
DOWNING ONE VCT PLC

(Incorporated in England and Wales under the Companies Act 1985 No 03150868)

DIVIDEND REINVESTMENT SCHEME

You should consult a person authorised under the Financial and Services Markets Act 2000 if you are in any doubt about the contents of this document. If you have sold or transferred all of your Ordinary Shares in the Company, please send this document at once to the purchaser/transferee, the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

INTRODUCTION

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

To participate in the Dividend Reinvestment Scheme, Shareholders who hold their Shares in certificated form must complete the Mandate Form included with this document and return it to:

Capita Asset Services c/o Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL
(or in a prepaid envelope)

Shareholders who hold their shares in CREST must submit a CREST Dividend Election Input Message in order to participate. In each case, the relevant action must be taken, and the Mandate Form or CREST Dividend Election Input Message received, by no later than 5 p.m. on the record date of the relevant dividend.

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

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

DEFINED TERMS

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| “Board” or “Directors” | the board of directors of the Company; |
| “Company” | Downing ONE VCT plc; |
| “CREST” | the electronic settlement system operated by Euroclear UK and Ireland Limited which allows shareholders and bondholders to hold securities in uncertificated form; |
| “Dividend” | a dividend declared by the Company to which the Scheme applies; |
| “Dividend Reinvestment Scheme” or “Scheme” | the scheme, whose terms and conditions are set out in this document; |
| “Mandate Form” | the form that enables non-CREST shareholders in the Company to participate in the Dividend Reinvestment Scheme; |
| “New Shares” | those Shares to be issued on the Payment Date under the Scheme; |
| “Participant” | those shareholders who elect to participate in the Scheme or, where a shareholder holds shares as nominee, the person being the beneficial owner of the ordinary shares registered in the name of that shareholder, who elects to participate in the Scheme; |
| “Payment Date” | the date on which a Dividend is due to be paid by the Company; |
| “Record Date” | the date on which shareholders’ eligibility to receive a Dividend is assessed; |
| “Shares” or “Ordinary Shares” | ordinary shares of 1p nominal value in the capital of the Company; |
| “Scheme Administrator” | Capita Asset Services (a trading name of Capita Registrars Limited); and |
| “UKLA” | the UK Listing Authority, which is the regulator responsible for listing and monitoring companies whose shares are traded on the London Stock Exchange. |

RISK FACTORS

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

TERMS AND CONDITIONS OF THE SCHEME

1. By electing to participate in the Scheme, Shareholders on the register of members of the Company at the close of business on a given Record Date may elect to receive New Shares, credited as fully paid, instead of the cash they would otherwise be due in respect of Dividends. The election may, subject to condition 3(d) and 3(e) below, only be made in respect of all (and not some only) of each Dividend and if accepted by the Scheme Administrator shall, subject to conditions 7 and 14 below, operate as a mandate.
2. The Company shall apply the monies held within the Scheme (being the amount of each Dividend paid on Shares held by, or on behalf of, Participants) to invest in New Shares in the Company. The Company shall not have the discretion to vary such investments and Shareholders may not instruct the Company or the Scheme Administrator to make any other investments.
3. (a) On or as soon as practicable after a Payment Date, the Participant's funds held by the Company shall be applied on behalf of that Participant in a subscription for the maximum number of New Shares that can be allotted for such investment.

(b) The number of New Shares issued to a Participant pursuant to clause 3(a) above shall be calculated by dividing the aggregate value of the Participant's funds by the net asset value per Share of the Company (as determined by the Board on or around the Record Date but which will normally be the most recently announced financial year end or half yearly net asset value, as adjusted for dividends).

(c) No fractions of Shares will be issued under the Scheme and no balance of any cash remaining with the Scheme Administrator after the calculation of each Participant's entitlement to New Shares shall be payable to Participants.

(d) The Directors may, at their discretion, allow a Shareholder to make a partial reinvestment of a Dividend, where that shareholder is acting on behalf of more than one beneficial holder, for example through a nominee shareholding made in CREST or other custodians, nominees or trustees. A CREST Dividend Election Input Message must contain the number of Shares for which the election is being made. A cash dividend will automatically be paid on any Shares which are not specified in a CREST Dividend Election Input Message.

