



# Downing ONE VCT plc

## Prospectus

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This document constitutes a prospectus dated 19 September 2019 (the “**Prospectus**”) issued by Downing ONE VCT plc (the “**Company**”), prepared in accordance with the Prospectus Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). This Prospectus has been approved by the Financial Conduct Authority (“**FCA**”) as competent authority under Regulation (EU) 2017/1129. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered an endorsement of the issuer that is the subject of this Prospectus or of the quality of the securities that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the securities. The Prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129.

A brief summary written in non-technical language and conveying the essential characteristics and risks associated with the Company and the Ordinary Shares of one penny each in the capital of the Company (the “**Offer Shares**”) which are being offered for subscription (the “**Offer**”) is contained in a summary on pages 1 to 6 of this document. The Prospectus has been filed with the FCA in accordance with the Prospectus Regulation and you are advised to read it in full.

The Company and the Directors (whose names are set out on page 59) accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Company and the Directors, the information contained in the Prospectus is in accordance with the facts and makes no omission likely to affect its import.

## DOWNING ONE VCT PLC

(registered in England and Wales with registered number 03150868)

Offer for Subscription  
for the 2019/20 and 2020/21 tax years  
of up to £15 million

(being approximately 18,225,190 Ordinary Shares in the capital of the Company)

### Sponsor

SPARK Advisory Partners Limited

### Promoter

Downing LLP

Following the Offer, assuming full subscription (ignoring the over-allotment facility), a base Offer Price of 78.6p per Share and offer costs of 4.5% of funds raised, the Company’s issued and to be issued share capital will be as follows:

Share class	Issued and to be issued fully paid	
	No. of Shares	Nominal value
Ordinary Shares (ISIN: GB00BFRSVQ41)	151,539,426	£1,515,394.26

The Existing Shares issued by the Company are listed on the Official List of the FCA and traded on the London Stock Exchange’s market for listed securities. Application will be made to the FCA for all of the Offer Shares to be issued pursuant to the Offer to be listed on the Official List and will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on its main market for listed securities. It is expected that Admission to the Official List will become effective and that dealings in the Offer Shares will commence three Business Days following allotment. The Offer Shares will rank *pari passu* with the Existing Shares from the date of issue.

SPARK Advisory Partners Limited (“**SPARK**”), which is authorised and regulated in the UK by the FCA, is acting as sponsor for the Company and no-one else and will not be responsible to any other person for providing the protections afforded to customers of SPARK or for providing advice (subject to those responsibilities and liabilities arising under FSMA and the regulatory regime established thereunder).

In connection with the Offer, Downing LLP (“**Downing**”), the promoter of the Offer and investment adviser to the Company, is acting for the Company and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Downing or for providing advice in relation to the Offer (subject to those responsibilities and liabilities arising under FSMA and the regulatory regime established thereunder). Downing is authorised and regulated in the UK by the FCA.

Copies of this document are available (and any supplementary prospectus published by the Company will be available) free of charge from the offices of Downing, at St. Magnus House, 3 Lower Thames Street, London EC3R 6HD and at the Downing website at [www.downing.co.uk](http://www.downing.co.uk) and from the offices of SPARK, the Company’s sponsor, at 5 St John’s Lane, London EC1M 4BH.

**Your attention is drawn to the risk factors set out on page 7 and 8 of this document. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might arise. If you are in doubt as to the action you should take, you should consult an independent financial intermediary authorised under FSMA.**

## Summary

### SECTION 1: INTRODUCTION

This summary forms part of a prospectus dated 19 September 2019 (the “**Prospectus**”) issued by Downing ONE VCT plc and which has been approved, on that date, by the Financial Conduct Authority (the “**FCA**”), the competent authority for the United Kingdom under Part IV of the Financial Services and Markets Act 2000.

The Prospectus describes a public offer by the Company to raise up to £15 million (with an over-allotment facility for up to a further £25 million). The securities being offered pursuant to the Offer are Ordinary Shares of 1 penny each (“**Offer Shares**”) (ISIN: GB00BFRSVQ41).

The FCA may be contacted at:

Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

The Issuer’s contact details are:

<i>Address</i>	<i>Email</i>	<i>Website</i>	<i>Telephone</i>	<i>LEI</i>
St Magnus House, 3 Lower Thames Street, London EC3R 6HD	vct@downing.co.uk	www.downing.co.uk	020 7416 7780	213800R88MRC4Y3OIW86

**Warning:** This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities described herein should be based on a consideration of the prospectus as a whole by the investor. Investors could lose all or part of the invested capital. Where a claim relating to the information contained in a prospectus is brought before a court, the claimant investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the Summary including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid Investors when considering whether to invest in the Offer Shares.

### SECTION 2: KEY INFORMATION ON THE ISSUER

#### Who is the Issuer of the securities?

The issuer of the securities which are the subject of this Prospectus is Downing ONE VCT plc (the “**Company**”).

The Company is a public limited liability company which is registered in England and Wales with registered number 03150868. Its Legal Entity Identifier is: 213800R88MRC4Y3OIW86. The Company is approved by HMRC as a venture capital trust (VCT) in accordance with the VCT Rules. It is intended that the business of the Company be carried on so as to maintain its VCT status.

The Company has no parent company and is owned by individuals, none of whom owns more than 3% of its ordinary share capital. The Company has no subsidiaries. The Company has three non-executive directors – Chris Kay (Chairman), Barry Dean and Stuart Goldsmith.

The Company’s auditors are BDO LLP of 55 Baker Street, London W1U 7EU.

## What is the key financial information regarding the Issuer?

Certain key historical information of the Company is set out below:

	<b>Audited year end to 31 March 2019 (£'000)</b>	<b>Audited year end to 31 March 2018 (£'000)</b>	<b>Audited year end to 31 March 2017 (£'000)</b>
Net Assets	104,550	117,907	91,870
Number of shares in issue	133,444,807	119,997,574	101,583,111
Net asset value per Share	78.3p	87.5p	90.4p
Dividends paid per Share in the period	6.0p	7.5p	6.0p

### Income statement

	<b>Audited year end to 31 March 2019 (£'000)</b>	<b>Audited year end to 31 March 2018 (£'000)</b>	<b>Audited year end to 31 March 2017 (£'000)</b>
Income	4,727	3,858	1,945
Gains/(losses) on investments	(6,317)	3,336	2,737
Investment management fees	(1,950)	(1,670)	(1,750)
Other expenses	(732)	(687)	(652)
Return/(loss) on ordinary activities after tax	(4,272)	4,837	2,280
Return/(loss) per Share	(3.2p)	4.6p	2.3p

### Balance Sheet

	<b>Audited year end to 31 March 2019</b>	<b>Audited year end to 31 March 2018</b>	<b>Audited year end to 31 March 2017</b>
<b>Fixed assets</b>			
Investments	84,483	81,588	86,397
<b>Current assets</b>			
Debtors	3,228	1,574	448
Cash at bank and in hand	17,222	35,456	5,523
<b>Creditors:</b> amounts falling due within one year	(383)	(711)	(498)
<b>Net current assets</b>	20,067	36,319	5,473
<b>Net assets</b>	104,550	117,907	91,870
<b>Capital and reserves</b>			
Called up share capital	1,334	1,200	1,016
Capital redemption reserve	1,597	1,574	1,553
Share premium account	45,515	31,661	13,387

Funds held in respect of shares not yet allotted	114	12,876	-
Special reserve	52,526	64,859	77,049
Revaluation reserve	1,343	4,909	(1,002)
Revenue reserve	2,121	828	(133)
<b>Total equity shareholders' funds</b>	<b>104,550</b>	<b>117,907</b>	<b>91,870</b>
<b>Basic and diluted net asset value per share</b>	<b>78.3p</b>	<b>87.5p</b>	<b>90.4p</b>

## Cash Flow Statement

	<b>Audited year end to 31 March 2019</b>	<b>Audited year end to 31 March 2018</b>	<b>Audited year end to 31 March 2017</b>
<b>Cash flow from operating activities</b>			
(Loss)/profit on ordinary activities after taxation	(4,272)	4,837	2,280
Loss/(gains) on investments	6,317	(3,336)	(2,737)
(Increase) in debtors	(1,654)	(1,126)	(156)
(Decrease)/increase in creditors	(76)	38	(14)
<b>Net cash from operating activities</b>	<b>315</b>	<b>413</b>	<b>(627)</b>
<b>Cash flow from investing activities</b>			
Purchase of investments	(12,501)	(10,627)	(27,821)
Proceeds from disposals	3,289	18,772	9,607
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(9,212)</b>	<b>8,145</b>	<b>(18,214)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue	14,011	18,479	10,707
Funds held in respect of shares not yet allotted	(12,762)	12,876	(4,423)
Share issue costs	(470)	(464)	(234)
Purchase of own shares	(2,096)	(1,593)	(2,315)
Equity dividends paid	(8,020)	(7,923)	(6,084)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(9,337)</b>	<b>21,375</b>	<b>(2,349)</b>
<b>(Decrease)/increase in cash</b>	<b>(18,234)</b>	<b>29,933</b>	<b>(21,190)</b>
<b>Net movement in cash</b>			
Beginning of year	35,456	5,523	26,713
Net cash (outflow)/inflow	(18,234)	29,933	(21,190)
<b>End of Year</b>	<b>17,222</b>	<b>35,456</b>	<b>5,523</b>

On 30 August 2019, the Company paid a dividend of 2.0p per Share totalling £2.66 million.

Since the 31 March 2019 year end, the Company has made the following investment additions:

<b>Additions</b>	<b>£'000</b>
Limitless Limited	583
Lignia Wood Company Limited	333
StreetHub Limited	300
Channel Mum Limited	300
Empiribox Holdings Limited	250
E-Fundamentals (Group) Limited	250
Cambridge Touch Technologies Limited	459
Hummingbird Technologies Limited	500
JRNI Limited	525
Volo Commerce Limited	510
	<u>4,010</u>

Since the 31 March 2019 year end, the Company has made the following investment disposals:

<b>Disposals</b>	<b>Cost</b>	<b>Valuation at 31 March 2019</b>	<b>Proceeds</b>	<b>Gain/ (loss) against cost</b>	<b>Gain/ (loss) in period</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Pabulum Pubs Limited	607	607	607	-	-
Wickham Solar Limited	473	660	716	243	56
Mosaic Spa and Healthclub Limited	706	58	58	(648)	-
Craneware plc	497	2,550	2,095	1,598	(455)
	<u>2,283</u>	<u>3,875</u>	<u>3,476</u>	<u>1,193</u>	<u>(399)</u>

Other than as noted above, there has been no significant change in the financial position or financial performance of the Company since the end of the last financial period for which financial information has been published to the date of this Prospectus (being the audited financial information to 31 March 2019).

#### **What are the key risks that are specific to the Issuer?**

- There can be no assurances that the Company will meet its objectives, identify suitable investment opportunities or be able to diversify its portfolio. The past performance of Downing and other funds managed or advised by Downing is no guide to future performance and the value of an investment. The Shares may fall as well as rise and an investor may not receive back the full amount invested.
- There can be no guarantee that the Company will retain its status as a VCT, the loss of which could lead to adverse tax consequences for investors, including a requirement to repay the 30% income tax relief.
- The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively which could affect tax reliefs obtained by Shareholders and the VCT status of the Company.
- Investments made by the Company will be in companies which have a higher risk profile than larger “blue chip” companies and whose securities are not readily marketable and therefore may be difficult to realise.
- Although the Company may receive customary venture capital rights in connection with its investments, as a minority investor it may not be in a position to protect its interests fully.

## SECTION 3: KEY INFORMATION ON THE SECURITIES

### What are the main features of the securities?

The securities being offered pursuant to the Offer are Ordinary Shares of 1 penny each (ISIN: GB00BFRSVQ41). The Offer Shares will be created pursuant to resolutions to be passed by the Shareholders of the Company eligible to vote at a general meeting of the Company to be held on 6 November 2019.

The Offer Shares will rank equally in all respects with each other and with the existing Ordinary Shares. Shareholders will be entitled to receive certificates in respect of their Offer Shares and will also be eligible for electronic settlement.

The Offer Shares will be listed on the premium segment of the Official List and, as a result, will be freely transferable.

### Where will the securities be traded?

Applications will be made to the FCA for the Ordinary Shares offered for subscription pursuant to the Prospectus to be admitted to the premium segment of the Official List of the FCA. Application will also be made to the London Stock Exchange for the Offer Shares to be admitted to trading on its main market for listed securities. It is expected that admission will become effective and that trading in the Offer Shares will commence three business days following allotment.

### Is there a guarantee attached to the securities?

There is no guarantee attached to the Offer Shares.

### What are the key risks that are specific to the securities?

- If a qualifying investor disposes of his or her shares within five years of issue, he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed.
- Although the Company's existing Ordinary Shares have been (and it is anticipated that the Offer Shares will be) admitted to the Official List of the UKLA and to trading on the London Stock exchange's market for listed securities, there may not be a liquid market and investors may find it difficult to realise their investments or do so at a price which fully reflects the net asset value per share of the Company.

## SECTION 4: KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC

### Under which conditions and timetable can I invest in this security?

The Offer opens at 9.00 a.m. on 20 September 2019 and will close on 30 April 2020 (or earlier at the discretion of the directors or if full subscription is reached). Investors must be over 18 years old.

Application has been made to the FCA for the Offer Shares to be admitted to the Official List of the FCA. Application will also be made to the London Stock Exchange for such Offer Shares to be admitted to trading on its market for listed securities. It is expected that Admission will become effective and that trading in the Offer Shares will commence three Business Days following allotment.

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

$$\text{Number of Offer Shares} = \left[ \begin{array}{l} \text{Amount subscribed, less:} \\ \text{(i) initial Promoter's Fee and} \\ \text{(ii) Initial Adviser Charge (if any)} \end{array} \right] \div \left[ \begin{array}{l} \text{Latest published} \\ \text{NAV} \\ \text{per Offer Share} \end{array} \right]$$

The estimated expenses of the Offer will be 4.5% of the funds raised (assuming investment solely by investors in respect of whom commission is payable). If the Offer is fully subscribed (ignoring the over-allotment facility) the net proceeds of the Offer would be approximately £14,325,000.



An existing holder of Ordinary Shares who does not subscribe for Offer Shares pursuant to the Offer would experience no dilution in terms of NAV per share (as the assets of the Company will be increase by the proceeds of the Offer and the upfront costs of the Offer are borne by subscribers) but will experience dilution in terms of voting. The Company will pay an annual trail fee to the Promoter who will be responsible for paying trail commission. This is not borne by subscribers through the application of the above Pricing Formula. All others incidental costs of the Offer will be borne by the Promoter from its fee.

The Offer is not underwritten.

**Why is this prospectus being produced?**

The Offer is being made, and its proceeds will be used, to raise additional funds raised under the Offer to be invested in accordance with the Company's investment policy. The Company is a generalist VCT. It is intended that the funds raised under the Offer will, no later than three years following the end of the accounting period in which those shares are issued, be invested as to at least 80% in VCT qualifying companies with 30% of such funds so invested within the first 12 months. It is intended that the remainder of such funds raised will be held in cash or other permitted non-qualifying investments.

## Risk Factors

The Company's business, financial condition or results could be materially and adversely affected by any of the risks described below. The market price of the Offer Shares may decline as a result 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:

### Risks relating to the Company

- In order to comply with VCT legislation, the Qualifying Companies, in which the Company holds over 70% (rising to 80% from 1 April 2020) of its capital, are generally small companies that have a higher risk profile than larger companies and may not produce the hoped for returns. Accordingly, Investors could get back less than the amount they invested. Most of the Company's investments are in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.
- Changes to the VCT Rules in respect of investments made on or after 15 March 2018 have meant that VCTs may only invest in companies which pass a "risk to capital" gateway test requiring the investee company to have long term growth and development objectives and for the investment to carry a significant risk that invested capital will be lost over and above the net return to the Company irrespective of whether the return takes the form of income, capital growth, fees, other payments or anything else. This new test inherently increases the risk profile of companies in which the Company can now invest in and stands in contrast to those in which the Company has historically invested, many of which may not have passed this gateway test due to their ownership of significant assets or their enjoyment of secured income streams.
- The value of Offer Shares is dependent 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 equal to at least 4% of the Company's Net Assets may not be achieved and any dividend payments will reduce the Net Assets attributable to the Offer Shares.
- 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% VCT income tax relief.
- The levels and bases of reliefs from taxation may change and 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% VCT income tax relief on their subscriptions. Therefore, this investment may not be suitable for Investors who do not qualify for the full 30% VCT income tax relief.
- As is to be expected from a diverse portfolio, some investments are not performing to plan and it may ultimately be difficult to realise full, or any, value from such investments. All investments are however revalued at regular intervals. The valuation of AIM-quoted investments may be influenced by the general performance of the AIM market, in addition to the performance of the underlying companies.
- 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% (80% from 1 April 2020) by value of its investments in Qualifying Investments).
- The past performance of the Investment Adviser or other funds managed or advised by Downing, is not necessarily an indication of the future performance of the Company. The return received by Shareholders will be dependent on the performance of the underlying investments of the Company.
- The Finance (No.2) Act 2015 introduced changes to the VCT Rules which have placed greater restrictions on the range of investments into which the Company can deploy funds. As a result, the Company is required to invest in businesses which are less than seven years old (less than 10 years for 'knowledge intensive' companies) and VCT funds cannot be used to finance acquisitions by investee companies. The penalty for breaching these new rules is the loss of VCT status, so the Company and its investors may face a higher risk of the loss of tax benefits than under the previous rules. Qualifying investee companies are also now subject to a lifetime risk finance investment limit of £12 million (£20 million for 'knowledge intensive' companies), which may restrict the Company's ability to make follow on investments. Further recent changes to the VCT Rules have prohibited the making of secured loans by VCTs. Future loan capital held by the Company will therefore be unsecured and will rank behind secured creditors of the investee company in question. As loan capital investments by a VCT are separately restricted by the requirement that at least 70% of any new investments must be in eligible shares, and Investee Companies which meet the above noted "risk to capital" test tend not to be able to provide significant assets against which to secure loans in any case, the Board do not consider that this restriction further materially increases the risk profile of new investments made by the Company.

