but, in any event, not later than 3.00 p.m. on 5 April 2012 in the case of the 2011/12 Offer and not later than 5.00 p.m. on 30 April 2012 in the case of the 2012/13 Offer, unless previously extended by the Directors. The terms and conditions of the Offers are set out on pages 22 to 23 of this document and are followed by an Application Form for use in connection with the Offers. If the Minimum Subscription is not received by 3.00 p.m. on 5 April 2012, the Offers will be withdrawn and application monies will be returned to applicants within seven days of such date, at their own risk, without interest. The Offers are not underwritten.

Assuming Full Subscription and an Offer Price of £1 per D Share, the total raised under the Offers will be £20 million before issue costs. If the Offers are over-subscribed, they may be increased at the discretion of the Board to no more than £30 million.

**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 LLP  
10 Lower Grosvenor Place  
London SW1W 0EN

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

**Your capital is at risk if you invest in Downing Structured Opportunities VCT 1 plc and you may lose some or all of your investment.**

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 D 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 such changes 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 D 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 D Shareholders' VCT status, then such payments may not be made.
- Although the D Shares will be Listed, it is highly unlikely that a liquid market in the D 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 D Shareholders to sell their D Shares. In addition, there is no guarantee that the market price of the D 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. In particular, on 6 July 2011 HM Treasury issued a consultation paper, which is likely to result in changes to legislation in the Finance Bill 2012. These changes could restrict the types of businesses that would represent Qualifying Investments.
- The value of D 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 D Share may not be achieved and any dividend payments will reduce the Net Assets attributable to the D Shares.
- D Shareholders should be aware that the sale of D 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 classes.

### 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, will 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.
- Some 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 up to 100% 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

10 Lower Grosvenor Place  
London SW1W 0EN

31 August 2011

Dear Investor

The Offers follow on from the success to date of the Existing Shares and provide Investors with the opportunity to benefit from generous tax reliefs and tax-free dividends by subscribing to a new share class.

#### Track record of the Company against peer group

	Tax year of launch	Net cost <sup>1</sup>	Total Return to date <sup>2</sup>	Increase over net cost (%)	Position in peer group <sup>3</sup>
2009 Shares	2008/09	70.0p	111.1p	+59%	1 <sup>st</sup> out of 15
2010 Shares	2009/10	70.0p	97.4p	+39%	2 <sup>nd</sup> out of 17

<sup>1</sup> Net cost is the initial offer price of 100p per share less the income tax relief of 30%. <sup>2</sup> Total Return is cumulative dividends paid plus the most recently announced net asset value on 12 August 2011 for each share class in pence per share. <sup>3</sup> This ranking is based on total return (net asset value plus cumulative dividends paid) out of all new VCTs or new VCT share classes launched in the relevant tax year. The total return for each VCT has been sourced by Downing from announcements made through a regulatory information service.

Please note that the past performance of the Company is not a guide to its future performance and no projection is implied or should be inferred.

#### The opportunity – Venture Capital Investments

**Capital preservation strategy:** The focus will be on investee companies with capital assets or those that have predictable income streams. Risk is also reduced by restricting each investee company's ability to borrow.

#### The opportunity – Structured Products

In order to enhance the potential returns available from its non-qualifying investments, the Company will invest in a portfolio of institutional Structured Products managed by Brewin Dolphin. This portfolio will aim to achieve capital gains and preserve capital.

#### A VCT for income

The Board has a stated objective of paying annual dividends of at least 5p per D Share. This represents a tax-free yield of 7.1% per annum on the net investment of 70p per D Share (after 30% income tax relief), which is equivalent to 9.5% 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 D Shares will be sold after five years and the net proceeds paid to D 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.

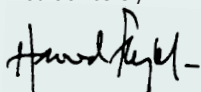
#### Key tax benefits

- **30% income tax relief** is available on the amount subscribed up to £200,000 per tax year provided the D 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 Investors' attention is drawn to the Risk Factors set out on page 1 of this document.

Yours sincerely



Lord Flight  
Chairman

# Part I – The Offers

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## 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 £4.3 billion has been raised by over 100 VCTs.

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 raised gross proceeds of £10.5 million under its 2009 Share Offer. As at 30 August 2011, the 2009 Share pool held four Structured Products with a total value of £1.8 million (after realisations) (valued using prices as at 12 August 2011), 19 Venture Capital Investments with a total value of £8.1 million and cash at bank of £0.5 million. The initial offer price of the 2009 Shares (after issue costs) was 94.5p. As at 12 August 2011, the unaudited Net Asset Value per 2009 Share was 101.1p and, with dividends of 10.0p per 2009 Share paid, giving a total return of 111.1p per 2009 Share.

The Company raised gross proceeds of £20 million under its 2010 Share Offer. As at 30 August 2011, the 2010 Share pool held nine Structured Products with a total value of £6.7 million (after realisations) (valued using prices as at 12 August 2011), 17 Venture Capital Investments with a total value of £10.9 million and cash at bank of £0.8 million. The initial offer price of the 2010 Shares (after issue costs) was 94.5p. As at 12 August 2011, the unaudited Net Asset Value per 2010 Share was 92.4p and, with dividends of 5.0p per 2010 Share paid, giving a total return of 97.4p per 2010 Share.

## Reasons for the Offers

The Offers have been designed for Investors wishing to take advantage of the VCT tax reliefs and focusing on investing in two distinct asset classes: i) unquoted businesses with capital assets or those that have predictable income streams; and ii) Structured Products.

The Offers will 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 D Shares

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

The D Shareholders will be entitled in respect of the D Shares:

- to vote at meetings of the Company – D Shareholders must approve separately any changes to the Articles which affect the rights attached to the D Shares;
- to receive dividends declared on income received from, and realised profits arising on, investments funded from the proceeds of the D Share issue; and
- in the event that the Company is wound up, to receive those assets attributable to the D 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 2011/12 and 2012/13 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 D Share</b>
Gross subscription by Investor	100.0p
30% income tax relief	(30.0p)
<b>Net of tax cost of investment</b>	<b>70.0p</b>
<b>Initial value of investment</b>	
Gross subscription by Investor	100.0p
Issue costs	(5.5p)
<b>Initial Net Asset Value</b>	<b>94.5p</b>
<b>Initial "uplift" (pence)</b>	+24.5p
<b>Initial "uplift" (%)</b>	+35.0%
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 D Share and the initial NAV is 94.5p, an "uplift" of 24.5p per D Share or +35%. <b>Investors should note that they are required to hold the D 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>	

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. In addition, the availability of tax reliefs depends on the investee companies maintaining their VCT qualifying status.

