

# Downing FOUR VCT plc

—  
Prospectus

Generalist and Healthcare  
Share Classes

Offer for Subscription  
2018/19 & 2019/20 tax years

Downing



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This document, which comprises a prospectus dated 13 November 2018 issued by Downing FOUR VCT plc (the “**Company**”) (the “**Prospectus**”), has been prepared in accordance with the Prospectus Rules made under section 73A and in accordance with section 84 of Financial Services and Markets Act 2000 (“**FSMA**”) and has been approved by, and filed with, the Financial Conduct Authority (“**FCA**”).

The Company and its Directors, whose names appear on page 15 of this document, accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Company and its Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the UK Listing Authority for all the New Generalist Shares and New Healthcare Shares, issued and to be issued in the capital of the Company, to be admitted to the premium segment of the Official List. Application will also be made to the London Stock Exchange for all the New Generalist Shares and New Healthcare Shares to be admitted to trading on its main market for listed securities (“**Admission**”). It is expected that Admission will become effective, and that dealings in these shares will commence 10 Business Days following allotment. No application is currently intended to be made for the New Generalist Shares and/or New Healthcare Shares to be admitted to listing or dealt with on any other exchange. The existing Generalist Shares and Healthcare Shares are already admitted to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities.

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

RW Blears LLP, which is regulated in the UK by the Solicitors Regulation Authority, is acting as arranger and legal adviser to the Company and Downing LLP and no-one else and will not be responsible to any other person for providing advice in connection with any matters referred to in this document.

In connection with the Offers, Downing LLP (“**Downing**”), the promoter of the Offers and investment and administration manager 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 (subject to those responsibilities and liabilities arising under FSMA and the regulatory regime established thereunder) or for providing advice in relation to the Offers. Downing is authorised and regulated in the UK by the FCA.

**Downing FOUR VCT plc**  
(Incorporated in England and Wales under the Companies Act 1985 with registered number 06789187)  
**Offers for Subscription**  
**for the 2018/19 and 2019/20 tax years**  
of up to 22,000,000 New Generalist Shares and  
11,500,000 New Healthcare Shares in the capital of the Company  
**Investment Manager and Promoter**  
Downing LLP

Following the Offers, assuming Full Subscription and ignoring the over-allotment facility, the Company’s issued share capital will be as follows:

Share class	Issued and to be issued fully paid	
	No. of Shares	Nominal value
DSO D Shares (ISIN: GB00B6QPQ463)	7,867,247	£7,867.25
DP67 Shares (ISIN: GB00BWX53D91)	11,192,136	£11,192.14
DP2011 General Ordinary Shares (ISIN: GB00BWX53847)	15,644,066	£15,644.06
DP2011 General A Shares (ISIN: GB00BWX53730)	18,418,614	£18,418.61
DP2011 Structured Ordinary Shares (ISIN: GB00BWX53B77)	10,678,725	£10,678.73
DP2011 Structured A Shares (ISIN: GB00BWX53C84)	12,572,817	£12,572.82
Generalist Shares (ISIN: GB00BDHF5B49)	66,201,095	£66,201.10
Healthcare Shares (ISIN: GB00BDHF5D62)	29,573,360	£29,573.36

The subscription list for the Offers will open on 14 November 2018 and may close at any time thereafter but, in any event, not later than 3.00 p.m. on 5 April 2019 in the case of the 2018/19 Offer and not later than 3.00 p.m. on 30 June 2019 in the case of the 2019/20 Offer, unless previously extended by the Directors (but to no later than 31 October 2019). The terms and conditions of the Offers are set out on pages 60 to 63 of this document. The Offers are not underwritten.

Assuming Full Subscription, the gross proceeds of the Offers will be approximately £30.5 million. If the Offers are over-subscribed, they may be increased at the discretion of the Board and subject to Shareholder approval, by utilising the over-allotment facility to approximately £71.1 million in total (no more than 55,000,000 Generalist Shares and 43,000,000 Healthcare Shares in total, including Management Shares).

Your attention is drawn to the risk factors set out on page 12 to 13 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.

## Offer Statistics for the Company

NAV per Generalist Share*	90.4p
NAV per Healthcare Share*	86.9p
Proceeds of the Offers (assuming Full Subscription, including Management Shares but ignoring the over-allotment facility)	£30,500,000
Number of Generalist Shares in issue	66,201,095
Number of Healthcare Shares in issue (following the Offers, at Full Subscription, ignoring the over-allotment facility and including Management Shares)	29,5713,360

\*NAV per Generalist Share and Healthcare Share is calculated by dividing the net assets of each class, by the number of shares in issue (less the Management Shares).

## Financial Calendar

Financial year end	31 March
Final results announcement	July
Annual general meeting	September
Half-yearly results announcement	November/December

## Offer costs

Promoter's Fee – Adviser commission payable	5.0%
Promoter's Fee – No Adviser commission payable	3.0%

## Early Applications (for one off investments only)

Accepted valid applications (for one off investments) which are received by certain dates will benefit from the offer costs (as a percentage of the amount subscribed) being reduced by the amounts set out below:

Applications received	Reduction in offer costs
by 28 December 2018	1.0%
29 December – 4 January 2019	0.9%
5 – 11 January 2019	0.8%
12 – 18 January 2019	0.7%
19 – 25 January 2019	0.6%
26 January – 1 February 2019	0.5%
2 – 8 February 2019	0.4%
9 – 15 February 2019	0.3%
16 – 22 February 2019	0.2%
23 February – 1 March 2019	0.1%
on or after 2 March 2019	nil

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

## SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. The Elements are numbered in Sections A—E.

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with an appropriate ‘not applicable’ statement.

<b>A</b>		<b>Introduction and warnings</b>
A1	Warning	This summary should be read as an introduction to the prospectus published by Downing FOUR VCT plc (the “ <b>Company</b> ”) and dated 13 November 2018 (the “ <b>Prospectus</b> ”). Any decision to invest in the securities of the Company should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the claimant investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary, including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the 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 securities of the Company.
A2	Use of Prospectus by financial intermediaries	<p>The Company and the Directors consent to the use of the Prospectus and accept responsibility for the content of the Prospectus for subsequent resale or final placement of the securities in the Company by financial intermediaries in the UK. The period in which such consent to use the Prospectus is given begins with the date of the Prospectus and ends on the close of the Offers, for the purpose of introducing subscribers for Generalist Shares and Healthcare Shares. The Offers are expected to close on or before 30 June 2019, unless previously extended by the Directors to a date not being later than 31 October 2019.</p> <p><b>Financial intermediaries must give Investors information on the terms and conditions of the Offers at the time the Offers are introduced to them by the financial intermediary.</b></p>
<b>B</b>		<b>Issuer</b>
B1	Legal and commercial name.	Downing FOUR VCT plc.
B2	Domicile/ Legal form/ Legislation/ Country on incorporation	The Company is a public limited liability company which is registered in England and Wales with registered number 06789187. The principal legislation under which the Company operates is the Companies Act 2006 (the “ <b>Act</b> ”) and the regulations made thereunder.
B5	Group description	Not applicable. The Company is not part of a group.

B6 Major shareholders The Company is not aware of any person who has, as at the date of this document, or who immediately following the issue of the Generalist Shares and/or Healthcare Shares under the Offers (assuming Full Subscription, a Promoter's Fee of 3% paid by all Investors, and no Adviser Charges), will or could have, directly or indirectly, voting rights representing 3% or more of the issued share capital of the Company or who can, or could following the Offers, directly or indirectly, exercise control over the Company.

B7 Selected financial information and statement of any significant changes Certain selected financial information of the Company, which has been extracted without material adjustment from its audited financial statements, is set out below:

	<b>Audited year end to 31 March 2018</b>	<b>Audited year end to 31 March 2017</b>	<b>Audited year end to 31 March 2016</b>
<i>DSO Ordinary Share Pool</i>			
Net Assets	n/a	n/a	£3,000
Net asset value per DSO Ordinary Share	n/a	n/a	-
Dividends paid per DSO Ordinary Share	n/a	n/a	116.2p
Net asset value per DSO A Share	n/a	n/a	-
Dividends paid per DSO A Share	n/a	n/a	15.5p
<i>DSO B Share Pool</i>			
Net Assets	-	£4,150,000	£3,528,000
Net asset value per DSO B Share	-	15.2p	17.6p
Dividends paid per DSO B Share	95.94p	91.5p	91.5p
Net asset value per DSO C Share	-	0.1p	0.1p
Dividends paid per DSO C Share	10.94p	-	-
<i>DSO D Share Pool</i>			
Net Assets	£4,280,000	£5,992,000	£5,945,000
Net asset value per DSO D Share	50.0p	76.1p	75.6p
Dividends paid per DSO D Share	52.5p	27.8p	20.0p
<i>DP67 Share Pool</i>			
Net Assets	£5,594,000	£7,431,000	£6,837,000
Net asset value per DP67 Share	50.0p	66.1p	60.4p
Dividends paid per DP67 Share	49.8p	27.8p	23.8p
<i>DP2011 General Share Pool</i>			
Net Assets	£3,744,000	£8,093,000	£12,826,000
Net asset value per DP2011 General Ordinary Share	-	15.0p	75.1p
Dividends paid per DP2011 General Ordinary Share	70.0p	55.0p	22.5p
Net asset value per DP2011 General A Share	20.3p	31.2p	5.9p
Dividends paid per DP2011 General A Share	15.0p	-	-

<i>DP2011 Structured Share Pool</i>			
Net Assets	£1,888,000	£4,532,000	£9,001,000
Net asset value per DP2011 Structured Ordinary Share	-	4.8p	77.1p
Dividends paid per DP2011 Structured Ordinary Share	70.0p	65.0p	22.5p
Net asset value per DP2011 Structured A Share	15.0p	31.9p	6.1p
Dividends paid per DP2011 Structured A Share	20.0p	-	-
<i>DP2011 Low Carbon Share Pool</i>			
Net Assets	-	£3,262,000	£6,942,000
Net asset value per DP2011 Low Carbon Ordinary Share	-	40.5p	41.6p
Dividends paid per DP2011 Low Carbon Ordinary Share	107.3p	73.9p	73.9p
<i>Generalist Share Pool</i>			
Net Assets	£29,474,000	£21,440,000	n/a
Net asset value per Generalist Share	95.5p	99.9p	n/a
Dividends paid per Generalist Share	-	-	n/a
<i>Healthcare Share Pool</i>			
Net Assets	£11,355,000	£4,518,000	n/a
Net asset value per Healthcare Share	94.6p	99.7p	n/a
Dividends paid per Healthcare Share	-	-	n/a

On 25 August 2016 the DSO Ordinary Shares and the DSO A Shares were converted into deferred shares, repurchased and cancelled.

On 10 April 2018 the DSO B Shares, DSO C Shares and DP2011 Low Carbon Shares were converted into deferred shares, repurchased and cancelled.

On 13 August 2018 the Company paid dividends of 24.0p per DSO D Share, 7.0p per DP2011 General A Share and 5.0p per DP2011 Structured A Share.

As at 19 October 2018 the Net Asset Values of the Generalist and Healthcare Shares stood at 90.4p and 86.9p respectively. The movements from 31 March 2018 are explained in Part IV(4) on pages 35 to 36.

B8	Selected key pro forma financial information	Not applicable. There is no pro forma financial information in the Prospectus.
B9	Profit forecast	Not applicable. No profit forecast or estimate is made in the Prospectus.
B10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. There is no historical financial information contained within the Prospectus which is subject to any such qualification.
B11	Insufficient Working capital	Not applicable. The Company is of the opinion that the working capital available is sufficient for the Company's present requirements, being at least twelve months from the date of this document.

B34 Investment policy

### **Asset allocation**

It is intended that at least 70% (80% from 1 April 2020) of each share pools' funds are invested in VCT Qualifying Investments within three years of the close of the relevant share offer, with 30% of any new monies raised so invested within 12 months of the end of the accounting period in which those monies are raised. The remainder of the funds will be held in Non-Qualifying Investments.

For share pools designated as having a "planned exit" strategy, following the fifth anniversary of the last share allotment, the Company will seek realisations of its investments such that funds can be returned to Shareholders.

### **VCT Qualifying Investments**

New VCT Qualifying Investments will normally comprise investments in businesses that are less than 7 years old and require funding to support the growth of the business. Investments may be in a range of sectors which are allowable under the VCT Regulations.

The Company will focus on development and expansion funding for unquoted businesses and will not usually undertake very early stage or start up investments.

Specific share pools may have a generalist focus or may focus on certain sectors according to the strategy of that specific share pool.

VCT Qualifying Investments made in 2015 and earlier were made under previous VCT Regulations and focused on investments in UK businesses that own substantial assets (over which a charge could be taken by the Company) or have predictable revenue streams from financially sound customers.

### **Non-Qualifying Investments**

The funds not employed in VCT Qualifying Investments will be invested in Non-Qualifying Investments as allowed by the VCT Regulations. These will typically be cash deposits and investments in quoted securities, investment trusts or OEICs.

Non-Qualifying Investments made prior to 5 April 2016 were typically made in structured products and secured loans.

### **Risk diversification**

The Directors control the overall risk of the Company. Downing ensures that, for each share pool, the Company has exposure to a diversified range of VCT Qualifying Investments from different sectors and adheres to the holding limit that no investment in a company may represent more than 15% by value of the Company's total investments at the time of investment.

### **Listing Rules**

As a company whose shares have been admitted to the Official List, the Company conducts its business in accordance with the Listing Rules.

### **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.

### **Borrowing policy**

It is not the Company's intention to have any borrowings, but it reserves the right to should the need arise. The Company does, however, have the ability to borrow a maximum amount equal to 15% of the aggregate amount paid on any shares issued by the Company (together with any share premium thereon).

### **Trading Activity**

The Company does not carry out any trading activity which is significant in the context of the Company.



B35	Borrowing limits	The Company's Articles permit borrowing up to a sum equal to no more than 15% of the amount paid up on the Company's issued shares. Based on the latest audited accounts for the year ended 31 March 2018, this figure would be £8.4 million. The Board currently has no intention to use borrowing but reserves the right to should the need arise. The Company has incurred no borrowings to date.
B36	Regulatory status	The Company is subject to the Act and the regulations made thereunder and UK law generally; its Shares are listed on the premium segment of the Official List and, as a qualifying VCT, it is subject to regulation by HMRC in order to retain such status.
B37	Typical investor	A typical investor in the Company will be a UK higher-rate income tax payer, over 18 years of age and with an investment range of between £3,000 and £200,000 who is capable of understanding and is comfortable with the risks of VCT investment.
B38	Investment of 20% or more in a single company	Not applicable. The Company does not and will not hold any investments which represent more than 20% of its gross assets in a single company or group.
B39	Investment of 40% or more in a single company	Not applicable. The Company does not and will not hold any investments which represent more than 40% of its gross assets in a single company or group.
B40	Service providers	<p>Downing acts as the investment manager to the Company and receives an annual fee of 1.5% of the net assets of the DSO D Shares per annum, 1.8% of the net assets of the DP2011 General Shares and DP2011 Structured Shares per annum, 1.35% of the net assets of the DP67 Shares per annum, 2.5% of the net assets of the Healthcare Shares per annum and 2.0% of the Generalist Shares per annum.</p> <p>In respect of administration fees, Downing is paid a formula based fee comprising three elements: (i) a basic fee of £40,000; (ii) a fee of 0.1% per annum on funds in excess of £10 million; (iii) £5,000 per additional share pool.</p> <p>Performance incentives for the DP2011 General and DP2011 Structured shares pools are payable to management under a mechanism triggered by the A Share classes. A performance incentive fee is payable in respect of the DSO D Shares. No performance incentive scheme is in place in respect of the DP67 Share pool.</p> <p>In respect of the Generalist Shares and Healthcare Shares, a performance incentive scheme is in place utilising the Management Shares, which will be maintained at 20% of the total number of Generalist and Healthcare Shares in issue. As part of this arrangement, in order to prevent dilution to the holders of the Generalist and Healthcare Shares, Management will waive the voting rights attaching to these Management Shares at any general meeting of the Company and any income or capital distributions otherwise payable on these Management Shares will be waived unless the relevant share class has achieved a Total Return (based on audited year end results) in excess of £1 per share for the years ended 31 March 2018, and the years ending 31 March 2019 and 31 March 2020. For subsequent years the Total Return hurdle increases by 3p per annum such that for the year ending 31 March 2021 the hurdle is £1.03, for the year ended 31 March 2022 the hurdle is £1.06 etc.</p> <p>If the Hurdle is met, the Management Shares would receive dividends equal to 20% of the total dividends paid for the relevant year in respect of that share class.</p>
B41	Regulatory status of Downing	Downing LLP is registered in England and Wales as a limited liability partnership with registered number OC341575. Downing is authorised and regulated by the Financial Conduct Authority, with registration number 545025.