- Some of the Company's existing portfolio of investments, to which Investors will receive exposure, is mature in nature and consequently may have a less rapid growth profile than successful earlier stage investments.
- At the date of this document, there is significant uncertainty over the form of the UK's final trade and regulatory position relative to the European Union ("EU") following the decision by the UK to leave the EU. The future regulatory environment is as a result subject to uncertainty as the Company is impacted by European-led legislation while the UK remains a part of the EU. In the short term and until the conditions of the UK's withdrawal from the EU has been agreed, the Company will continue to be subject to European-led legislation, as enacted into UK legislation.

#### **Risks relating to the Offer Shares**

- Although the Offer Shares will be Listed, it is highly unlikely that a liquid market in the Offer Shares will develop as the initial VCT 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 Shareholders to sell their Offer Shares. In addition, there is no guarantee that the market price of the Offer Shares will fully reflect their underlying 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.
- Shareholders should be aware that the sale of Offer Shares within five years of their subscription will require the repayment of some or all of the 30% income tax relief obtained upon investment. Accordingly, an investment in the Company is not suitable as a short or medium term investment.
- Shareholders should note that if they have sold, or if they sell, any shares in the Company within six months either side of the subscription for the Offer Shares, then for the purposes of calculating tax relief on the Offer Shares the subscribed amount must be reduced by the amount received from the sale.
- The Finance Act 2014 amended the VCT rules, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.

## Letter from the Chairman of the Company



**Downing ONE VCT plc**  
St. Magnus House, 3 Lower Thames Street  
London EC3R 6HD

19 September 2019

Dear Investor

Downing ONE was created by a merger of six VCTs managed by Downing LLP in November 2013. The Company now has net assets in excess of £104 million making it a top 20 VCT by size. Its Total Return (net assets plus dividends paid since the merger) now stands at 110.1p per Share (as at 31 July 2019). It has also grown its net assets through a number of offers for subscription.

I am pleased to introduce this new offer to invest in the Ordinary Shares of the Company. The key points of the Offer (under current legislation) are set out below:

- **30% income tax relief:** will be available on the value of the Offer Shares subscribed for, providing they are held for at least five years and you have not sold any shares in the Company six months either side of the issue of the new Shares. Capital gains on VCT shares are tax-free.
- **Tax-free dividends:** The Company's target minimum dividend equates to a tax-free yield of 5.7% p.a. on the current Offer Price net of 30% income tax relief. Dividends paid by the Company in respect of the last three years have exceeded the target dividend level. It should be noted that there is no guarantee of dividend levels.
- **Dividend Reinvestment Scheme:** dividends can be paid directly to investors' bank accounts, or can be automatically reinvested into the Company through the purchase of additional shares. By reinvesting dividends, investors are able to accelerate the capital growth of their investment, and receive an additional 30% income tax relief on their reinvestment amount (provided that amount has been paid in tax), on total VCT investments of up to £200,000 per tax year.
- **Benefits of investing in a larger VCT:**
  - (i) **Lower running costs** – the Company's annual running costs will be spread over a large asset base and are capped by the Investment Adviser at 2.6% of net assets, subject to Shareholders' approval, and
  - (ii) **Greater diversification** – the Company currently holds investments in approximately 92 businesses which are in various stages of maturity. Investors will acquire immediate exposure to these holdings, which should diversify risk and provide the potential for earlier realisations than some newly launched VCTs or share pools.
- **Strength of the Investment Adviser:** Downing is an experienced VCT manager whose business dates back to 1986. It is responsible for the management of four VCTs with aggregate net assets of approximately £210 million.
- **Investment strategy:** The Company's portfolio contains a mixture of older, yield focused investments (some backed by tangible assets) and growth investments. The current portfolio can be summarised as follows:

### Yield focused investments

With a focus on businesses with predictable revenue streams and asset-backed companies.

Current portfolio: 52% (all of which are unquoted companies)

### Growth investments

With prospects for high capital growth including AIM quoted companies.

Current portfolio: 48% (including many AIM quoted companies)

Currently investors benefit from the Company holding a significant number of investments in the yield focussed portfolio that can no longer be made as new investments by VCTs. Over time the proportion of investments is expected to shift towards higher risk/reward growth investments.

New funds will be invested under the current VCT rules and will focus on younger growth companies. While there may be a higher risk profile for new investments, less opportunity for quoted investments and some restrictions to follow-on investments in existing portfolio companies, the Board considers that the effect of the VCT rule changes that have been introduced in the last two years on the Company as a whole is not likely to be substantial over the medium term.

- **Share buyback policy:** the Company's policy is to buy back its own Shares in the market at a **discount of 5%** to its latest published Net Asset Value, subject to liquidity and applicable rules and regulations, so investors may be able to realise their shareholding if required.

If you wish to invest, please read this Prospectus and complete the Application Form. If Investors have any questions regarding this investment they should contact their financial intermediary. For questions relating to an application, please telephone Downing on 020 7416 7780. Investors should note that no investment advice can be given by Downing and their attention is drawn to the risk factors set out on pages 7 and 8 of this document.

Yours sincerely



**Chris Kay**  
Chairman

## Part I – The Offer

### Offer Statistics and Early Applications

Offer Statistics	
Gross proceeds of the Offer*	£15,000,000
Net proceeds of the Offer*	£14,325,000
Minimum investment for one-off investments (or such lower amount at the Board's discretion)	£5,000
Maximum investment on which tax reliefs are available (per tax year)	£200,000
Maximum number of Ordinary Shares in issue following the Offer*	approximately 151,539,426
Offer opens	20 September 2019
Offer closes for 2019/20 tax year**	3.00 p.m. on 3 April 2020
Offer closes for 2020/21 tax year**	3.00 p.m. on 30 April 2020
* assuming the Offer becomes fully subscribed (ignoring the over-allotment facility) with all subscriptions having a gross Promoter's Fee of 4.5%.	
** unless fully subscribed earlier or extended (to no later than 31 August 2020).	

### Early Applications (for one off investments only)

Investors who submit valid Application Forms that are received and accepted by 3.00 p.m. on 13 December 2019 will benefit from the offer costs being reduced by 1.5% for existing investors and 1.0% for new investors, of the amount subscribed under the Offer.

Investors who submit valid Application Forms that are received and accepted between 14 December 2019 and 3.00 p.m. on 28 February 2020 will benefit from the offer costs being reduced by 1.0% for existing investors and 0.5% for new investors, of the amount subscribed under the Offer.

These reduced offer costs will be met by Downing through an equivalent reduction in its Promoter's Fee.

### The Investment Opportunity

Downing ONE was created by the merger of six VCTs managed by Downing in November 2013 and is a top 20 VCT by size with net assets of in excess of £104 million and an existing portfolio of approximately 90 investments. The Company has a Board comprising three Directors who between them have substantial number of years' experience in the VCT, private equity and venture capital sectors.

The Directors believe that the availability of further funds will allow the Company to take advantage of new investment opportunities and provide support for existing portfolio companies. Bank lending to SME companies has still not returned to the level seen prior to the last recession and the Directors and Investment Adviser believe this can provide attractive opportunities for VCT investments.

Larger VCTs, like the Company, benefit from a number of advantages over those with smaller net assets as set out below.

#### 1. Lower running costs

The annual running costs for the shareholders of a large VCT are usually lower as the VCT's fixed costs are spread over a larger asset base. Additionally, the Company's annual running costs are expected to be capped at 2.6% of Net Assets, subject to Shareholders' approval at the general meeting on 6 November 2019, above which Downing LLP will bear any further costs. This is one of the lowest caps in the VCT sector.

#### 2. Greater diversification

Following the merger, the portfolio covers a wide range of sectors and around 90 companies. Currently, no single investment accounts for more than 6.0% of the portfolio (by value). Individual investments or sectors which underperform will therefore have a less detrimental effect on the net asset position of the Company than would be the case in a smaller and less diversified VCT.

#### 3. Increased liquidity

Shareholders may, from time to time, wish to sell some of their shares to assist with personal financial and estate planning. It is the Company's intention to offer regular share buybacks at a discount of 5% to the most recently announced net asset value.

## Reasons for the Offer and use of Proceeds

The Offer has been designed for Investors seeking a hybrid portfolio of unquoted and quoted investments, whilst taking advantage of the VCT tax reliefs. The Offer will also allow the running costs for all Shareholders to be spread over a larger asset base. The Company is seeking to raise additional gross proceeds of £15 million under the Offer, together with an over-allotment facility of a further £25 million. The additional funds raised under the Offer will be invested in accordance with the Company's investment policy. Downing and the Company are currently experiencing strong deal flow in investments notwithstanding recent changes to the VCT Rules.

## Dividend Policy and Dividend Reinvestment Scheme

The Board has a stated objective of paying an annual dividend of at least 4.0% per annum based on its NAV, subject to the availability of sufficient distributable profits, capital resources and compliance with the VCT regulations. There is no guarantee that this objective will be met. This return equates to a tax-free yield of 5.7% p.a. on the current offer price net of 30% income tax relief. In respect of the last financial year, the Company has declared dividends of 5.0p per share (equal to 5.7% based on the opening net asset value). In the previous two financial years, dividends of 6.0p per share and 7.5p per share were paid (equal to 6.6% and 8.0% based on the opening net asset value).

Dividends are usually paid twice each year in February and August. The next dividend is expected to be paid in February 2020.

The Company has adopted a Dividend Reinvestment Scheme under which Shareholders are given the opportunity to reinvest future dividend payments by way of subscription for New Shares.

Subject to a Shareholder's personal circumstances, Shares subscribed for under the Dividend Reinvestment Scheme should obtain the usual VCT tax advantages as set out below.

Investors under the Offer may elect to participate in the Dividend Reinvestment Scheme by completing the dividend reinvestment section of the Application Form and should be aware that it will apply to their entire holding of new Shares and any Existing Shares. Participation in the Dividend Reinvestment Scheme by a Shareholder can be cancelled at any time with written authority from the Shareholder.

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

The principal VCT tax reliefs, which are available on a maximum investment of £200,000 per individual in each of the 2019/20 and 2020/21 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 and provided the Investor has not sold any shares in the Company six months either side of the issue of the new Shares. 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 (based on a notional investment of £10,000):

Effect of initial 30% VCT income tax relief	
<b>Cost of investment</b>	<b>£</b>
Gross subscription by Investor	10,000
30% VCT income tax relief	(3,000)
Net of tax cost of investment	<b>7,000</b>
<b>Initial value of investment</b>	
Gross subscription by Investor	10,000
Assumed issue costs of 2.5%	(250)
Initial Net Asset Value	<b>9,750</b>
<b>Initial "uplift" (pounds)</b>	<b>+2,750</b>
<b>Initial "uplift" (%)</b>	<b>+39.3%</b>
The above table shows that, based on an illustrative investment of £10,000 and income tax relief at 30%, an Investor's net of tax cost of investment is £7,000 and the net assets initially attributable to the investment are £9,750, an "uplift" of £2,750 or +39.3%. The table ignores the effect of Adviser Charges paid or early application discounts received. <b>Investors should note that they are required to hold the Shares for at least five years in order to retain the full amount of income tax relief and, as such, this initial uplift cannot be immediately realised.</b>	

This is 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. Further details are set out in Part V 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 Company maintaining its VCT qualifying status.

## Investment Objective and Policy

The current investment objective and policy, together with the proposed changes (which are subject to Shareholders' approval at a general meeting scheduled for 6 November 2019) are shown below. The strike through and underlining shows the changes from the existing investment objective and policy.

The investment objective of the Company is to provide private investors with attractive returns from a portfolio of investments unquoted companies including existing AIM and NEX Exchange Growth Market quoted companies in the United Kingdom. It is the intention to maximise tax-free income available to investors from a combination of dividends and interest received on investments and the distribution of capital gains arising from trade sales or flotation.

### Asset allocation

The Company will seek to maintain a minimum of 70% (80% from 1 April 2020) of its funds invested in VCT qualifying investments, with the balance held in non-qualifying investments. New funds raised will initially be held in non-qualifying investments and cash and will gradually be invested in VCT qualifying investments over a two to three year period.

### VCT qualifying investments

The Company seeks to hold a portfolio of VCT qualifying investments as follows:

Investment type	Target	Maximum	Target IRR
Growth	<del>25%-50%</del> <u>40%-100%</u>	100%	<u>15% and above</u>
<del>Income</del> <u>Yield</u> focused	<del>50%-75%</del> <u>0%-60%</u>	100%	10%

**Growth investments** will be in companies with prospects for high capital growth, ~~and may include companies quoted on AIM or the NEX Exchange Growth market as well as unquoted companies reflecting higher risk, predominantly focusing on:~~

- investments in unquoted companies where there are reasonable prospects of a trade sale or clear exit strategy over a five to seven year time horizon and the prospects of a reasonable level of capital growth. Start-ups will not generally be considered although the fund may consider investments in early stage companies offering higher risk and higher potential returns; and
- companies already quoted on AIM, the NEX Exchange Growth market or the Main Market of the London Stock Exchange, or being admitted to AIM, the NEX Exchange Growth market or the Main Market of the London Stock Exchange.

~~Income-Yield~~ **focused investments** will generally be in unquoted businesses (although this may include some quoted businesses), with a preference for companies which, subject to prevailing VCT rules, own substantial assets or have predictable revenue streams. These investments ~~are likely to~~ may be structured such that they comprise significant levels of secured loan stock and/or preference shares, subject to applicable VCT rules.

Some investments may exhibit features of both of the above categories.

~~VCT Qualifying investments made after November 2015 will comply with new VCT regulations which introduced new restrictions including that such investments will, in most cases, be in businesses that are less than 7 years old and funds invested will not be used by the business to make an acquisition.~~

### Non Qualifying Investments

Non-qualifying investments invested after 5 April 2016 will only be made in the following categories:

- Shares or units in an AIF (alternative investment fund) e.g. an investment trust or in a UCITS (undertakings for the collective investment in transferable securities) e.g. an OEIC (open ended investment company) which may be repurchased or redeemed by the investor on no more than 7 days' notice; and
- Ordinary shares or securities in a company which are acquired on a European regulated market e.g. in companies with shares listed on the main market of the London Stock Exchange.



The existing non-qualifying portfolio includes investments made before 5 April 2016 within the following categories:

- Non-qualifying listed investments which are in quoted companies where the holdings can be traded and in companies in which the Investment Adviser has detailed knowledge as a result of VCT qualifying investments made previously;
- Secured loans which are secured on assets held by the borrower; and
- Non-qualifying unquoted investments which will generally not exceed 5% of the overall fund.

In addition to the above, the Company may hold non-qualifying funds in cash or bank deposits, which fall within the VCT rules.

The allocation between asset types in the non-qualifying portfolio will vary depending upon opportunities that arise, with any one asset class having a maximum exposure of 100% of the non-qualifying portfolio.

#### *Risk diversification*

The Directors will control the overall risk of the Company. The Investment Adviser will ensure the Company has exposure to a diversified range of VCT qualifying investments from different sectors and ~~generally~~ no more than 15% of the Company's funds in any one company or any one issue of fixed income securities ~~(except deposit accounts with UK clearing banks).~~

#### ~~Further investment restrictions:~~

##### *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 Income Tax Act 2007 VCT Rules.

#### *Borrowing policy Limits*

It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a sum equal to no more than 10% of the aggregate amount of the nominal capital of the Company (being issued and paid up) paid up on the issued share capital of the Company plus the amounts standing to the credit of the consolidated reserves of the Company. ~~As at 31 March 2019, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £10.5 million. There are no plans to utilise this ability at the current time.~~

#### **Variation of Investment Policy**

Any material change to the investment policy of the Company will require the approval of Shareholders pursuant to the Listing Rules. Any material change to the investment policy is also subject to the FCA's approval.

#### **Listing Rules**

In accordance with the Listing Rules: (i) the Company may not invest more than 10%, in aggregate, of the value of its total assets at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds that 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 objective of spreading investment risk and in accordance with its published investment policy as set out in this document. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 of the ITA.

## **Share Buyback Policy**

The Company's policy is to ensure that there is liquidity in its Shares and, accordingly, it intends to pursue an active Share buyback policy. The Company will seek to buy back in the market those Shares which Shareholders wish to sell, at a discount of 5% to the latest published Net Asset Value, subject to applicable regulations, market conditions at the time and the Company having both the necessary funds and distributable reserves available for the purpose. This buyback policy aims to provide some liquidity and limit the discount to Net Asset Value at which Shares trade. The making and timing of any share buybacks will remain at the absolute discretion of the Board.

Under the current Listing Rules, the price paid for the Shares cannot be more than the higher of: (i) the amount equal to 105% of the average of the middle market quotations for the five Business Days immediately preceding the date on which the Shares are purchased; (ii) the price of the last independent trade; and (iii) the highest then current independent bid on the London Stock Exchange.

