



DOWNING ONE VCT PLC

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HALF-YEARLY REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

**Downing**

Managed by Downing LLP

SHAREHOLDER INFORMATION

FINANCIAL SUMMARY

	30 Sep 2014	31 Mar 2014	12 Nov 2013 (merger)
	pence	pence	pence
Net asset value per share ("NAV")	96.7	98.2	100.4
Cumulative dividends paid since 12 November 2013	4.0	2.0	-
Total return (net asset value plus cumulative dividends paid per share)	100.7	100.2	100.4

DIVIDEND POLICY

The Company has a stated target of paying a dividend of at least 4% of net assets per annum.

FORTHCOMING DIVIDENDS

	Date payable	Pence per share
Interim dividend	20 February 2015	2.0p

Dividends are paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose (forms can be downloaded from www.capitaassetservices.com). Queries relating to dividends and requests for mandate forms should be directed to the Company's registrar, Capita Asset Services, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open Monday to Friday 8:30am to 5:30pm), or in writing to the address on the back cover of this document.

SHARE SCAM WARNING

We have become aware that a significant number of shareholders of VCTs managed by both Downing and other VCT managers have received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a "Boiler Room Scam". **Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

Further information can be found on Downing's website under "Existing Investments". If you have any concerns, please contact Downing on 020 7416 7780.

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

I am pleased to present the Company's half-yearly report for the six month period ended 30 September 2014. Although the period saw significant falls in the AIM market indices, it is pleasing to be able to report that the Company's quoted portfolio countered this trend and delivered a strong performance which, despite some provisions required in the unquoted portfolio, has allowed the Company to report a positive performance for the period.

Net asset value and results

As at 30 September 2014, the Company's NAV stood at 96.7p; an increase of 0.5p (or 0.5%) compared to the year-end position and after taking into account the 2.0p dividend paid during the period.

The return attributable to equity shareholders for the period was £300,000, comprising a revenue return of £671,000 and a capital loss of £371,000.

Investment activity and performance

The Company has had a reasonable level of investment activity in the first six months of the year. Eight investments were made with a total cost of £1.0 million of which six were follow on investments. Four of the eight were into AIM-quoted businesses.

There were a number of realisations and part realisations from the quoted investments as the task of rationalising the portfolio continued. Total proceeds from the quoted realisations were £1.6 million with gains in the period of £187,000. A number of loan stock redemptions and other exits arose from the unquoted portfolio producing proceeds of £377,000 and gains in the period of £144,000.

Of the investments held throughout the period, the quoted portfolio reported unrealised gains of £1.3 million. Within the unquoted portfolio there were a number of valuation increases, but unfortunately some provisions were required including significant ones for Hoole Hall Country Club Holdings

Limited, Hoole Hall Spa and Leisure Club Limited and Rostima Limited. This resulted in net unrealised losses of £1.6 million on the unquoted portfolio.

Total investment performance for the period was realised gains of £331,000 and net unrealised losses of £314,000.

Further details of the investment activities of the Company are in the Investment Adviser's Report on pages 3 to 5.

Dividends

In line with the Company's stated policy of seeking to pay dividends of at least 4% of net asset value each year, an interim dividend of 2.0p will be paid on 20 February 2015 to Shareholders on the register at 30 January 2015.

Fundraising

In January 2014, the Company launched an offer for subscription seeking to raise new funds. The offer closed in October 2014 having raised £4.6 million. The new funds have provided the Company with some liquid resources to pursue new investment opportunities.

Although the offer for subscription did not raise as much as had been hoped at the outset, the Board believes that there is still appetite from investors for VCT investments, particularly now that the economy is in a more stable state. The Company is therefore planning to launch a further offer for subscription for the current tax year. This is expected to launch shortly.

Share buybacks

The Company operates a policy of buying in its own shares that become available in the market at a 5% discount to NAV (subject to liquidity and any regulatory restrictions).

During the period, the Company purchased 1,830,862 shares at an average price of 93.2p per New Ordinary Share.

CHAIRMAN'S STATEMENT (continued)

Outlook

Although some issues have been encountered in the unquoted portfolio, the Board is encouraged by the performance of the quoted investments, particularly the more recent investments made in line with the strategy of taking larger and more influential stakes in such companies. The fact that the performance has held up despite the general loss of ground by the AIM market over the last six months is particularly reassuring. After the period end, in October, the AIM market saw some significant falls although subsequently recovered much of the lost ground. The Company's quoted portfolio has experienced similar performance and, as at 24 November, is showing a loss of less than 1% compared to 30 September 2014.