B42 Calculation of Net Asset Value The Company's net asset value is calculated at least every six months and published on an appropriate regulatory information service. If for any reason valuations are suspended, Shareholders will be notified in a similar manner.

B43 Umbrella collective investment scheme Not applicable. The Company is not part of an umbrella collective investment scheme.

B44 Absence of financial statements Not applicable. The Company has commenced operations and published financial statements.

B45 Portfolio The Company's existing VCT Qualifying Investment portfolio comprises unquoted UK trading companies including young businesses requiring investment to support growth, businesses that own substantial assets or have predictable revenue streams, and businesses specialising in the healthcare and bioscience industry. Funds not employed in Qualifying Investments are typically cash deposits and investments in quoted securities, investment trusts or OEICs.

	<b>NAV per Share at 19 October 2018 (p)</b>	<b>Number of investments as at 19 October 2018</b>	<b>Carrying value of investments as at 19 October 2018 (£'000)</b>
DSO D Shares	30.3	7	1,489
DP67 Shares	50.5	7	4,564
DP2011 General Ordinary Shares	-	-	-
DP2011 General A Shares	13.0	7	2,224
DP2011 Structured Ordinary Shares	-	-	-
DP2011 Structured A Shares	9.8	5	1,028
Generalist Shares	90.4	25	23,650
Healthcare Shares	86.9	8	6,386

B46 Most recent Net Asset Value As at 19 October 2018, the unaudited NAV was 30.3p per DSO D Share, 50.5p per DP67 Share, 0.0p per DP2011 General Ordinary Share, 13.0p per DP2011 General A Share, 0.0p DP2011 Structured Ordinary Share, 9.8p per DP2011 Structured A Share, 90.4p per Generalist Share and 86.9p per Healthcare Share.

<b>C</b>		<b>Securities</b>			
C1	Types and class of securities	The Company will issue New Generalist Shares and New Healthcare Shares under the Offers: -			
			<b>Generalist Shares</b>	<b>Healthcare Shares</b>	
		ISIN	GB00BDHF5B49	GB00BDHF5D62	
		SEDOL	BDHF5B4	BDHF5D6	
C2	Currency	Sterling.			
C3	Number of securities to be issued	Under the Offers, up to a maximum of 98,000,000 Shares in the Company will be issued (including Management Shares and the over-allotment facility).			
C4	Description of the rights attaching to the securities	The Generalist and Healthcare Shares will have the following rights:			
			<b>Income &amp; capital</b>	<b>Voting</b>	<b>Redemption</b>
		Generalist Shares	<p>Holder of Generalist Shares will have the right to receive a portion of the distributed income and capital of the assets of the Generalist Share pool pro rata to the number of such shares which they hold.</p>	1,146 Base Votes* per share	Non - redeemable
		Healthcare Shares	<p>Holder of Healthcare Shares will have the right to receive a portion of the distributed income and capital of the assets of the Healthcare Share pool pro rata to the number of such shares which they hold</p>	1,146 Base Votes* per share	Non - redeemable
		<p>* The number of Base Votes per share is determined by reference to the relative net assets attributable to each class of shares and is subject to adjustment if the net asset value increases or decreases in steps of 25%.</p> <p>The New Generalist Shares will rank equally in all respects with the Existing Generalist Shares and the New Healthcare Shares will rank equally in all respects with the Existing Healthcare Shares.</p>			
C5	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Generalist Shares and Healthcare Shares.			
C6	Admission	Application will be made to the UKLA for the Offer Shares to be listed on the premium segment of the Official List and will be made to the London Stock Exchange for such shares to be admitted to trading on its main market for listed securities. It is anticipated that dealings in the Offer Shares will commence no later than 10 Business Days following allotment.			
C7	Dividend policy	The Board's policy is to whenever possible maintain a steady flow of tax-free dividends, generated from income or capital profits realised on the sale of investments. The level of dividends is not guaranteed. The Company intends to adopt a strong dividend policy, where possible distributing at least 4% of the net assets of each of the Generalist Share and the Healthcare Share pools each year as dividends. In practice, it is unlikely that any dividends will be paid within the first three years of the life of the Generalist and Healthcare Share classes. In accordance with the VCT rules, such distributions will not be made out of capital or cancelled share premium which is less than three years old.			

**D**

D2 Key information on the risks specific to the issuer

**Risks***The Company*

- 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 the Company, Downing and other funds managed or advised by Downing is not a reliable guide to future performance and the value of an investment in the Company. The Shares may fall as well as rise in value 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 or investments the Company makes, and/or the rates of tax applicable, 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, particularly following recent changes to the VCT rules, 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 will not be in a position to protect its interests fully.
- The Company’s investments may be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT status of the Company which may restrict the Company’s ability to obtain maximum value from its investments.

D3 Key information on the risks specific to the securities

- The value of Generalist Shares and/or Healthcare Shares may fall below the original amount invested, their market price may not fully reflect the underlying Net Asset Values and dividends may not be paid. Investment in the Company should be viewed as a long-term investment.
- 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 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 their NAV.

<b>E</b>		<b>Offers</b>
E1	Net proceeds and costs of the issue	The maximum costs and expenses relating to the Offers, assuming Full Subscription by Investors in respect of whose applications commission is payable, are 5% or approximately £1,500,000. The total net proceeds of the Offers, on the above assumptions, after all fees and including the Management Shares, are expected to be £29,000,000.
E2a	Reason for the Offers and use of proceeds	<p>The Board believes that the current economic climate will continue to create opportunities for those investors able to take a medium to long term view to invest in well managed UK businesses that need capital to expand but are facing a shortage of finance, resulting in higher portfolio returns. The additional funds raised under the Offers will enable the Company to increase the pace of its investment activity and both the number and size of its investments in the future and will finance running costs. By raising more capital, the running costs per Share in the Company will be reduced as the fixed costs are spread over a larger asset base.</p> <p>The Company will use the net proceeds of the Offers, expected to be £29,000,000 on the above assumptions, to invest predominantly in unquoted VCT Qualifying Companies, in line with the Company's investment policy.</p>
E3	Terms and conditions of the Offer	Up to 22,000,000 New Generalist Shares and 11,500,000 New Healthcare Shares in the Company are offered at the Offer Price under the Offers, payable in full upon application. If the Offers are oversubscribed, they may be increased at the discretion of the Board up to a maximum of 44,000,000 New Generalist Shares and 34,400,000 New Healthcare Shares, in aggregate. Management Shares equal to 20% of the number of New Shares subscribed will also be issued at par in accordance with the Performance Incentive scheme described above.

**Adviser Charges, Pricing of the Offers and Commission**

Commission is not permitted to be paid to Intermediaries save where the Intermediary (a) has provided a non-advisory service which meets certain enhanced quality criteria or (b) who has provided restricted advice to its professional client. Instead of commission being paid by the VCT, a fee will usually be agreed between the Intermediaries and Investor for the advice ("**Adviser Charge**"). This fee can either be paid directly by the Investor to the Intermediary or, if it is an initial one-off fee, the payment of such fee may be facilitated by the Company. Ongoing fees will not be facilitated by the Company. If the payment of the 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 (see Box 4). The Investor will be issued fewer Generalist Shares and/or Healthcare Shares (to the equivalent value of the Adviser Charge) through the Pricing Formula set out below.

Where commission is permitted to be paid to Intermediaries in certain limited situations, this will be set at 2% of funds invested. The level of the Promoter's Fee reflects whether or not commission is payable.

**Promoter's Fee (Adviser, but no commission payable)**

Downing will charge a Promoter's Fee of 3% of the monies subscribed, where it is not required to pay commission to an Intermediary.

**Promoter's Fee (Adviser commission payable)**

Downing will charge a Promoter's Fee of 5% of the monies subscribed, where it is required to pay commission to an Intermediary.

**Promoter's Fee (Direct investment)**

Downing will charge a Promoter's Fee of 3% of the monies subscribed, where the investor comes direct without an Intermediary.

Out of its Promoter's Fees, Downing (not the Investor) will be responsible for paying all the costs of the Offers, including initial commission to Intermediaries (where applicable).

**Pricing of the Offers**

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

Number of Generalist/Healthcare Shares = Amount subscribed less  
(i) Promoter's Fee and (ii) Adviser Charge ÷ Latest NAV per  
Generalist/Healthcare Share

E4	Material interests	Not applicable. No interest is material to the Offers.
E5	Name of person selling securities	Not applicable. No entity is selling securities in the Company.
E6	Dilution	If the maximum of 41,875,000 Offer Shares are issued pursuant to the Offers (ignoring the overallotment facility but including applicable Management Shares), then the existing Shares would represent approximately 63.4% of the voting rights of the enlarged Company. There will be no dilution in terms of net asset value for any Existing Shareholder as a result of the Offers due to the application of the pricing formula.
E7	Expenses charged to the investor	<p><b>Applications received through Intermediaries entitled to receive commission</b> The expenses charged to the Investor under the Offers are 5% of gross funds raised for the Company in respect of applications received through intermediaries entitled to receive commission (save for permissible trail commission which the Company will be responsible for).</p> <p><b>Applications received through other Intermediaries and Direct Investors</b> The expenses charged to the Investor under the Offers are 3% of gross funds raised for the Company in respect of applications received directly from investors and through all other intermediaries.</p>

Copies of the Prospectus 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.

Dated: 13 November 2018

## **Risk Factors**

Investors should consider carefully the following risk factors in addition to the other information presented in the Prospectus. If any of the risks described below were to occur, it could have a material effect on the Company's businesses, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Company, the Board or current and prospective Shareholders will face. Additional risks not currently known to the Company or the Board, or that the Company or the Board currently believe are not material, may also adversely affect the Company's businesses, financial condition and results of operations. The value of Shares could decline due to any of these risk factors, and Investors could lose part or all of their investment. Investors who are in any doubt about what to do should consult their independent financial adviser. The attention of prospective Investors is drawn to the following risks:

### **Valuation and sale of Shares**

The value of the Shares and the income from them can fluctuate and Investors may not get back the amount invested. In addition, there is no certainty that the market price of the Shares will fully reflect the underlying Net Asset Value or that Shareholders will be able to realise their shareholding or that dividends will be paid. Existing and prospective Generalist Shareholders and/or Healthcare Shareholders should be aware that the sale of Generalist and/or Healthcare Shares within five years of their subscription will require the repayment of some or all of the 30% VCT income tax relief obtained upon investment. Accordingly, an investment in the Company is not suitable as a short or medium term investment. The past performance of the Company or of other funds managed or advised by Downing, the investment manager to the Company, is not necessarily an indication of the future performance of the Company.

### **Six month rule**

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 Generalist Shares and/or Healthcare Shares, then for the purposes of calculating the tax relief on the Generalist and/or Healthcare Shares the subscribed amount must be reduced by the amount received from the sale.

### **Value of underlying assets**

The Net Asset Value of the Shares will reflect the values and performance of the underlying assets in the respective portfolios. The value of the investments and income derived from them can rise and fall. Realisation of investments in small unquoted companies can be difficult and may take considerable time.

### **VCT Rules and the impact on the portfolio**

There may also be constraints imposed on the realisation of investments in order to maintain the VCT status of Investee Companies which may restrict the Company's ability to obtain maximum value from its investments or to achieve the intended timing of distributions. For example, the Company must maintain at least 70% of its portfolio in VCT Qualifying Investments, rising to 80% from 1 April 2020.

### **Investment opportunities**

There can be no guarantee that suitable investment opportunities will be identified in order to meet the Company's objectives.

### **Minority interest**

Although the Company may receive conventional venture capital rights in connection with its investments, as a minority investor it will be in a position fully to protect its interests.

### **Nature of smaller companies**

Investment in smaller and unquoted companies involves a higher degree of risk than investment in larger companies and those traded on the main market of the London Stock Exchange. To be qualifying holdings, VCT funds must be invested in smaller companies with gross assets of not more than £15 million prior to the investment and £16 million post investment. In addition, to be qualifying holdings, VCT funds must be invested in companies which have fewer than 250 full time (equivalent) employees and do not receive more than £5 million of investment from state aided risk capital sources in the 12 months ending on the date of the VCT's investment. Smaller companies who meet these criteria generally have limited product lines, markets or financial resources and may be more dependent on their management or key individuals than larger companies. Markets for smaller companies' securities may be less regulated and are often less liquid, and this may cause difficulties in valuing and disposing of equity investments in such companies.

## **Liquidity**

Although the New Generalist and New Healthcare Shares will be Listed, it is highly unlikely that a liquid market in these 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 Generalist Shareholders and/or Healthcare Shareholders to sell their Shares. In addition, there is no guarantee that the market price of the Shares will fully reflect their underlying NAV 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 their net asset value. If the Company lacks sufficient cash reserves to purchase its own Shares and during prohibited periods when the Company is unable to purchase its own Shares. The Board intends to buyback Generalist and Healthcare Shares in the Company at a nil discount to NAV, subject to liquidity and cash resources, which should help to reduce the share discount price.

## **VCT legislation**

The information, including tax rules, contained in this document is based on existing legislation. The tax rules or their interpretation in relation to an investment in the Company and/or the rates of tax, or other statutory provisions to which the Company is subject, may change during the life of the Company and such changes could be retrospective.

Whilst it is the intention of the Directors that the Company will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the income tax relief obtained, and could also cause the Company to lose its exemption from corporation tax on capital gains.

## **Recent changes to VCT legislation**

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 invest going forward 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.

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.

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.

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.

Where the European Commission believes that state aid has been provided which is not in accordance with the risk finance guidelines, it may require the UK government to recover that state aid. There is currently no mechanism in place for this, but recovery may be from the investee company, the VCT or the VCT’s investors.



## **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 Rules, the Listing Rules and the Disclosure Guidance and Transparency Rules, as appropriate.

## Directory

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### Directors and advisers

#### Directors (all non-executive)

Lord Flight (Chairman)  
Sir Aubrey Brocklebank (Senior Independent Director)  
Russell Catley  
all of: 6<sup>th</sup> Floor, St. Magnus House  
3 Lower Thames Street  
London EC3R 6HD

#### Secretary and Registered Office

Grant Leslie Whitehouse  
6<sup>th</sup> Floor, St. Magnus House  
3 Lower Thames Street  
London EC3R 6HD

#### Investment Manager and Administrator

Downing LLP  
6<sup>th</sup> Floor, St. Magnus House  
3 Lower Thames Street  
London EC3R 6HD

#### Solicitors to the Company and Arrangers to the Offer

RW Blears LLP  
29 Lincoln's Inn Fields  
London WC2A 3EG

#### Sponsor

Spark Advisory Partners Limited  
5 St Johns Lane  
London EC1M 4BH

#### Promoter and Receiving Agent

Downing LLP  
6<sup>th</sup> Floor, St. Magnus House  
3 Lower Thames Street  
London EC3R 6HD

#### Auditors

BDO LLP  
55 Baker Street  
London W1U 7EU

#### Bankers

Bank of Scotland  
33 Old Broad Street  
London EC2N 1HZ

Royal Bank of Scotland  
London Victoria Branch  
119/121 Victoria Street  
London SW1E 6RA

#### Registrar

Link Asset Services Limited  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

#### VCT Taxation Advisers

Philip Hare & Associates LLP  
4 – 6 Staple Inn  
London  
WC1V 7QH

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

## Part I - The Offers

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### Introduction

VCTs were introduced in 1995 to encourage individuals to invest indirectly in a range of small higher risk UK trading companies. VCTs are investment companies whose shares are listed on the Official List and traded on the London Stock Exchange. To date, over £7 billion has been raised by over 100 VCTs (*source: HM Revenue & Customs*).