## The Investment Adviser

The Company's investment adviser is Downing LLP, which is authorised and regulated by the Financial Conduct Authority and specialises in structuring, promoting, managing and administering tax efficient products. Downing LLP took over the business and employees of Downing Corporate Finance Limited on 1 June 2011. Downing Corporate Finance was incorporated in 1986 and, since 1991, carried out the business taken over by Downing LLP. Downing LLP advises VCTs with approximately £210 million of net assets.

### AIFM

The Company is registered with the FCA as a Small Registered Alternative Investment Fund Manager.

## Directors

**Chris Kay** (Chairman) has over 30 years' experience in the venture capital industry. He spent nine years with 3i Group plc, where he was an investment director, and a further eight years at Elderstreet Investments Limited, where he headed the VCT team. He is a chief executive of Chrysalis VCT Management Limited. He is a Cambridge University graduate and gained an MBA at Manchester Business School.

**Barry Dean** is a chartered accountant and has over 30 years' experience in the private equity industry including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a non-executive director of Draper Esprit VCT plc and ProVen VCT plc. He was formerly a non-executive director of Downing Absolute Income VCT 2 plc.

**Stuart Goldsmith** is chairman of Ketton Securities Limited, a firm that advises a range of companies on corporate strategy, mergers and acquisitions, which he founded in 1989. Previously, he was chairman or chief executive of two groups of financial services companies – Fredericks Place Group and the Britannia Group of Investment Companies, which managed £4 billion of funds in London and the USA for institutions and private clients. He has been a non-executive director of a number of companies, including Savoy Asset Management and the Hallwood Group.

## Charges

### Initial costs

The initial costs to Investors are made up of the Promoter's Fee plus Initial Adviser Charges (where applicable). Downing will charge a Promoter's Fee of 4.5% of the monies subscribed, where it is required to pay commission to an intermediary (2.5% where no commission is payable). Out of its Promoter's Fee, Downing will be responsible for paying all of the costs of the Offer (excluding trail commission). Adviser Charges are the fees agreed between Intermediaries and Investors for advice and related services. Downing will also receive an annual Trail fee of 0.25% of the net asset value of the New Shares. Downing will be responsible for paying trail commission to intermediaries, where applicable, out of this fee. Further information is set out in Part IX. The total initial expenses of the Offer (assuming full subscription by Investors in respect of whom intermediary commission is payable) will be a maximum of 4.5% of the gross proceeds and the maximum total net proceeds are therefore estimated to be £14.3 million (assuming no use of the over-allotment facility).

### Annual fees

Downing charges certain fees under the Investment Services Agreement, which are set out below. These are proposed to be amended at the General Meeting scheduled for 6 November 2019 and are subject to Shareholders' approval at that meeting.

#### *Proposed Changes to Fees and Costs*

**Running costs** – costs are currently capped by the Investment Adviser at 2.75% of net assets and it is proposed to reduce this cap to 2.6% of net assets. Any excess costs above the prevailing cap will be paid by Downing LLP, 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 and investment advisory fees but exclude performance incentive fees.

**Investment advisory fee** – Downing LLP's annual management charge is increased from the existing 1.8% to 2.0% per annum with effect from 1 October 2019.

**Arrangement and monitoring fee** – Within the existing Investment Advisory Agreement, Downing LLP is entitled to arrangement fees capped at 3.0% of amounts invested, unless specifically approved by the Board, and monitoring fees from investee companies capped at the higher of (a) 0.75% of the sum investor per annum and (b) £10,000 per annum, in respect of the Company’s investments. This was previously modified to arrangement fees capped at 2.0% of the sums invested by the Company, with the excess paid to the Company and monitoring fees from investee companies capped at the higher of (a) £10,000 per annum or (b) 0.5% of the cost of the investment, in respect of each of the Company’s investments. Moving forward, arrangement fees will be up to a maximum of 3.0% of sums invested in any one investee company subject to an average overall cap of 2.0% across all investee companies of sums invested at the time of investment and a basic monitoring fee of 0.5%. To the extent an arrangement fee of less than 2.0% is charged to a particular investee company, Downing LLP will be entitled to an additional monitoring fee equal to 50% of the shortfall up to a maximum of 0.5%.

**Performance Incentive Scheme** – It is proposed that Downing LLP be entitled to receive a performance incentive fee equal to 20% of the realised gains on any exit from new investments made since 1 April 2019 provided that certain conditions are met. If a similar performance incentive arrangement was in place over the preceding three financial years, no performance incentive fee would have been payable.

Downing also provides secretarial and administration services to the Company for an annual fee made up of (i) a basic fee of £40,000 (plus RPI adjustment) plus (ii) a fee of 0.125% of Net Assets in excess of £10 million (iii) an additional fee of £10,000 per additional share pool (if applicable). This is no current proposal to change this secretarial and administration fee structure.

Where the Company invests in other Downing managed funds, the Manager will arrange for one of the fees to be rebated to the Company to ensure that there is no “double charging”.

#### **Performance Incentive**

Subject to Shareholders’ approval at the general meeting on 6 November 2019, members of the management team will be entitled to receive a performance incentive fee equal to 20% of the realised gains on any exit from new investments made since 1 April 2019 (“**New Investments**”). The fee will be payable to the Investment Adviser if the following conditions are met:

- (a) The Internal Rate of Return (“**IRR**”) of the group of all New Investments at the year-end exceeds the hurdle rate of 5% p.a. (based on audited valuations and including realised and unrealised gains and losses and all investment income, measured from 1 April 2019) (“**IRR Hurdle**”); and
- (b) Total Return per share at the year end exceeds the Base Value per share (“**Base Value Hurdle**”). The Base Value per Share is set at the Total Return per share (NAV plus dividends paid since the date of the merger) as at 31 March 2019, being 109.8p per Share.

If any amount is not paid in a year when an investment is realised because the IRR Hurdle and/or Base Value Hurdle are not met, such amounts are deferred and can be paid in a future year if and when the IRR Hurdle and Base Value are both met again. Additionally, the amounts payable under this proposed scheme are only paid to the extent that the IRR Hurdle and Base Level are exceeded.

#### **Costs payable by investee companies**

Subject to Shareholders’ approval at the general meeting on 6 November 2019, Downing will be entitled to charge arrangement and monitoring fees to investee companies, expressed as a percentage of the investment cost, on the following basis:

<i>Arrangement Fee</i>	Between 0% and 3.0% per company (subject to an overall annual cap of 2.0%)
<i>Basic Monitoring Fee</i>	0.5%
<i>Additional Monitoring Fee</i>	Up to 0.5%
	To the extent an arrangement fee of less than 2.0% is charged to a particular investee company, Downing will be entitled to an additional monitoring fee equal to 50% of the shortfall

Costs incurred on abortive investment proposals will be the responsibility of Downing.

## Co-Investment Policy

The Company's only formal co-investment relationships are with the other Downing VCTs, Downing's IHT, EIS and 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 of the relevant Funds.

## Other Information

### Taxation and HM Revenue & Customs approval

The Directors intend to conduct the affairs of the Company so 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 the ITA. The Company intends to continue complying with the ITA and has retained Philip Hare & Associates LLP to advise it on VCT taxation matters.

### The Offer and minimum and maximum subscription

Assuming the Offer is fully subscribed, ignoring the over-allotment facility, maximum net proceeds of approximately £14,325,000 will be raised under the Offer. If the Offer is over-subscribed, it may be increased at the discretion of the Board to no more than £40 million. This facility may be utilised whilst the Offer remains open. In the event that applications are received in excess of the prescribed maximum of £40 million, the Directors and the Sponsor reserve the right to use their absolute discretion in the allocation of successful applications. Applicants are encouraged to submit their Application Form early in order to be confident that their applications will be successful.

The minimum investment per Applicant is £5,000 for one-off applications (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 2019/20 and 2020/21 tax years. Spouses can each invest up to £200,000 in each tax year. The subscription list for the Offer will open at 9.00 a.m. on 20 September 2019 and may close at any time thereafter, but in any event, not later than 3.00 p.m. on 3 April 2020 in respect of the tax year 2019/20 and 3.00 p.m. on 30 April 2020 in respect of the tax year 2020/21, unless fully subscribed earlier or previously extended by the Directors (but to no later than 31 August 2020). The Offer is not underwritten and the minimum subscription is £5,000 (subject to the discretion of the Directors).

Shares are expected to be allotted and issued in respect of valid applications on 5 April 2020, 30 April 2020 and on any other dates on which the Directors decide.

Application will be made to the FCA on behalf of the Company for the Admission of all of the Offer Shares. The Offer 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 Offer Shares thereafter. It is anticipated that dealings in the Offer Shares will commence within 20 Business Days of allotment. Dealings may not begin before notification of allotments is made.

Settlement of transactions in the Offer Shares may take place within the CREST system if Shareholders wish. CREST is a voluntary system and 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 Offer Shares will be posted to Shareholders within 30 days of each allotment. No notification will be made to successful applicants prior to dispatch of definitive share certificates.

Prior to dispatch of definitive share certificates (where applicable), transfers (if any) will be certified against the register. No temporary documents of title will be issued.

The result of the Offer will be announced through a regulatory information service provider authorised by the FCA.

No convertible securities, exchangeable securities or securities with warrants will be issued with the Offer.

### Operation of the Company and Board Practices

#### (a) Board of Directors

The Company complies with the provisions of the UK Corporate Governance Code, with the exception of the following, for the reasons set out below:

- (i) new Directors do not receive a full, formal and tailored induction on joining the Board and such matters are addressed on an individual basis as they arise. In addition, as the Company does not have any major shareholders, shareholders are not given an opportunity to meet any new non-executive directors at specific meetings other than at the Annual General Meetings;
- (ii) due to the size of the Board, there are no formal performance evaluations of the Board, their committees, the individual Directors or the Chairman. Specific performance issues are dealt with as they arise; and
- (iii) the Directors do not have service contracts but do have letters of engagement, further details of which are set out in paragraph 6I of Part IV, whereas the recommendation in the UK Corporate Governance Code is for fixed term renewable contracts.

The Board comprises three members, all of whom are non-executive directors and considered to be independent of the Investment Adviser.

The Board meets regularly throughout the year (normally at least quarterly) and all necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings. The Board is responsible for controlling the Company. The Board is responsible for the determination and calculation of the Company's Net Asset Value, which will be undertaken in accordance with the Company's accounting policies (the Company's current accounting policies are set out on pages 45 and 47 of its report and accounts for the year ended 31 March 2019) and published on an appropriate regulatory information service (including in the announcement of annual and half yearly results of the Company). The Board does not envisage any circumstances in which such calculations would be suspended but, were this to occur, such suspension would be communicated to shareholders in a similar manner.

The Board delegates specific responsibilities to the committees described below.

(b) Audit Committee

All Directors sit on the audit committee which is chaired by Stuart Goldsmith. The audit committee meets not less than once a year. The Company's auditors and the senior executives of the Investment Adviser may attend and speak at audit committee meetings.

A summary of the terms of reference of the audit committee is as follows: the committee has responsibility for, among other things, the planning and reviewing of the Company's annual and half yearly reports and the supervision of its auditors in the review of such financial statements. The audit committee focuses particularly on the Company's compliance with legal requirements, accounting standards, financial and regulatory reporting requirements, the listing rules and the Prospectus Regulation and ensuring that effective systems for internal financial control and for reporting non-financial operating data are maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and half yearly financial reports remain with the Board.

(c) Remuneration Committee

The remuneration committee, which meets as and when required, is chaired by Barry Dean. All Directors sit on the Remuneration Committee.

A summary of the terms of reference of the remuneration committee is as follows: this committee has responsibility for determining the Company's policy on the remuneration of the Directors, and the committee refers to standard industry practice as well as comparative remuneration levels and structures prevalent in companies of a similar profile and size, and in similar industry sectors, to the Company, taking account of any special circumstances that may be relevant in terms of the Directors' responsibilities and duties. The maximum Directors' remuneration will also be determined by reference to the Company's Articles and/or ordinary resolutions of shareholders from time to time.

(d) Nomination Committee

All directors sit on the nomination committee, which meets as and when required, and is chaired by Barry Dean. The committee has responsibility for considering the size, structure and composition of the Board, the retirement and appointment of Directors, and will make appropriate recommendations to the Board in relation to these matters.

### Availability of the Prospectus

Copies of the Prospectus relating to the Offer and any related supplementary prospectus published by the Company are available for download at the National Storage Mechanism ([www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM)) and may be obtained, free of charge, from the Company's registered office, where they are also on display, and from Downing LLP and SPARK.

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### Financial calendar

Financial year end	31 March
Final results announcement	June/July
Annual general meeting	July/August
Bi-annual dividends paid	February and August
Half-yearly results announcement	November/December

### Forward-Looking Statements

You should not place undue reliance on forward-looking statements. This Prospectus 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 Prospectus or based on past trends or activities, should not be taken as a representation that such trends or activities will continue in the future. Any such statements do not, nor are intended to qualify the Company's working capital statement.

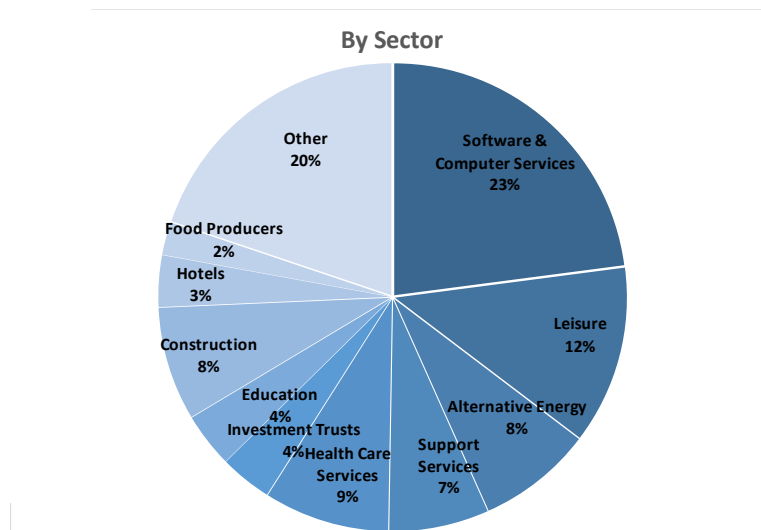
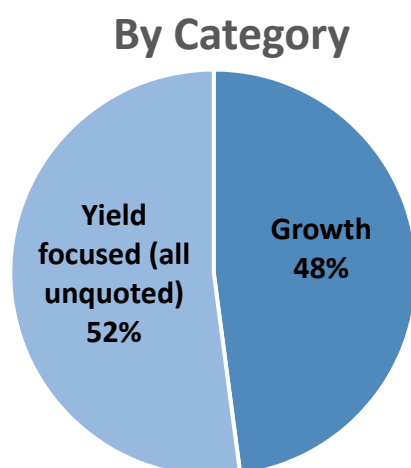
The information contained in this document will be updated if required by the Prospectus Regulation, the Listing Rules, the Disclosure Guidance and Transparency Rules and Market Abuse Regulation, as appropriate.

## Part II – Investment Portfolio of the Company

The following information is a summary of the main investments of the Company as at the date of this document. Information has been sourced from the Company's unaudited management accounts prepared to 31 July 2019.

Investment Portfolio		
	Valuation £'000	% of net assets by value
<b>21 largest investments (by value)</b>		
1 Doneloans Limited	5,598	5.3%
2 Tracsis plc*	4,932	4.7%
3 Downing Care Homes Holdings Limited	4,495	4.3%
4 Baron House Developments LLP	3,773	3.6%
5 Leytonstone Pub Limited	3,611	3.4%
6 Downing Strategic Micro-Cap Investment Trust plc**	3,100	3.0%
7 Cadbury House Holdings Limited	3,075	2.9%
8 Pilgrim Trading Limited	2,594	2.5%
9 Xupes Limited	2,250	2.1%
10 Anpario plc*	2,103	2.0%
11 Harrogate Street LLP	2,057	2.0%
12 Inland Homes plc*	2,045	2.0%
13 Jito Trading Limited	1,875	1.8%
14 Avid Technologies Group Limited	1,659	1.6%
15 Pearce and Saunders Limited	1,653	1.6%
16 Lignia Wood Company Limited	1,533	1.5%
17 Pantheon Trading Limited	1,500	1.4%
18 Craneware plc*	1,482	1.4%
19 Data Centre Response Limited	1,414	1.4%
20 Nomansland Biogas Limited	1,300	1.2%
21 Rated People Limited	1,282	1.2%
	53,331	50.9%
<b>Other investments (71 companies)</b>	32,531	31.1%
<b>Total investments</b>	85,862	82.0%
<b>Cash at bank and in hand</b>	15,701	15.0%
<b>Other net current assets</b>	3,142	3.0%
<b>Net Assets</b>	104,705	100.0%
* Quoted on AIM		
** Listed and traded on the Main Market of the London Stock Exchange		
All other investments unquoted.		

### Analysis of Investment Portfolio (by value)



## Top 21 investments (by value)

### 1 Doneloans Limited

DoneLoans Limited is a non-qualifying investment company which makes secured loans.

			Valuation £'000	Percentage of equity held
Unaudited accounts date:	31/03/18	Equity shares	598	50.0%
Turnover	n/a	Loan stock	5,000	
Profit/(loss) before tax	n/a			
Net assets/(liabilities)	£0.2m		5,598	

### 2 Tracsis plc

The Group specialises in solving a variety of data capture, reporting and resource optimisation problems along with the provision of a range of associated professional services. Tracsis' products and services are used to increase efficiency, reduce cost and improve the operational performance and decision making capabilities for clients and customers.