## Objectives

The Company's principal objectives for Investors are to:

- (i) invest in a portfolio of Venture Capital Investments and Structured Products;
- (ii) reduce the risks normally associated with Venture Capital Investments;
- (iii) target an annual dividend of at least 5p per D Share;
- (iv) provide a full exit for D Shareholders in approximately six years at no discount to NAV; and
- (v) maintain VCT status to enable D 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. D Shareholders' and Management's interests are aligned through the Performance Incentive (see page 12 for details). The performance incentive payable to Management will be maximised if D Shareholders receive cash proceeds of at least 113p 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 Board's opinion, any of these illustrative outcomes would represent a satisfactory return to D Shareholders.

Illustrative returns based on an Offer Price of £1 per D Share				
<b>Shareholder Proceeds</b>	90p	100p	110p	120p
<b>Less: net cost of investment</b> (assuming 30% income tax relief)	(70p)	(70p)	(70p)	(70p)
<b>Tax-free cash profit</b>	20p	30p	40p	50p
<b>Tax-free profit</b> (as a % of net cost of investment)	+29%	+43%	+57%	+71%
<b>Net Return<sup>1</sup></b>	5.2% p.a.	7.4% p.a.	9.3% p.a.	11.1% p.a.
<b>Gross equivalent return<sup>2</sup> to:</b>				
• 40% taxpayers	8.7% p.a.	12.3% p.a.	15.5% p.a.	18.5% p.a.
• 50% taxpayers	10.4% p.a.	14.8% p.a.	18.6% p.a.	22.2% 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 2012, 30p income tax relief deemed to be received six months later on 5 October 2012 and either 90p, 100p, 110p or 120p of Shareholders Proceeds, comprising dividends of 2.5p payable on 30 September 2012 and 31 January 2013 and on the same dates each year until 31 January 2017, 75% of the balance of the Shareholder Proceeds on 30 September 2017 and the remaining funds on 30 April 2018. <sup>2</sup> The gross equivalent return to a 40% taxpayer is calculated by dividing the Net Return by 0.6 and by dividing it by 0.5 for a 50% taxpayer.

## Investment Policy

The investment policy for the Company is set out below.

### 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 2015, and thereafter, it is estimated that approximately 75% of the funds attributable to the D Shares will be invested in Venture Capital Investments (by 31 March 2012 for funds attributable to the 2009 Share pool and by 31 March 2013 for funds attributable to the 2010 Share pool). The approximate investment allocation for the D Shares (ignoring cash balances) is set out below.

Investment allocation – D Shares					
Asset Class	Initially	End of Year			Average <sup>1</sup>
(ignoring cash balances)	(within six months)	1	2	3	
				(and thereafter)	
Structured Products	100%	75%	50%	25%	50%
Venture Capital Investments	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 D 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 predominantly be Qualifying Investments under the VCT rules and the Structured Products will be non-VCT qualifying.

### Venture Capital Investments

Venture Capital Investments comprise investments in UK businesses that own substantial assets (over which a charge will be taken by the Company) or have predictable revenue streams from financially sound customers.

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 D Shares will typically 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, the profit 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 D Shareholders.

All Structured Products will have a level of downside protection. 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's Birmingham office 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\* or equivalent from other major rating agencies) and cash collateralised issues.
- **Examples of currently acceptable counterparties:** UK Government (Gilts); Citigroup; Morgan Stanley; Barclays Bank; Credit Suisse; HSBC Bank; and Bank of America.
- **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, not registered in the EU, 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 regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the ITA. How the main regulations apply to the Company is summarised as follows: (i) The Company holds at least 70% of its investments in Qualifying Companies; (ii) At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" for funds raised before 6 April 2010 and at least 70% in "eligible shares" for funds raised after 6 April 2010; (iii) At least 10% of each investment in a Qualifying Company is held in "eligible shares" (by cost at time of investment); (iv) No investment constitutes more than 15% of the Company's portfolio (by value at time of investment); (v) The Company's income for each financial year is derived wholly or mainly from shares and securities; (vi) The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained; and (vii) A maximum unit size of £1 million in each VCT qualifying investment (per tax year).

## Listing Rules

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

In accordance with the Listing Rules, the Board will not make a material change to the Company's investment policy without Shareholder approval.

## Income

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

Illustrative yield per D Share (after 30% income tax relief)				
Net of tax offer price <sup>1</sup>	Target annual dividends	Tax-free yield	Gross equivalent yield	
			40% taxpayer <sup>2</sup>	50% taxpayer <sup>2</sup>
70.0p	5.0p	7.1% p.a.	9.5% p.a.	11.2% 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 is the yield on a non-VCT UK dividend that would result in a net yield of 7.1% (being a 5p dividend divided by 70p, the issue price of £1 per D Share less 30% to reflect initial income tax relief), assuming a 40% taxpayer and 50% taxpayer respectively.

Dividends are expected to be paid bi-annually around the end of January and September each year; the first dividend in respect of the D Shares is expected to be paid by no later than September 2012. The Company intends to cancel the share premium account arising on the issue of the D Shares. This will create a distributable reserve which may be utilised to allow the payment of dividends.

## Track Record of the Downing VCTs

The table below shows that all 16 Downing VCT offers listed below have, to date, provided positive net of tax returns from inception in all market conditions.

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 (%)
<b>Generalist VCTs (no fixed wind-up date)</b>				
Downing Absolute Income VCT 1 – ordinary shares	96/97	80.0p	144.90p	+81%
Downing Absolute Income VCT 2	09/10	70.0p	95.50p	+36%
<b>Planned Exit VCTs (fixed term)</b>				
Downing Planned Exit VCT 2 – 2005 shares	04/05	60.0p	90.50p	+51%
Downing Planned Exit VCT 3 – 2005 shares	04/05	60.0p	90.50p	+51%
Downing Planned Exit VCT 4	05/06	60.0p	89.80p	+50%
Downing Planned Exit VCT 5	05/06	60.0p	90.00p	+50%
Downing Planned Exit VCT 6	06/07	70.0p	88.65p	+27%
Downing Planned Exit VCT 7	06/07	70.0p	88.65p	+27%
Downing Planned Exit VCT 8	07/08	70.0p	92.30p	+32%
Downing Planned Exit VCT 9	07/08	70.0p	92.30p	+32%
Downing Planned Exit VCT 2 – 2008 shares	08/09	70.0p	98.10p	+40%
Downing Planned Exit VCT 3 – 2008 shares	08/09	70.0p	98.10p	+40%
<b>Downing Structured Opportunities – 2009 shares</b>	<b>08/09</b>	<b>70.0p</b>	<b>111.10p</b>	<b>+59%</b>
<b>Downing Structured Opportunities – 2010 shares</b>	<b>09/10</b>	<b>70.0p</b>	<b>97.40p</b>	<b>+39%</b>
Downing Planned Exit VCT 2 – 2009 shares	09/10	70.0p	97.00p	+39%
Downing Planned Exit VCT 3 – 2009 shares	09/10	70.0p	97.00p	+39%

<sup>1</sup> Net cost is the initial offer price of 100p per share less the income tax relief available to investors in each of the VCTs.  
<sup>2</sup> Total Return is cumulative dividends paid (including the tax credits where reclaimable) plus the most recently announced net asset value for each VCT (dates between 30 April 2011 and 12 August 2011) in pence per share.  
*(Source: announcements made by the relevant VCT through a regulatory information service)*

Downing also manages Downing Planned Exit VCT 2011 plc and Downing Absolute Income VCT 1 plc C shares whose share offers closed on 15 April 2011 and are due to close on 30 September 2011 respectively. The track record of these VCTs are not included above because they were only very recently launched. In addition, Downing also manages Downing Distribution VCT 1 plc and Downing Distribution VCT 2 plc. The track record of these VCTs is not listed because Downing was appointed as manager in 2010 and they have operated a different investment strategy to that of the Downing VCTs (namely they were AIM focused VCTs). Each of the VCTs listed above invests broadly in line with the Company's investment policy.