The Company, Downing FOUR VCT plc, was created by the merger of four VCTs managed or advised by Downing in July 2015 (the “**Merger**”). It is a large VCT which at that time had net assets of approximately £60 million. It now has an existing portfolio of approximately 38 investments. The Company’s Board has a considerable number of years of experience in investment management.

The Company’s initial public share offer (to DSO Ordinary Shareholders) raised gross aggregate proceeds of £10.5 million during 2009. The investments in the DSO Ordinary Share pool were all sold and the net proceeds distributed to DSO Ordinary Shareholders. DSO Ordinary Shareholders received total distributions of 131.66p for a pair of one DSO Ordinary Share and one DSO A Share, equating to a tax-free return, calculated as an IRR, of 12% per annum. Having returned all funds to those Shareholders, the Company has now cancelled the DSO Ordinary and DSO A Shares.

Two further share offers for the DSO B and DSO D Shares were undertaken in 2010 and 2011 respectively, followed by the Merger in 2015, which brought an additional four share pools into the Company; DP2011 General, DP2011 Structured, DP2011 Low Carbon and DP67.

The DSO B and DP2011 Low Carbon Share pools completed the process of returning funds to shareholders in early 2018. DSO B Shareholders received total distributions of 106.883p for a pair of one DSO B Share and one DSO C Share. DP2011 Low Carbon Shareholders received total distributions of 107.3p. The Company cancelled the DSO B, DSO C and DP2011 Low Carbon Shares in March 2018.

The DSO D, DP67, DP2011 General and DP2011 Structured Share pools have now passed their five year anniversaries and, in line with their planned exit strategies, commenced the process of realising their respective portfolios.

A further two share offers were launched in December 2016, which created the Generalist Share pool and the Healthcare Share pool, being the first ‘evergreen’ share classes of the Company.

As at 19 October 2018, the Company held investments in 38 companies across six active share pools, with a total unaudited value of £39.3 million. Total net assets were £50.5 million.

### Reasons for the Offers

As four of the Company’s existing share pools operates a ‘planned exit’ strategy, over time the Company is expected to reduce in size. In contrast, the Offers will increase the size of the Company, allowing all Shareholders to benefit from being able to spread the burden of fixed VCT running costs over a greater asset base.

The Offers have been designed for Investors seeking a portfolio of unquoted investments, whilst taking advantage of the VCT tax reliefs. The Company is seeking to raise additional gross proceeds of approximately £30.5 million across the Generalist and Healthcare share class offers, together with an over-allotment facility of approximately £40.6 million across the two share classes.

### The Generalist Shares and Healthcare Shares

The Generalist Shares and Healthcare Shares were first issued by the Company in February 2017. In contrast to the original ‘planned exit’ share classes, the Generalist and Healthcare shares are ‘evergreen’ with a focus on longer term returns to Shareholders and ongoing tax-free dividends.

Investments and cash attributable to each share pool are kept separate from that of the other share pools, and each pool is administered separately.

The holders of New Generalist Shares or New Healthcare Shares have the right to participate (by way of dividends and returns of capital) in those assets attributable to the Generalist Shares or Healthcare Shares (as applicable), but not in those assets attributable to the Planned Exit Shares. Conversely, the holders of Planned Exit Shares will have the right to participate (by way of dividends and return of capital) in the assets attributable to the Planned Exit Shares (as applicable) but not in those assets attributable to the Generalist Shares or Healthcare Shares.

No convertible securities, exchangeable securities or securities with warrants will be issued with these Offers.

## **Investment Strategy**

### *Generalist Share Pool*

The Generalist Share pool invests in businesses that are less than seven years old and are seeking funds to finance their growth. Historically, some of these businesses owned substantial assets such as pubs, wedding venues or datacentres where the Company could take a charge over the assets and thus benefit from some downside protection. New investments made by the Generalist Share pool, however, will generally be in businesses which are not asset-backed and the investments will not include any secured debt element. These new investments will therefore be higher risk but potentially offer greater rewards. The allocations of newly raised funds to particular Qualifying Companies will be determined by Downing's dealflow during the period when funds are being invested.

### *Healthcare Share Pool*

The Healthcare Share pool focuses its VCT Qualifying Investments on early and mid-stage healthcare investments including life sciences and bioscience companies. Each of the investments has a permanent base in the UK to ensure that they are qualifying investments under the VCT Regulations.

BioScience Managers Limited ("Bioscience") is retained by Downing as an investment adviser, to assist in the investment of funds within the Healthcare Share pool. Downing may also use other advisers and third parties at each stage of the investment process. Fees payable to any such advisers will be borne by Downing out of its investment management fee.

### *Non-qualifying funds*

Funds not invested in VCT Qualifying Investments will be invested in OEICs, Investment Trusts and other securities in line with the investment policy and the VCT Regulations. It is expected that a significant proportion of these funds will be invested in funds also managed by Downing such as the MI Downing UK Micro-Cap Growth Fund. Whenever the Company invests in another fund managed by Downing, it will only do so on the basis that Downing agrees to waive all of the management fees charged to the other fund in respect of that investment in order to prevent double recovery and ensure fair treatment of investors. Any conflicts of interest that may arise in this regard shall be dealt with under Downing's co-investment policy set out on page 20 and will be managed by the independent boards of the respective funds or, in the case of an OEIC, by the authorised corporate director operating within the framework of the UCITS regulations.

## **Dividends**

Under the VCT regulations the Board is permitted to consider paying dividends from 1 April 2020. The Board therefore intends to pay the first Generalist and Healthcare dividends, of at least 4% of each pool's respective NAV, during the summer of 2020. This is in accordance with the objective stated by the Board, for the Generalist and Healthcare Share pools of paying an annual tax-free dividend from the year ending 31 March 2021 onwards of at least 4% of each pool's respective 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.

Dividends that are paid during the lifetime of the Shares will be subject to the VCT Regulations introduced in 2014 which place restrictions on dividends payable by VCTs in the three year period beginning at the end of the accounting period in which the Shares are issued which represent capital derived from those Shares.

The level of any dividends will be largely dependent on the performance of the investments in the Generalist Share pool/Healthcare Share pool.

There are currently no plans to offer a dividend reinvestment scheme, however, the Directors will review this policy from time to time and consider introducing such a scheme if appropriate.

**Taxation Benefits to Investors** (see Part III for further details)

The principal VCT tax reliefs, which are available on a maximum investment of £200,000 per individual in each of the 2018/19 and 2019/20 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 VCT 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 income tax relief using an assumed investment of £10,000.

Effect of initial 30% income tax relief	
<b>Cost of investment</b>	<b>£</b>
Gross subscription by Investor	10,000
30% income tax relief	(3,000)
<b>Net of tax cost of investment</b>	<b>7,000</b>
<hr/>	
<b>Initial value of investment</b>	
Gross subscription by Investor	10,000
Assumed issue costs of 3%	(300)
<b>Initial Net Asset Value (“NAV”)</b>	<b>9,700</b>
<hr/>	
<b>Initial “uplift” (£)</b>	<b>+£2,700</b>
<b>Initial “uplift” (%)</b>	<b>+38.6%</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 £9,700, an “uplift” of £2,700 or +38.6%. The table ignores the effect of Adviser Charges paid or early application discounts received. **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.**

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 III of this document. Prospective 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 Policy**

**Asset allocation**

It is intended that at least 70% (80% from 1 April 2020) of each share pools’ funds are invested in VCT Qualifying Investments within 3 years of the close of the relevant share offer with 30% of new funds raised so invested within 12 months of the end of accounting period in which they were raised. The remainder of the funds will be held in Non-Qualifying Investments.

For share pools designated as having a “planned exit” strategy, following the fifth anniversary of the last share allotment, the Company will seek realisations of its investments such that funds can be returned to Shareholders.

### **VCT Qualifying Investments**

New VCT Qualifying Investments will normally comprise investments in businesses that are less than 7 years old and require funding to support the growth of the business. Investments may be in a range of sectors which are allowable under the VCT Regulations.

The Company will focus on development and expansion funding for unquoted businesses and will not usually undertake very early stage or start up investments.

Specific share pools may have a generalist focus or may focus on certain sectors according to the strategy of that specific share pool.

VCT Qualifying Investments made in 2015 and earlier were made under previous VCT Regulations and focused on investments in UK businesses that own substantial assets (over which a charge could be taken by the Company) or have predictable revenue streams from financially sound customers.

### **Non-Qualifying Investments**

The funds not employed in VCT Qualifying Investments will be invested in Non-Qualifying Investments as allowed by the VCT Regulations. These will typically be cash deposits and investments in quoted securities, investment trusts or OEICs.

Liquidity investments will be made with the aim of producing capital appreciation, rather than income. Therefore, the profit arising from the disposal or maturity of the liquidity investments typically gives rise to capital gains, which are tax-free for the Company and can be distributed tax-free to Shareholders.

Non-Qualifying Investments made prior to 5 April 2016 were typically made in structured products and secured loans.

### ***Risk diversification***

The Directors control the overall risk of the Company. Downing ensures that, for each share pool, the Company has exposure to a diversified range of VCT Investments from different sectors and adheres to the holding limit that no investment in a company may represent more than 15% by value of the Company's total investments at the time of investment.

### ***Listing Rules***

As a company whose shares have been admitted to the Official List, the Company conducts its business in accordance with the Listing Rules.

### ***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.

### ***Borrowing policy***

It is not the Company's intention to have any borrowings, but it reserves the right to should the need arise. The Company does, however, have the ability to borrow a maximum amount equal to 15% of the aggregate amount paid on any shares issued by the Company (together with any share premium thereon).

### ***Trading Activity***

The Company does not carry out any trading activity which is significant in the context of the Company.

## **Share Buyback Policy**

The Board will seek to ensure that there is liquidity in the Company's Generalist Shares and Healthcare Shares and, accordingly, it intends to pursue an active Share buyback policy. Throughout its life, the Company will seek to buyback in the market those Generalist and Healthcare Shares that Shareholders wish to sell, at no discount 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 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.

## Management

### Downing LLP

The investment and administration manager of the Company is Downing LLP which is authorised and regulated by the Financial Conduct Authority. Downing specialises in structuring, promoting, managing and administering tax efficient products. In 2011 Downing LLP took over the business and employees of Downing Corporate Finance Limited (which was incorporated in 1986). Downing LLP advises or manages investment products with over £1 billion of net assets, of which VCTs make up £240 million.

### AIFM

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

## 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.

## Directors

The Company has a Board, comprising three Directors, all of whom are non-executive and independent of Downing. Additionally none of the Directors are related to Downing or other funds managed by Downing.

**Lord Flight (Chairman)** has worked in the financial services industry for over 40 years and co-founded Guinness Flight Global Asset Management. In 1998, upon Guinness Flight's acquisition by Investec, he became joint chairman of Investec Asset Management Limited. He was MP for Arundel and South Downs from 1997 to 2005 and Shadow Chief Secretary to the Treasury between 2000 and 2004. He was appointed to the House of Lords in January 2011. He is chairman of the EIS Association and Aurora Investment Trust plc; and is a director of Metro Bank plc, Investec Asset Management Limited and a number of other companies in the financial services sector. He is also a Commissioner of the Guernsey Financial Services Commission.

**Sir Aubrey Brocklebank (Senior Independent Director)** assumed his first role within the VCT industry in 1997, following a career in accountancy, corporate finance and venture capital. Since then he has gone on to become one of the industry's most experienced directors. Sir Aubrey maintains a wide range of business interests and has been a director of six AIM quoted companies. He is chairman of Hargreave Hale AIM VCT 1 plc and has been chairman of seven other VCTs.

**Russell Catley** has over 30 years' experience in the financial sector and is currently chief executive of both Catley Lakeman Securities, the UK's leading provider of institutional structured products and its subsidiary asset manager, Atlantic House Fund Management LLP. Its long-standing clients include JP Morgan, HSBC, Credit Suisse, UBS and Royal Bank of Canada. He was previously a director at Citigroup Global Markets and AXA Investment Managers UK Limited and was on the board of AXA World Funds (Luxembourg), one of Europe's largest fund companies from 2001 to 2004.

## Charges

### Initial Costs

The initial costs to Investors are made up of the Promoter's Fee plus Adviser Charges (where applicable). Downing will charge the Company a Promoter's Fee of 5% of the monies subscribed, where it is required to pay commission to an Intermediary (3% where no commission is payable). Out of its Promoter's Fees, Downing will be responsible for paying all the costs of the Offers (excluding trail commission). Adviser Charges are the fees agreed between Intermediaries and Investors for advice and related services which can be facilitated by the Company. Investors will bear the cost of their applicable Promoter's Fee and Adviser Charge or Commission through the application of the Pricing Formula but will not otherwise be directly charged any other expenses or costs.

The number of New Generalist and New Healthcare Shares issued under the Offers will be determined by the "blended" issue cost. Applicants will have a different issue cost attributable to their application for Offer Shares depending on the level of Promoter's Fee and Adviser Charges agreed with their Intermediary, adjusted for any early subscription discount. Further information is set out in Part IX on page 64. The total initial expenses of each Offer (assuming Full Subscription by Investors in respect of whose applications commission is payable) will be 5.0% of the gross proceeds and the total net proceeds of the Offers are therefore estimated to be £19.3 million for the Generalist Shares and £9.7 million for the Healthcare Shares.

### Annual management and administration fees

Downing receives an investment management fee of 2.0% of net assets per annum in respect of the Generalist Shares and 2.5% per annum in respect of the Healthcare Shares.

In respect of the other Share pools, Downing receives annual investment management fee of 1.5% of the net assets of the DSO D Shares per annum, 1.8% of the net assets of the DP2011 General Shares and DP2011 Structured Shares and 1.35% of the net assets of the DP67 Shares per annum.

In respect of administration fees, Downing is paid a formula-based fee comprising three elements: (i) a basic fee of £40,000; (ii) a fee of 0.1% per annum on funds in excess of £10 million; (iii) £5,000 per additional share pool. Assuming Full Subscription by Investors in respect of whose applications commission is payable, the Company's assets would be approximately £80 million, resulting in an annual administration fee of around £140,000.

The Annual Running Costs of each share pool are capped at 3.0% per annum of Net Assets in the relevant pool except for the DP67 Share pool which is capped at 2.9% and the Healthcare Share pool which is capped at 3.5%. Any excess will be paid by Downing 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, irrecoverable VAT and investment management fees.

Downing will receive no carried interest or other performance-related fees, save pursuant to the holding of Management Shares described below.

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".

The Company shall also be responsible for paying 0.25% per annum of the Net Asset Value of those Offer Shares in respect of which adviser commission is payable to Downing for a maximum of five years, from which Downing will pay annual trail commission to those Intermediaries who remain eligible to receive it.

### Costs payable by Investee Companies

Downing will receive arrangement fees (capped at 3.0% of the sums invested by the Company, with any excess paid to the Company) and monitoring fees (capped at the higher of £10,000 per annum or 0.5% per annum of the cost of the investment, including any director's fees for sitting on the companies' boards) from Investee Companies. Costs incurred on abortive investment proposals will be borne by Downing.



### **Performance Incentive**

As is customary in the venture capital industry, members of the management team will be entitled, subject to Shareholder approval, to receive a performance incentive fee in the event that returns to Generalist and Healthcare Shareholders respectively exceed a hurdle. This fee is set at 20% of dividends paid when total returns are above the Hurdle, with effect from 2021 onwards.

For the Hurdle to be met, the Generalist Shares and/or Healthcare Shares must have a Total Return (based on audited year end results) in excess of £1 for the years ended 31 March 2018, 31 March 2019 and 31 March 2020. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2021 the Total Return hurdle will be £1.03, for the year ended 31 March 2022 the hurdle will be £1.06, for the year ended 31 March 2023 the hurdle will be £1.09 etc.

The Performance Incentive in respect of the Generalist and Healthcare Shares will have no impact on Planned Exit Shareholders.