Although the economic outlook now appears more positive than for some time, markets remain reasonably volatile and so the Board will ensure that the Adviser continues to be cautious and believes that steady growth from here is an achievable goal for the Company.



Chris Kay
Chairman

28 November 2014

INVESTMENT ADVISER'S REPORT

Introduction

At 30 September 2014, the Company held a portfolio of 103 quoted and unquoted companies, valued in total at £66.7 million. In line with the long term strategy of reducing non-core holdings, this has fallen from a count of 120 investments at the time of the merger.

The majority of investments have performed satisfactorily and there has been a particularly strong performance by a number of the quoted investments over the period, although this has been partially offset by provisions required against a small number of unquoted investments.

Net asset value and results

The NAV per Share at 30 September 2014 stood at 96.7p, compared to the NAV at 31 March 2014 of 98.2p. Total Return in the year to date (NAV plus cumulative dividends paid since 31 March 2014) is 100.7p.

The return on ordinary activities after taxation for the year was £300,000, comprising a revenue return of £671,000 and a capital loss of £371,000.

Unquoted portfolio

Investment activity

At 30 September 2014, the unquoted portfolio was valued at £41.3 million, comprising 72 investments, spread across a number of sectors.

During the six months to 30 September 2014, the fund made three follow-on investments: £100,000 in Rostima Limited, a software development company; £79,000 in London City Shopping Centre Limited, a property development company; and £51,000 in Kidspace Adventure Holdings Limited, which owns children's play centres.

The exit process of EPI Services Limited completed a final liquidation payment made of £51,000 during the period. Additionally, partial loan note repayments totalling

£281,000 were received on five investments, all of which were at or above par.

Portfolio valuation

Most unquoted investments have performed in line with expectations in the period, with uplifts totalling £522,000 across seven investments, however there have been five significant write downs in value which have resulted in a net valuation decrease of £1.6 million. The largest valuation movements are discussed below.

The Leytonstone Pub Limited owns The Red Lion pub in Leytonstone. Performance at the site has been strong, justifying an increase in value of £300,000 over the period.

Residential PV Trading Limited, which owns solar panels on the rooftops of over 260 domestic properties in the south of the UK, continues to deliver good performance, such that an increase in value of £30,000 has been recognised.

Amongst other investments, Slopingtactic Limited was increased by £58,000, Alpha Schools Limited by £52,000, Progressive Energies Limited by £38,000, Wickham Solar Limited by £28,000 and Antelope Pub Limited by £16,000.

The positive value movements above have been offset by provisions made against three large investments. These are described in detail below.

Hoole Hall Country Club Holdings Limited and Hoole Hall Spa and Leisure Limited own and operate the restaurant, conferencing centre, and spa and health club facilities at Hoole Hall, situated alongside a large DoubleTree by Hilton hotel in Chester. Some recent indications of the current market value, along with the fact there is a substantial level of debt ranking ahead of the Company's investment has resulted in the valuation of Hoole Hall Spa and Leisure Limited being reduced by £555,000 and Hoole Hall Country Club Holdings Limited by £740,000.

INVESTMENT ADVISER'S REPORT (continued)

Portfolio valuation (continued)

Rostima Limited, the software business based in Maidenhead, Berkshire which specialises in enterprise workforce planning software systems, was refinanced during the period with further funding of £100,000. Although we believe the Company continues to have good potential, it is proving challenging to build momentum and faces some significant risks. As a result a provision of £521,000 has been made against the investment.

Quoted investments

Investment activity

As at 30 September 2014, the quoted portfolio was valued at £25.5 million and comprised 31 holdings. As per the investment strategy to concentrate on a more focused portfolio of investments where we have more influence, six investments were fully disposed of in the period. Now, over 75% of the quoted portfolio is accounted for in the top 10 holdings.

Over the period since 31 March 2014, the valuation of the quoted portfolio is up 4.9%, well ahead of recognised AIM indices which were down by more than 10% over the six months. This reflects a net gain of c. £1.25 million (taking into account disposals and investment additions).

Four full realisations were made in companies where we believed the valuations were not reflective of the prospects of the company. These included Afraig plc, Bglobal plc, H&T Group plc and Octagonal plc. Hasgrove plc and Manroy plc were subject to takeovers/tender offers. Partial realisations were made in Tracsis plc, Concha plc and Frontier IP plc. Overall the realised gains on these companies, on cost, equated to £579,000. Total proceeds from disposals equated to £1.6 million.