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 above have only recently launched; consequently, it is too early to judge their performance. In any case, past performance is no guide to future performance.

### Progress on returning funds to investors in Downing's Planned Exit VCTs

Downing Planned Exit VCTs 2 and 3 – 2005 shares (launched in the 2004/05 tax year) have sold virtually all their investments despite the economic climate and returned the proceeds to their investors, which totalled 90.4p per share. Investors subscribed at 100p per share and their net cost would have been 60p per share (after 40% tax relief). The compound return (calculated as an IRR after tax reliefs) was 11.2% per annum tax-free, which is equivalent to 18.7% per annum to a 40% taxpayer.

Downing Planned Exit VCTs 4 and 5 (launched in the 2005/06 tax year) have started to sell their investments and have returned 74p per share to date, with a remaining NAV of approximately 16p per share. Investors subscribed at 100p per share and their net cost would have been 60p per share (after 40% tax relief). It is anticipated that the remaining investments will be sold and the proceeds distributed in due course.

Apart from regular dividend payments no significant distributions have been paid to shareholders in other Downing Planned Exit VCTs because they are all within the minimum five year holding period.

## Share Buyback Policy

The Company will make market purchases of its own D Shares, up to a maximum annual number of D Shares equivalent to 14.9% of the total number of issued D Shares, from time to time. The Board intends to operate a policy of purchasing D Shares that become available as detailed below (subject to liquidity and regulations). The proceeds received by D Shareholders on the sale of their D Shares to the Company will be reduced by costs such as the market-maker's margin and stockbroker's commission.

Share buyback policy	Discount to NAV
From launch to 30 September 2016	Nil
1 October 2016 onwards	Board discretion

### From launch to 30 September 2016

The Company will buy back D Shares in the first five years from launch (to 30 September 2016) at nil discount to Net Asset Value, subject to regulations and having sufficient liquidity within the Company. Investors should note that income tax relief of 30% will be repayable if the D Shares are not held for the minimum holding period of five years; however, there is no clawback of the 30% income tax relief following the death of a Shareholder. The Board anticipates that there will be limited share buybacks of D Shares within five years because the only sellers are likely to be deceased Shareholders' estates and those Shareholders whose circumstances have changed (to such an extent they are willing to repay the 30% tax relief in order to gain access to the funds).

### From 1 October 2016 onwards

As stated below in the section headed "Realisation Plans", after five years the Company will seek to exit from its investments and return funds to Shareholders, prior to winding up the Company. Therefore, to help achieve this objective, during this period the Board will reserve the right as to whether it will undertake D Share buybacks and the level of discount to Net Asset Value at which it will undertake any such D Share buybacks.

The Company has previously cancelled its share premium account arising on the issue of the Existing Shares and created a special reserve, which has been utilised by the Company to make purchases of its own Shares and pay dividends. The Board also intends to cancel the share premium account arising on the issue of D Shares.

## Realisation Plans

It is intended that the assets held in the D Share pool will be sold and that the proceeds will be distributed to D 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 D Shares, will not be re-invested by the Company, but instead used to fund payments to D Shareholders by way of dividends or share buybacks. The Performance Incentive has been structured to encourage the early payment of cash proceeds to D Shareholders (see page 12 for details).

Set out below is a table showing the timing of Investor cashflows based on hypothetical Shareholder Proceeds of 110p per D Share and an initial investment of £10,000.

	Date	Total investment	Per share
Cost of investment	2011/12	£10,000	100.0p
30% income tax relief	2012	(£3,000)	(30.0p)
<b>Net of tax cost of investment</b>		<b>£7,000</b>	<b>70.0p</b>
<b>Returns from investment</b>			
10 bi-annual dividends of 2.5p per D Share	Sept and Jan 2012-17	£2,500	25.0p
Sale of investments	2017/18	£8,500	85.0p
<b>Total distributions</b>		<b>£11,000</b>	<b>110.0p</b>
<b>Total return on net cost</b>		<b>+57.1%</b>	
<b>Net Return (tax-free)</b>		<b>9.3% p.a.</b>	

The returns set out above are for illustrative purposes only and no forecast or projection is implied or should be inferred. Investors should note that the level of dividends is not guaranteed.

## Investment Portfolio – Existing Shares

Set out below is a summary of the current investment portfolio for the 2009 Shares and 2010 Shares and details of the investment performance. Part IV contains further details of the investment portfolios.

	2009 Shares	2010 Shares
	£'000	£'000
Structured Product investments	1,812	6,729
Venture Capital Investments	8,139	10,926
Cash at bank and in hand	514	804
<b>Total investments</b>	<b>10,465</b>	<b>18,459</b>
	<b>Per Share</b>	<b>Per Share</b>
Net Asset Value	101.1p	92.4p
Dividends paid to date	10.0p	5.0p
<b>Total Return</b>	<b>111.1p</b>	<b>97.4p</b>

*(extracted from the unaudited management accounts of the Company for the period ended 30 August 2011)*

## Structured Product Realisations – Existing Shares

The Company acquired its first Structured Products on 17 March 2009. From this date to 30 August 2011, 37 different Structured Products have been acquired at a total cost of £26.4 million. As set out in the unaudited information below, during the period to 30 August 2011, 32 Structured Product investments were either sold or matured, yielding a profit of £2.2 million against a cost of £18.5 million, giving an IRR of 15%.