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/07/18	Equity shares	4,932	2.7%
Turnover	£39.8m	Loan stock	-	
Profit/(loss) before tax	£8.3m			
Net assets/(liabilities)	£42.1m		4,932	

### 3 Downing Care Homes Holdings Limited

The company operates four residential care homes providing specialist services for adults with learning and physical disabilities. They are located in Hampshire and Surrey and are managed by an experienced team who have many years of experience in the sector. The homes were either developed from scratch or acquired from other operators.

			Valuation £'000	Percentage of equity held
Audited accounts date:	30/06/18	Equity shares	2,573	50.0%
Turnover	£3.1	Loan stock	1,922	
Profit/(loss) before tax	(£0.1m)			
Net assets/(liabilities)	(£1.1m)		4,495	

### 4 Baron House Developments LLP

Baron House Developments was created to fund the purchase of a property opposite Newcastle station, which qualifies under the Business Premises Renovation Allowance (BPRA) scheme.

			Valuation £'000	Percentage of equity held
Audited accounts date:	30/03/18	Equity shares	-	0.0%
Turnover	£nil	Loan stock	3,773	
Profit/(loss) before tax	(£0.2m)			
Net assets/(liabilities)	£4.6m		3,773	

### 5 Leytonstone Pub Limited

Leytonstone Pub owns a 12,000 sq ft pub called The Red Lion, located in Leytonstone, London. The pub was refurbished after the Company invested and has since been building trading well. The pub provides both a food and beverage offering.

			Valuation £'000	Percentage of equity held
Unaudited accounts date:	31/12/17	Equity shares	2,061	50.0%
Turnover	n/a	Loan stock	1,550	
Profit/(loss) before tax	n/a			
Net assets/(liabilities)	£4.8m		3,611	



## 6 Downing Strategic Micro-Cap Investment Trust plc

Downing Strategic Micro-Cap Investment Trust plc seeks to provide investors with long term growth through a concentrated portfolio of UK listed companies that typically have a market capitalisation of below £150 million.

			Valuation £'000	Percentage of equity held
Audited accounts date:	28/02/18	Equity shares	3,100	9.1%
Turnover	£0.4m	Loan stock	-	
Profit/(loss) before tax	(£2.8m)			
Net assets/(liabilities)	£51.7m		3,100	

## 7 Cadbury House Holdings Limited

Cadbury House Holdings Limited owns and operates a health club, restaurant and conference centre at Cadbury House, near Bristol. The restaurant trades as a Marco Pierre-White Steakhouse Bar and Grill.

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/03/18	Equity shares	946	36.2%
Turnover	£9.2m	Loan stock	2,129	
Profit/(loss) before tax	£0.3m			
Net assets/(liabilities)	£8.5m		3,075	

## 8 Pilgrim Trading Limited

Pilgrim Trading Limited has acquired two vacant properties in London, one in Twickenham and one in Brentford, which it plans to convert into two children's nurseries, one of which has recently been opened in Twickenham and the other is in the construction stage and expected to complete in 2019.

			Valuation £'000	Percentage of equity held
Unaudited accounts date:	30/03/18	Equity shares	1,816	43.5%
Turnover	n/a	Loan stock	778	
Profit/(loss) before tax	n/a			
Net assets/(liabilities)	£2.8m		2,594	

## 9 Xupes Limited

Xupes is an online retailer of pre-owned luxury goods including designer watches, handbags, jewellery and antiques. The company is one of the leading retailers of pre-owned luxury goods and has built a profitable business centred on exceptional customer service.

			Valuation £'000	Percentage of equity held
Audited accounts date:	30/09/18	Equity shares	1,125	75.0%
Turnover	£8.9m	Loan stock	1,125	
Profit/(loss) before tax	(£0.2m)			
Net assets/(liabilities)	£2.4m		2,250	

## 10 Anpario plc

Anpario is a manufacturer and marketer of high performance natural feed additives for global agricultural and aquaculture markets.

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/12/18	Equity shares	2,103	2.7%
Turnover	£28.3m	Loan stock	-	
Profit/(loss) before tax	£4.6m			
Net assets/(liabilities)	£33.2m		2,103	

**11 Harrogate Street LLP**

Harrogate Street LLP has a £1.4 million loan to Harrogate Street BPRA LLP which owns a hotel that is let to Premier Inn.

			Valuation £'000	Percentage of equity held
Unaudited accounts date:	31/03/18	Equity shares	-	0.0%
Turnover	£nil	Loan stock	2,057	
Profit/(loss) before tax	£0.1m			
Net assets/(liabilities)	£1.6m		<u>2,057</u>	

**12 Inland Homes plc**

Inland homes is a brownfield regeneration specialist and home builder.

			Valuation £'000	Percentage of equity held
Audited accounts date:	30/06/18	Equity shares	2,045	1.5%
Turnover	£147.4m	Loan stock	-	
Profit/(loss) before tax	£19.3m			
Net assets/(liabilities)	£299.6m		<u>2,045</u>	

**13 Jito Trading Limited**

Jito Trading Limited was incorporated with the intention of operating in the wood refinery sector in Northern Austria. The processed wood will be sold as fuel for biomass boilers. Construction of the plant commenced in September 2018 and is expected to complete during 2019.

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/03/18	Equity shares	1,875	50.0%
Turnover	n/a	Loan stock	-	
Profit/(loss) before tax	n/a			
Net assets/(liabilities)	£5.0m		<u>1,875</u>	

**14 Avid Technology Group Limited**

Avid Technology Group Limited is a manufacturer of electrified ancillaries for internal combustion engines.

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/01/18	Equity shares	1,138	17.2%
Turnover	n/a	Loan stock	521	
Profit/(loss) before tax	n/a			
Net assets/(liabilities)	£1.5m		<u>1,659</u>	

**15 Pearce and Saunders Limited**

Pearce and Saunders Limited is a freehold pub company that is managed by the Antic London team and funded by Downing VCTs. It was incorporated to acquire the freehold pubs of three South East London sites; Jam Circus in Brockley, The Old Post Office in Eltham and the John Jackson in Wallington.

			Valuation £'000	Percentage of equity held
Unaudited accounts date:	31/12/17	Equity shares	1,283	44.0%
Turnover	n/a	Loan stock	370	
Profit/(loss) before tax	n/a			
Net assets/(liabilities)	£2.4m		<u>1,653</u>	

**16 Lignia Wood Company Limited**

*Lignia Wood Company Limited was incorporated to build their first commercial scale plant to produce Lignia in Barry, Wales. Lignia is a sustainable, propriety modified soft wood product that has the same technical properties as hardwood such as Oak or Teak.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/12/18	Equity shares	1,533	14.7%
Turnover	£-	Loan stock	-	
Profit/(loss) before tax	(£2.0m)			
Net assets/(liabilities)	£6.9m		1,533	

**17 Pantheon Trading Limited**

*Pantheon Trading Limited is currently dormant, however are seeking a suitable trade.*

			Valuation £'000	Percentage of equity held
Unaudited accounts date:	30/11/17	Equity shares	1,500	100.0%
Turnover	n/a	Loan stock	-	
Profit/(loss) before tax	n/a			
Net assets/(liabilities)	£1.5m		1,500	

**18 Craneware plc**

*Craneware plc provides automated revenue integrity solutions that improve financial performance for US healthcare organisations.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/03/18	Equity shares	1,482	0.3%
Turnover	\$67.1m	Loan stock	-	
Profit/(loss) before tax	\$18.9m			
Net assets/(liabilities)	\$98.9m		1,482	

**19 Data Centre Response Limited**

*Data Centre Response Limited is the maintenance provider to third party owned data centres.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	30/06/18	Equity shares	-	0.0%
Turnover	n/a	Loan stock	1,414	
Profit/(loss) before tax	£0.3m			
Net assets/(liabilities)	£0.7m		1,414	

**20 Nomansland Biogas Limited**

*Nomansland Biogas Limited is an anaerobic digestion plant in Devon.*

			Valuation £'000	Percentage of equity held
Unaudited accounts date:	31/03/18	Equity shares	-	0.0%
Turnover	n/a	Loan stock	1,300	
Profit/(loss) before tax	n/a			
Net assets/(liabilities)	£3.2m		1,300	

**21 Rated People Limited**

*Rated People Limited is the UK's leading home services marketplace and recommendation website, covering over 30 trade categories.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/12/17	Equity shares	1,282	21.4%
Turnover	£12.1m	Loan stock	-	
Loss before tax	(£4.7m)			
Net assets/(liabilities)	(£5.2m)		1,282	

## Part III – Financial Information

### 1. Introduction

Audited statutory accounts of the Company for the periods ended 31 March 2017, 31 March 2018 and 31 March 2019, in respect of which the Company's auditors, BDO LLP, 55 Baker Street, London W1U 7EU, registered auditors under the Statutory Audit Directive (2006/43/EC) and members of the Institute of Chartered Accountants in England and Wales, made unqualified reports under section 495 of the CA 2006, have been delivered to the Registrar of Companies and such reports did not contain any statements under section 498(2) or (3) of the CA 2006. Copies of these audited statutory accounts are available at St. Magnus House, 3 Lower Thames Street, London EC3R 6HD.

The Company's audited statutory accounts for the years ended 31 March 2017 and 31 March 2018 were prepared in accordance with Financial Reporting Standard 102 ("FRS 102"), in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised November 2014 ("SORP").

These financial statements also contain a description of the Company's financial condition, changes in financial condition and results of operations for each financial period.

The most recent announced audited NAV was 78.3p per Ordinary Share as at 31 March 2019. The most recent announced unaudited NAV was 78.6p per Ordinary Share as at 31 July 2019.

### 2. Historical Financial Information

Historical financial information relating to the Company on the matters referred to below is included in the published annual reports and audited statutory accounts of the Company for the periods stated (which are each hereby incorporated by reference) as follows:

	<b>Report and Accounts (Audited) for Year Ended 31 Mar 2017</b>	<b>Report and Accounts (Audited) for Year Ended 31 Mar 2018</b>	<b>Report and Accounts (Audited) for Year Ended 31 Mar 2019</b>
<i>Nature of information</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Income statement	35	40	41
Dividend per share	42	47	48
Balance sheet	37	42	43
Cash flow statement	38	43	44
Notes to the financial statements	39	44	45
Accounting policies	39	44	45
Independent auditors' report	31	35	36

### 3. Operating and Financial Review

A description of the changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Investment Adviser's Report" and "Investment Portfolio" in the published audited statutory accounts of the Company for the periods stated.

	<b>Report and Accounts (Audited) for Year Ended 31 Mar 2017</b>	<b>Report and Accounts (Audited) for Year Ended 31 Mar 2018</b>	<b>Report and Accounts (Audited) for Year Ended 31 Mar 2019</b>
<i>Nature of Information</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Chairman's statement	3	3	3
Investment Adviser's report	5	5	5
Investment portfolio	8	11	12

The only information incorporated by reference in this document is that set out in this paragraph 3 and in paragraph 2 above.

#### 4. Significant Change

On 30 August 2019, the Company paid a dividend of 2.0p per Share totalling £2.66 million.

Since the 31 March 2019 year end, the Company has made the following investment additions:

<b>Additions</b>	<b>£'000</b>
Limitless Limited	583
Lignia Wood Company Limited	333
StreetHub Limited	300
Channel Mum Limited	300
Empiribox Holdings Limited	250
E-Fundamentals (Group) Limited	250
Cambridge Touch Technologies Limited	459
Hummingbird Technologies Limited	500
JRNI Limited	525
Volo Commerce Limited	510
	<u>4,010</u>

Since the 31 March 2019 year end, the Company has made the following investment disposals:

<b>Disposals</b>	<b>Cost</b>	<b>Valuation at 31 March 2019</b>	<b>Proceeds</b>	<b>Gain/ (loss) against cost</b>	<b>Gain/ (loss) in period</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Pabulum Pubs Limited	607	607	607	-	-
Wickham Solar Limited	473	660	716	243	56
Mosaic Spa and Healthclub Limited	706	58	58	(648)	-
Craneware plc	497	2,550	2,095	1,598	(455)
	<u>2,283</u>	<u>3,875</u>	<u>3,476</u>	<u>1,193</u>	<u>(399)</u>

There has been no material adverse change in the prospects of the Company since the date of its last published audited financial statements. Other than as noted above, there has been no significant change in the financial position or performance of the Company since the end of the last financial period for which financial information has been published to the date of this Prospectus (being the audited financial information to 31 March 2019).

#### 5. Historical Financial Information Incorporated by Reference

The audited statutory accounts for the Company, for the years ended 31 March 2017, 31 March 2018 and 31 March 2019, are being incorporated by reference in this Prospectus and are available at the address set out in paragraph 11 of Part IV. Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this Prospectus. Those parts of the annual statutory accounts referred to above which are not being incorporated into this Prospectus by reference are either not relevant for investors or are covered elsewhere in this Prospectus.

## Part IV – General Information on the Company

### 1. Listing

This Prospectus relating to the Company, has been prepared in accordance with the Prospectus Regulation. Copies of the Prospectus are available from Downing LLP at St. Magnus House, 3 Lower Thames Street, London EC3R 6HD.

### 2. Incorporation and Administration

The Company was incorporated and registered in England and Wales as a public company with limited liability on 19 January 1996 with registered number 03150868, under the name AIM Distribution Trust plc. The Company's name was changed to Legg Mason Investors AIM Distribution Trust plc on 23 January 2002, The AIM Distribution Trust plc on 22 January 2004, Downing Distribution VCT 1 plc on 25 March 2010, and finally to Downing ONE VCT plc on 13 November 2013.

The principal legislation under which the Company operates is the CA 2006. The Registrar of Companies issued the Company with a certificate under Section 117 of the 1985 Act entitling it to commence business on 19 February 1996. The principal activity of the Company since that date has been to operate as a VCT. The Company gave notice to the Registrar of Companies pursuant to section 266 of the 1985 Act of its intention to carry on business as an investment company on 27 February 1996. The Company is domiciled in the UK. The Company has no subsidiaries and is not part of a group.

### 3. Share Capital

#### 3.1 Shares issued by the Company since 1 April 2014 are summarised as follows:

Date	No. of Ordinary Shares	Average issue price (pence per share)
01/04/2016	2,556,840	97.49
04/04/2016	2,253,326	97.27
05/04/2016	1,203,533	97.03
18/04/2016	684,169	96.21
21/07/2016	1,542,762	94.00
12/08/2016	212,940	89.00
02/09/2016	1,048,662	91.94
07/10/2016	1,457,630	94.69
24/02/2017	234,926	90.50
18/08/2017	370,044	87.90
20/11/2017	7,864,012	90.65
21/11/2017	2,113,203	90.47
31/01/2018	2,233,260	90.70
23/02/2018	395,265	86.30
15/03/2018	7,537,917	89.50
05/04/2018	11,524,982	89.80
05/04/2018	557,958	89.30
25/05/2018	2,082,758	88.13
25/05/2018	172,916	90.91
04/07/2018	37,607	88.78
24/08/2018	635,291	84.50
18/10/2018	75,549	86.76
22/02/2019	660,500	80.70
05/04/2019	142,784	82.90
30/08/2019	474,462	76.30

#### 3.2 The following resolutions, *inter alia*, were passed at the annual general meeting held on 29 August 2019:

- (a) That, in addition to existing authorities, the Directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("CA 2006") to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £20,000 (representing approximately 2% of the share capital in issue at today's date, provided that the authority conferred by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry;
- (b) That, the Directors of the Company be and hereby are empowered pursuant to Sections 570(1) of the CA 2006 to allot or make offers to or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the CA 2006) for cash pursuant to the authority given pursuant to resolution 6 above, as if Section 561(1) of the CA 2006 (pre-emption rights) did not apply to such allotment, provided that the power

provided by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require equity securities to be allotted after such expiry.

- (c) That, the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the CA 2006 to make one or more market purchases (as defined in section 693(4) of the Act) of shares provided that:
- (i) the maximum number of shares hereby authorised to be purchased is 19,883,276 representing approximately 14.9% of the present issued share capital of the Company;
  - (ii) the minimum price (exclusive of expenses) which may be paid for such shares is 1p, the nominal amount thereof;
  - (iii) the maximum price (exclusive of expenses) which may be paid for such shares shall be an amount equal to 5 per cent. above the average of the middle market quotations for such class of the Company's shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days immediately preceding the day on which the purchase was made;
  - (iv) the Company may make a contract to purchase its own shares under this authority prior to the expiry of this authority, and such contract will or may be executed wholly or partly after the expiry of this authority, and the Company may make a purchase of its own shares in pursuance of any such contract;

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

- 3.3 The Company will be subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561 of CA 2006 (which, confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) will apply to the balance of the share capital of the Company which is not subject to the disapplication referred to in paragraph 3.2 above. The Company and its Shareholders are subject to the provisions of the Takeover Code and CA 2006, which require shares to be acquired/transferred in certain circumstances.
- 3.4 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option. No shares of the Company represent anything other than capital. No shares of the Company are held by or on behalf of the Company itself. There are no convertible securities, exchangeable securities or securities with warrants attached to them currently in issue by the Company.
- 3.5 The Directors are not aware of any person who directly or indirectly is interested in 3% or more of the capital of the Company or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 3.6 As at 18 September 2019, the last practicable date prior to the publication of this document, the issued share capital of the Company was 133,314,236 Ordinary Shares.