The Company gives effect to the performance incentive through the issue of Management Shares in the Company. From time to time, Management Shares will be issued to certain members of the Management at a lower price of 0.1p per share and immediately thereafter transferred to a nominee company, Downing Nominees Limited (the “**Nominee**”), such that 20% of the total shares in issue are Management Shares. Accordingly, if the Offer is fully subscribed, 5.5 million Generalist Shares and 2.875 million Healthcare Shares will be issued to Management at 0.1p per share and transferred to the Nominee to hold on behalf of Management.

Whilst these Management Shares will rank *pari passu* with the other issued shares, the Nominee has agreed with the Company that, so long as the Management Shares are in issue, it will (a) neither exercise any voting rights attaching to the Management Shares, nor transfer or dispose of any of the Management Shares, and (b) waive any of their entitlement to distributions payable on the Management Shares unless, and to the extent that, the Hurdle is met. The effect of this arrangement will be to allow the individuals concerned to receive dividends on the Management Shares equal to 20% of the aggregate dividends payable; this dividend will represent their performance incentive payment. If the payment of the full dividend on the Management Shares would result in the Hurdle no longer being met, the Nominee as holder of the Management Shares will waive dividends to the extent to ensure that the Hurdle continues to be met.

For example, the Total Return per Share might stand at 103.5p as at 31 March 2021, at which time the Hurdle will be 103.0p. Based on 20 million shares in issue, if a dividend of £800,000 (4p per share) is declared in respect of the year ended 31 March 2021, Management would normally be entitled to dividends equivalent to £200,000 (equivalent to 1p per share in issue). However, as this would result in the Hurdle not being met, the Nominee will waive 50% of the dividend, which will result in net dividends of £100,000 (equivalent to 0.5p per share in issue) being paid on the Management Shares. The Hurdle for the following year ending 31 March 2022 will then stand at 106p.

## **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 VCT Regulations and has retained Philip Hare & Associates LLP to advise it on VCT taxation matters.

### **The Offers and minimum and maximum subscription**

Assuming Full Subscription by Investors in respect of whose applications commission is payable, maximum net proceeds (after the costs of the Offers) of £29.0 million (£19.3 million for the Generalist class and £9.7 million for the Healthcare class) will be raised under the Offers. The maximum amount payable by the Company in respect of the costs of the Offers will be 5% (assuming commission is payable on all applications). If the Offers are over-subscribed, they may be increased at the discretion of the Board by no more than 22 million shares and 22.9 million for the Generalist and Healthcare Share classes respectively (excluding Management Shares). This facility may be utilised whilst the Offers remain open. In the event that applications are received in excess of the Full Subscription, 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 (or such lower amount at the Board's discretion) or £500 per month by standing order. The maximum investment, on which tax reliefs in VCTs are available, is £200,000 per Applicant in each of the 2018/19 and 2019/20 tax years. Spouses can each invest up to £200,000 in each tax year. The subscription list for the Offers will open at 9.00 a.m. on 14 November 2018 and may close at any time thereafter, but in any event, not later than 3.00 p.m. on 5 April 2019 in respect of the 2018/19 Offer and 3.00 p.m. on 30 June 2019 in respect of the 2019/20 Offer, unless fully subscribed earlier or previously extended by the Directors (but to no later than 31 October 2019).

The Offers are not underwritten.

Generalist and Healthcare Shares will be allotted and issued in respect of valid applications on 5 April 2019, 31 October 2019 and on any other dates on which the Directors decide, but at least quarterly during the period for which the Offers are open. Application has been made to the UK Listing Authority on behalf of the Company for the Admission of all of the New Generalist Shares and New Healthcare Shares. It is anticipated that dealings in the first allotment of New Generalist Shares and New Healthcare Shares will commence no later than 10 Business Days of allotment. Dealings may not begin before notification of allotments is made. Revocation of the Offers cannot occur after dealings in the Generalist and Healthcare Shares have commenced.

Settlement of transactions in the Generalist and Healthcare Shares following Admission may take place within the CREST system if Generalist and Healthcare Shareholders wish. CREST is a voluntary system and Generalist and Healthcare 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 Generalist and Healthcare Shares will be posted to Generalist and/or Healthcare Shareholders as applicable within 30 days of each allotment. No notification will be made to successful Applicants prior to despatch of definitive share certificates.

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

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

#### **Availability of the Prospectus**

Copies of the Prospectus 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.

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## 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) the Board consider that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the UK Corporate Governance Code;
- (iii) as the Company has no staff, other than Directors, there are no procedures in place relating to whistleblowing;
- (iv) 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
- (v) the Directors do not have fixed term renewable service contracts as recommended in the UK Corporate Governance Code. Instead they have letters of appointment, further details of which are set out in paragraph 6(c) of Part VI of this document.

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

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 including, but not limited to, monitoring and managing the performance of key service providers including Downing. 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 and published on an appropriate regulatory information service provider (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 Sir Aubrey Brocklebank. The audit committee meets not less than once a year. The Company's auditors and the senior executives of Downing 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, Disclosure Guidance and Transparency Rules and the Prospectus Rules 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**

All Directors sit on the remuneration committee, which meets as and when required, and is chaired by Lord Flight.

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 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 Lord Flight. 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.

As at the date of this document, the Company currently complies with the UK Corporate Governance Code in all respects other than those mentioned above.

## Part II – Investment Portfolio of the Company

The following table of unaudited information is a summary of the main investments of the Company as at the date of this document. Information as to costs and valuations is unaudited and is stated as at 19 October 2018.

<b>DSO D Share Pool</b>	<b>Cost £'000</b>	<b>Valuation £'000</b>	<b>% of portfolio</b>
<b>Venture Capital investments</b>			
Lambridge Solar Limited	500	605	25.1%
Pearce and Saunders Limited	300	354	14.7%
Fresh Green Power Limited	189	231	9.6%
Apex Energy Limited	400	200	8.3%
Green Energy Production UK Limited	100	74	3.1%
Pearce and Saunders DevCo Limited*	20	20	0.8%
Fubar Stirling Limited	126	5	0.2%
Total investments	<u>1,635</u>	1,489	61.8%
Cash at bank and in hand		<u>921</u>	38.2%
Total		<u>2,410</u>	100.0%

<b>DP67 Share Pool</b>	<b>Cost £'000</b>	<b>Valuation £'000</b>	<b>% of portfolio</b>
<b>Venture Capital investments</b>			
Cadbury House Holdings Limited	1,409	1,613	31.8%
Snow Hill Developments LLP**	584	830	16.4%
Fenkle Street LLP**	405	603	11.9%
Gatewales Limited*	343	527	10.4%
Oak Grove Renewables Limited	820	492	9.7%
Yamuna Energy Limited	400	400	7.9%
London City Shopping Centre Limited**	99	99	2.0%
Total investments	<u>4,060</u>	4,564	90.1%
Cash at bank and in hand		<u>501</u>	9.9%
Total		<u>5,065</u>	100.0%

<b>DP2011 General Share Pool</b>	<b>Cost £'000</b>	<b>Valuation £'000</b>	<b>% of portfolio</b>
<b>Venture Capital investments</b>			
Snow Hill Developments LLP**	750	1,178	48.4%
Wickham Solar Limited	550	635	26.1%
Oak Grove Renewable Limited	400	254	10.4%
London City Shopping Centre Limited**	88	88	3.6%
Mosaic Spa and Health Clubs Limited*	96	64	2.7%
Fubar Stirling Limited	133	5	0.3%
Odysian (Holdings) Limited	233	-	0.0%
Total investments	2,250	2,224	91.5%
Cash at bank and in hand		<u>208</u>	8.5%
Total		<u>2,432</u>	100.0%

<b>DP2011 Structured Share Pool</b>	<b>Cost £'000</b>	<b>Valuation £'000</b>	<b>% of portfolio</b>
<b>Venture Capital investments</b>			
Wickham Solar Limited	550	635	51.1%
Oak Grove Renewables Limited	545	347	27.9%
Mosaic Spa and Health Clubs Limited*	64	42	3.4%
Fubar Stirling Limited	90	4	0.3%
Odysian (Holdings) Limited	155	-	0.0%
Total investments	<u>1,404</u>	1,028	82.7%
Cash at bank and in hand		<u>215</u>	17.3%
Total		<u>1,243</u>	100.0%

<b>Generalist Share pool</b>	<b>Cost £'000</b>	<b>Valuation £'000</b>	<b>% of portfolio</b>
<b>Venture Capital investments</b>			
Live Better With Limited	1,211	1,284	4.5%
Lignia Wood Company Limited	1,111	1,111	3.9%
Maverick Pubs (Holdings) Limited	1,000	1,000	3.5%
E-Fundamentals (Group) Limited	917	917	3.2%
BridgeU Corporation	811	811	2.9%
Hackajob Limited	784	784	2.8%
Empiribox Limited	750	750	2.7%
Xupes Limited	750	750	2.7%
Glownet Limited	741	741	2.6%
Ormsborough Limited	900	621	2.2%
Volo Commerce Limited	567	567	2.0%
Fenkle Street LLP*	321	321	1.1%
Virtual Class Limited	525	282	1.0%
Destiny Pharma plc^^	500	242	0.9%
Arecor Limited	240	240	0.9%
Limitless Technology Limited	173	173	0.6%
Masters of Pie Limited	167	167	0.6%
ADC Biotechnology Limited	250	104	0.4%
Snow Hill Developments LLP*	86	92	0.3%
Mosaic Spa and Health Clubs Limited*	37	37	0.1%
London City Shopping Centre Limited*	30	30	0.1%
	<u>11,871</u>	11,024	39.0%
<b>Other investments</b>			
MI Downing Monthly Income Fund*	3,950	3,707	13.1%
MI Downing UK Micro-Cap Growth Fund*	4,025	3,670	13.0%
Downing Strategic Micro-Cap Investment Trust plc*^	4,100	3,444	12.2%
MI Downing Diversified Global Managers Fund*	1,800	1,805	6.4%
	<u>13,875</u>	12,626	44.7%
Total investments	<u>25,746</u>	23,650	83.7%
Cash at bank and in hand		<u>4,612</u>	16.3%
Total		<u>28,262</u>	100.0%

\* non-qualifying investment

^ listed and traded on the Main Market of the London Stock Exchange

^^ listed and traded on AIM

<b>Healthcare Share pool</b>	<b>Cost</b>	<b>Valuation</b>	<b>% of</b>
	<b>£'000</b>	<b>£'000</b>	<b>portfolio</b>
<b>Venture Capital investments</b>			
Live Better With Limited	1,106	1,179	11.0%
Arecor Limited	880	880	8.1%
ADC Biotechnology Limited	892	372	3.5%
Destiny Pharma plc^^	750	363	3.4%
	<hr/> 3,628	<hr/> 2,794	<hr/> 26.0%
<b>Other investments</b>			
MI Downing Monthly Income Fund*	1,100	1,035	9.7%
MI Downing UK Micro-Cap Growth Fund*	1,125	1,022	9.6%
MI Downing Diversified Global Managers Fund*	950	947	8.9%
Downing Strategic Micro-Cap Investment Trust plc*^	700	588	5.5%
	<hr/> 3,875	<hr/> 3,592	<hr/> 33.7%
Total investments	<hr/> 7,503	6,386	59.7%
Cash at bank and in hand		<hr/> 4,313	40.3%
Total		<hr/> <hr/> 10,699	<hr/> <hr/> 100.0%

\* non-qualifying investment

^ listed and traded on the Main Market of the London Stock Exchange

^^ listed and traded on AIM

### The Company's Ten Largest Holdings

As at the 19 October 2018, the ten largest investments, representing in total approximately 51.3% of the net assets of the Company, are as follows:

Company	Sector	Location	Date of first investment	Share Pool*	Equity £'000	Cost		Valuation
						Loan Stock £'000	Total £'000	19 Oct 2018 £'000
MI Downing Monthly Income Fund	Fund	South East	Jul 17	G,H	5,050	-	5,050	4,742
MI Downing UK Micro-Cap Growth Fund	Fund	South East	Mar 17	G,H	5,150	-	5,150	4,692
Downing Strategic Micro-Cap Investment Trust plc	Investment Trust	South East	May 17	G,H	2,750	-	4,800	4,032
MI Downing Diversified Global Managers Fund	Fund	South East	Jul 17	G,H	5,050	-	2,750	2,752
Live Better With Limited	Healthcare	South East	Jan 18	G,H	2,317	-	2,317	2,463
Snow Hill Developments LLP	Construction	West Midlands	Oct 11	DP67, 2011G, Gen	1,334	86	1,420	2,100
Cadbury House Holdings Limited	Leisure, Entertainment & Hotels	South West	Oct 06	DP67	882	527	1,409	1,613
Wickham Solar Limited	Renewable Energy	East Midlands	Mar 13	2011G, 2011S	1,100	-	1,100	1,270
Arecor Limited	Healthcare	South East	Jan 18	G, H	1,120	-	1,120	1,120
Lignia Wood Company	Manufacturing	Wales	Jul 18	G	1,111	-	1,111	1,111

**\*Share Pools: -**

DSO D – DSO D Share Pool

DP67 – DP67 Share Pool

2011G – DP2011 General Share Pool

2011S – DP2011 Structured Share Pool

G – Generalist Share Pool

H – Healthcare Share Pool



## Part III – 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*

A qualifying investor subscribing up to £200,000 in the 2018/19 and/or 2019/20 tax years for eligible shares in a VCT will be entitled to claim income tax relief, at the rate of 30%, although this relief will be withdrawn if either the shares are sold within five years or the investor takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of such shares. Relief is restricted to the amount which reduces the investor's income tax liability to nil. 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.

##### *Dividend relief*

An investor who subscribes for or acquires eligible shares in a VCT (up to a maximum of £200,000 in each of the 2018/19 and 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. Until 5 April 2016, dividends carried a tax credit at the rate of one-ninth of the net dividend which is not repayable and which cannot be utilised in any other way.

##### *Capital gains tax relief*

A disposal by an individual investor of his/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*

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

- (iii) The consequences for investors in a company which never obtains full unconditional approval as a VCT are as follows:
- repayment of the 30% income tax relief on subscriptions for new VCT shares and interest on overdue tax may arise;
  - income tax becoming payable on all payments of dividends by the company; and
  - any gain arising on a disposal of the shares would be liable to capital gains tax and losses on the shares would be allowable losses for capital gains tax purposes.

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

(i) *Initial income tax*

If an investor dies at any time after making an investment in a VCT, the transfer of shares on death is not treated as a disposal and, therefore, the initial income tax relief is not withdrawn. However, the shares will become part of the deceased's estate for inheritance tax purposes.

(ii) *Tax implications for the beneficiary*

Provided a number of conditions are met, the beneficiary of any VCT shares will be entitled to tax-free dividends and will not pay capital gains tax on any disposal, but will not be entitled to any initial income tax relief.

(iii) *Transfer of shares between spouses*

Transfers of shares in a VCT between spouses is not deemed to be a disposal and, therefore, all tax reliefs will be retained.

### 4. General

(i) *Investors who are not resident in the UK*

Non-resident investors, or investors who may become non-resident, should seek their own professional advice as to the consequences of making an investment in a VCT, because they may be subject to tax in other jurisdictions.

(ii) *Stamp duty and stamp duty reserve tax*

No stamp duty or (unless shares in a VCT are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax will be payable on the issue of 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 four months) stamp duty reserve tax generally, in each case at the rate of 50p for every £100 or part of £100 of the consideration paid where the total consideration exceeds £1,000 or if it forms part of a series of transactions where the total consideration exceeds £1,000. Such duties would be payable by a person who purchases such shares from the original subscriber.

(iii) *Purchases in the market after listing*

Any subsequent purchaser of existing VCT shares, as opposed to a subscriber for new VCT shares, will not qualify for income tax relief on investment but may benefit from dividend relief and from capital gains tax relief on the disposal of his/her VCT shares.

(iv) *The VCT Regulations 2004*

Under the VCT Regulations 2004, monies raised by any further issue of shares by an existing VCT must be applied by that VCT for qualifying purposes. If any of the money raised (except for amounts which HM Revenue & Customs agrees are insignificant in the context of the whole issued ordinary share capital of the VCT) is used by the VCT to purchase its own shares, then the funds may be deemed to not have been used for a qualifying purpose.