Realisations	Date of first acquisition	Cost £'000	Sales	Profit	IRR
			proceeds £'000	£'000	%
Barclays 12.2% Autocallable	19 Jun 2009	859	1,057	+198	+23.8%
Barclays 3Y Semi-Annual Synthetic Zero	18 Mar 2009	476	560	+84	+26.2%
Barclays 4Y Synthetic Zero	11 Dec 2009	226	254	+28	+8.5%
Barclays 6Y 10% Def FTSE Autocall	25 Jun 2010	712	727	+15	+10.9%
Barclays FTSE 100 Def 10.75% Autocall	11 Jun 2010	752	806	+54	+10.3%
BNP Paribas Harewood 12% Defensive	9 Jun 2009	732	784	+52	+93.3%
Citigroup Gilt Backed 6yr Defensive Auto-Call	17 Apr 2009	488	553	+65	+26.7%
Citigroup Gilt Backed Defensive Auto-Call 1	17 Aug 2009	130	178	+48	+23.7%
Citigroup Gilt Backed Defensive Auto-Call 2	17 Mar 2009	249	270	+21	+24.5%
Citigroup Gilt Backed Defensive Auto-Call 3	17 Mar 2009	372	391	+19	+14.4%
Elders Capital Accumulation 2 (Delayed Settlement)	17 Apr 2009	259	362	+103	+16.4%
Elders Capital Accumulation 6	24 Mar 2009	634	823	+189	+37.8%
Elders Japan Capital Protected 3 (17B)	19 Mar 2009	626	779	+153	+16.8%
Goldman Sachs 6YR Phoenix Autocall 1	16 Feb 2010	653	716	+63	+11.5%
Goldman Sachs 6YR Phoenix Autocall 2	25 Feb 2010	451	471	+20	+7.5%
Goldman Sachs Int Def Autocall	8 Jul 2009	337	427	+90	+26.2%
Goldman Sachs Reservoirs Autocall	10 Aug 2009	401	444	+43	+10.9%
HSBC 5 Year 9% Defensive FTSE 100 Autocall	19 May 2010	1,003	1,063	+60	+7.6%
HSBC FTSE/S&P 'Worst of' Autocall	20 May 2010	1,003	1,110	+107	+10.8%
JP Morgan 5Y 9.75% Defensive FTSE Autocall	22 Jun 2010	1,504	1,646	+142	+9.4%
JP Morgan 8% Defensive FTSE Autocall	26 Feb 2010	306	311	+5	+3.1%
Morgan Stanley 11% FTSE Bonus Note	12 Feb 2010	501	555	+54	+10.8%
Morgan Stanley 3YR Synthetic Zero	25 Feb 2010	215	221	+6	+5.3%
Morgan Stanley FTSE Bonus Note (5Y)	25 Jun 2010	501	542	+41	+25.4%
Morgan Stanley Synthetic Zero	14 May 2009	152	212	+60	+28.6%
Nomura 9.3% FTSE Def Autocall	23 Jun 2010	1,504	1,581	+77	+14.6%
Platinum (Guernsey) 3yr	27 Jul 2009	351	382	+31	+8.8%
Platinum 4yr Defensive Auto-Call	20 Apr 2009	656	718	+62	+9.5%
Sienna (Morgan Stanley) 3Y FTSE Bonus Shares	17 Mar 2009	573	607	+34	+22.1%
Societe Generale Accept 6T FSTE Auto Lock	16 Feb 2010	501	536	+35	+9.6%
Societe Generale FSTE/S&P Defensive AutoLock 4	17 May 2011	1,003	1,108	+105	+10.2%
Symphony Structure 3.5yr FTSE 4.85 Call Spread	9 Jul 2009	355	496	+141	+19.9%
<b>Total</b>		<b>18,485</b>	<b>20,690</b>	<b>+2,205</b>	<b>+15.4%</b>

*(extracted from the unaudited management accounts of the Company for the period ended 30 August 2011)*

The market value of the remaining Structured Products as at 30 August 2011 (valued using prices as at 12 August 2011) had increased by 8% compared to the cost of the Structured Product portfolio. The tables in Part IV of this document list the Structured Products held by the Company as at the date of this document, which are attributable to the Existing Shares. It should be noted that there is no guarantee that the Structured Products that will be acquired for the D 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 – Existing Shares

The counterparties for the Structured Product portfolio attributable to the Existing Shareholders as at 30 June 2011 are set out below:

Institutions	Exposure	
	2009 Shares	2010 Shares
Barclays Bank	21%	20%
Bank of America	27%	15%
Citigroup	27%	7%
Goldman Sachs	-	14%
HSBC	-	12%
JP Morgan	-	6%
Morgan Stanley	25%	26%
	<b>100%</b>	<b>100%</b>

*(extracted from the unaudited management accounts of the Company for the period ended 30 August 2011)*

It should be noted that no one counterparty represented more than 20% of any share pool's assets at the time of investment. However, as Structured Products are progressively realised to make Venture Capital Investments, the proportion held in the remaining counterparties may exceed 20%.

## Manager – Venture Capital Investments

### Downing LLP

The Company is managed by Downing LLP, under the terms of a discretionary investment management agreement for a minimum term of six years. Downing Corporate Finance Limited was incorporated in 1986 and since 1991, it has specialised in structuring, promoting, managing and administering tax efficient products. On 1 June 2011, Downing Corporate Finance Limited transferred all of its business and employees to Downing LLP, which is authorised and regulated by the Financial Services Authority and is responsible for the management of £205 million of VCT funds and its investment team comprises 14 executives. Downing Corporate Finance Limited owns 100% of the capital of Downing LLP.

## Co-investment Policy

The Company has a co-investment agreement with the Downing Managed VCTs, 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. 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.

## 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 Official List and whose shares are traded 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, as of March 2011, £25 billion of funds for more than 130,000 clients, of which £15 billion is managed on a discretionary basis. As at 5 August 2011, Brewin Dolphin managed in excess of £260 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 currently 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 three Directors, all of whom are non-executive.

**Lord Flight** (Chairman) has worked in the financial services industry for over 40 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 was appointed to the House of Lords in January 2011. He is Chairman of the EIS Association, Arden Partners plc and CIM Investment Management Limited and is a director of Metro Bank plc, Marechale Capital Limited, 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.

**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. He is also a non-executive director of Downing Planned Exit VCT 2011 plc and ProVen Planned Exit VCT plc.

**Mark Mathias** was the founder and chief executive of Quantum Asset Management, a business specialising in Structured Products. 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 will be investing at least £50,000 under the Offers on the same terms as Investors. The total invested by the partners and employees of Downing in Downing Managed VCTs is over £2 million.

## Management Fees

### Annual fees

Downing will receive an annual investment management fee of 1.5% of the Net Assets attributable to the D Shares (1.5% in respect of the Existing Shares) out of which it will pay Brewin Dolphin's annual fees for managing the Company's Structured Product portfolio. Downing also receives an annual fee of 0.5% of the Net Assets attributable to the D Shares, out of which it will pay trail commission to authorised financial intermediaries, plus £65,000 (plus VAT, if applicable, and RPI linked) for administration services to the Company, to be allocated across all three share pools pro-rata to each share pool's net assets. The Annual Running Costs of the D Share pool are capped at 3.5% (including irrecoverable VAT and annual trail commission) of the Net Assets attributable to the D Shares, calculated on a semi-annual basis (capped at 3.5% in respect of the Existing Share pools) 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 D Share pool will be approximately 2.4% 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 Existing Share pools or D Share pool will be allocated based on the weighted pro-rata net assets of each pool, subject to the discretion of the Board.

### Other costs

Downing will receive fees for acting as the promoter of the Offers, as described under "Launch costs" on page 13. 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, Downing 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.