#### 4. The Company

- 4.1 Share buybacks by the Company for the period from 1 April 2014 to the date of publication of this document, are summarised below.

Date	Number of Ordinary Shares	Buyback price (Pence per share)
05/04/2016	75,000	90.0
12/07/2016	500,000	87.5
15/07/2016	82,461	87.5
17/08/2016	195,000	84.5
30/09/2016	416,488	87.5
08/12/2016	350,000	88.5
15/12/2016	37,233	88.5
16/02/2017	320,000	86.0
21/02/2017	146,246	86.0
28/03/2017	250,000	86.0
31/03/2017	195,000	86.0
19/07/2017	498,259	85.5
25/07/2017	257,279	81.5
27/09/2017	268,392	84.5
27/09/2017	100,000	84.5
22/12/2017	480,000	84.3
09/01/2018	78,498	84.3
29/03/2018	416,810	82.0
16/07/2018	330,000	83.0
20/07/2018	120,000	83.0
31/08/2018	470,587	80.3
28/09/2018	265,762	80.3
19/12/2018	235,000	80.0
07/01/2019	311,476	80.0
01/03/2019	446,869	76.5
29/03/2019	120,634	76.5
17/07/2019	500,000	74.3
19/07/2019	247,817	74.3

- (a) There has not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) in the 12 months prior to the date of this Prospectus which may have or have had in the recent past significant effects on the Company's financial position or profitability.
- (b) The Company is not regulated to conduct investment business under the Financial Services and Markets Act 2000.
- (c) Save as disclosed in paragraph 3.1 above, since the date of its incorporation no share or loan capital of the Company has been issued or (except pursuant to or in connection with the Offer) agreed to be issued or is now proposed to be issued for cash or any other consideration, and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital. The Company has no contingent liabilities.
- (d) Other than pursuant to the Offer and the authorities referred to above in sub-paragraph 3.2 above, no material issue of shares (other than where offered to Shareholders pro rata to existing holdings) will be made within one year without the prior approval of Shareholders in general meeting.
- (e) The Ordinary Shares will be in registered form. The Company's share register will be kept by Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Evidence of title to Shares will be through possession of a Share certificate in the Shareholder's name; alternatively, Shares may be held in an account through the CREST system.
- (f) The Company is subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561 of the CA 2006 (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) will apply to the balance of the authorised but unissued share capital of the Company which is not subject to the disapplication referred to in sub-paragraph 3.2(1) above.
- (g) The Company's capital resources are restricted insofar as they may be used only in putting into effect the investment policy described on page 13 and in accordance with the VCT rules.

#### 5. Memorandum of Association and Articles

The Company's principal object is to carry on the business of an investment company and a VCT. The Memorandum of Association and the Articles of Association are available for inspection at the address specified in paragraph 11 below.

##### A. Share capital

The share capital of the Company is comprised of Ordinary Shares and Deferred Shares.



**(a) Rights attaching to shares**

The Deferred Shares:

- (i) confer no right to any dividend or any other distribution (other than on a winding up);
- (ii) confer no right to receive notice of, or to attend or vote at General Meetings;
- (iii) on a winding up confer the rights to be paid out of the assets of the Company available for distribution an amount equal to 1p for all the Deferred Shares prior to the surplus being distributed to the holders of Ordinary Shares, but do not confer any right to participate in any surplus assets of the Company; and
- (iv) may be purchased by the Company at any time for an aggregate consideration of 1p and each Deferred Share so purchased shall thereafter be cancelled

No shares that confer rights that are subordinated to those of the Ordinary Shares as to dividends or on a winding up of the Company shall be issued or created at any time.

**(b) Variation of rights**

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to CA 2006, be varied either:

- (a) in such a manner as may be provided by such rights; or
- (b) in the absence of any such provision, by the passing of a special resolution at a general meeting of such holders or, the written consent of holders of three quarters in nominal value of the issued shares of the affected class. At such a meeting the necessary quorum shall be at least two members of the class holding (or representing by proxy) not less than one third in nominal value of the capital paid up on the issued shares of that class and at an adjourned meeting one person (whether present in person or by proxy) holding shares of that class in question.

**(c) Alteration of share capital**

The Company may by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (ii) cancel any shares which, at the date of the passing of the resolution, have not been taken, or been agreed to be taken by any person, and diminish the amount of its share capital to reflect this cancellation; and
- (iii) sub-divide its shares into shares of smaller amount. Such a resolution may determine that one or more of the shares resulting from such sub-division may have any such preferred or other special rights, or may have such deferred rights, or be subject to any restrictions as compared with the others, as the Company has power to attach to unissued or new Shares.

The Company may by special resolution reduce its share capital and any capital redemption reserve or share premium or other undistributable reserve in any manner which is in accordance with and subject to any method and/or consent authorised or required by law.

**(d) Issue of shares**

Subject to the provisions of the CA 2006 relating to authority, pre-emption rights and otherwise, and to any resolution of the Company in general meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors, and they may allot or otherwise dispose of them to such persons, at such times and on such terms as they think fit.

**(e) Transfer of shares**

A member may transfer any or all of his shares by instrument of transfer in writing in any usual or common form or in any other form acceptable to the Directors. The Directors may in their absolute discretion and without assigning any reason therefore refuse to register any transfer of shares where the shares in question are not fully paid up (in respect of which the Company has a lien) where such refusal does not restrict dealings on an open and proper basis. The Directors may refuse to recognise an instrument of transfer unless the instrument of transfer is (a) in respect of only one class of share; (b) is in favour of not more than four transferees; and (c) is lodged at the transfer office accompanied by the relevant share certificates and any other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Board may also refuse to register a transfer if in their opinion (and with the concurrence of the London Stock Exchange) exceptional circumstances so warrant.

**D. General meetings**

- (a) An annual general meeting must be called by at least 21 days' notice in writing and all other general meetings by at least 14 days' notice in writing unless it is proposed to pass a resolution of which special notice is required in which case 28 days' notice is required. The period of notice must in each case be exclusive of the day in which the notice is served or deemed to be served and of the day in which the meeting is to be held provided that a general meeting shall, notwithstanding that it may have been called by a shorter notice than that specified above, be deemed to have been duly called if it is so agreed in accordance with CA 2006; provided also that the accidental omission to give notice to, or the non-receipt of notice by, any person entitled thereto shall not invalidate the proceedings at any general meeting.
- (b) Every notice calling a general meeting shall specify the place and the day and hour of the meeting and the general nature of the business to be transacted. There shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him and that a proxy need not be a member. In the case of an annual general meeting, the notice shall also specify the meeting as such.
- (c) Each member is entitled to attend and vote and to appoint one or more proxies to attend and vote on a poll vote. A proxy need not be a member.
- (d) The accidental omission to give or send a notice of any meeting, or in cases where it is intended that it be sent out with the notice, an instrument of proxy, to, or the non-receipt of either by, any person entitled to receive the same, shall not invalidate the proceedings at the meeting.
- (e) No business shall be transacted at any general meeting unless a quorum is present. Two members present in person (or by representative) or by proxy and entitled to vote shall be a quorum.
- (f) If a quorum is not present or if during a meeting a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved and in any other case shall stand adjourned to such day and to such time and place as may be determined by the chairman (which, in the case of the Company must be not less than 10 clear days thereafter). At such adjourned meeting a quorum shall be those persons present. It shall not be necessary to give notice of an adjournment or of the business to be transacted at an adjourned meeting.

**E. Voting rights**

- (a) Subject to any special rights which may apply to any class of shares that may have been issued or may from time to time be held, every member who is present in person, including any corporation present by its duly authorised representative, or by proxy, at a general meeting of the Company shall, on a show of hands, have one vote only in each company. On a poll every member present in person or by proxy shall have one vote for each share of which he is a holder.
- (b) Where shares are held jointly, the vote of the senior who has tendered a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members of each company in respect of the holding.
- (c) A member will lose his right to vote at a general meeting or at any separate meeting of the holders of any class of share, whether in person or by proxy, unless all calls presently payable by him in respect of those shares, together with interest and expenses (if any) have been paid in full to the Company, even where those shares are jointly held. The right to vote, together with all other rights and benefits of membership, will also be lost where the member (or any other person claiming to have an interest in such shares) has been issued with a notice pursuant to section 793 of the CA 2006 (which requires the member or such other person to declare his interest in the shares) and has failed to give the required information to the Company within the prescribed period of 14 days.

**F. Borrowing power**

- (a) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- (b) The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries and subsidiary undertakings so as to secure (but as regards subsidiaries and subsidiary undertakings only insofar as by the exercise of such rights or powers of the Directors can secure) that the aggregate principal amount at any one time outstanding of all monies borrowed or secured by the Company and/or any of its subsidiaries or subsidiary undertakings shall not at any time without the previous sanction of an ordinary resolution of the Company in general meeting exceed an amount equal to the Adjusted Capital and Reserves (as defined in (c) below) provided that prior to the publication of an audited balance

sheet of the Company such aggregate principal amount shall be limited to 90% of the amount paid up or credited as paid up (whether in respect of nominal value or premium) on the allotted or issued share capital of the Company.

- (c) The expression “**Adjusted Capital and Reserves**” means at any material time a sum equal to the aggregate of (a) the amount paid up on the issued share capital of the Company; and (b) the amount standing to the credit of the reserves (including without limitation any share premium account, capital redemption reserve and any credit balance on profit and loss account) of the Company and their subsidiaries.

**G. Directors’ and other interests**

- (a) A Director may be interested directly or indirectly in any contract or arrangement or in any proposed contract or arrangement with the Company or with any other company in which the Company may be interested provided that he declares the nature of his interest at a meeting of the Directors.
- (b) A Director shall not vote or be counted in the quorum in relation to any resolution concerning any contracts, arrangements, transactions or any other proposal whatsoever to which the Company is to be a party and in which he has an interest which is, to his knowledge, a material interest unless the resolution concerns any of the following matters:
  - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of their subsidiary undertakings;
  - (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or any underwriting or sub-writing of which he is to participate;
  - (iv) any proposal concerning any other body corporate in which he is interested directly, or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he does not hold an interest (as the term is used in Part VI of the CA 2006) representing 1% or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of such body corporate;
  - (v) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
  - (vi) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include the Directors.
- (c) Provided that a Director has disclosed to the Directors the nature and extent of any material interest (i) he may be party to or otherwise interested in any transaction or arrangement with the Company (or in which the Company has invested), (ii) he may be a member or director or other officer of, or employed by or a party to any transaction with, any company in which the Company is interested, (iii) he shall not be accountable to the Company for any benefit which he derives from any such transaction, arrangement, office, employment or interest and (iv) he may by himself or his firm act in a professional capacity for the Company for which he or his firm shall be entitled to receive remuneration.
- (d) There shall be no less than three and not more than eight Directors in the Company.
- (e) The Directors shall not be required to hold any shares in the Company by way of qualification.
- (f) The ordinary remuneration of the Directors shall not in aggregate exceed £150,000 per annum (or such sum as may be determined by an ordinary resolution). This shall be divided between the Directors as they may agree, or failing agreement, equally, except that any Director who has held office for only part of the period in which remuneration is payable shall only be entitled to a proportion of the remuneration related to the period during which he held office. The Directors are entitled to be repaid all such reasonable expenses as they may incur in attending or returning from any meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the discharge of their duties as Directors.
- (g) Every Director or other officer and Auditor of the Company, in so far as is consistent with the CA 2006, shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may incur in relation to the exercise of his duties, power or offices.

**H. Untraced shareholders**

- (a) The Company shall be entitled to sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by virtue of transmission if and provided that:

- (i) during a period of 12 years at least three dividends (whether interim or final) have been paid in relation to such shares and no such dividends have been claimed and no cheque, order or warrant in respect of such shares has been cashed or claimed;
  - (ii) the Company has on or before the expiry of the said period of 12 years inserted advertisements in a national newspaper and a local newspaper circulated in the area of the member or former member's last known address giving notice of its intention to sell the shares; and
  - (iii) during the same period of 12 years and the period of 3 months following the publication of such advertisements the Company has received no communication from such member or person.
- (b) The net proceeds of sale will belong to the Company which shall account without interest to the former member or other person entitled to the proceeds for the amount received. The Company shall be deemed to be his debtor however no trust shall be created in respect of the debt and no interest is payable on the amount of the debt.

**I. *Capitalisation, reserves and dividends***

- (a) The Directors may, with the sanction of an ordinary resolution, decide to capitalise any sum in the profits and reserves of the Company by appropriating such sums to the holders of Ordinary Shares on the register of members at the close of business on the date of the resolution in proportion to their then holdings of Ordinary Shares. The Directors may then apply such sums on their behalf in paying up in full unissued Ordinary Shares for allotment and distribution credited as fully paid to and amongst them as bonus shares in the proportion aforesaid. The Directors may do all acts and things considered necessary to give effect to any such capitalisation.
- (b) It is the intention of the Directors that the Company will pay dividends or make distributions from revenue profits and profits realised from the sale of investments.
- (c) The profits of the Company available for dividend and resolved to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and priorities, provided that no dividend shall exceed the amount recommended by the Directors.
- (d) The Directors may pay interim dividends and also any fixed rate if it appears to them that they are justified in so doing by the profits of the Company available for distribution.
- (e) The Directors may with the prior authority of an ordinary resolution of the Company, subject to such terms and conditions as the Directors may determine, offer to holders of shares the right to elect to receive shares credited as fully paid, instead of the whole (or some part, to be determined by the Directors) of any dividend specified by the ordinary resolution.
- (f) The Directors may, before recommending any dividend, whether preferential or otherwise, set aside out of the profits of the Company and carry to reserve such sums as they think proper as a reserve or reserves. The Directors may, at their discretion, apply such sums for any purpose to which the profits of the Company may properly be applied.

**J. *Distribution of realised profits***

As long as the Company has given notice in the prescribed form to the Registrar of Companies of its intention to carry on business as an investment company ("a relevant period") the Company shall be prohibited from distributing any capital profits (within the meaning of section 833 of the CA 2006), otherwise than by way of the redemption or purchase of any of the Company's own shares. The Directors will establish a reserve to be called the capital reserve and during a relevant period all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment of or other dealing with any capital asset in excess of the book value of that asset and all other monies which are considered by the Directors to be in the nature of the accretion of capital shall be credited to the capital reserves. Subject to the CA 2006, the Directors may determine whether any amount received by the Company is to be dealt with as income or capital, or partly one way and partly the other. During a relevant period, any loss realised on the realisation or other dealing with any investments or other capital asset and subject to the CA 2006 any expenses, liability, loss or provision therefor which the Directors consider to relate to a capital item or which they otherwise consider appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a relevant period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to the credit of any revenue reserves are applicable except that no part of the capital reserve or any other money in the nature of a creditor of capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or be applied in paying dividends on any shares of the Company. In any other period other than a relevant period any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or be applied in paying dividends of any shares of the Company.

**K. Winding-up**

- (a) The liquidator may, with the sanction of a special resolution and any other sanctions required by the CA 2006, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.
- (b) The Company may, subject to the provisions of CA 2006, issue warrants or grant options to subscribe for shares in the Company. The board may resolve to issue such warrants or options upon terms and conditions which may provide that, on a winding up of the Company a holder of warrants or grantee options may be entitled to receive out of the assets of the Company available in the liquidation, such a sum as he would have received had he exercised the subscription rights conferred by his warrants or the options prior to the winding up but after deduction of the price payable on exercise of such subscriptions rights.

**L. Nomination notices**

- (a) A Member may send the Company notice in writing that another person is entitled to enjoy or exercise all or any specified rights of that Member in relation to the Company. In receipt of such a notice the Company must give effect to that notice in accordance with its terms.
- (b) The Company must keep a copy of all such notices which are in force or have been in force within the preceding 12 months.

**M. Change of control**

There are no provisions in the Company's Articles, or in any other statutes, charter or bylaws, which would have the effect of delaying, deferring or preventing a change of control of the Company.

**6. Directors' and Others' Interests in the Company**

- (a) The Company is not aware of any person, not being a member of its administrative, management or supervisory bodies, who, as at the date of this document, is directly or indirectly interested in 3% or more of the issued share capital of the Company and is required to notify such interest in accordance with the DTR.
- (b) As at 18 September 2019 (being the latest practicable date prior to the publication of this document), the interests (all of which are beneficial) of the Directors and their immediate families in the share capital of the Company which:
  - (i) have been notified by each Director to the Company; (ii) are required pursuant to section 809 of the CA 2006 to be entered in the register referred to therein; or (iii) are interests of a connected person of the Director which would, if the connected person, within the meaning of section 252 of the CA 2006, were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known to or could with reasonable diligence be ascertained by that Director, were as follows:

Director	Number of Shares	Percentage of issued share capital
Chris Kay	83,300	0.06%
Barry Dean	7,129	0.01%
Stuart Goldsmith	7,881	0.01%

Save as disclosed in this paragraph, no Director nor any person (to the extent the same is known to, or could with reasonable diligence be ascertained by, that Director) connected with any Director (within the meaning of the DTR) has any interest in the share capital of the Company which is required to be notified pursuant to the DTR or which is required to be entered in the register maintained under section 809 of the CA 2006.

- (c) None of the Directors has a service contract. Directors' appointments are subject to 3 months' notice and all Directors are subject to retirement by rotation. Their appointment does not confer any right to hold office for any period or any right to compensation if they cease to be directors. The office of non-executive director is also not pensionable. Aggregate Directors' emoluments for the year ended 31 March 2019 amounted to £105,000 (plus applicable VAT and employer's National Insurance Contributions). Each Director is currently entitled to receive annual fees as listed below.