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

### 5. VCT approval

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 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; and
- (iii) the VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period; and
- (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 the date of investment, except where previous State aid Risk Finance was received by the company within 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 investment specified in section 274 Income Tax Act 2007.

Additionally, the VCT must not be a close company and its ordinary share capital must be quoted on a 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% for accounting periods commencing on or after 6 April 2019) 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 is 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 holdings (which have been so qualifying throughout the six months prior to disposal) are disregarded for the purposes of the 70% test for a period of six months. This disregard period is increased to twelve months for disposals after 5 April 2019.

“Qualifying investments” comprise shares or securities (including 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. 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, are NEX quoted or NEX traded 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 investments 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 through a Regulatory Information Service provider any action that will be taken in the event of a breach of any of the VCT conditions.

## Part IV – Financial Information

### 1. Introduction

Audited statutory accounts of the Company for the periods ended 31 March 2016, 31 March 2017 and 31 March 2018, 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 2006 Act, have been delivered to the Registrar of Companies and such reports did not contain any statements under section 498(2) or (3) of the 2006 Act. Copies of these audited statutory accounts are available at 6<sup>th</sup> Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD.

The audited statutory accounts of the Company are drawn up under the Financial Reporting Standard 102 ("FRS 102"), and previously under UK Generally Accepted Accounting Practice (UK GAAP). The Company and the Directors confirm that the Company's most recent financial information for the year ended 31 March 2018 (prepared under Financial Reporting Standard 102) and prior to that the audited results for the year to 31 March 2017 and 31 March 2016, have been presented and prepared in a form which is consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards, policies and legislation applicable to such annual financial statements.

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 unaudited NAV was 30.3p per DSO D Share, 50.5p per DP67 Share, 0.0p per DP2011 General Ordinary Share, 13.0p per DP2011 General A Share, 0.0p per DP2011 Structured Ordinary Share, 9.8p per DP2011 Structured A Share, 90.4p per Generalist Share and 86.9p per Healthcare Share as at 19 October 2018.

### 2. Historical Financial Information

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

Description	2018 Annual	2017 Annual	2016 Annual
	Report	Report	Report
	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Balance sheet	85	95	93
Income statement (or equivalent)	80	90	88
Statement showing all changes in equity (or equivalent)	90	100	98
Cash flow statement	91	101	99
Accounting policies and notes	93-109	103-125	101-121
Auditors' report	75	86	84

### 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 Manager's Report" and "Investment Portfolio" in the published audited statutory accounts of the Company for the periods stated.

	2018 Annual Report	2017 Annual Report	2016 Annual Report
	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Chairman's statement	4	4	4
Investment Manager's report	6,9,18,26, 33,40,43,52	7,15,25,34, 44,54,61,64	7,10,19,29, 38,48,58
Investment portfolio	8,11,20,28, 35,42,45,54	9,17,27,36, 46,56,63,66	8,11,20,30, 39,49,59

#### 4. Significant Change

Since 31 March 2018, being the date of the last published financial information of the Company (its audited annual report and accounts), there have been no significant changes in the financial or trading position of the Company, with the exception of those set out below.

##### **Dividends**

On 13 August 2018 the Company paid dividends of 24.0p per DSO D Share, 7.0p per DP2011 General A Share and 5.0p per DP2011 Structured A Share.

##### **Net Asset Values**

As at 19 October 2018 the NAVs of the Generalist and Healthcare Share pools stood at 90.4p and 86.9p respectively. The movements in the Net Asset Values is shown in the table below.

	Valuation as at 19 October 2018 (£'000)	Valuation movement in period (£'000)	Impact on Net Asset Value per Share (Pence)
<b>Generalist Share Pool</b>			
<b>Net Asset Value as at 31 March 2018</b>			<b>95.5p</b>
<b>Investment Portfolio</b>			
MI Downing Monthly Income Fund	3,707	(116)	(0.4p)
MI Downing UK Micro-Cap Growth Fund	3,670	(190)	(0.6p)
Downing Strategic Micro-Cap Investment Trust plc	3,444	(328)	(1.0p)
MI Downing Diversified Global Managers Fund	1,805	(28)	(0.1p)
Live Better With Limited	1,284	73	0.2p
Ormsborough Limited	621	(279)	(0.9p)
Virtual Class Limited	282	(243)	(0.8p)
ADC Biotechnology Limited	104	(146)	(0.5p)
Destiny Pharma plc	242	(121)	(0.4p)
		<u>(1,378)</u>	<u>(4.5p)</u>
<b>Income less running costs</b>			<b>(0.6p)</b>
<b>Net Asset Value as at 19 October 2018</b>			<b>90.4p</b>
	Valuation as at 19 October 2018 (£'000)	Valuation movement in period (£'000)	Impact on Net Asset Value per Share (Pence)
<b>Healthcare Share Pool</b>			
<b>Net Asset Value as at 31 March 2018</b>			<b>94.6p</b>
<b>Investment Portfolio</b>			
Live Better With Limited	1,179	73	0.6p
MI Downing Monthly Income Fund	1,035	(32)	(0.3p)
MI Downing UK Micro-Cap Growth Fund	1,022	(53)	(0.4p)
MI Downing Diversified Global Managers Fund	947	(15)	(0.1p)
Downing Strategic Micro-Cap Investment Trust plc	588	(56)	(0.5p)
ADC Biotechnology Limited	372	(520)	(4.3p)
Destiny Pharma plc	363	(182)	(1.5p)
		<u>(785)</u>	<u>(6.5p)</u>
<b>Income less running costs</b>			<b>(1.2p)</b>
<b>Net Asset Value as at 19 October 2018</b>			<b>86.9p</b>

The valuation movements shown overleaf are attributable to the following factors:

- (i) Unfavourable market conditions: As at 19 October 2018 poor conditions in global markets had depressed quoted prices such that the unit prices of the Liquidity investments held by the Company had reduced from their March 2018 levels;
- (ii) Venture Capital Investments: As at 19 October 2018 the following unquoted investments had been reduced in value, compared to their initial acquisition cost:
  - a. Destiny Pharma plc: The Company is progressing to plan, having received fast-tracked FDA approval for its XF-73 product during the summer. However, with little new information having been released by the company, trading volumes have been limited and the share price has fallen;
  - b. ADC Biotechnology Limited and Virtual Class Limited: Both companies are currently behind on their respective plans and the valuations have been restated to reflect this. However, both investments are still in an early stage and Downing will continue to work closely with the management teams.
  - c. Ormsborough Limited: In the period to 19 October 2018 the management service provider to the company entered administration, whilst the company itself had incurred significant cost overruns on its pub developments. A bridging loan has now been secured by the company to facilitate the completion of its development plans. However, in light of the excess development expenditure to date, and the additional finance costs that the company will have to incur, the equity valuation has been reduced.

## 5. Historical Financial Information Incorporated by Reference

The audited statutory accounts for the Company for the periods ended 31 March 2016, 31 March 2017 and 31 March 2018 are being incorporated by reference in this Prospectus and are available at the address set out in paragraph 11 of Part VI. 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 document by reference are either not relevant for Investors or are covered elsewhere in this Prospectus.

## 6. Comparable dividend per share

The Company has declared and paid the following amount of dividend per share for each financial year from 31 March 2016 until 31 March 2018. Please note that this information has been extracted from the Company's audited financial statements without material adjustment.

	<b>Audited year end to 31 March 2018</b>	<b>Audited year end to 31 March 2017</b>	<b>Audited year end to 31 March 2016</b>
<i>DSO Ordinary Share Pool</i>			
Net Assets	n/a	n/a	£3,000
Net asset value per DSO Ordinary Share	n/a	n/a	-
Cumulative dividends paid per DSO Ordinary Share	n/a	n/a	116.2p
Dividends paid per DSO Ordinary Share	n/a	n/a	36.16p
Net asset value per DSO A Share	n/a	n/a	-
Cumulative dividends paid per DSO A Share	n/a	n/a	15.5p
Dividends paid per DSO A Share	n/a	n/a	15.5p
<i>DSO B Share Pool</i>			
Net Assets	-	£4,150,000	£3,528,000
Net asset value per DSO B Share	-	15.2p	17.6p
Cumulative dividends paid per DSO B Share	95.94p	95.1p	91.5p
Dividends paid per DSO B Share	4.44p	-	59.0p
Net asset value per DSO C Share	-	0.1p	0.1p
Cumulative dividends paid per DSO C Share	10.94p	-	-
Dividends paid per DSO C Share	10.94p	-	-

<i>DSO D Share Pool</i>			
Net Assets	£4,280,000	£5,992,000	£5,945,000
Net asset value per DSO D Share	50.0p	76.1p	75.6p
Cumulative dividends paid per DSO D Share	52.5p	25.0p	20.0p
Dividends paid per DSO D Share	27.5p	5.0p	5.0p
 <i>DP67 Share Pool</i>			
Net Assets	£5,594,000	£7,431,000	£6,837,000
Net asset value per DP67 Share	50.0p	66.1p	60.4p
Cumulative dividends paid per DP67 Share	49.8p	27.8p	23.8p
Dividends paid per DP67 Share	22.0p	4.0p	6.0p
 <i>DP2011 General Share Pool</i>			
Net Assets	£3,744,000	£8,093,000	£12,826,000
Net asset value per DP2011 General Ordinary Share	-	15.0p	75.1p
Cumulative dividends paid per DP2011 General Ordinary Share	70.0p	55.0p	22.5p
Dividends paid per DP2011 General Ordinary Share	15.0p	32.5p	5.0p
Net asset value per DP2011 General A Share	20.3	31.2p	5.9p
Cumulative dividends paid per DP2011 General A Share	15.0p	-	-
Dividends paid per DP2011 General A Share	15.0p	-	-
 <i>DP2011 Structured Share Pool</i>			
Net Assets	£1,888,000	£4,532,000	£9,001,000
Net asset value per DP2011 Structured Ordinary Share	-	4.8p	77.1p
Cumulative dividends paid per DP2011 Structured Ordinary Share	70.0p	65.0p	22.5p
Dividends paid per DP2011 Structured Ordinary Share	5.0p	42.5p	5.0p
Net asset value per DP2011 Structured A Share	15.0p	31.9p	6.1p
Cumulative dividends paid per DP2011 Structured A Share	20.0p	-	-
Dividends paid per DP2011 Structured A Share	20.0p	-	-
 <i>DP2011 Low Carbon Share Pool</i>			
Net Assets	-	£3,262,000	£6,942,000
Net asset value per DP2011 Low Carbon Ordinary Share	-	40.5p	41.6p
Cumulative dividends paid per DP2011 Low Carbon Ordinary Share	107.3p	73.9p	73.9p
Dividends paid per DP2011 Low Carbon Ordinary Share	33.1p	-	-
 <i>Generalist Share Pool</i>			
Net Assets	£29,474,000	£21,440,000	n/a
Net asset value per Generalist Share	95.5p	99.9p	n/a
Dividends paid per Generalist Share	-	-	n/a
 <i>Healthcare Share Pool</i>			
Net Assets	£11,355,000	£4,518,000	n/a
Net asset value per Healthcare Share	94.6p	99.7p	n/a
Dividends paid per Healthcare Share	-	-	n/a



## Part V – Definitions

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

<b>1985 Act</b>	Companies Act 1985, as amended from time to time
<b>2006 Act, Act or CA 2006</b>	Companies Act 2006, as amended from time to time
<b>2018/19 Offer</b>	offer for subscription of New Generalist Shares and New Healthcare Shares in respect of the 2018/19 tax year, being made on the terms set out in the Prospectus
<b>2019/20 Offer</b>	offer for subscription of New Generalist Shares and New Healthcare Shares in respect of the 2019/20 tax year, being made on the terms set out in the Prospectus
<b>Admission</b>	admission of the New Generalist Shares and New Healthcare Shares to the premium segment of the Official List and to trading on the London Stock Exchange
<b>Advisers</b>	financial advisers and Intermediaries
<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 Generalist Shares and/or Healthcare Shares, and detailed on the Application Form
<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>	a person who completes and submits an Application Form
<b>Application Form(s)</b>	form of application for Generalist Shares or Healthcare Shares under the Offers
<b>Articles</b>	articles of association of the Company as at the date of this document
<b>BioScience</b>	BioScience Managers Limited
<b>Board or Directors</b>	board of directors of the Company
<b>Business Days</b>	any day, other than a Saturday, Sunday or public holiday, on which clearing banks in London are open for all normal banking business
<b>Close Period</b>	as defined in article 19(11) of the Market Abuse Regulation (No 596/2014)
<b>Closing Date</b>	5 April 2019 for the 2018/19 Offer and 30 June 2019 for the 2019/20 Offer, unless previously extended by the Directors (but to no later than 31 October 2019)
<b>Company or Downing FOUR</b>	Downing FOUR VCT plc (registered number 06789187, formerly Downing Structured Opportunities VCT 1 plc)
<b>CREST</b>	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of Shares in uncertificated form which is administered by Euroclear UK & Ireland Limited (registered number 02878738)
<b>CREST Regulations</b>	Uncertificated Securities Regulations 1995 (SI 1995/3272)
<b>Direct Investors</b>	Investors who are not introduced by Advisers
<b>Downing</b>	Downing LLP, which is authorised and regulated by the Financial Conduct Authority (registered number OC341575; FCA number 545025)
<b>Downing VCTs</b>	all VCTs managed or advised by Downing LLP
<b>DP2011</b>	Downing Planned Exit VCT 2011 plc (whose assets and liabilities were acquired by the Company on 20 July 2015)
<b>DP2011 General A Shares</b>	DP2011 General A shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53730)
<b>DP2011 General Ordinary Shares</b>	DP2011 General Ordinary shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53847)
<b>DP2011 General Share Pool</b>	assets and liabilities attributable to the DP2011 General Ordinary Shares and DP2011 General A Shares
<b>DP2011 Low Carbon Shares</b>	DP2011 Low Carbon Ordinary shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53953) cancelled 10 April 2018
<b>DP2011 Low Carbon Share Pool</b>	assets and liabilities attributable to the DP2011 Low Carbon Shares