The Performance Incentive in respect of the D Shares will have no impact on Existing Shareholders. The Performance Incentive is designed to encourage significant and timely distributions to D Shareholders, both in terms of annual dividends and the repayment of capital after five years. The Performance Incentive will only become payable if D Shareholders: (i) receive Shareholder Proceeds of at least 100p per D Share (excluding initial 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), together the "Hurdles".

If the Hurdles are met, the Performance Incentive will be 3p per D Share plus 20% above 100p per D Share of the funds available (for distribution to D Shareholders and the payment of the Performance Incentive). The Performance Incentive will only be paid to the extent that the Hurdles continue to be met and will be subject to a maximum amount over the life of the Company equivalent to 7p per D Share (based on the number of D Shares in issue at the close of the Offers). After the Hurdles have been met the Performance Incentive will be deducted from any distribution.

For example, if the total funds available for distribution were 110p per D Share, then the Performance Incentive would be 5p per D Share (3p plus 20% x 10p), leaving Shareholder Proceeds of 105p per D Share (assuming the Hurdles have been met and ignoring any benefit from corporation tax relief on the Performance Incentive). If the total funds available for distribution were instead 130p per D Share, the Performance Incentive would be capped at 7p per D Share, leaving Shareholder Proceeds of 123p per D Share.

## 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

Each D Share is being offered at an Offer Price of 100p each, subject to any adjustment under the Pricing Formula. Assuming an Offer Price of £1 per D Share, the initial Net Assets, after launch costs of 5.5%, will be 94.5p per D Share. The Offer Price will remain at £1 per D Share unless the Company announces a new NAV before the Offers close. In such circumstances, D Shares will be issued at a price calculated on the basis of a formula based on the latest published NAV of the D Shares, divided by 0.945 to allow for issue costs of 5.5%, rounded up to the nearest one-tenth of a penny per D Share. Accordingly, the net proceeds of the Offers will be 94.5% of the amount subscribed namely £20 million at full subscription (less £1.1 million of issue costs).

The number of D 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 D Share. The application of this Pricing Formula avoids the necessity to announce the Offer Price of the D Shares when D Shares are being allotted whilst the Offers are open should a new NAV be announced or otherwise published.

Assuming Full Subscription and an Offer Price of £1 per D Share a maximum of £20 million (£18.9 million net of issue costs) will be raised under the Offers, comprising 20 million D Shares. If the Offers are over-subscribed, they may be increased at the discretion of the Board to no more than £30 million. This facility may be utilised whilst the Offers remain open. 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 £5,000 (or such lower amount at the Board's discretion). The maximum investment, on which tax reliefs in VCTs are available, is £200,000 per Applicant in each of the 2011/12 and 2012/13 tax years. A husband and wife can each invest up to £200,000 in each of the 2011/12 and 2012/13 tax years. The subscription list for the Offers will open at 9.00 a.m. on 31 August 2011 and may close at any time thereafter, but in any event, not later than 3.00 p.m. on 5 April 2012 in the case of the 2011/12 Offer, and not later than 5.00 p.m. on 30 April 2012, unless previously extended by the Directors, in the case of the 2012/13 Offer. If the Minimum Subscription is not received by 3.00 p.m. on 5 April 2012, the Offers will be withdrawn and application monies will be returned to applicants within seven days of such date, at their own risk, without interest. The Offers are not underwritten.

D Shares will be allotted and issued in respect of valid applications on 5 April 2012, on 30 April 2012 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 all the D Shares. The D 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 D Shares thereafter. It is anticipated that dealings in the first allotment of D Shares will commence by 30 April 2012 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 D Shares have commenced. The Company has applied for its D Shares to be admitted to CREST and it is expected that the D 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 D Shares following Admission may take place within the CREST system if D Shareholders wish. CREST is a voluntary system and D 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 D Shares will be posted to D 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 D 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 D 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 D Share issued at £1.00). Out of its capital raising fees, Downing will be responsible for paying all the costs of the Offers.

### Commission

Authorised financial intermediaries will usually be entitled to receive an initial commission of 2.25% 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 D Shares, intermediaries will usually be paid an annual trail commission of 0.25% 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 2013) based on the audited Net Asset Value at the preceding 31 March. Both the initial and annual trail commission will be payable by Downing out of its fees.

### 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 Offers and any related supplementary prospectus published by the Company are available for download at the National Storage Mechanism ([www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do)) and may be obtained, free of charge, from the Company's registered office, where they are also on display, and from Downing LLP.

Downing LLP  
10 Lower Grosvenor Place  
London SW1W 0EN

**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
First dividend in respect of the D Shares	September 2012
Dividends paid at the end of	January and September
Half yearly results announcement	November
Target final distribution	2018

## 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 D 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 2011/12 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 2011/12 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 D Shares are 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 and are dependent on investee companies maintaining their VCT qualifying status.**

## Part III – Information on Structured Products

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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 bond, which is a loan made to a financial institution such as a bank or a building society (counterparty). It is these bonds that are intended to provide the capital protection. Should a counterparty become bankrupt or insolvent, and be unable to pay back the loan, the Structured Product may lose some or all of its value. The funds invested in the derivative (or option) are linked to the performance of an underlying security or index, 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 ("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.

A soft protection structure involves putting capital at greater risk than hard protected products. In return for this additional risk, structured products with soft protection offer higher potential returns. As a consequence there is a higher level of investment risk for soft protected Structured Products.

### **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 IV – Financial Information

A summary of the Company's investment portfolio as at 30 August 2011 (being the latest practicable date prior to publication of this document) is set out below.

### Investment Portfolio - 2009 Share pool

	Date of first acquisition	Cost £'000	Valuation <sup>1</sup> £'000's	% of portfolio
<b>Structured Product investments</b>				
Elders Capital Accumulator VIII (29A)	Apr 2010	485	496	4.7%
Symphony Structure 3.5yr FTSE 4.85 Call Spread	Jul 2009	355	481	4.6%
Morgan Stanley Synthetic Zero	May 2009	297	449	4.3%
Barclays 4Y Synthetic Zero	Dec 2009	345	386	3.7%
		1,482	1,812	17.3%
<b>Venture Capital Investments</b>				
Future Biogas (SF) Limited*	May 2010	1,259	1,259	11.9%
Domestic Solar Limited	Mar 2011	1,000	1,000	9.6%
Redmed Limited	May 2011	850	850	8.1%
Bijou Wedding Venues Limited*	Sept 2009	815	815	7.8%
Atlantic Dogstar Limited	Sept 2009	572	572	5.5%
3D Pub Co Limited	Sept 2010	517	517	4.9%
Quadrate Catering Limited*	Aug 2010	508	508	4.9%
Ecosol Limited	Jun 2011	500	500	4.8%
East Dulwich Tavern Limited	Sept 2009	459	459	4.4%
Quadrate Spa Limited*	Aug 2010	451	451	4.3%
Westow House Limited	Sept 2009	405	405	3.9%
Mosaic Spa and Health Clubs Limited*	Feb 2011	250	250	2.4%
Camandale Limited*	Aug 2010	277	208	2.0%
Slopingtactic Limited	Oct 2010	102	102	1.0%
Chapel Street Services Limited	Mar 2010	75	75	0.7%
Chapel Street Food & Beverage Limited	Mar 2010	75	75	0.7%
Fenkle Street LLP**	Jun 2010	69	69	0.7%
Commercial Street Hotel Limited**	Dec 2010	21	21	0.2%
Chapel Street Hotel Limited**	Mar 2010	3	3	0.0%
		8,208	8,139	77.8%
		9,690	9,951	95.1%
Cash at bank and in hand			514	4.9%
Total investments			10,465	100.0%

<sup>1</sup>Valuation as at 12 August 2011 – extracted from the unaudited management accounts of the Company for the period ended 30 August 2011.