(e) Where Shares in certificated form are registered in the name of a nominee, the nominee should notify the beneficial shareholder of the amount of the dividend to which he or she is entitled. The nominee should then complete the first page of the Mandate Form together with the 'Nominee Shareholdings' section on the second page of the Mandate Form and confirm that the dividends attributable to such beneficial Shareholder(s) listed shall be applied towards participation in the Scheme and that the New Shares allotted under the Scheme are to be issued in the name of the nominee.

4. As soon as practicable after the issue of New Shares to a Participant in accordance with clause 3 above, the Scheme Administrator shall take all necessary steps to ensure that the Participant is entered onto the share register of the Company as the registered holder of those New Shares and that share certificates in respect of such Shares are issued and delivered to the Participant at his/her own risk. CREST members who have validly elected to receive New Shares will have their CREST accounts credited directly with the relevant New Shares.
5. A statement shall be attached to each new share certificate issued to a Participant, or if Shares are held in CREST shall be sent separately to the Participant's nominee, setting out (a) the total dividend payable, (b) the number and class of New Shares allotted, (c) the price at which the New Shares have been allotted, and (d) the balance of any residual cash (notwithstanding that the same shall not be payable to the Participant in accordance with clause 3(c) together with any other such information as may be required by the UKLA Listing Rules.
6. All costs and expenses incurred by the Scheme Administrator in administering the Scheme will be borne by the Company.
7. Shareholders who hold their Shares in certificated form can apply by completing the Mandate Form enclosed with this document and returning it to:

Capita Asset Services c/o Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL

Shareholders who hold their shares in CREST can only apply to the Scheme by use of the CREST Dividend Election Input Message. In each case, the relevant action must be taken, and the Mandate Form or CREST Dividend Election Input Message received, by no later than 5 p.m. on the record date for the relevant dividend.

8. If, prior to the day on which the Shares become ex-dividend, a Shareholder has sold or transferred all or some of his/her Shares in the Company, the shareholder should consult his/her stockbroker or agent without delay as to how to proceed.
9. New Shares will be new ordinary shares issued by the Company and will, subject to the individual Shareholders' particular circumstances, attract VCT reliefs applicable for the current tax year. The tax reliefs currently available to investors in new VCT shares for the 2015/16 tax year in respect of investments of up to £200,000 per person are as follows:
 - Income tax relief of up to 30% provided the shares are not disposed of (other than between spouses) within five years of issue. This relief is restricted to the amount that reduces the investor's income tax liability for the year to nil.
 - No liability to income tax on dividends paid by the VCT.
 - No capital gains tax on any gain or loss accruing to investors on a disposal of shares in the VCT after five years of ownership.

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

10. Each Participant warrants to the Scheme Administrator that (a) save in the case of a shareholder holding its shares as a nominee, during the continuance of his/her participation in the Scheme he/she will remain the sole owner of the New Shares free from encumbrances or security interests; (b) all information set out in the Mandate Form or CREST Dividend Election Input Message is correct and, to the extent any of the information changes he/she will notify the changes to the Scheme Administrator.
11. The right to participate in the Scheme will not be available to any person who has a registered address in any jurisdiction outside the UK. No such person receiving a copy of the Scheme documents may treat them as offering such a right unless an offer could properly be made to such person. It is the responsibility of any Shareholder wishing to participate in the Scheme to be satisfied as to the observance of the laws in the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).
12. Participants acknowledge that the Scheme Administrator is not providing a discretionary management service. Neither the Scheme Administrator nor the Company shall be responsible for any loss or damage to Participants as a result of their participation in the Scheme unless due to the negligence or wilful default of the Scheme Administrator or the Company or their respective employees and agents.
13. Participants may:
 - (a) at any time by notice to the Scheme Administrator terminate their participation in the Scheme; and
 - (b) in respect of shares they hold as nominee, give notice to the Scheme Administrator that, in respect of a forthcoming Payment Date, their election to receive shares is only to apply to a specified amount due to the Participant as set out in such notice.

Such notices shall not be effective in respect of the next forthcoming Payment Date unless received by the Scheme Administrator on or before the record date of the relevant dividend. In respect of notices under (a) above, such notice will be deemed to have been served where the shareholding of the Participant reduces to nil.
14. If a nominee, prior to a Record Date, sells Shares on behalf of the beneficial owner of such Shares, the nominee agrees to notify the Scheme Administrator of the full details of the sale as soon as practicable. Neither the Company nor the Scheme Administrator shall be responsible for any loss or damage as a result directly or indirectly of a failure by a nominee to comply with such obligation.

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

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