Name	Annual Remuneration (£)
Chris Kay	45,000
Barry Dean	30,000
Stuart Goldsmith	30,000
	<u>105,000</u>

(d) No loan or guarantee has been granted or provided by the Company to any Director

No Director has an interest in any transaction effected by the Company since its incorporation which is or was unusual in its nature or conditions or significant to the business of the Company.

The Company has taken out directors' and officers' liability insurance for the benefit of its Directors and the Company Secretary.

The following are directorships (unless otherwise stated) and partnerships held by the Directors in the five years prior to the date of this document and the principal activities of the Directors outside the Company where these are significant with respect to the Company:

**Directorships**

<b>Stuart Goldsmith</b>	<b>Current</b>	<b>Past 5 Years</b>
	Carlton Club (London) Limited Carlton Trustees (London) Limited Future Screen Partners 2006 No.1 LLP G A Roe & Sons Ltd Ketton Securities Limited Ketton Underwriting LLP Studdridge Limited The Fifth Mezzanine Film Fund LLP	
<b>Chris Kay</b>	<b>Current</b>	<b>Past 5 Years</b>
	Beer & Buns Limited Chrysalis VCT Admin Limited Chrysalis VCT Management Limited Chrysalis VCT NXD Limited Driver Require Group Limited K10 (London) Limited Life's Kitchen Limited Livvakt Limited Locale Enterprises Limited Fusion Catering Solutions Limited	Autocue Group Limited Downing Absolute Income VCT 1 plc* Downing Income VCT 4 plc* Downing Income VCT plc * Downing Planned Exit VCT 4 plc* Downing Planned Exit VCT 5 plc* London Italian Restaurants Limited Javelin Ventures Limited Precision Dental Laboratories Group Limited
<b>Barry Dean</b>	<b>Current</b>	<b>Past 5 Years</b>
	Draper Esprit VCT plc Proven VCT plc St James LP St James II LP	Downing Absolute Income VCT 2 plc*

\*Company has been dissolved

None of the Directors nor any member of the Investment Adviser has for at least the previous five years:

- (i) had any convictions in relation to fraudulent offences; or
- (ii) been associated with bankruptcies, receiverships or liquidations (save for members' voluntary liquidations) in relation to an entity for which they have been acting as members of the administrative, management or supervisory bodies or senior management who was relevant to establishing that the entity had the appropriate expertise and experience for the management of its business; or
- (iii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including designated professional bodies) or been disqualified by a Court from acting as a director or member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any issuer.
- (iv) The Company is not aware of any persons who, directly or indirectly, exercises or could exercise control over the Company.

- (e) There are no conflicts of interest between any Director or any member of the Company's administrative, management or supervisory bodies and his duties to the Company and the private interests and/or duties he may also have. All of the Company's Directors will be independent of the Investment Adviser throughout its life.
- (f) There are no conflicts of interest which any service providers to the Company have between their duty to the Company and their duties owed by them to third parties and their other interests.
- (g) None of the Company's major holders of Shares have voting rights different from other holders of Shares.
- (h) No amounts have been set aside by the Company or Investment Adviser for pensions, retirement or similar benefits.
- (i) Other than with respect to the shareholdings in the Company held by the Directors as set out in paragraph 6(b) of this Part IV and subscriptions in the Company by the Directors, and the Investment Services Agreement and Promoter's Agreement referred to in paragraph 7(a) and (b) below the Company has not entered into any related party transactions since the date of its respective incorporation and up to the date of this document.
- (j) There are no service contracts with the Company providing for benefits upon termination of employment.
- (k) DTR5 requires a Shareholder to notify the Company of the percentage of its Shares he holds if such percentage reaches, exceeds or falls below 3% or subsequent 1% thresholds.

## 7. Material Contracts

The following are the only contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company within the two years immediately preceding publication of this document and which are or may be material to the Company which contains any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

- (a) An Investment Services Agreement ("ISA") dated 22 July 2014 between the Company (1) and Downing LLP (2) pursuant to which Downing has been appointed as the investment adviser to the Company.

The appointment is not for a fixed term and may be terminated by either side giving not less than 12 months' notice in writing. Downing receives an annual management fee of an amount equivalent to 2.0% of the Company's net assets, subject to Shareholders' approval at the general meeting on 6 November 2019, calculated by reference to the NAV at the previous half year (i.e. 31 March and 30 September).

The annual running costs of the Company are expected to be capped at 2.6% (including irrecoverable VAT), subject to Shareholders' approval at the general meeting on 6 November 2019, of its NAV (calculated on a semi-annual basis) with Downing paying any excess running costs above the cap.

Downing also provides administration services to the Company for a formula based fee comprising three elements: (i) a basic fee of £40,000; (ii) a fee of 0.125% of NAV per annum on funds in excess of £10 million; (iii) £10,000 per additional share pool.

The agreement contains usual provisions indemnifying Downing against any liability not due to its default, gross negligence, fraud or breach of FSMA.

- (b) A sponsor and promoter's agreement ("Promoter's Agreement") dated 19 September 2019 between the Company (1), the Directors (2), Downing (3) and SPARK Advisory Partners Limited (4) whereby Downing has agreed to act as promoter in connection with the Offer. The agreement contains warranties given by the Company and the Directors to Downing. The Company will pay to Downing a promoter's fee of (i) 2.5% of the NAV per Offer Share for each Offer Share subscribed under the Offer by, and issued to, Investors in respect of whose application no Adviser commission is payable (ii) 4.5% of the NAV per Offer Share for each Offer Share subscribed under the Offer where Adviser commission is payable. The Company shall also be responsible for paying 0.25% per annum of the Net Asset Value of the Offer Shares to Downing for a maximum of five years, from which Downing will pay annual trail commission to those intermediaries entitled to receive it. At Downing's discretion the trail commission may be waived in favour of additional upfront commission of 0.75%. Downing's role as both promoter of the Offer and investment adviser to the Company is not considered to be a material conflict of interest.

- (c) A letter of engagement dated 6 August 2019 from SPARK Advisory Partners Limited (“SPARK”) pursuant to which SPARK have been appointed as sponsor to the Company in connection with the Offer. The Company has agreed to indemnify SPARK for any loss suffered in respect of its role as sponsor to the Offer (save for when such loss has arisen out of SPARK’s breach, wilful default, misconduct or gross negligence). The Company’s liability under this indemnity is unlimited.
- (d) A performance incentive agreement, between the Company (1) and Downing (2) dated 19 September 2019 pursuant to which Downing will be paid a performance incentive fee equal to 20% of the realised gains on any exit from new investments made since 1 April 2019 (“New Investments”) when the following conditions are met:
  - (i) The Internal Rate of Return (“IRR”) of the pool group of all New Investments at the year end exceeds the hurdle rate of 5% p.a. (based on audited valuations and including realised and unrealised gains) (“IRR Hurdle”); and
  - (ii) Total Return per Share at the year end does not exceed Base Value per share (“Base Value Hurdle”). The Base Value per Share is set at Total Return per share (NAV plus dividends paid based from the date of the merger), as at 31 March 2019, being 109.8p per Share.

If any amount is not paid in a year when an investment is realised because the IRR Hurdle and/or Base Value Hurdle are not met, such amounts are deferred and can be paid in a future year if and when the IRR Hurdle and Base Value are both met again. Additionally, the amounts payable under this proposed scheme are only paid to the extent that the IRR Hurdle and Base Value are exceeded.

The appointment is not for a fixed term and will terminate at any time when the Investment Services Agreement described in 7(a) above is terminated.

## 8. General

- (a) The legal name of the Company is Downing ONE VCT plc and its principal place of business and registered office is at St. Magnus House, 3 Lower Thames Street, London EC3R 6HD (telephone no: 020 7416 7780). The Company has not, nor has had since incorporation, any employees other than its Directors. The Company does not have any subsidiaries or associated companies other than the Investment Adviser. The Company is not authorised or regulated by the FCA.
- (b) The principal place of business and registered office of the Investment Adviser is at St. Magnus House, 3 Lower Thames Street, London EC3R 6HD (telephone no: 020 7416 7780). Downing LLP has 149 employees. The Investment Adviser is UK domiciled and was incorporated in England and Wales under the 2000 Limited Liability Partnerships Act on 20 November 2008 with registered number OC341575.
- (c) BDO LLP, 55 Baker Street, London W1U 7EU are the registered auditors of the Company and are registered in accordance with the Statutory Audit Directive (2006/43/EC) and are a member of the Institute of Chartered Accountants in England and Wales.
- (d) The Board is responsible for the determination and calculation of the Company’s net asset value and announces it at least half yearly, through a regulatory information service. The Board believes that, by announcing their Company’s financial results on a regular basis, it should help to provide a fairer market price for its Shares.
- (e) The Company uses Brooks Macdonald Asset Management Limited of 72 Welbeck Street London W1G 0AY as custodian for its quoted investments. Unquoted investments are held by the Company in certificated form.
- (f) Valuation of investments

All investments are designated as “fair value through profit or loss” assets and are measured at fair value.

Listed fixed income investments are measured using bid prices in accordance with the IPEV Guidelines.

In respect of unquoted instruments, fair value is established by using the IPEV Guidelines. The valuation methodologies used by the Company to ascertain the fair value of an investment in an unquoted entity are as follows: Price of recent investment; Earnings multiple; Net assets; Discounted cash flows or earnings (of underlying business); Discounted cash flows (from the investment); and Industry valuation benchmarks.

Gains and losses arising from changes in fair value are included in the Income Statement for the year as a capital item and transaction costs on acquisition or disposal of the investment expensed.



In the event of any suspension of listing valuations are held at the suspended price and the view is taken with consideration to best market practice and information from advisers. The Directors do not anticipate any circumstances arising under which the calculation of the net asset value may be suspended. Should the determination of the net asset value differ from that set out above then this will be communicated to investors in the Company through a regulatory information service provider

- (g) Reporting to Shareholders – the Company’s annual report and accounts are made up to 31 March in each year and are normally sent to Shareholders in July. The Company’s next accounting period will end on 31 March 2020. The Company’s unaudited half yearly reports are made up to 30 September each year and are normally sent to Shareholders in December.
- (h) All material contracts of the Company will be in English and the Company and/or its Investment Adviser will communicate with Investors and/or Shareholders in English.
- (i) Complaints about the Company or the Investment Adviser should be referred to the chairman of the Board of Directors of the Company at St. Magnus House, 3 Lower Thames Street, London EC3R 6HD or the chairman of the Investment Adviser at St. Magnus House, 3 Lower Thames Street, London EC3R 6HD. Any such complaint may subsequently be referred to the Financial Ombudsman Service. Compensation will not be available from the Financial Services Compensation Scheme in the event of default by the Investment Adviser.
- (j) A typical investor will be a retail client (not a corporate) who is aged 18 or over, and pays UK income tax at a higher rate and who already owns a portfolio of non-VCT investments such as unit trusts/OEICs, 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, will make an investment of between £5,000 (or such lower amount at the Board’s discretion) and £200,000 and will be capable of understanding and be comfortable with the risks of VCT investment.
- (k) As at the date of this document, there are no governmental, economic, monetary, political or fiscal policies and factors which have or could affect the Company’s operations.
- (l) The Company has to satisfy a number of tests to qualify as a VCT and will be subject to various rules and regulations in order to continue to qualify as a VCT, as set out under paragraph 5 in Part V of this document (“Taxation Considerations for Investors”). In addition, under the rules relating to Admission, the Company must manage and invest its assets in accordance with the investment policy set out in the section headed “Investment Objective and Policy” on pages 13 to 14, which contains information about the policies which it will follow relating to asset allocation, risk diversification and gearing and which includes a maximum exposure. Investors will be informed through a regulatory information service of the action that the Board proposes to take in the event that any of these investment restrictions is breached.
- (m) All third party information in this document has been identified as such by reference to its source and has been accurately reproduced and, so far as the Company is aware, and is able to ascertain from information published by the relevant party, no facts have been omitted which would render such information inaccurate or misleading.

## **9. Stamp Duty, Stamp Duty Reserve Tax and Close Company Status**

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

The transfer on sale of any Shares will be liable to ad valorem stamp duty normally at the rate of 0.5% of the amount or value of the consideration (rounded up to the nearest £5). An unconditional agreement to transfer Shares also gives rise to an obligation to account for SDRT, which is payable within seven days of the start of the month following that in which the agreement was entered into. The payment of stamp duty gives rise to a right to repayment of any SDRT paid. There will be no stamp duty or SDRT on the transfer of the Shares into CREST unless such a transfer is made for consideration in money or money’s worth, in which case a liability to SDRT will arise usually at a rate of 0.5%. A transfer of Shares effected on a paperless basis through CREST will generally be subject to SDRT at a rate of 0.5% of the value of the consideration. Following the issue of the Shares pursuant to the Offer, the Company is not likely to be a close company for tax purposes.

## **10. Consents**

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

#### **11. Documents for Inspection**

Copies of the following documents are available for inspection at the offices of RW Blears LLP at 29 Lincoln's Inn Fields, London WC2A 3EG and at the registered office of the Company at St. Magnus House, 3 Lower Thames Street, London EC3R 6HD, during normal business hours on any weekday (public holidays excepted) from the date of this document until the closing date of the Offer:

- (a) the Memorandum of Association and Articles of the Company;
- (b) the material contracts referred to in paragraph 7 above;
- (c) the consent letters referred to in paragraph 10 above;
- (d) the Prospectus; and
- (e) the Company's audited annual accounts for the years ended 31 March 2017, 31 March 2018 and 31 March 2019 which are incorporated by reference herein.

## Part V – Taxation

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### 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 Offer 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 2019/20 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. If an Investor has sold, or if they sell, any shares in Downing ONE VCT within six months either side of the subscription for the Offer Shares, then for the purposes of calculating income tax relief on the Offer Shares the subscribed amount must be reduced by the amount received from the sale. Relief is also restricted to the amount which reduces the investor's income tax liability to nil.

##### *Dividend relief*

An investor who subscribes for or acquires eligible shares in a VCT (up to a maximum of £200,000 in the 2019/20 tax years) 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.

##### *Capital gains tax relief*

A disposal by an individual Investor of his/her shares in a VCT will neither give rise to 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*

- (a) 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).
- (b) 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.
- (c) 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 Offer Shares are eligible VCT shares for the purposes of this section.

### 3. Consequences of an Investor dying or a transfer of shares between spouses

#### *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.

#### *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.

#### *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

#### *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 a VCT, because they may be subject to tax in other jurisdictions.

#### *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 VCT 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.

#### *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/her VCT shares.

#### *The VCT Regulations 2004*

Under the VCT Regulations, monies raised by any further issue of shares by an existing VCT are subject to a grace period of three years before they must be applied in making investments which meet the VCT qualifying thresholds. However, to the extent any of the money raised (save for an insignificant amount in the context of the whole issued ordinary share capital of the VCT) is used by the VCT to purchase its own shares then this grace period shall not apply.

### 5. Tax Position of the Company

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

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

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

- (iv) the VCT must not make an investment into a company which causes that company to have received more than £5 million of state aided risk finance in a rolling 12 month period (£10 million for a 'knowledge intensive' company), or more than £12 million in total (£20 million for a 'knowledge intensive' company);
- (v) no investment can be made by the VCT in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous State aid Risk Finance was received by the company within that 7 years (10 years for a 'knowledge intensive' company) or where a turnover test is satisfied and the investment is used to enter a new product or geographical market;
- (vi) no funds received from an investment by the VCT into a company can be used to acquire another existing business or trade; and
- (vii) the VCT must not make any investments other than qualifying investments or certain non-qualifying investments specified in section 274 ITA 2007.

The VCT must not be a close company. Its ordinary share capital must be quoted on any regulated market in the EU or European Economic Area.

The VCT must not in respect of any share capital created on or after 6 April 2014, and any reserves created from the cancellation thereof, make any payment or distribution out of such share capital and reserves to shareholders within three years from the end of the accounting period in which that share capital was created.

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

- (i) at least 70% (80% from 1 April 2020) by value of its investments is represented by shares or securities comprising qualifying investments; and
- (ii) for funds raised on or after 6 April 2011, at least 70% by value of its qualifying investments are represented by "eligible shares" which are ordinary shares which carry no present or future preferential rights to a return or capital on a winding up or any redemption rights but may have certain preferential rights to dividends.

Furthermore, for accounting periods commencing on or after 6 April 2018, VCTs will be required to invest 30% of funds raised in that accounting period in qualifying investments within 12 months from the end of that accounting period.

Disposals of Qualifying Companies, which have been a qualifying holding throughout the six months prior to disposal, are disregarded for the purposes of the 70% (80% from 1 April 2020) test for a period of twelve months.

"Qualifying investments" comprise shares or securities (including unsecured loans with a five year or greater maturity period but excluding guaranteed loans and securities) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades and which meet a principles based 'risk to capital' gateway test. This test requires the company to have genuine plans to grow and develop in the long term and that there be a significant risk that the capital invested could be lost as to an amount greater than the net investment return. The trade must be carried on by, or be intended to be carried on by, the investee company or a 90% held qualifying subsidiary (directly held or in the third tier within the group) at the time of the issue of the shares or securities to the VCT and at all times thereafter. The Qualifying Company must have a permanent establishment in the UK.