\*partially non qualifying VCT investment

\*\* non qualifying VCT investment

## Investment Portfolio - 2010 Share pool

	Date of first acquisition	Cost £'000	Valuation <sup>1</sup> £'000	% of portfolio
<b>Structured Product investments</b>				
Barclays 5Y Synthetic Zero	Apr 2010	1,003	1,043	5.7%
Elders Capital Accumlator VIII (29A)	Apr 2010	971	992	5.4%
Goldman Sachs 6YR Phoenix Autocall 3	Apr 2010	1,003	957	5.2%
Morgan Stanley 5YR Synthetic Zero	Apr 2010	811	884	4.8%
Morgan Stanley 3YR Synthetic Zero Accrual	Apr 2010	762	835	4.5%
HSBC US trade Range	Apr 2010	752	831	4.5%
Symphony Structure 3.5yr FTSE 4.85 Call Spread	May 2011	497	481	2.6%
JP Morgan 8% Defensive FTSE Autocall	Feb 2010	356	385	2.1%
Barclays 6Y 10% Def FTSE Autocall	Jun 2010	290	321	1.7%
		6,445	6,729	36.5%
<b>Venture Capital Investments</b>				
Future Biogas (Reepham Road) Limited	Mar 2011	1,476	1,476	8.0%
Gingerbread Pre-School (UK) Limited	Jun 2011	1,101	1,101	6.0%
Antelope Pub Limited*	Jun 2010	1,088	1,088	5.9%
Quadrate Catering Limited*	Aug 2010	835	835	4.5%
Domestic Solar Limited	Mar 2011	800	800	4.3%
Quadrate Spa Limited*	Aug 2010	740	740	4.0%
Alpha Schools Holdings Limited	Jun 2011	733	733	4.0%
Westcountry Solar Solutions Limited	Aug 2011	594	594	3.2%
Camandale Limited*	Aug 2010	754	566	3.1%
Avon Solar Solutions Limited	Aug 2011	500	500	2.7%
Ecosol Limited	Jun 2011	500	500	2.7%
Green Electricity Generation Limited	Jun 2011	500	500	2.7%
Progressive Energies Limited	Jul 2011	340	340	1.8%
Slopingtactic Limited	Oct 2010	277	277	1.5%
Kidspac Adventures Limited	Jul 2011	270	270	1.5%
Mosaic Spa and Health Clubs Limited*	Feb 2011	250	250	1.3%
Fenkle Street LLP**	Jun 2010	185	185	1.0%
Ridgeway Pub Company Limited	Jun 2010	136	136	0.7%
Commercial Street Hotel Limited**	Dec 2010	35	35	0.2%
		11,114	10,926	59.1%
		17,559	17,655	95.6%
Cash at bank and in hand			804	4.4%
Total investments			18,459	100.0%

<sup>1</sup>Valuation as at 12 August 2011 – extracted from the unaudited management accounts of the Company for the period ended 30 August 2011.

\*partially non qualifying VCT investment

\*\* non qualifying VCT investment

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 portfolios.

## Part V – Definitions

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

"2006 Act"	Companies Act 2006 (as amended)
"2009 Share(s)"	one or more Ordinary Shares and one or more A Shares, as the context so permits
"2009 Share Offer"	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 issued by the Company on 27 January 2009
"2010 Share(s)"	one or more B Shares and one or more C Shares, as the context so permits
"2010 Share Offer"	offers for subscription of up to 20,000,000 B Shares and 20,000,000 C Shares on the terms set out in the securities note issued by the Company on 15 October 2009 (as updated by the supplementary prospectus issued by the Company on 19 November 2009)
"A Shares"	A Shares of 0.1p each in the capital of the Company (ISIN: GB00B3L2G186)
"Acts"	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
"Additional Shares"	D Shares issued, at no additional cost to the Applicant, as explained in the Special Terms paragraph on the inside cover of this document
"Admission"	admission of the D Shares to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
"Annual Running Costs"	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)
"Applicant"	Investor who subscribes for D Shares pursuant to the Prospectus
"Application Form"	form of application for D Shares under the Offers set out at the end of this document
"Articles"	Articles of Association of the Company as at the date of this document
"B Shareholders"	holders of B Shares
"B Shares"	B Shares of 0.1p each in the capital of the Company (ISIN: GB00B4MGR241)
"Brewin Dolphin"	Brewin Dolphin Limited, which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority
"Business Day"	any day other than a Saturday or Sunday on which clearing banks in London are open for all normal banking business
"C Shares"	C Shares of 0.1p each in the capital of the Company (ISIN: GB00B4MCHT95)
"Company" or "Downing Structured Opportunities"	Downing Structured Opportunities VCT 1 plc
"CREST"	relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited
"CREST Regulations"	Uncertificated Securities Regulations 1995 (SI 1995/3272)
"D Shareholders"	holders of D Shares
"D Shares"	D Shares of 0.1p each in the capital of the Company (ISIN: GB00B6QPQ463)
"Directors" or "Board"	Directors of the Company
"Downing" or "Manager"	Downing LLP, which is authorised and regulated by the Financial Services Authority
"Downing Absolute Income VCT **"	Downing Absolute Income VCT * plc, where * is any combination of 1 or 2, as applicable
"Downing Distribution VCT **"	Downing Distribution VCT * plc, where * is any combination of 1 or 2, as applicable
"Downing Managed VCTs"	Downing VCTs and Downing Distribution VCT 1 and Downing Distribution VCT 2
"Downing Planned Exit VCT **"	Downing Planned Exit VCT * plc, where * is any combination of 2 – 9, as applicable
"Downing VCTs"	Downing Absolute Income VCT 1-2, Downing Planned Exit VCT 2 – 9, Downing Planned Exit VCT 2011 plc and/or the Company, as applicable
"DTR"	the Disclosure Rules 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
"Existing Shareholders"	holders of Existing Shares
"Existing Shares"	Ordinary Shares and/or A Shares and/or B Shares and/or C Shares
"FSA"	Financial Services Authority
"Full Subscription"	£20 million raised under the Offers assuming an Offer Price of £1 per D Share
"General Meeting"	general meeting of the Company to be held on 13 October 2011 at which the resolutions described in paragraph 2(i) of Part IV of the Registration Document will be proposed
"Hurdles"	achievement calculated on a per D Share basis, based on an Offer Price of £1 per D 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
"Investor"	subscriber for D Shares under the Offers
"IRR"	internal rate of return, which applied to the relevant cash flows, produces a net present value of zero (expressed as a percentage)
"ITA"	Income Tax Act 2007
"Listed"	admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
"Listing Rules"	Listing Rules of the UK Listing Authority
"London Stock Exchange"	London Stock Exchange plc
"Management"	individuals engaged in the business of the Company and/or Downing
"Management A Shares"	5,185,613 A Shares issued to Management in connection with the 2009 Share Offer