<b>DP2011 Structured A Shares</b>	DP2011 Structured A shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53C84)
<b>DP2011 Structured Ordinary Shares</b>	DP2011 Structured Ordinary shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53B77)
<b>DP2011 Structured Share Pool</b>	assets and liabilities attributable to the DP2011 Structured Ordinary Shares and DP2011 Structured A Shares
<b>DP6</b>	Downing Planned Exit 6 (whose assets and liabilities were acquired by the Company on 20 July 2015)
<b>DP7</b>	Downing Planned Exit 7 (whose assets and liabilities were acquired by the Company on 20 July 2015)
<b>DP67 Shares</b>	DP67 shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53D91)
<b>DP67 Share Pool</b>	assets and liabilities attributable to the DP67 Shares
<b>DSO A Shares</b>	formerly issued DSO A shares of 0.1p each in the capital of the Company (ISIN: GB00B3L2G186) cancelled 16 August 2016
<b>DSO B Shares</b>	DSO B shares of 0.1p each in the capital of the Company (ISIN: GB00B4MGR241) cancelled 10 April 2018
<b>DSO B Share Pool</b>	assets and liabilities attributable to the DSO B Shares and DSO C Shares
<b>DSO C Shares</b>	DSO C shares of 0.1p each in the capital of the Company (ISIN: GB00B4MCHT95) cancelled 10 April 2018
<b>DSO D Shares</b>	DSO D shares of 0.1p each in the capital of the Company (ISIN: GB00B6QPQ463)
<b>DSO D Share Pool</b>	assets and liabilities attributable to the DSO D Shares
<b>DSO Ordinary Shares</b>	formerly issued DSO Ordinary shares of 0.1p each in the capital of the Company (ISIN: GB00B3L2G079) cancelled 25 August 2016
<b>DSO Ordinary Share Pool</b>	assets and liabilities attributable to the DSO Ordinary Shares and DSO A Shares
<b>DTR</b>	the Disclosure Guidance and Transparency Rules, made by the FCA under part VII of FSMA and relating to the disclosure of information in respect of financial instruments
<b>Existing Shareholders</b>	holders of Existing Shares
<b>Existing Shares</b>	DSO D Shares and/or DP67 Shares and/or DP2011 General Ordinary Shares and/or DP2011 General A Shares and/or DP2011 Structured Ordinary Shares and/or DP2011 Structured A Shares and/or Healthcare Shares and/or Generalist Shares in issue at the date of this prospectus
<b>FCA</b>	Financial Conduct Authority
<b>FSMA</b>	Financial Services and Markets Act 2000, as amended from time to time
<b>Full Subscription</b>	41,875,000 shares being 27,500,000 Generalist Shares and 14,375,000 Healthcare Shares issued under the Offers, ignoring the over-allotment facility and including the Management Shares.
<b>Generalist Share(s)</b>	Generalist Ordinary Shares of 0.1p each in the capital of the Company (ISIN: GB00BDHF5B49)
<b>Generalist Shareholders</b>	holders of Generalist Shares
<b>Healthcare Share(s)</b>	Healthcare Ordinary Shares of 0.1p each in the capital of the Company (ISIN: GB00BDHF5D62)
<b>Healthcare Shareholders</b>	holders of Healthcare Shares
<b>Hurdle</b>	achievement, calculated on a per Generalist/Healthcare Share basis, of (a) a Total Return in excess of £1 per share for the years ended 31 March 2018, 31 March 2019 and 31 March 2020 (b) subsequent annual Total Returns increasing by 3p per annum
<b>Initial Adviser Charge</b>	a one-off Adviser Charge to be paid at the time of or shortly after the investment being made
<b>Intermediary</b>	firm who signs the Application Form and whose details are set out in Box 5 of the Application Form
<b>Investment Manager/Adviser</b>	Downing or one of its Advisers
<b>Investor</b>	a subscriber for Generalist Shares or Healthcare Shares under the Offers
<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>Life sciences/bioscience</b>	the sciences concerned with the study of living organisms, including biology, microbiology, physiology, biochemistry, and related subjects.
<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 issued by the FCA, acting as the UK Listing Authority, pursuant to Part VII of the FSMA
<b>London Stock Exchange or LSE</b>	main market for listed securities of the London Stock Exchange plc (registered number 02075721)
<b>Management</b>	individuals engaged in the business of the Company and/or Downing
<b>Management DSO A Shares</b>	5,185,613 DSO A Shares in the Company issued to Management in connection with the DSO Ordinary Share Offer
<b>Management DSO C Shares</b>	10,000,000 DSO C Shares in the Company issued to Management in connection with the DSO B Share Offer
<b>Management DP2011 General A Shares</b>	2,763,773 DP2011 General A Shares in the Company issued to Management in connection with the DP2011 General Ordinary Share Offer
<b>Management DP2011 Structured A Shares</b>	1,883,094 DP2011 Structured A Shares in the Company issued to Management in connection with the DP2011 Structured Ordinary Share Offer
<b>Management Shares</b>	those Generalist Shares and Healthcare Shares held, from time to time, by members of the Management to give effect to the existing arrangements for implementing the Performance Incentive
<b>Merger</b>	the transaction pursuant to section 110 of the Insolvency Act 1986 which took place on 20 July 2015 under which Downing FOUR acquired the assets and liabilities of DP2011, DP6 and DP7
<b>ML Regulations</b>	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
<b>NAV or Net Asset Value</b>	net asset value per Share (in the case of the Generalist and Healthcare Shares, calculated without including the Management Shares)
<b>Net Assets</b>	gross assets less all liabilities (excluding contingent liabilities) of the Company
<b>New Generalist Shares</b>	Generalist Ordinary Shares of 0.1p each in the capital of the Company (ISIN: GB00BDHF5B49) issued under the Offers
<b>New Healthcare Shares</b>	Healthcare Ordinary Shares of 0.1p each in the capital of the Company (ISIN: GB00BDHF5D62) issued under the Offers
<b>Offer Price</b>	price per Generalist Share or Healthcare Share under the Offers as determined by the Pricing Formula from time to time
<b>Offer Shares</b>	New Generalist Shares and/or New Healthcare Shares (as the context dictates) subscribed for under the Offer
<b>Offers</b>	together, the 2018/19 Offer and the 2019/20 Offer, being public offers for subscription of up to 55,000,000 New Generalist Shares and 43,000,000 New Healthcare Shares (and each an “Offer”) (including the over-allotment facility and the Management Shares)
<b>Official List</b>	official list of the UK Listing Authority
<b>Performance Incentive</b>	performance-related benefits accruing to the Management through their holdings of Management Shares in the event that the Hurdles are achieved, as described on page 22 of this document
<b>Planned Exit Shares</b>	DSO D Shares and/or DP67 Shares and/or DP2011 General Ordinary Shares and/or DP2011 General A Shares and/or DP2011 Structured Ordinary Shares and/or DP2011 Structured A Shares
<b>Planned Exit Shareholders</b>	Holders of Planned Exit Shares
<b>Pricing Formula</b>	mechanism by which the pricing of the Offers is set by reference to the latest published NAV, the level of the Promoter’s Fee and Adviser Charge payable by a particular Applicant and any applicable early investment discount, as described on page 64 of this document
<b>Promoter</b>	Downing
<b>Promoter’s Fee</b>	fee payable by the Company to Downing, calculated as a percentage of each Applicant’s gross subscription in the Offers in return for which Downing will pay the launch costs of the Offers
<b>Prospectus</b>	this document which describes the Offers in full
<b>Prospectus Rules</b>	prospectus rules issued by the FCA pursuant to Part VI of the FSMA

<b>Qualifying Company/ies</b>	unquoted company carrying on qualifying trades wholly or mainly in the United Kingdom and which satisfy certain other conditions as defined in Chapter 4, Part 6, of the ITA
<b>Qualifying Investment</b>	an investment in a Qualifying Company
<b>Registrar</b>	Link Asset Services Limited (registered number 02605568)
<b>Retail Client Investor</b>	Investors who apply for Offer Shares through their Intermediary where the Intermediary has classified the Investor as a retail client for the purposes of the FCA rules
<b>RPI</b>	inflation measured by the Retail Price Index
<b>Shareholder Proceeds</b>	amounts paid by way of dividends or other distributions, share buybacks, proceeds on a sale or liquidation of the Company and any other proceeds or value received, or deemed to be received, by Generalist Shareholders or Healthcare Shareholders in the Company, excluding any income tax relief on subscription
<b>Shareholders</b>	holders of Shares
<b>Share(s)</b>	DSO Ordinary Shares and/or DSO A Shares and/or DSO B Shares and/or DSO C Shares and/or DSO D Shares and/or DP67 Shares and/or DP2011 General Ordinary Shares and/or DP2011 General A Shares and/or DP2011 Structured Ordinary Shares and/or DP2011 Structured A Shares and/or DP2011 Low Carbon Shares and/or Generalist Shares and/or Healthcare Shares (excluding Management DSO A Shares, Management DSO C Shares, Management DP2011 General A Shares, Management DP2011 Structured A Shares and Management Shares), as applicable
<b>Sponsor</b>	SPARK Advisory Partners Limited
<b>Sponsor and Promotion Agreement</b>	agreement dated 12 November 2018 between the Company (1), the Directors (2), the Sponsor (3) and Downing (4), a summary of which is set out in paragraph 7(a) of Part IV of the Prospectus
<b>Spouse</b>	spouse or civil partner
<b>Total Return</b>	NAV, together with cumulative dividends paid or proposed
<b>UK Listing Authority</b>	FCA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
<b>VCT or Venture Capital Trust</b>	venture capital trust as defined in Section 259 of the ITA
<b>VCT Regulations or VCT Rules</b>	Part 6 ITA 2007 and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning VCTs as amended from time to time

## Part VI – General Information on the Company

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### 1. LISTING

This document comprises a prospectus relating to the Company and has been prepared in accordance with the Prospectus Rules made under section 73A and in accordance with section 84 of FSMA. Copies of the Prospectus are available from Downing at 6<sup>th</sup> Floor, 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 12 January 2009 with registered number 06789187, under the name Downing Protected Opportunities VCT 1 plc. The Company's name was changed to Downing Structured Opportunities VCT 1 plc on 12 November 2009 and was changed again to Downing FOUR VCT plc on 20 July 2015. The Company was issued with a trading certificate under section 117 of the CA 1985 on 23 January 2009 and, on the same date, gave notice of its intention to carry on business as an investment company.

The principal legislation under which the Company operates is the CA 2006 and regulations made thereunder. The Company's principal object, as set out in its Articles, is to carry on the business of a venture capital trust. The shares being offered by the Company are Generalist Shares (ISIN: GB00BDHF5B49) and Healthcare Shares (ISIN: GB00BDHF5D62) denominated in sterling and created under the CA 2006. There are no restrictions on the free transferability of the Generalist Shares and Healthcare Shares.

The Company's registered office and principal place of business is at 6<sup>th</sup> Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD. The Company is domiciled in England. The Company does not have, nor has it had since incorporation, any subsidiaries or employees (other than its Directors). The Company is not part of a group.

HM Revenue & Customs has granted approval of the Company as a VCT under section 274 of the Tax Act. The business of the Company has been, and it is intended will be, carried on so as to continue to comply with that section to maintain full VCT approval.

The Company revoked its status as an investment company under section 266 of the CA 1985 (now section 833 of CA 2006) on 27 July 2009 and does not intend to re-apply for such status. The Company is not authorised and/or regulated by the FCA or an equivalent overseas regulator. The Company is subject to the requirements of VCTs and, as an entity listed on the main market of the London Stock Exchange, will be subject to the rules and regulations issued by the UK Listing Authority from time to time. The Company is not otherwise regulated.

### 3. SHARE CAPITAL

- 3.1 As at 12 November 2018, being the most recent practicable date prior to publication of this document, the issued fully paid share capital of the Company was as follows:

Share Class	Issued	
	No. of Shares	Nominal Value
DSO D Shares	7,867,247	£7,867.25
DP67 Shares	11,192,136	£11,192.14
DP2011 General Ordinary Shares	15,644,066	£15,644.06
DP2011 General A Shares	18,418,614	£18,418.61
DP2011 Structured Ordinary Shares	10,678,725	£10,678.73
DP2011 Structured A Shares	12,572,817	£12,572.82
Generalist Shares	38,701,095	£38,701.10
Healthcare Shares	15,198,360	£15,198.36

- 3.2 The entire issued ordinary share capital of the Company is admitted to the premium segment of the Official List and are freely transferable. Each Share issued has been fully paid and is free from all liens and from any restriction on the right of transfer (except to the extent that any restriction is imposed for failure to comply with a notice under section 793 of the Companies Act 2006).

- 3.3 The Company launched its first fundraising in January 2009 and, at the close of the offer on 2 September 2009, issued 10.4 million Ordinary Shares and 15.6 million A Shares.
- 3.4 The Company launched a further fundraising in October 2009 and by 26 April 2010 had issued 20 million B Shares and 30 million C Shares.
- 3.5 The Company launched a third fundraising in August 2011 and by 28 August 2012 had issued 7,887,527 D Shares.
- 3.6 On 20 July 2015 the Company merged with DP2011, DP6 and DP7 under the terms of the Merger.
- 3.7 The Company launched a further fundraising on 8 December 2016, and by 5 April 2018 had issued 38,276,529 Generalist Shares and 15,072,293 Healthcare Shares.
- 3.8 On 4 September 2018, the following resolutions, inter alia, were passed at a general meeting: -
- 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 £40,000 in respect of Generalist Shares (representing approximately 105% of the share capital in issue at today's date) and £30,000 in respect of Healthcare Shares (representing approximately 199% 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 share premium account and capital redemption reserve each be cancelled.
  - c) 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 5 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.
  - d) That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of DSO D Shares of 0.1p each ("DSO D Shares"), DP67 Shares of 0.1p each ("DP67 Shares"), DP2011 General Ordinary Shares of 0.1p each ("DP2011 General Ordinary Shares"), DP2011 General A Shares of 0.1p each ("DP2011 General A Shares"), DP2011 Structured Ordinary Shares of 0.1p each ("DP2011 Structured Ordinary Shares"), DP2011 Structured A Shares of 0.1p each ("DP2011 Structured A Shares"), Generalist Shares of 0.1p each ("Generalist Shares") and Healthcare Shares of 0.1p each ("Healthcare Shares") in the capital of the Company provided that:
    - (i) the maximum number of 1,172,220 representing approximately 14.9% of the issued DSO D Share capital, 1,667,628 representing approximately 14.9% of the issued DP67 Share capital, 2,330,966 representing approximately 14.9% of the issued DP2011 General Ordinary Share capital, 2,744,373 representing approximately 14.9% of the issued DP2011 General A Share capital, 1,591,130 representing approximately 14.9% of the issued DP2011 Structured Ordinary Share capital, 1,873,350 representing approximately 14.9% of the issued DP2011 Structured A Share capital, 5,735,331 representing approximately 14.9% of the issued Generalist Share capital and 2,255,571 representing approximately 14.9% of the issued Healthcare Share capital of the Company from time to time;
    - (ii) the minimum price which may be paid for a DSO D Share, DP67 Share, DP2011 General Ordinary Share, DP2011 General A Share, DP2011 Structured Ordinary Share, DP2011 Structured A Share, Generalist Share or Healthcare Share is 0.1p, exclusive of all expenses;

- (iii) the maximum price which may be paid for a DSO D Share, DP67 Share, DP2011 General Ordinary Share, DP2011 General A Share, DP2011 Structured Ordinary Share, DP2011 Structured A Share, Generalist Share or Healthcare Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the relevant share as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the share is contracted to be purchased; and
- (iv) the Company may validly make a contract to purchase its own DSO D Shares, DP67 Shares, DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 Structured Ordinary Shares, DP2011 Structured A Shares, Generalist Shares or Healthcare Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of DSO D Shares, DP67 Shares, DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 Structured Ordinary Shares, DP2011 Structured A Shares, Generalist Shares or Healthcare 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 on the expiry of 15 months from the passing of the resolution, whichever is the earlier.

- 3.9 To the best of the Company's knowledge the Company's share capital has been issued in accordance with its Articles and in compliance with the CA 2006 and all other relevant legislation. The Company holds all necessary consents, statutory or otherwise which it is required to hold.
- 3.10 The use of the full over-allotment facility is conditional on Shareholder approval of an extension to the existing authorities set out 3.8 above, such that they be increased to an aggregate nominal amount of £55,000 in respect of Generalist Shares and £43,000 in respect of Healthcare Shares.

#### 4. THE COMPANY

- 4.1 Share buybacks conducted by the Company during the period from 1 April 2013 to the date of publication of this document, are summarised below.

Date	Share Class	Number of Shares	Price per Share
23 Aug 13	DSO Ord	33,920	90.0p
23 Aug 13	DSO A	20,400	0.1p
11 Dec 13	DSO Ord	38,950	91.0p
13 Feb 14	DSO A	20,200	0.1p
13 Feb 14	DSO B	25,300	81.5p
13 Feb 14	DSO D	10,000	82.5p
7 Dec 15	DSO D	10,280	76.0p
7 Dec 15	DP2011 Gen Ords	35,175	78.5p
7 Dec 15	DP2011 Gen A	35,175	0.1p
4 Aug 16	DP67	56,473	60.0p
15 Aug 16	DP67	24,000	60.0p
10 Jan 18	DP67	47,649	47.3p
20 Jul 18	Generalist	14,400	95.5p

- (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 or the Company's financial position or profitability.
- (c) The Company is not regulated to conduct investment business under FSMA.
- (d) The Company was registered with the FCA as a Small Registered UK AIFM with effect from 9 July 2014.
- (e) Save as disclosed in paragraph 3 above, since 1 April 2013, no share or loan capital of the Company has been issued or (except pursuant to or in connection with the Offers) has been 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.
- (f) No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option. Other than pursuant to the Offers and the authorities referred to in sub-paragraph 3.7 above, no material issue of shares (other than where offered to Shareholders pro rata to existing holdings) will be made within one year of the date of this document without the prior approval of Shareholders in general meeting.

- (g) The Generalist Shares and Healthcare Shares will be in registered form. The Company's share register will be kept by Link Asset Services Limited, 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.
- (h) 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 2006 Act (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 any unissued share capital of the Company which is not subject to the disapplication referred to in sub-paragraph 3.7 above.
- (i) The Company's capital resources are restricted insofar as they may be used only in putting into effect the investment policy described on page 18 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 are available for inspection at the address specified in paragraph 11 below.