A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter. The definition of a qualifying trade excludes certain activities, including dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving royalties or licence fees in certain circumstances, leasing, the provision of legal and accounting services, farming and market gardening, forestry and timber production, property development and operating or managing hotels, guest houses, nursing and residential care homes, coal production, steel production, ship building or the generation of electricity. The funds raised by the investment must be used for the purposes of the qualifying trade within certain time limits.

A qualifying investment can be made in a company which is a parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades. The subsidiary carrying on the qualifying trade in question must be at least 90% owned by the parent company. The investee company's gross assets, or those of the group if it is a parent company, must not exceed £15 million immediately prior to the investment and £16 million thereafter. Neither the VCT nor any other company may control the investee company. At least 10% of the VCT's total investment in the investee company must be in "eligible shares" as defined above. Qualifying Companies or groups must have fewer than 250 employees (500 for a "knowledge intensive company"). Companies are permitted to receive a maximum of £5 million from investments made under the European Commission's Risk Finance Guidelines in the 12 months ending on the date of the VCT's investment, and a total maximum of £12 million of such investment (£10 million and £20 million respectively for a "knowledge intensive company"). The company's

first commercial sale must be no more than seven years before the date of the VCT's investment (10 years for a "knowledge intensive company"), except where previous State Aided risk finance investment was received by the company in that seven or 10 year period, or where a turnover test is satisfied and the money is used to enter a new product or geographic market. There is also a disqualifying purpose test designed to exclude companies set up for the purpose of accessing the tax reliefs. There is an exclusion on the use of VCT funds for the acquisition of a trade, business or of shares in another company.

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

VCTs may only use the non-qualifying portion of their portfolio to make a limited range of investments for the purposes of liquidity management, specifically in listed shares, shares or units in alternative investment funds and UCITS (each of which must be redeemable on seven days' notice by the investor) and short term cash deposits.

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

**The above is only a summary of the tax position of individual investors in VCTs 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 investing in a VCT. Tax reliefs referred to in this document are UK tax reliefs and are dependent on the Company maintaining its VCT qualifying status.**

## Part VI – Definitions

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<b>1985 Act</b>	Companies Act 1985, as amended from time to time
<b>Admission</b>	date on which the Offer Shares allotted pursuant to the Offer are listed on the Official List of the UKLA and admitted to trading on the London Stock Exchange's main market for listed securities
<b>Adviser Charge</b>	fee, payable to an Intermediary, agreed with the Investor for the provision of a personal recommendation and/or related services in relation to an investment in Offer Shares, and detailed on the Application Form
<b>AIM</b>	a sub market of the London Stock Exchange established in 1995 to provide a market for small, growing companies with greater regulatory flexibility than applies to the main market
<b>Annual Running Costs</b>	annual running costs incurred by the Company in the ordinary course of its business (including irrecoverable VAT but excluding any amount payable in respect of the Performance Incentive)
<b>Applicant</b>	person who applies for Offer Shares under the Offer through means of completing an Application Form
<b>Application Form(s)</b>	Form(s) of application for Offer Shares
<b>Articles</b>	articles of association of the Company as at the date of this document
<b>Board or Directors</b>	board of directors of the Company
<b>Business Days</b>	any day (other than a Saturday or Sunday) on which clearing banks in London are open for normal banking business in sterling
<b>CA 2006</b>	Companies Act 2006 (as amended)
<b>Closing Date</b>	3.00 p.m. on 30 April 2020 unless extended at the discretion of the Directors but no later than 31 August 2020
<b>Company or Downing ONE</b>	Downing ONE VCT plc (registered number 03150868)
<b>CREST</b>	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 (registered number 02878738)
<b>Direct Investors</b>	an investor with no adviser
<b>Dividend Reinvestment Scheme or DRIS</b>	the Company's dividend reinvestment scheme, details of which are set out in Annex I to this document
<b>Downing VCT</b>	a VCT managed or advised by Downing
<b>DTR</b>	the Disclosure Guidance and Transparency Rules, made by the FCA under Part VI of FSMA and relating to the disclosure of information in respect of financial instruments
<b>Existing Investor</b>	Individual who has previously invested in any Downing product prior to subscribing for Offer Shares pursuant to this Offer
<b>Existing Shares</b>	the Ordinary Shares in issue at the date of this Prospectus
<b>Fixed Income Securities</b>	investments made by the Company which do not comprise Qualifying Investments, such as bank deposits, loan stock, bonds, preference shares and other debt instruments
<b>FSMA</b>	Financial Services and Markets Act 2000, as amended from time to time
<b>General Meeting</b>	The general meeting of the Company to be held on 6 November 2019 at 11.00 a.m. (or any adjournment thereof)
<b>IRR</b>	internal rate of return, which, when applied to the relevant cash flows, produces a net present value of zero (expressed as a percentage)
<b>ITA</b>	Income Tax Act 2007, as amended from time to time

<b>Initial Adviser Charge</b>	a one-off Adviser Charge to be paid at the time of or shortly after an investment for Offer Shares is made by an Investor
<b>Intermediary</b>	financial intermediary or adviser, authorised under FSMA, who signs the Application Form and whose details are set out on the Application Form
<b>Investment Adviser</b>	Downing LLP
<b>Investor</b>	individual who subscribes for Offer Shares pursuant to the Offer
<b>Listed</b>	admitted to the premium segment of the Official List and to trading on the London Stock Exchange
<b>Listing Rules</b>	listing rules of the UKLA
<b>London Stock Exchange or LSE</b>	London Stock Exchange plc
<b>Management</b>	individuals engaged in the business of the Company and/or the Investment Adviser
<b>ML Regulations</b>	Money Laundering Regulations 2007
<b>Net Assets</b>	gross assets less all liabilities (excluding contingent liabilities) of the Company calculated in accordance with the Company's normal accounting policies in force at the date of circulation
<b>NAV or Net Asset Value</b>	net asset value per Share
<b>New Investor</b>	Individual who subscribes for Offer Shares pursuant to the Offer
<b>New Shares</b>	shares issued under the Offer
<b>Offer</b>	offer for subscription to raise in aggregate up to £15 million (subject to the Directors' discretion to increase the maximum size of the Offer by up to an additional £25 million) by issues of Ordinary Shares by the Company pursuant to the Prospectus
<b>Offer Price</b>	the latest published NAV per Offer Share adjusted for any dividends declared and ex-dividend since the NAV date, as appropriate, and determined for each Investor by the application of the Pricing Formula to their personal circumstances
<b>Offer Shares</b>	those Ordinary Shares being made available for subscription pursuant to the Offer
<b>Official List</b>	official list of the FCA maintained in accordance with section 74(1) FSMA
<b>Ordinary Shares or Shares</b>	ordinary shares of 1p each in the capital of the Company (ISIN: GB00BFRSVQ41)
<b>Ordinary Shareholders or Shareholders</b>	holders of Ordinary Shares
<b>Performance Incentive Agreement</b>	An agreement between the Company and Downing LLP setting out the performance incentive arrangements as described in paragraph 7(d) of Part IV of this document
<b>Pricing Formula</b>	the pricing formula by which the number of Offer Shares issued under the Offer is determined for each Investor
<b>Promoter or Downing</b>	Downing LLP, the promoter of the Offer
<b>Promoter's Agreement</b>	agreement dated 19 September 2019 between the Company (1), the Directors (2), the Sponsor (3) and Downing (4), a summary of which is set out in paragraph 7(b) of Part IV of this document
<b>Prospectus</b>	this document
<b>Prospectus Regulation</b>	Regulation (EU) 2017/1129 (as amended)
<b>Qualifying Company</b>	Unquoted (including an AIM-quoted) company which satisfies the requirements of Part 4 of Chapter 6 of the ITA
<b>Qualifying Investments</b>	shares in, or securities of, a Qualifying Company held by a venture capital trust which meets the requirements described in Parts 3 and 4 of Chapter 6 of the ITA



<b>RPI</b>	inflation measured by the Retail Price Index
<b>Receiving Agent</b>	Downing
<b>Registrar</b>	Link Asset Services
<b>SPARK or the Sponsor</b>	SPARK Advisory Partners Limited
<b>Spouse</b>	spouse or civil partner
<b>Total Return</b>	NAV, together with cumulative dividends paid since the merger in November 2013
<b>VCT Regulations 2004</b>	Venture Capital Trust (Winding Up and Mergers) (Tax) Regulations SI 2004 No. 2199
<b>VCT Rules</b>	legislation, rules and HM Revenue and Customs interpretation and practice regulating the establishment and operation of venture capital trusts
<b>Venture Capital Trust or VCT</b>	venture capital trust as defined in section 259 of the ITA

## Part VII – Additional Information

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### The Company

#### 1.1 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 and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (so far, as regards the subsidiaries, as by such exercise they can secure) that the aggregate amount at any one time owing or deemed to be owing by the Company and/or any subsidiaries, determined as hereinafter mentioned, in respect of moneys borrowed by it or them or any of them shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 10% of the aggregate amount paid up on the issued share capital of the Company and the amounts standing to the credit of the consolidated reserves of the Company as shown in the latest audited Balance Sheet, adjusted where appropriate to take account of movements since that date.

#### 1.2 Cancellation of the 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 NAV 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 CA 2006 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 Offer Shares) and to transfer the balance of the special reserve, which is 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 Rules and company legislation. Distributions will not be made from such a reserve to the extent it is attributable to shares capital raised after 5 April 2014 for a minimum of three years following the end of the accounting period in which the relevant shares are issued. In order for the Company to make a Court application to gain Court approval, the Company will need shareholder approval. This approval is being sought at the general meeting on 6 November 2019.

#### 1.3 Material interests

Downing will be paid an annual investment adviser fee, subject to Shareholders' approval at the general meeting on 6 November 2019, of 2.0% of the Net Asset Value of the Company. Subject to Shareholder approval, Downing will also be entitled to receive the Performance Incentive. Further details of these arrangements are set out in Part II of this document.

#### 1.4 Results of the Offer

The results of the Offer, together with the relevant information regarding the offer price will be announced through a Regulatory Information Service provider.

#### 1.5 Major Shareholders

As far as the Company is aware, there are no, and as a result of the Offer will be no, major Shareholders holding more than 3% of the Company's Share capital or who intend to subscribe for more than 5% of the available Offer Shares. No shareholders have different voting rights.

#### 1.6 The Offer Shares

Shareholders' authority to create, allot and issue Offer Shares up to an aggregate maximum nominal value of £400,000 will be sought at a general meeting of the Company to be held on 6 November 2019. All Shareholders will have the same voting rights in respect of the existing share capital of the Company. An existing holder of Ordinary Shares who does not subscribe for Offer Shares pursuant to the Offer would experience no dilution in terms of NAV per share (as the assets of the Company will be increased by the proceeds of the Offer and the upfront costs of the Offer are borne by subscribers) but will experience dilution in terms of voting. The Offer Shares are ordinary shares of one penny each (ISIN: GB00BFRSVQ41) created under the CA 2006 and are freely transferable. The maximum number of Ordinary Shares to be issued pursuant to the Prospectus is estimated to be 48,600,508.

### 1.7 Consent to use Prospectus

The Company and the Directors consent to the use of the Prospectus by financial intermediaries and accept responsibility for the information contained in the Prospectus in respect of any subsequent resale or final placement of Offer Shares by any financial intermediary which was given consent to use this document. There are no conditions attaching to this consent. The offer period within which subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use this prospectus is given commences on 20 September 2019 and closes on 30 April 2020 (subject to the extension of the Offer at the discretion of the Directors). In the event of an offer being made by a financial intermediary, the financial intermediary will provide information to investors on the terms and conditions of the Offer at the time the offer is made. Financial intermediaries may use this Prospectus in the UK.

Any financial intermediary that uses this Prospectus must state on its website that it uses this Prospectus in accordance with the consent and the conditions attached thereto. Financial intermediaries are required to provide the terms and conditions of the Offer to any prospective investor who has expressed an interest in participating in the Offer to such financial intermediary. No financial intermediary will act as principal in relation to the Offer.

## 2. Working capital and capitalisation and indebtedness statements

### 2.1 Working capital

In the opinion of the Company, the working capital available to the Company is sufficient for its present requirements, that is, for at least 12 months from the date of this document.

### 2.2 Statement of capitalisation and indebtedness

The table below shows the capitalisation of the Company as at 31 March 2019, the most recent date to which audited financial information of the Company has been published:

	£'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	1,334
Other reserves	103,216
	<u>104,550</u>

There has been no material change in the capitalisation of the Company, total debt or shareholder equity since 31 March 2019.

The following table shows the Company's net indebtedness as at 31 July 2019, the most recent date to which unaudited management accounts of the Company have been prepared.

	<b>£'000</b>
A Cash	15,701
B Cash equivalent	-
C Trading Securities	20,637
<b>D Liquidity (A+B+C)</b>	<b>36,338</b>
<b>E Current financial receivables</b>	<b>-</b>
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>(36,338)</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>(36,338)</b>

The Company does not have any contingent or indirect indebtedness.

#### 4. 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/her to subscribe for or purchase Shares unless, in such territory, such offer or invitation could lawfully be made.
- (b) No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All Applicants will be required to warrant that they are not a US person as defined in paragraph 5(x) of Part VIII of this document or a resident of Canada.

#### 5. 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.

19 September 2019

## Part VIII - Terms and Conditions of Application

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1. In these Terms and Conditions of Application, the expression “Prospectus” means this document. The expression “Application Form” means the application form for use in accordance with these Terms and Conditions of Application. Save where the content otherwise requires, 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 Offer 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 bank account.
3. You may pay for your application for Offer Shares by cheque or banker's draft submitted with the Application Form or direct bank transfer (CHAPS/BACS/Faster Payment).
4. The contract created by the acceptance of applications in respect of the first allotment of Offer Shares will be conditional on the admission of the Offer Shares (in respect of such first allotment of Shares) being granted not later than 3.00 p.m. on 30 April 2020. If the conditions are not met, the Offer will be withdrawn and subscription monies will be returned to Investors within seven days of 30 April 2020, at their own risk, without interest. The Offer is 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;
  - (b) acknowledge that, if your subscription is accepted, you will be allocated such number of Offer Shares as determined by the Pricing Formula;
  - (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 Offer 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) in consideration of the Company agreeing that it will not, prior to the closing date of the Offer, offer any Offer Shares to any persons other than by means of the procedures set out or referred to in this document, agree that your application may not be revoked once made 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 Offer Shares applied for or to enjoy or receive any rights or distributions in respect of such Offer Shares unless and until you make payment in cleared funds for such Offer Shares and such payment is accepted by the Company (such 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 Offer Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such Offer Shares as void and may allot such Offer Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such Offer Shares (other than return of such late payment at your risk and without interest);
  - (f) agree that all cheques and banker's 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 Receiving Agent) to ensure compliance with the ML Regulations;
  - (h) agree that, in respect of those Offer 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 Offer 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 Offer 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 Offer 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 therefore 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 Offer 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 Offer 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 Offer Shares or concerning the suitability of Offer 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 Offer 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 Offer Shares;
  - (w) warrant that the Offer 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 Offer 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; and
  - (y) warrant that the information contained in the Application Form is accurate.
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 Offer 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. Downing 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, the Receiving Agent 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. The Company has taken advantage of the provisions of the CA 2006 to allow annual reports and other statutory shareholder communications to be made available in electronic form on its website as the default means of publication. This will have a positive environmental impact and save the Company some costs compared to providing all communications in hard copy form by post. By default, applicants who provide an email address on the Application Form and do not complete select any alternative notification methods, will receive notification of shareholder communications by email. Investors can elect to receive notifications by post and to receive all shareholder communications in paper form by ticking the appropriate box on the Application Form. Should you subsequently wish to change your election, you can do so at any time by contacting the Registrar, Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Notwithstanding any election, the Company may in its sole discretion send any notification or information to Shareholders in paper form.
11. Intermediaries who have not provided personal recommendations or advice to UK clients in respect of the Offer Shares and who, acting on behalf of their clients, return valid Application Forms bearing their stamp and FCA number may be entitled to commission on the amount payable in respect of the Offer Shares allocated for each such Application Form at the rates specified in the paragraph headed "Commission" in Part IX of this document. Intermediaries may agree to waive part or all of their initial commission in respect of an application for Offer Shares. If this is the case, then the offer charges will be adjusted, in accordance with the Pricing Formula. Intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission.
12. The notes included on the Application Form form part of these Terms and Conditions of Application.
13. It is a condition of the Offer to ensure compliance with the ML Regulations. Downing is therefore entitled to require, at 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 banker's 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 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 Offer 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.
14. 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 the 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.
15. 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.
16. The minimum subscription is £5,000 subject to the Board's discretion.
17. The application of the subscription proceeds is subject to the absolute discretion of the Directors.

## Part IX – Pricing of the Offer, Adviser Charges and Commission

### Pricing of the Offer

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

$$\text{Number of Offer Shares} = \left[ \begin{array}{l} \text{Amount subscribed, less:} \\ \text{(i) initial Promoter's Fee}^1 \text{ and} \\ \text{(ii) Initial Adviser Charge (if any)} \end{array} \right] \div \left[ \begin{array}{l} \text{Latest published} \\ \text{NAV} \\ \text{per Offer Share}^2 \end{array} \right]$$

<sup>1</sup>less any reduction for early applications and/or commission waived by Intermediaries (where applicable)

<sup>2</sup>adjusted for any dividends declared and ex-dividend since the NAV date, as appropriate.