"Management C Shares"	10,000,000 C Shares issued to Management in connection with the 2010 Share Offer
"Minimum Subscription"	minimum net proceeds required to be raised under the Offers, being £945,000
"ML Regulations"	Money Laundering Regulations 2007
"NAV" or "Net Asset Value"	net asset value per share
"Net Assets"	gross assets less all liabilities (excluding contingent liabilities) of the Company
"Net Return" or	internal rate of return, calculated from the date of the last allotment of D Shares under the
"Compound Return"	Offers, on the cash flows arising in respect of the gross amount subscribed for D Shares based on an Offer Price of £1 per D Share, the deemed receipt of 30% of such amounts (representing income tax relief thereon) six 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 D Shares issued in the Company
"Notice"	notice of the General Meeting of the Company as set out in the circular to holders of Ordinary Shares and/or B Shares dated 31 August 2011
"Offer Agreement"	agreement dated 31 August 2011 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
"Offer Price"	100p per D Share, or a price per D Share adjusted by the Pricing Formula
"Offers"	together, the 2011/12 Offer and the 2012/13 Offer
"2011/12 Offer"	offer for subscription in respect of the 2011/12 tax year, being made by the Company on the terms set out in this document
"2012/13 Offer"	offer for subscription in respect of the 2012/13 tax year, being made by the Company on the terms set out in this document
"Official List"	Official List of the UK Listing Authority
"Ordinary Shareholders"	holders of Ordinary Shares
"Ordinary Shares"	Ordinary Shares of 0.1p each in the capital of the Company (ISIN: GB00B3L2G079)
"Performance Incentive"	performance-related incentive fee payable in the event that the Hurdles are achieved, as described in this document under the section headed "Management Fees"
"Pricing Formula"	mechanism by which the pricing of the Offers may be adjusted according to the Company's latest published NAV, as described on page 12 of this document
"Prospectus Rules"	Prospectus Rules issued by the Financial Services Authority and made under Part IV of the Financial Services and Markets Act 2000
"Qualifying Companies"	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
"Qualifying Investment"	investment in an unquoted trading company, which comprises a qualifying holding for a VCT as defined in Chapter 4 Part 6 ITA
"Registrar"	Capita Registrars Limited
"Registration Document"	document which has been prepared in accordance with the Prospectus Rules in connection with the Offers
"RPI"	Retail Prices Index
"Securities Note"	this document, which has been prepared in accordance with the Prospectus Rules in connection with the Offers
"Shareholder Proceeds"	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 D Shareholders in the Company, excluding any income tax relief on subscription
"Shareholders"	holders of Shares
"Share(s)"	Ordinary Share(s) and/or A Share(s) and/or B Share(s) and/or C Share(s) and/or D Shares(s) (excluding Management A Shares and Management C Shares)
"Sponsor"	Howard Kennedy Corporate Services LLP
"Spouse"	spouse or civil partner
"Structured Product(s)"	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
"Summary"	summary of the Offers prepared in accordance with the Prospectus Rules
"Total Return"	NAV together with cumulative dividends paid including tax credits where reclaimable
"UK Listing Authority"	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
"VCT"	a company approved as a venture capital trust under Section 274 ITA
"VCT Regulations"	The Venture Capital Trust (Winding Up and Mergers) (Tax) Regulations 2004
"Venture Capital Investment"	investment in an unquoted UK business

## Part VI – 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, C Shares and D Shares have been created is the Acts and regulations made thereunder.

#### 1.2 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 borrowed by 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.

#### 1.3 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 narrowed.

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 D 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.

#### 1.4 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 D Shares issued under the Offers. On the issue of the D Shares pursuant to the Offers, the Company will not be a close company for tax purposes.

#### 1.5 Material interests

Downing will be paid an annual investment management fee of 1.5% of the Net Assets attributable to the D Shares, plus an annual fee of 0.5% of the Net Assets attributable to the D Shares and an administration fee of £65,000 (plus VAT) increasing annually in line with RPI. In line with normal VCT practice, Downing will be entitled to receive a Performance Incentive. Further details of these arrangements are set out on page 12.

### 1.6 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, structured products, investment trusts and/or direct shareholdings in listed companies and has sufficient income and capital so that his investment in the Company can be held for over five years. The individual will be professionally advised and/or a sophisticated investor. 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.

### 1.7 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, after taking into account the Minimum Subscription, 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 August 2011 (extracted from the unaudited management accounts of the Company for the period ended 30 August 2011) 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	76
Other reserves	28,835
	<u>28,911</u>

There has been no material change in the capitalisation of the Company, total debt or Shareholder equity since 30 August 2011.

The following table shows the Company's net indebtedness as at 30 August 2011 (extracted from the unaudited management accounts of the Company for the period ended 30 August 2011).

	£'000
A Cash	2,412
B Cash equivalent	-
C Trading Securities	-
<b>D Liquidity (A+B+C)</b>	<b>2,412</b>
E Current financial receivables	289
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>(289)</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>(289)</b>

#### 4. Creation of the D Shares

The Company issued a circular dated 31 August 2011 to Ordinary Shareholders and B Shareholders convening a general meeting on 13 October 2011. The following resolutions will be proposed:

##### Ordinary Resolutions:

- 1) to create D Shares having the rights and being subject to the restrictions set out in the Articles, to be altered pursuant to resolution 6 described below;
- 2) to authorise the directors to allot shares up to an aggregate nominal amount of £30,000. The allotments referred to represent, in aggregate, approximately 39% 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;
- 3) to approve the offer agreement between the Company (1), the directors of the Company (2), Howard Kennedy Corporate Services LLP (3) and Downing LLP (4);
- 4) to approve the deed of variation to the management agreement between the Company (1) and Downing LLP (2);

##### Special Resolutions:

- 5) 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 39% 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 Company's next annual general meetings;
- 6) to alter the Articles to, *inter alia*, provide for the rights attaching to the D Shares;
- 7) to authorise the Boards to make market purchases of D Shares; and
- 8) to authorise the cancellation of the sum standing to the credit of the share premium account arising on the issue of the D Shares.