The Company's Articles, including certain changes to be proposed at the General Meeting, are summarised below:

### (a) *Voting rights*

Every Shareholder shall have the right to receive notice of, to attend, speak and vote at any General Meeting of the Company.

Shareholders who are present at a General Meeting and duly appointed proxies present at a General Meeting can vote on a show of hands. They will have one vote each.

On a poll each Shareholder present in person or by proxy shall be entitled to the number of votes per share of which he is the registered holder which is attributed to shares of that class as set out in the second column opposite each class of share named in the table below, as this number may be adjusted from time to time.

<b>Class of share</b>	<b>Number of votes per share ("Base Votes")</b>	<b>Original net asset value per share at the date of the Merger ("Base Value")</b>	<b>Net Asset Value as at date of adoption of these Articles</b>
Generalist Share	1,146	N/A	100.0p
Healthcare Share	1,146	N/A	100.0p
DSO D Share	463	80.7p	75.6p
DP 2011 General Ord Share	213	73.3p	73.1p
DP 2011 General A Share	113	6.0p	5.9p
DP 2011 Structured Ord Share	219	75.7p	77.1p
DP 2011 Structured A Share	113	6.2p	6.1p
DP 67 Ord Share	750	63.8p (DP6), 63.5p (DP7)	60.4p

If the net asset value of any class of share, as announced prior to a General Meeting of the Company, adjusted by the deduction of the amount of any dividends declared in or since the announcement or paid since the announcement, is less than or greater than the Base Value in the third column set opposite that class of share in the table above by at least 25% or more of its Base Value then the number of Base Votes per share which each holder of shares of that class may cast upon a poll as set out in the second column of the table above shall correspondingly increase or decrease as set out in the table on the next page.



<b>Net Asset Value, adjusted as required, expressed as a % of the Base Value of a Class of Share</b>	<b>Adjusted Base Votes per share</b>
Up to 25%	0.25 x Base Votes
Over 25% and less than 50%	0.50 x Base Votes
Over 50% and up to 75%	0.75 x Base Votes
Over 75% and up to 125%	Base Votes
Over 125% and up to 150%	1.25 x Base Votes

(b) *Transfer of shares*

The instrument of transfer of any share in the Company shall be in usual form or in such other form as shall be approved by the Directors, and shall be signed by or on behalf of the transferor (and in the case of a transfer of a partly paid share by the transferee) and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect thereof, and when registered the instrument of transfer shall be retained by the Company.

Title to any share in the Company in issue or to be issued (not including any shares referred to in Regulation 17 of the Regulations), may be transferred by means of a relevant system (as defined in the Regulations) such system to include CREST; any provision of these Articles shall accordingly not apply to the extent that it is inconsistent with the holding of any shares in the capital of the Company in uncertificated form, or the requirements of CREST and the provisions of the Regulations.

subject to the Statutes, the Directors may, in their absolute discretion and without assigning any further reason therefor, refuse to register any share transfer unless: -

- it is in respect of a fully paid share;
- it is in respect of a share on which the Company does not have a lien;
- it is in respect of only one class of shares;
- it is in favour of not more than four joint holders as transferees; and
- the conditions referred to in the next succeeding Article have been satisfied in respect thereof.

(c) *Distributions of income and capital*

The share capital of the Company comprises DSO D Shares, DP2011 General Ord Shares, DP2011 General A Shares, DP2011 Structured A Shares, DP2011 Structured Ord Shares, DP67 Ord Shares, Generalist Shares and Healthcare Shares.

*DSO D Shares, DP67 Ord Shares, Generalist Shares and Healthcare Shares*

The holders of DSO D Shares, DP67 Ord Shares, Generalist Shares and Healthcare Shares shall be entitled, in their respective capacities, to receive dividends and any other distributions or a return of capital (otherwise than on a market purchase by the Company of any of its shares) only out of the assets attributable to those respective share classes and pro-rata between such Shareholders to the respective number of shares they hold in the relevant share class.

*DP2011 Structured Ord Shares and DP2011 Structured A Shares*

The holders of DP2011 Structured Ord Shares and the DP2011 Structured A Shares shall be entitled to dividends and any other distributions or a return of capital (otherwise than on a market purchase by the Company of any of its shares), out of the combined assets attributable to the DP2011 Structured Ord Shares and the DP2011 Structured A Shares, divided between them on the basis of a formula and subject to the achievement of a series of hurdles whereby the DP2011 Structured A Shares are entitled to a greater percentage where the total proceeds attributable to both classes is (a) up to including 70p per share (b) greater than 70p but less than 120p per share or (c) 120p per share or greater.

### *DP2011 General Ord Shares and DP2011 General A Shares*

The holders of DP2011 General Ord Shares and the DP2011 General A Shares shall be entitled to dividends and any other distributions or a return of capital (otherwise than on a market purchase by the Company of any of its shares), out of the combined assets attributable to the DP2011 General Ord Shares and the DP2011 General A Shares, divided between them on the basis of a formula and subject to the achievement of a series of hurdles whereby the DP2011 General A Shares are entitled to a greater percentage where the total proceeds attributable to both classes is (a) up to including 70p per share (b) greater than 70p but less than 120p per share or (c) 120p per share or greater.

(d) *Disclosure of interests in shares*

If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in section 793 of the 2006 Act, the Directors may, for such period as the default shall continue, impose restrictions upon the relevant shares. The restrictions available are the suspension of voting and rights of attendance at meetings of the Company in respect of the relevant shares and, additionally, in the case of a Shareholder representing at least 0.25% by nominal value of any class of shares of the Company then in issue the withholding of payment of any dividends on and the restriction of transfer of, the relevant shares.

(e) *Changes in share capital*

(i) Without prejudice to any rights attached to any existing shares, any share may be issued with such rights or conditions as the Company may by ordinary resolution determine or, in the absence of such determination, as the Directors may determine. Subject to the Acts, the Company may issue shares which are, or at the option of the Company or the holder are, liable to be redeemed.

(ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide its shares or any of them into shares of smaller amounts, cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount so cancelled or the amount of the reduction.

(iii) Subject to the Acts, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account and may also, subject to the Acts, purchase its own shares.

(f) *Class consents and variation of rights*

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of such holders.

Inter alia, the Company shall not without the previous sanction of a Special Resolution passed at a separate General Meeting:

(A) create or issue any further shares or securities which would lead to NAV dilution on issue, conversion or exchange carry; or

(B) pass a future resolution to reduce the capital or share premium account of the Company attributable to the relevant class of shares save where such redemption is at a premium to the prevailing NAV of that class; or

(C) alter any objects set out in the Articles of Association of the Company;

(D) Increase the borrowing limit stated in these Articles or permit such limit to be exceeded; or

(E) Pass any resolution to vary, modify or abrogate any of the special rights or privileges attached to the relevant class of shares.

(g) *Directors' interests*

- (i) Subject to the provisions of the Acts and save as set out in the Articles no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established subject to the nature and extent of the Director's direct or indirect interest having been disclosed by him to the other Directors and authorisation being obtained from the Directors for the above in accordance with the provisions of the Acts.
- (ii) Save as set out in the Articles, a Director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has any direct or indirect interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company unless the Director has made a declaration disclosing the nature and extent of such interests and has obtained from the other Directors their authorisation for the above in accordance with the provisions of the Acts. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (iii) A Director shall (in the absence of some other material interest than is as indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning, inter alia, the following matters:
  - (a) the giving of any security or indemnity to him or to a third party in respect of monies lent or obligations incurred at the request of or for the benefit of the Company;
  - (b) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in 1% or more of any class of the equity share capital of such company (or of a third company through which his interest is derived) or of the voting rights available to members of the company;
  - (c) any arrangement for purchasing or maintaining for any officer or auditor of the Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the Company or any of its subsidiaries of which he is a director, officer or auditor.
- (iv) A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested including fixing or varying the terms of his appointment or the termination thereof.
- (v) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals shall be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (if not otherwise debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(h) *Remuneration of Directors*

- (i) The ordinary remuneration of the Directors (other than an executive director appointed under the Articles) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting, the aggregate of the ordinary remuneration of the Directors of the Company shall not exceed £150,000 per year (excluding any performance incentive fees), to be divided among them in such proportion and manner as the Directors may determine). The Directors shall also be paid by the Company all travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

- (ii) Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purpose may be paid such extra remuneration as the Directors may determine.
- (iii) The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependant on or after retirement or death.

(i) *Retirement of Directors*

At the next annual general meeting of the Company following the first appointment of a Director he shall retire from office. A Director shall also retire from office at or before the third annual general meeting following the annual general meeting at which he last retired and was re-elected. At all times a retiring Director shall be eligible for re-election.

(j) *Borrowing powers*

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, by the exercise of the Company's voting and other rights or powers of control over its subsidiary undertakings (if any), secure that they restrict their borrowings, so that the aggregate amount at any time outstanding in respect of money borrowed by the group, being the Company and its subsidiary undertakings for the time being (excluding intra-group borrowings), shall not, without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to 15% of the aggregate total amount received from time to time on the subscription of shares to the Company.

(k) *Uncertificated Shares*

CREST, a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument, was introduced in July 1996. The Articles are consistent with CREST membership and allow for the holding and transfer of shares in uncertificated form pursuant to the Regulations.

(l) *Calling of General Meetings*

- (i) The Company shall within six months of the financial year end hold a general meeting as its Annual General Meeting, in addition to any other meetings in that year, and shall specify the meeting as such in the notice convening it. The Annual General Meeting shall be held at such time and place as the Directors may appoint.
- (ii) An Annual General Meeting shall be called by not less than twenty-one days' notice and all other General Meetings of the Company, shall, subject to the statutes, be called by not less than twenty-one days' notice unless it is proposed to pass a resolution of which special notice is required by the Statutes, in which case 28 days' notice is required. The notice shall be exclusive of the day on which it is given and of the day of the meeting and shall, inter alia, specify the place, the day and hour of the meeting, and in case of special business the general nature of such business.

The business of an Annual General Meeting shall be to receive and consider the profit and loss account, the balance sheet and reports of the Directors and of the Auditors, and the documents required by law to be annexed to the balance sheet, to elect Directors and officers in the place of those retiring or ceasing to hold office pursuant to the Articles and to fix their remuneration if required, to declare dividends, to appoint the Auditors and to fix, or determine the manner of the fixing of, their remuneration. All other business transacted at an Annual General Meeting and all business transacted at a General Meeting shall be deemed special.

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 12 November 2018 (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 2006 Act 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 2006 Act, 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							
	DSO D Shares	DP67 Shares	DP2011 Gen Ord Shares	DP2011 Gen A Shares	DP2011 Struc Ord Shares	DP2011 Struc A Shares	Generalist Shares	Healthcare Shares
Lord Flight	20,800	-	-	-	-	-	-	-
Aubrey Brocklebank	-	-	-	-	-	-	-	5,000
Russell Catley	-	-	-	-	10,200	10,200	-	-

Director	Percentage of Issued Share Capital							
	DSO D Shares	DP67 Shares	DP2011 Gen Ord Shares	DP2011 Gen A Shares	DP2011 Struc Ord Shares	DP2011 Struc A Shares	Generalist Shares	Healthcare Shares
Lord Flight	0.30%	-	-	-	-	-	-	-
Aubrey Brocklebank	-	-	-	-	-	-	-	0.03%
Russell Catley	-	-	-	-	0.10%	0.08%	-	-

The interests (all of which are beneficial) of the Directors and their immediate families in the share capital of the Company and (so far as is known or could with reasonable diligence be ascertained by the relevant Director) the interests of a person connected (within the meaning of section 252 of the 2006 Act) with a Director and which would be disclosed if they were interests of that Director following the close of the Offers (assuming full subscription under the Offers) are expected to be as follows:

Director	Number of Shares							
	DSO D Shares	DP67 Shares	DP2011 Gen Ord Shares	DP2011 Gen A Shares	DP2011 Struc Ord Shares	DP2011 Struc A Shares	Generalist Shares	Healthcare Shares
Lord Flight	20,800	-	-	-	-	-	-	-
Aubrey Brocklebank	-	-	-	-	-	-	-	5,000
Russell Catley	-	-	-	-	10,200	10,200	-	-

Director	Percentage of Issued Share Capital							
	DSO D Shares	DP67 Shares	DP2011 Gen Ord Shares	DP2011 Gen A Shares	DP2011 Struc Ord Shares	DP2011 Struc A Shares	Generalist Shares	Healthcare Shares
Lord Flight	0.30%	-	-	-	-	-	-	-
Aubrey Brocklebank	-	-	-	-	-	-	-	0.03%
Russell Catley	-	-	-	-	0.10%	0.08%	-	-

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 2006 Act.

(c) Each of the Directors has entered into an agreement with the Company, whereby they are required to devote such time to the Company as the Board reasonably requires consistent with their respective roles as non-executive directors. The agreements are terminable on three months' notice by either party. Each Director is currently entitled to receive and, during the period to 31 March 2018, was paid, the fees listed below.

Name	Annual remuneration (excluding VAT, if applicable)		
	Annual remuneration	Year ended 31 March 2018	Year ended 31 March 2017
	£	£	£
Lord Flight	20,000	20,000	20,000
Sir Aubrey Brocklebank (SID)	20,000	20,000	20,000
Russell Catley	18,000	18,000	18,000

No benefits are payable on termination of these agreements. None of the Directors has entered into any service contract with the Company.

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

Save as disclosed in paragraph (c) above, this paragraph and paragraph (i) below, 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

##### CURRENT DIRECTORS

Lord Flight	Current	Past 5 Years
	Flight & Barr Limited	Loudwater Trust Limited (Guernsey)
	The Monarchist Movement Trust Limited	
	Investec Asset Management Limited	
	The EIS Association Limited	
	Marechale Capital plc	
	Flight & Partners Limited	
	Metro Bank plc	
	AIT Trading Limited	
	Aurora Investment Trust plc	
	Edge Performance VCT plc	
	Guernsey Financial Services Commission	
	Mercantile Ports and Logistics Limited	
Sir Aubrey Brocklebank	Current	Past 5 Years
	Hargreave Hale AIM VCT plc	Continental Shelf 547 Limited*
	Thos and Jos Brocklebank Limited	Continental Shelf 548 Limited*
	Puma VCT 8 plc (in liquidation)	AB and A Investments Limited*
	Salt International Ltd (In liquidation)	Puma VCT IV plc*
	Downing Planned Exit VCT 2011 plc (in liquidation)	Epiquestlive UK Limited
	NGS Corporation plc	Epiquest Live Inc (USA)
	Evoque Claims & Appraisals Limited	The Media Vehicle Group Limited*
		Inventive Property Holdings Limited
		The Classic 2CV Racing Club Limited
		Mast Investment Holdings Ltd (Guernsey)
		Nationwide Gritting Services Limited

<b>Russell Catley</b>	<b>Current</b>	<b>Past 5 Years</b>
	Catley Lakeman May Limited	HGA 2011 Ltd*
	Catley Lakeman LLP	A H Securities London Limited*
	Downing Planned Exit VCT 2011 plc (in liquidation)	CLM Securities Limited*
	Atlantic House Fund Management LLP	Herefordshire Golf Academy LLP*
	Dura Capital Limited	

\*Company has been dissolved

Save as disclosed in this paragraph none of the Directors nor any member of Downing 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 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.
- (e) The Company is not aware of any persons who, directly or indirectly, exercises or could exercise control over the Company and the Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.
- (f) There are no potential 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 Downing throughout its life.
- (g) None of the Company's major holders of Shares, under the Articles, have voting rights different from other holders of Shares. Under the Performance Incentive agreement which is in effect as at the date of this document, the Nominee has agreed to waive its right to vote under the Management Shares.
- (h) No amounts have been set aside by the Company or Downing 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 VI and the agreements referred to at (a) – (c) of paragraph 7 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 or the Company's subsidiary 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) Under the Sponsor and Promotion Agreement dated 12 November 2018 between the Company (1), the Directors (2), the Sponsor (3) and Downing (4), the Sponsor has agreed to act as sponsor in relation to the Offers and Downing has undertaken as agent of the Company to use its reasonable endeavours to procure subscribers under the Offers for up to 55,000,000 New Generalist Shares and up to 43,000,000 New Healthcare Shares for the Company. Neither the Sponsor nor Downing is obliged to subscribe for Offer Shares.