**Illustrative examples** based on a subscription under the Offer of £10,000 and a NAV per Share of 78.6p (being the unaudited NAV as at 31 July 2019)

Example	Promoter's Fee	Initial Adviser Charge	Number of Offer Shares	Issue Price
(i)	4.5% (Commission payable)	N/A	$(10,000 - 450 - 0) \div 0.786 = 12,150$	<b>82.3p</b>
(ii)	2.5%	2.25%	$(10,000 - 250 - 225) \div 0.786 = 12,118$	<b>82.5p</b>
(iii)	2.5%	4.0%	$(10,000 - 250 - 400) \div 0.786 = 11,895$	<b>84.1p</b>
(iv)	1.0% (Early bird discount*)	2.0%	$(10,000 - 100 - 200) \div 0.786 = 12,340$	<b>81.0p</b>

\* Applications received and accepted by 13 December 2019 will benefit from a reduction in the Promoter's Fee of 1.5% for Existing Investors and 1.0% for New Investors, of the amount subscribed. Those received between 14 December 2019 and 28 February 2020 will benefit from a reduction in the Promoter's Fee of 1.0% for Existing Investors and 0.5% for New Investors, of the amount subscribed.

Applications made directly (not through an Intermediary) will attract a Promoter's Fee of 2.5%. It should be noted that the example Adviser Charges set out above have been provided to illustrate the pricing of the Offer and should not be considered as a recommendation as to the appropriate levels of Adviser Charges.

Income tax relief should be available on the total amount subscribed, subject to VCT Rules and personal circumstances, which in each of the above examples would be £3,000 (£10,000 at 30%).

The number of Shares issued under the Offer will be affected by a "blended" issue cost, because Applicants will have a different issue costs attributable to their application for Offer Shares depending upon whether their Application is received directly, through an Intermediary providing advice or through a platform where no advice is given.

The Company's Net Asset Value shall be announced from time to time through a regulatory information service provider.

### Adviser Charges

Commission is generally not permitted to be paid to Intermediaries save in circumstances where an "enhanced value" non-advisory service is provided or where restricted advice is provided to a professional client of the adviser. Instead of commission being paid by the Company, a fee will usually be agreed between the Intermediary and Investor for the advice and related services ("Adviser Charge"). This fee can either be paid directly by the Investor to the Intermediary or the payment of such fee may be facilitated by Downing ONE VCT plc.

If the payment of an Initial Adviser Charge is to be facilitated by the Company, then the Investor is required to specify the amount of the charge on the Application Form. The Investor will be issued fewer Shares (to the equivalent value of the Initial Adviser Charge) through the Pricing Formula set out above.

The Initial Adviser Charge is inclusive of VAT, if applicable.

We are unable to facilitate payment of any ongoing adviser charges.



**Commission**

Commission is only payable in limited circumstances noted above. Commission is payable by Downing out of its Promoter's Fee. Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2.0% of the amount invested by their clients under the Offer.

Additionally, provided that the Intermediary continues to act for the Investor and the Investor continues to be the beneficial owner of the Shares, and subject to applicable laws and regulations, the Intermediary will usually be paid an annual trail commission of 0.25% of the Net Asset Value for a maximum of five years following investment. Trail Commission will not usually be transferred to a new Intermediary after the original investment has been made.

Trail commission will be paid annually in August or September (commencing 2021) based on the audited Net Asset Value at the preceding 31 March. Initial Trail commission will be payable by Downing out of its fees. At Downing's discretion, the trail commission may be waived in favour of additional initial commission of 0.75%.

# Annex I – Terms and conditions of the Dividend Reinvestment Scheme (the “DRIS”)

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## INTRODUCTION

The Company is offering to its Shareholders the opportunity to participate in a Dividend Reinvestment Scheme (“the Scheme”) whereby they may elect to receive Shares, credited as fully paid, instead of receiving dividends in cash. This is a simple, cost effective method for Shareholders to increase the value of their investment in the Company and to benefit from additional VCT income tax relief.

To participate in the Dividend Reinvestment Scheme, Shareholders who hold their Shares in certificated form must complete the relevant part of the Application Form or download and complete the Mandate Form from [www.downing.co.uk](http://www.downing.co.uk) and return to:

**Link Asset Services c/o Downing LLP, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD**  
(or in a prepaid envelope)

Shareholders who hold their Shares in CREST must submit a CREST Dividend Election Input Message in order to participate. In each case, the relevant action must be taken, and the Application Form, Mandate Form or CREST Dividend Election Input Message received, by no later than 5.00 p.m. on the record date of the relevant dividend.

A Shareholder’s membership of the Scheme will continue until such a time as that Shareholder cancels their membership. Participation in the Scheme can be cancelled at any time subject to the cancellation request being received by Link Asset Services, the Scheme Administrator, before the record date for the relevant dividend.

The Company retains the right to suspend or terminate the Scheme at any time.

## DEFINED TERMS

<b>Application Form</b>	the form of application for Offer Shares
<b>Board or Directors</b>	the board of directors of the Company
<b>Company</b>	Downing ONE VCT plc
<b>CREST</b>	the electronic settlement system operated by Euroclear UK and Ireland Limited which allows shareholders and bondholders to hold securities in uncertificated form
<b>Dividend</b>	a dividend declared by the Company to which the Scheme applies
<b>Dividend Reinvestment Scheme or Scheme</b>	the scheme, whose terms and conditions are set out in this Annex I to the Prospectus
<b>Mandate Form</b>	the form that enables non-CREST shareholders in the Company to participate in the Dividend Reinvestment Scheme, available on Downing’s website at <a href="http://www.downing.co.uk">www.downing.co.uk</a>
<b>New Shares</b>	those Shares to be issued on the Payment Date under the Scheme
<b>Participant</b>	those shareholders who elect to participate in the Scheme or, where a shareholder holds shares as nominee, the person being the beneficial owner of the ordinary shares registered in the name of that shareholder, who elects to participate in the Scheme
<b>Payment Date</b>	the date on which a Dividend is due to be paid by the Company
<b>Record Date</b>	the date on which shareholders’ eligibility to receive a Dividend is assessed
<b>Shares or Ordinary Shares</b>	ordinary shares of 1p nominal value in the capital of the Company
<b>Scheme Administrator</b>	Link Asset Services (a trading name of Link Registrars Limited)

## RISK FACTORS

- There is no guarantee that the Company will continue to meet its investment objectives nor that suitable investment opportunities will be available. Past performance of the Company is no guarantee of future performance and past returns may not be repeated. Your capital is at risk if you invest in the Company and you may lose some or all of your capital.
- If Shareholders dispose of their VCT shares before the expiry of five years from the date of their issue, any income tax relief received on subscription will have to be repaid.
- Though 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 maintain such status could result in adverse tax consequences for investors, including being required to repay the 30% income tax relief.
- The ability of the Company to obtain maximum value from its investments, such as through a sale or takeover, may be restricted due to the requirement that it satisfy certain conditions necessary for it to maintain its VCT status.
- The Company's investments will generally be in relatively small companies whose securities may not be liquid and may therefore be difficult to realise and there can be no assurance that appreciation in value will occur.
- Whilst the Company's shares are listed on the London Stock Exchange, there is a limited secondary market for VCT shares which usually trade at a discount to their net asset value, and Shareholders may have difficulty in selling their shares.
- The information in this document is based on existing legislation and the tax reliefs described are those that are currently available. The tax rules or their interpretation in relation to an investment in the Company and/or rates of tax may change during the life of the Company and may apply retrospectively.

## TERMS AND CONDITIONS OF THE SCHEME

1. By electing to participate in the Scheme, Shareholders on the register of members of the Company at the close of business on a given Record Date may elect to receive New Shares, credited as fully paid, instead of the cash they would otherwise be due in respect of Dividends. The election may, subject to condition 3(d) and 3(e) overleaf, only be made in respect of all (and not some only) of each Dividend and if accepted by the Scheme Administrator shall, subject to conditions 7 and 14 below, operate as a mandate.
2. The Company shall apply the monies held within the Scheme (being the amount of each Dividend paid on Shares held by, or on behalf of, Participants) to invest in New Shares in the Company. The Company shall not have the discretion to vary such investments and Shareholders may not instruct the Company or the Scheme Administrator to make any other investments.
3.
  - (a) On or as soon as practicable after a Payment Date, the Participant's funds held by the Company shall be applied on behalf of that Participant in a subscription for the maximum number of New Shares that can be allotted for such investment.
  - (b) The number of New Shares issued to a Participant pursuant to clause 3(a) above shall be calculated by dividing the aggregate value of the Participant's funds by the net asset value per Share of the Company (as determined by the Board on or around the Record Date but which will normally be the most recently announced financial year end or half yearly net asset value, as adjusted for dividends).
  - (c) No fractions of Shares will be issued under the Scheme and no balance of any cash remaining with the Scheme Administrator after the calculation of each Participant's entitlement to New Shares shall be payable to Participants.
  - (d) The Directors may, at their discretion, allow a Shareholder to make a partial reinvestment of a Dividend, where that shareholder is acting on behalf of more than one beneficial holder, for example through a nominee shareholding made in CREST or other custodians, nominees or trustees. A CREST Dividend Election Input Message must contain the number of Shares for which the election is being made. A cash dividend will automatically be paid on any Shares which are not specified in a CREST Dividend Election Input Message.

- (e) Where Shares in certificated form are registered in the name of a nominee, the nominee should notify the beneficial shareholder of the amount of the dividend to which he or she is entitled. The nominee should then complete the first page of the Mandate Form together with the 'Nominee Shareholdings' section on the second page of the Mandate Form and confirm that the dividends attributable to such beneficial Shareholder(s) listed shall be applied towards participation in the Scheme and that the New Shares allotted under the Scheme are to be issued in the name of the nominee.
4. As soon as practicable after the issue of New Shares to a Participant in accordance with clause 3 above, the Scheme Administrator shall take all necessary steps to ensure that the Participant is entered onto the share register of the Company as the registered holder of those New Shares and that share certificates in respect of such Shares are issued and delivered to the Participant at his/her own risk. CREST members who have validly elected to receive New Shares will have their CREST accounts credited directly with the relevant New Shares.
5. A statement shall be attached to each new share certificate issued to a Participant, or if Shares are held in CREST shall be sent separately to the Participant's nominee, setting out (a) the total dividend payable, (b) the number and class of New Shares allotted, (c) the price at which the New Shares have been allotted, and (d) the balance of any residual cash (notwithstanding that the same shall not be payable to the Participant in accordance with clause 3(c) together with any other such information as may be required by the UKLA Listing Rules.)
6. All costs and expenses incurred by the Scheme Administrator in administering the Scheme will be borne by the Company.
7. Shareholders who wish to hold their Shares in certificated form can apply by completing the Application Form or Mandate Form and returning it to:

**Link Asset Services c/o Downing LLP, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD**

Shareholders who hold their shares in CREST can only apply to the Scheme by use of the CREST Dividend Election Input Message. In each case, the relevant action must be taken, and the Application Form, Mandate Form or CREST Dividend Election Input Message received, by no later than 5.00 p.m. on the record date for the relevant dividend.

8. If, prior to the day on which the Shares become ex-dividend, a Shareholder has sold or transferred all or some of his/her Shares in the Company, the Shareholder should consult his/her stockbroker or agent without delay as to how to proceed.
9. New Shares will be new ordinary shares issued by the Company and will, subject to the individual Shareholders' particular circumstances, attract VCT reliefs applicable for the current tax year. The tax reliefs currently available to investors in new VCT shares for the 2019/20 tax year in respect of investments of up to £200,000 per person are as follows:
  - i. Income tax relief of up to 30% provided the Shares are not disposed of (other than between spouses) within five years of issue. This relief is restricted to the amount that reduces the investor's income tax liability for the year to nil.
  - ii. No liability to income tax on dividends paid by the VCT.
  - iii. No capital gains tax on any gain or loss accruing to investors on a disposal of Shares in the VCT after five years of ownership.

Legislation introduced by the Government in its 2014 Budget restricts income tax relief on the subscription of new VCT shares where an investor has sold shares in the same VCT within the period of six months before to six months after the subscription. **Please note that this restriction does not apply to Shares subscribed for through dividend reinvestment schemes and so will not apply to New Shares subscribed for under the Scheme.**

10. Each Participant warrants to the Scheme Administrator that (a) save in the case of a shareholder holding its shares as a nominee, during the continuance of his/her participation in the Scheme he/she will remain the sole owner of the New Shares free from encumbrances or security interests; (b) all information set out in the Application Form, Mandate Form or CREST Dividend Election Input Message is correct and, to the extent any of the information changes he/she will notify the changes to the Scheme Administrator.
11. The right to participate in the Scheme will not be available to any person who has a registered address in any jurisdiction outside the UK. No such person receiving a copy of the Scheme documents may treat them as offering such a right unless an offer could properly be made to such person. It is the responsibility of any Shareholder wishing to participate in the Scheme to be satisfied as to the observance of the laws in the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).

12. Participants acknowledge that the Scheme Administrator is not providing a discretionary management service. Neither the Scheme Administrator nor the Company shall be responsible for any loss or damage to Participants as a result of their participation in the Scheme unless due to the negligence or wilful default of the Scheme Administrator or the Company or their respective employees and agents.
13. Participants may:
  - a) at any time by notice to the Scheme Administrator terminate their participation in the Scheme; and
  - b) in respect of shares they hold as nominee, give notice to the Scheme Administrator that, in respect of a forthcoming Payment Date, their election to receive shares is only to apply to a specified amount due to the Participant as set out in such notice.

Such notices shall not be effective in respect of the next forthcoming Payment Date unless received by the Scheme Administrator on or before the record date of the relevant dividend. In respect of notices under (a) above, such notice will be deemed to have been served where the shareholding of the Participant reduces to nil.
14. If a nominee, prior to a Record Date, sells Shares on behalf of the beneficial owner of such Shares, the nominee agrees to notify the Scheme Administrator of the full details of the sale as soon as practicable. Neither the Company nor the Scheme Administrator shall be responsible for any loss or damage as a result directly or indirectly of a failure by a nominee to comply with such obligation.
15. The Company retains the absolute right to suspend or terminate the Scheme at any time without notice. In the event of termination, Dividends will be paid in full in cash in the usual way.
16. The Company is entitled to amend the Scheme and conditions on giving five business days' notice in writing to all Participants. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to Participants unless, in the Company's opinion, the change materially affects the interests of Participants. Amendment to the terms and conditions of the Scheme which are of a minor/technical nature and which do not adversely affect the interests of Participants may be effected without notice.
17. By completing and returning the Application Form, Mandate Form to the Scheme Administrator or completing the CREST Dividend Election Input Message, the Participant (a) agrees to provide the Company with any information which it may request in connection with such application and to comply with legislation relating to VCTs or other relevant legislation (as may be amended from time to time); and (b) declares that a loan has not been made to the Participant on whose behalf the Shares are held or any associate of either of them, which would not have been made or not have been made on the same terms but for the Participant electing to receive New Shares and that the New Shares are being acquired for bona fide investment purposes and not as part of a scheme or arrangement the main purpose of which is the avoidance of tax.
18. An application will be made to the FCA for admission of New Shares to the Official List of the London Stock Exchange's main market for listed securities. The New Shares issued under the Scheme will rank *pari passu* in all respects with the Shares currently in issue.
19. Subscriptions by individuals for New Shares should attract applicable VCT tax reliefs (subject to the individuals' particular circumstances) for the current tax year provided that such subscriptions do not exceed £200,000. Where Shares are registered in the name of a nominee, the nominee shall notify the beneficial shareholder of the amount of any Dividend to which he/she is entitled and which is eligible for participation in the Scheme. The nominee should then complete the Mandate Form as appropriate and confirm that the Dividend attributable to the Shares held on behalf of such individual shall be applied towards participation in the Scheme and that New Shares are to be issued in the name of the nominee to be held on behalf of the relevant beneficial shareholder(s). Please note that Participants and beneficial shareholders are responsible for ascertaining their own tax status and liabilities and neither the Scheme Administrator nor the Company accepts any liability in the event that tax reliefs are not obtained. New Shares may not attract VCT reliefs and beneficial shareholders should obtain tax advice in relation to their own particular circumstances.
20. These Scheme terms and conditions shall be governed by, and construed in accordance with English law and each Participant submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

**Shareholders in any doubt about their tax position should consult their independent professional adviser.**

## Directors and advisers

<b>Directors (all non-executive)</b>	Chris Kay (Chairman) Barry Dean Stuart Goldsmith all of St. Magnus House, 3 Lower Thames Street London EC3R 6HD
<b>Company Secretary and Registered Office</b>	Grant Whitehouse St. Magnus House, 3 Lower Thames Street London EC3R 6HD
<b>Investment Adviser and Administrator of Downing ONE VCT plc</b>	Downing LLP St. Magnus House, 3 Lower Thames Street London EC3R 6HD
<b>Sponsor</b>	SPARK Advisory Partners Limited 5 St John's Lane, London EC1M 4BH
<b>Solicitors to the Company and Arranger of the Offer</b>	RW Blears LLP 29 Lincoln's Inn Fields London WC2A 3EG
<b>Promoter and Receiving Agent</b>	Downing LLP St. Magnus House, 3 Lower Thames Street London EC3R 6HD
<b>Auditors</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Bankers</b>	Royal Bank of Scotland London Victoria Branch 119/121 Victoria Street London SW1E 6RA  Bank of Scotland 33 Old Broad Street London EC2N 1HZ
<b>Registrar</b>	Link Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>VCT Taxation Advisers</b>	Philip Hare & Associates LLP Hamilton House 1 Temple Avenue London EC4Y 0AH

There is no family relationship between any of the Directors, the Company Secretary or any member of Management.



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