#### 5. Details of the D Shares

##### 5.1 Distributions of income and capital

The holders of D Shares shall be entitled to receive, in that capacity, dividends and any other distributions or a return of capital (otherwise than on a market purchase by the Company of any of its shares) out of the assets attributable to the D Shares, pro-rata to their respective holdings of D Shares.

##### 5.2 Distributions of assets on a winding-up

The capital and assets attributable to the D Shares shall on a winding-up be distributed on the same basis as set out under the heading "Distributions of income and capital".

##### 5.3 Voting rights

D Shareholders will be entitled to receive notice of, attend, speak and vote at any general meeting, *pari passu*, in such respects with the holders of Ordinary Shares and B Shares. Every D Shareholder present in person or by proxy shall upon a show of hands, or upon a poll, have one vote for every D Share held by him.

#### 6. 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 D 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 VII of this document or a resident of Canada.

#### 7. 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.

31 August 2011

## Part VII – 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 31 August 2011. 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 D 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 Royal Bank of Scotland.
3. You may pay for your application for D 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 D Shares under the Offers will be conditional on:
  - (a) the Minimum Subscription being received by 3.00 p.m. on 5 April 2012; and
  - (b) all resolutions being passed at the Company's General Meeting to be held on 13 October 2011; and
  - (c) Admission of the D Shares (in respect of such first allotment of Shares) being granted not later than 5:00 p.m. on 30 April 2012. If the Minimum Subscription is not received, the Offers will be withdrawn. In the event that the Minimum Subscription is not received by 3.00 p.m. on 5 April 2012, subscription monies will be returned to Investors within seven days of 5 April 2012, at their own risk, without interest. The Offers are not underwritten.
5. By completing and delivering an Application Form, you:
  - (a) offer to subscribe for the amount specified on your Application Form plus any commission waived for extra shares 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 D 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 D 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 D Shares applied for or to enjoy or receive any rights or distributions in respect of such D Shares unless and until you make payment in cleared funds for such D 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 D Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such D Shares as void and may allot such D Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such D 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 D 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 D 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 D Shares or concerning the suitability of D 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 D 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 D Shares;
- (w) warrant that the D 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 D 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 D 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 D 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 D 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.
15. The minimum subscription is £5,000 subject to the Board's discretion.

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## Notes on Application Form

Before making an application to acquire D 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 LLP, 10 Lower Grosvenor Place, London SW1W 0EN. If you have any questions on how to complete the Application Form please contact Downing LLP 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 2011/12 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 2012/13 tax year (state nil if appropriate). **You may post-date your cheque to 6 April 2012 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 applying for under the Offers. Share subscriptions will be adjusted to reflect any commission waived (by agents) as extra D Shares or Additional Shares issued for early subscriptions.

**Please note that the minimum investment is £5,000** (or such lower amount at the Board's discretion). The maximum investment, on which tax reliefs on investments in VCTs are available, is £200,000 in each of the 2011/12 and 2012/13 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 – D 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**

**Read the declaration and sign and date the Application Form in Box 3.** 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.

**4**

If you wish to have dividends paid into your nominated bank or building society account, please complete the mandate instruction form.

**5**

Leave blank if you wish to receive a share certificate in respect of your investment. If you require your shares to be issued electronically to a CREST account, please complete the boxes.

**6**

To be completed by authorised intermediaries only. If you would like commission to be paid by BACs, please complete the relevant boxes.

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

# DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC

## Application Form

**Make your cheque or bankers' draft out to "Downing Structured Opportunities VCT 1 plc – D Share" and crossed "A/C Payee only" and return this form as soon as possible to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN. The closing date for the 2011/12 Offer will be 3.00 p.m. on Thursday 5 April 2012 and, in respect of the 2012/13 Offer, 5.00 p.m. on Monday 30 April 2012 (unless extended or fully subscribed earlier).**

<b>1</b>	Title and name in full		Existing Downing Managed VCT shareholder? Y/N	
	Permanent Address			
	Postcode		Daytime tel	
	Email address*			
	Date of birth		National Insurance No	

<b>2</b>	I am applying for D Shares as follows:	2011/12 tax year	£	A
		2012/13 tax year	£	B
		Total (A + B)	£	C <small>Min £5,000</small>

Or such lesser sum for which this application may be accepted on the Terms and Conditions of Application set out in Part VII 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 dated 31 August 2011 and to read the terms and conditions of application therein; (ii) I will be the beneficial owner of the D 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; (iv) my subscription comprises the amount set out in box 2C above plus any commission waived or subscribed on my behalf for extra shares; 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.**

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

<b>3</b>	Signature		Date	/ /

<small>Authorised intermediaries should stamp and complete this box</small>	
Contact name  Firm name Chelsea Financial Services  FSA No. 114493  Email address*	Address St James Hall, Moore Park Road, London   Postcode SW6 2JS  Tel.
<small>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.</small>	

<b>For Official Use Only</b>	
Money laundering <input style="width: 80px;" type="text"/>	CHAPS <input style="width: 80px;" type="text"/>



**4****DIVIDEND MANDATE**

Dividends may be paid directly into Shareholders' bank and building society accounts. In order to facilitate this, please complete the mandate instruction form below. Please note that if you are an Existing Shareholder this instruction applies to all of your shareholdings in the Company and completing the form below will direct the Company to send all dividend payments due on all your shareholdings to this bank account.

Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividend as well as the dates and amounts paid.

By completing the details below I am instructing the Company to forward until further notice, all dividends that may from time to time become due on any Shares now standing, or which may hereafter stand, in my name in the register of members of Downing Structured Opportunities VCT 1 plc to the bank or building society account listed below.

Name of Bank or Building Society:																
Branch:																
Branch Address:																
Account Name:																
Sort Code:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Account Number:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
							(please quote all digits and zeros)									
Signed:																
<b>The Company and Downing LLP do not accept responsibility if any details provided by you are incorrect.</b>																

**5****CREST**

Complete this box only if you require shares to be issued electronically to a CREST account.

CREST Participant ID:											
CREST Member Account ID:											
Participant Name:											
Participant Address:											
Participant Postcode:											
Contact name for CREST queries:											
Contact Telephone											
Signed:											

**6****TO BE COMPLETED BY AUTHORISED INTERMEDIARIES ONLY****Special instructions**

Please provide details of your bank account so that commission can be paid to you via BACS.

Name of Bank or Building Society:																
Branch:																
Account Name:																
Sort Code:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Account Number:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
							(please quote all digits and zeros)									
Email address for commission statements:																
<b>The Company and Downing LLP do not accept responsibility if any details provided by you are incorrect.</b>																







10 Lower Grosvenor Place  
London SW1W 0EN

**Tel:** 020 7416 7780

**Email:** [vct@downing.co.uk](mailto:vct@downing.co.uk)

**Web:** [www.downing.co.uk](http://www.downing.co.uk)

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