Under the Sponsor and Promotion Agreement, subject to shareholder approval, the Company will pay Downing a fee of 5% of the monies subscribed under the Offers where Adviser commission is payable or 3% of the monies subscribed under the Offers where no Adviser commission is payable. The amounts payable to Downing shall be capped at £3 million. The Company shall also be responsible for paying 0.25% per annum of the Net Asset Value of those Offer Shares in respect of which Adviser commission is payable 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 an additional upfront commission of 0.75%. Advisers will be paid commission, where permissible, by Downing, in respect of all applications accepted which bear their stamp. Downing will also pay all other costs and expenses of, or incidental to, the Offers and Admission.

Under the Sponsor and Promotion Agreement, which may be terminated by the Sponsor and Downing in certain circumstances, certain warranties have been given by the Company and the Directors to the Sponsor and Downing. The Company has also agreed to indemnify the Sponsor and Promoter in respect of their role as Sponsor and Promoter under the Sponsor and Promotion Agreement. The warranties and indemnity are in usual form for a contract of this type. The Sponsor and Promotion Agreement may be terminated by the Sponsor if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

- (b) A performance incentive agreement, between the Company and Downing Nominees Limited (the “**Nominee**”) dated 8 December 2016 pursuant to which the Nominee will undertake not to vote under the Management Shares at any general meeting of the Company and to waive any entitlement to distributions otherwise payable in respect of Management Shares held by the Nominee on behalf of certain members of the Downing Management team until the relevant Total Return hurdle has been achieved by the Company.
- (c) An investment management and administration agreement dated 27 January 2009 (as amended from time to time and, most recently, on 8 December 2016 to take account of the first issue of Generalist Shares and Healthcare Shares) between the Company (1) and Downing pursuant to which Downing has been appointed as the investment manager to the Company.

The appointment may be terminated by either side giving not less than 12 months’ notice in writing. Downing receives an annual fee and pays the Company’s running costs above a cost-cap calculated in relation to the Company’s NAV in its various share classes, each as set out in the following table:

<b>Assets</b>	<b>Investment Management Fee</b>	<b>Running Cost Cap</b>
<b>DSO Assets</b>	1.5%	3.0%
<b>DP2011 Assets</b>	1.8%	3.0%
<b>DP67 Assets</b>	1.35%	2.9%
<b>Generalist Assets</b>	2.0%	3.0%
<b>Healthcare Assets</b>	2.5%	3.5%

In respect of administration fees, Downing are paid a formula-based fee comprising three elements: (i) a basic fee of £40,000; (ii) a fee of 0.1% of NAV per annum on funds in excess of £10 million; (iii) £5,000 per additional share pool.

- (d) A transfer agreement between the Company and DP2011, acting through Kim Rayment and Ian Gould of BDO LLP (the “**Liquidators**”), pursuant to which all of the assets and liabilities of DP2011 were transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for Shares being issued to DP2011 Shareholders. The Liquidators further agreed under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets and/or other rights of DP2011 were transferred on receipt to the Company as part of a scheme for the merger of DP2011 and the Company.



- (e) A limited indemnity from the Company to the Liquidators pursuant to which the Company indemnified the Liquidators for expenses and costs incurred by them in connection with the DP2011 Scheme, subject to a cap of £1 million. A liquidation fee has been agreed and taken into account in the merger calculations. This agreement was entered into as part of the DP2011 scheme.
- (f) A transfer agreement between the Company and DP6, acting through the “Liquidators, pursuant to which all of the assets and liabilities of DP6 were transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for Shares being issued to DP6 Shareholders. The Liquidators further agreed under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets and/or other rights of DP6 were transferred on receipt to the Company as part of a scheme for the merger of the DP6 with the Company.
- (g) A limited indemnity from the Company to the Liquidators pursuant to which the Company indemnified the Liquidators for expenses and costs incurred by them in connection with the DP6 Scheme, subject to a cap of £1 million. A liquidation fee has been agreed and taken into account in the merger calculations. This agreement was entered into as part of the DP6 scheme.
- (h) A transfer agreement between the Company and DP7, acting through the Liquidators, pursuant to which all of the assets and liabilities of DP7 were transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for Shares being issued to DP7 Shareholders. The Liquidators further agreed under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets and/or other rights of DP7 were transferred on receipt to the Company as part of a scheme for the merger of the Company with DP7. This agreement was entered into as part of the DP7 scheme.
- (i) A limited indemnity from the Company to the Liquidators pursuant to which the Company indemnified the Liquidators for expenses and costs incurred by them in connection with the DP7 Scheme, subject to a cap of £1 million. A liquidation fee has been agreed and taken into account in the merger calculations. This agreement was entered into as part of the DP7 Scheme.

#### 8. GENERAL

- (a) The principal place of business and registered office of the Company is at 6<sup>th</sup> Floor, 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. The Company is not authorised or regulated by the FCA. The Company is domiciled in the United Kingdom.
- (b) The principal place of business and registered office of Downing is at 6<sup>th</sup> Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD (telephone no: 020 7416 7780). Downing LLP has approximately 150 staff and partners. Downing is UK domiciled and was incorporated in England and Wales under the Limited Liability Partnerships Act 2000 on 20 November 2008 with registered number OC341575. Downing is authorised and regulated by the Financial Conduct Authority with registered number 545025.
- (c) 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.
- (d) The Company does not intend to appoint an external custodian. The Company's assets will be held by the Company in certificated form.

- (e) 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); and Discounted cash flows (from the investment).

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.

- (f) 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 2019. The Company's unaudited half-yearly reports are made up to 30 September each year and are normally sent to Shareholders in December.
- (g) All material contracts of the Company will be in English and the Company and/or Downing will communicate with Investors and/or Shareholders in English.
- (h) Complaints about the Company or Downing should be referred to the chairman of the Board of Directors of the Company at 6<sup>th</sup> Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD or the chairman of Downing at 6<sup>th</sup> Floor, 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 Downing.
- (i) A typical investor in the Company will be a UK higher-rate income tax payer, over 18 years of age and with an investment range of between £3,000 and £200,000 who is capable of understanding and is comfortable with the risks of VCT investment.
- (j) 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.
- (k) 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 in Part III of this document (“Taxation”). 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 Policy” on page 18, 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. The Company was registered with the FCA as a Small Registered UK AIFM with effect from 9 July 2014.

#### 9. STAMP DUTY, STAMPY 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 Offers.

The transfer or 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 Offers, the Company is not likely to be a close company for tax purposes.

10. CONSENTS

The Sponsor and Downing have each given and have not withdrawn their written consent to the publication of this document including their respective names in the forms and contexts 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 3EE and at the registered office of the Company at 6<sup>th</sup> Floor, 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 Offers:

- (a) the Memorandum of Association and Articles of the Company;
- (b) the consent letters referred to in paragraph 10 above;
- (c) the Prospectus; and
- (d) the Company's audited annual accounts for the years ended 31 March 2016, 31 March 2017 and 31 March 2018.

13 November 2018

## Part VII – Additional Information

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### 1. The Company

#### 1.1 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 liquidity in the Company's 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 2006 Act 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 New Generalist Shares and New Healthcare Shares pursuant to the Offers) 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.

Following changes in Finance Act 2014 for shares issued after 5 April 2014, the Company may not return the capital raised by a share issue to its investors for a period of three years from the end of the accounting period in which the shares were issued. There is no restriction on dividends funded out of income received attributable to the Generalist Shares or Healthcare Shares.

#### 1.2 Material interests

Downing will be paid an annual investment management fee of 2.0% of the Net Assets attributable to the Generalist Shares and 2.5% of the Net Assets attributable to the Healthcare Shares. In line with normal VCT practice, Downing will also be entitled to receive the Performance Incentive. Further details of these arrangements are set out in Part II of this document.

#### 1.3 Results of the Offers

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

### 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 19 October 2018.

	£'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	130
Other reserves	50,342
	<u>50,472</u>

There has been no material change in the capitalisation of the Company, total debt or shareholder equity since 19 October 2018.

The following table shows the Company's net indebtedness as at 19 October 2018.

	<b>£'000</b>
A Cash	10,770
B Cash equivalent	16,218
C Trading Securities	-
<b>D Liquidity (A+B+C)</b>	<b>26,988</b>
<hr/>	
E Current financial receivables	365
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>
<hr/>	
<b>J Net current financial indebtedness (I-E-D)</b>	<b>(27,353)</b>
<hr/>	
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>
<hr/>	
<b>O Net financial indebtedness (J+N)</b>	<b>(27,353)</b>
<hr/>	

**The Company does not have any contingent or indirect indebtedness.**

There has been no material change in the capitalisation or indebtedness of the Company since 19 October 2018.

### 3. Issued Share Capital and Dilution

The Shareholders of the Company as at the date of this document hold the rights to a total of 82,978,271,614 votes. If the maximum of 41,875,000 Offer Shares are issued pursuant to the Offer (ignoring the overallotment facility but including Management Shares), then the existing Shares would represent approximately 63.4% of the voting rights of the enlarged Company. There will be no dilution in terms of net asset value for any Existing Shareholder as a result of the Offers due to the application of the pricing formula.

### 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 Generalist Shares or Healthcare 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(y) of Part XI 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.

**6. General Information**

The Company and its Shareholders are subject to the provisions of the Takeover Code and 2006 Act, which require shares to be acquired/transferred in certain circumstances.

**7. Maximum number of New Generalist Shares to be issued**

The maximum number of New Generalist Shares that may be issued under this Prospectus pursuant to the Offers is 55,000,000 New Generalist Shares.

**8. Maximum number of New Healthcare Shares to be issued**

The maximum number of New Healthcare Shares that may be issued under this Prospectus pursuant to the Offers is 43,000,000 New Healthcare Shares.

**9. Use of the Prospectus by financial intermediaries**

The Company and the Directors consent to the use of the Prospectus and accept responsibility for the content of the Prospectus for subsequent resale or final placement of the securities in the Company by financial intermediaries in the UK. The period in which such consent to use the Prospectus is given begins with the date of the Prospectus and ends on the close of the Offers, for the purpose of introducing subscribers for New Generalist Shares and New Healthcare Shares. The Offers are expected to close on or before 30 June 2019, unless previously extended by the Directors to a date not being later than 31 October 2019.

**Financial intermediaries must give Investors information on the terms and conditions of the Offers at the time the Offers are introduced to them by the financial intermediary. Any financial intermediary using the Prospectus must state on its website that it uses the Prospectus in accordance with the above consent and the conditions attached thereto.**

13 November 2018

## 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).
4. The contract created by the acceptance of applications in respect of the first allotment of Offer Shares will be conditional on 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 2019. If the conditions are not met, the Offers will be withdrawn and subscription monies will be returned to Investors within seven days of 30 April 2019, at their own risk, without interest. The Offers are not underwritten.
5. By completing and delivering an Application Form, you:
  - (a) offer to subscribe for the amount specified on your Application Form plus any commission waived for extra shares or any smaller sum for which such application is accepted at the Offer Price;
  - (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 Offers, 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 Offers and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;
  - (j) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations including the risk factors contained therein;

- (k) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information and representation other than those contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof will have any liability for any such other information or representation;
  - (l) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offers shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
  - (m) irrevocably authorise the Company, the Registrar or Downing or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any 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 Offers or your application;
  - (p) confirm that you have read and complied with paragraph 6 below;
  - (q) confirm that you have reviewed the restrictions contained in paragraph 7 below;
  - (r) confirm that you understand that if you sell (or have sold) any other Shares in the Company within six months either side of your subscription for Offer Shares then, for the purposes of calculating the tax relief on the Offer Shares, the subscribed amount must be reduced by the amount received from the sale;
  - (s) warrant that you are not under the age of 18 years;
  - (t) 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;
  - (u) agree that Downing and the Sponsor are acting for the Company in connection with the Offers and for no-one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of Offer Shares or concerning the suitability of Offer Shares for you or be responsible to you for the protections afforded to their customers;
  - (v) 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;
  - (w) 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;
  - (x) 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;
  - (y) 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
  - (z) 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 2006 Act 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 retail 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 section headed "Notes on Application Form" forms part of these Terms and Conditions of Application.
13. It is a condition of the Offers 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 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 process the information you give us in accordance with our privacy policy (<https://www.downing.co.uk/privacy-and-cookie-policy>). This includes processing or sharing your information as required to fulfil our obligations under this agreement. We may also use your information to contact you regarding upcoming investment opportunities, should you no longer wish to be contacted you may advise Downing of this without affecting the remainder of this agreement or the terms of use for your information.
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 Offers, Adviser Charges and Commission

### Pricing of the Offers

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

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

<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 that are ex-dividend but not yet paid, as appropriate.

**Illustrative examples** (based on a subscription under the Offers of £10,000 and an NAV per Generalist Share of £0.904)

- (i) Promoter's Fee (plus commission payable to Intermediary): (5% less 2% Intermediary commission waived) of 3% = £300  
Number of Generalist/Healthcare Shares =  $(10,000 - 300 - 0) \div 0.904 = \mathbf{10,730}$  Offer Price = 93.2p
- (ii) Promoter's Fee (with Adviser Charge) of 3% = £300  
Example Adviser Charge = £225  
Number of Generalist/Healthcare Shares =  $(10,000 - 300 - 225) \div 0.904 = \mathbf{10,481}$  Offer Price = 95.4p
- (iii) Promoter's Fee (with Adviser Charge) of 3% = £300  
Example Adviser Charge = £400  
Number of Generalist/Healthcare Shares =  $(10,000 - 300 - 400) \div 0.904 = \mathbf{10,287}$  Offer Price = 97.2p
- (iv) Promoter's Fee (with Adviser Charge and application received by 28 December 2018\*) of 2.0% = £200  
Example Adviser Charge = nil (fee being paid directly by client to Intermediary or direct application)  
Number of Generalist/Healthcare Shares =  $(10,000 - 200 - 0) \div 0.904 = \mathbf{10,840}$  Offer Price = 92.3p

\*Applications received and accepted by 28 December 2018 will benefit from a reduction in the Promoter's Fee of 1.0% of the amount subscribed. The percentage reduction will decline on a weekly basis until 1 March 2019, after which a nil reduction will apply.

It should be noted that the example Adviser Charges set out above have been provided to illustrate the pricing of the Offers 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 Regulations and personal circumstances, which in each of the above examples would be £3,000 (£10,000 at 30%).

**Adviser Charges**

Commission is not permitted to be paid to Intermediaries save where they are acting on behalf of their clients where those clients are non-advised Investors (and an enhanced service has been provided in accordance with the extended prohibition on inducements under the FCA Rules) or where their clients are categorised as 'professional clients' under the FCA Rules who have received only restricted advice. 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, if it is an initial one-off fee, the payment of such fee may be facilitated from the Investor's funds received by the Company. Ongoing fees to Intermediaries will not be facilitated by the Company. If the payment of the 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 (see Box 4). The Investor will be issued fewer Generalist and/or Healthcare Shares (to the equivalent value of the Adviser Charge) through the Pricing Formula set out above. The Adviser Charge is inclusive of VAT, if applicable.

**Commission**

Commission is only payable in limited circumstances noted above. Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2% of the amount invested by their clients under the Offers. Initial commission is payable by Downing out of its Promoter's Fee. Additionally, provided that the Intermediary continues to act for the Investor and the Investor continues to be the beneficial owner of the Generalist Shares and/or Healthcare Shares, and subject to applicable laws, regulations and FCA rules, eligible Intermediaries that represented the Investor at the application stage will usually be paid an annual trail commission of 0.25% of the Net Asset Value of their clients' holdings for five years from the date of allotment. Trail commission may be waived, at Downing's discretion, in favour of an additional upfront commission of 0.75%. Trail commission will be paid by Downing annually in August (commencing August 2019 for applications under the Offers, based on the audited Net Asset Value at the preceding 31 March).