The period from March to September 2014 reflected a particularly volatile period for small company stock markets. Small Cap markets in the UK were by-and-large down by approximately 10% over this period. This reflected a general caution in equities worldwide as fragility of specific economies began to be realised. However, despite this, the quoted portfolio within the Company continued to show progress, reflective of the strength and earnings power of the underlying holdings. The Company elected not to invest in any of the AIM IPOs that were a common feature at the start of 2014 – and it was in these stocks that a lot of the market volatility was experienced.

Portfolio movements

The most significant portfolio movement was Tracsis Plc, which demonstrated a gain of £840,000. In addition, proceeds from “profit taking”, in this stock, in the period equated to £154,000. At the period end, the holding was valued at £4.2 million and was the Company’s largest holding.

Tracsis plc is a developer and supplier of resource optimisation technologies to the transport industry, supplying a range of products and services to transport operators and infrastructure owners. The company is well known to the Adviser having been a holding since 2011.

INVESTMENT ADVISER'S REPORT (continued)

Portfolio movements (continued)

In the period, Tracsis plc made three positive announcements. This news flow allowed us to revisit the target valuation for the company and we now believe that the current valuation underestimates the value of future cash flows that the company can generate. One of the announcements led to a 30% upgrade in profit expectations.

Science in Sport plc, the manufacturer of sports nutritional products, saw its value rise by £797,000 in the Company, reflecting positive news on trading and a 24% growth in turnover, ahead of our expectations.

Accumuli plc, the provider of network security software and managed services, saw its value in the portfolio appreciate by £610,000 reflecting positive trading and new contract wins.

The UKs largest manufacturer and distributor of fire protection products, Sprue Aegis plc, saw its value in the portfolio increase by £347,000. The company moved from ISDX to AIM and raised £8 million for working capital to fund growth. The Company increased its holding by £212,000 as part of this fundraising.

Ludorum plc, the owner of the IP of "Chuggington" the popular under 5-year olds media title saw its value in the Company fall by £331,000. This was reflective of a highly illiquid market in the shares of Ludorum.

Universe Group plc, which is a software and managed solutions provider of payments solutions, primarily to the UK forecourt market saw its value fall by £354,000 in the Company. Again this was reflective of an illiquid market in the shares of Universe. Since the period end the valuation has recovered to reflect the positive trading that the company is experiencing, particularly in its loyalty solutions.

Outlook

The inevitable indigestion stemming from the large number of AIM IPOs and fundraisings in a short time frame over the summer months, has evidenced itself in the small company indices declines. We remain positive on the key drivers within the quoted portfolio on the basis of the fundamentals and the valuations on which they trade. The Company has taken advantage of some of the market weakness and has introduced two new holdings at, what we believe to be, sensible valuations in solid and earnings accretive investments. Instead of predicting the outlook for the wider AIM index, we will focus on the key drivers in the portfolio – and here we hold confidence and optimism for the longer term.

In respect of the unquoted portfolio, we expect to see the economic environment continue to improve and provide greater support to the investments. Whilst, as is to be expected, there are some unquoted portfolio companies which cause concern, the Adviser sees the wide spread of investments held by the Company and the consequently lower volatility as an attractive feature.

With the recent fundraising and receipts from exits, the Company has some funds to invest. Our strategy remains to look at a wide range of opportunities in both the asset-backed and growth capital / AIM areas to continue to develop a portfolio which can deliver a steady flow of dividends along with the prospect of some growth.

Downing LLP

28 November 2014

UNAUDITED BALANCE SHEET

as at 30 September 2014

		30 Sep 2014 £'000	30 Sep 2013 £'000	31 Mar 2014 £'000
	Note			
Fixed assets				
Investments		<u>66,729</u>	<u>12,979</u>	<u>67,723</u>
Current assets				
Debtors		946	45	509
Cash at bank and in hand		<u>6,098</u>	<u>673</u>	<u>7,983</u>
		7,044	718	8,492
Creditors: amounts falling due within one year		<u>(659)</u>	<u>(132)</u>	<u>(1,638)</u>
Net current assets		<u>6,385</u>	<u>586</u>	<u>6,854</u>
Net assets		<u>73,114</u>	<u>13,565</u>	<u>74,577</u>
Capital and reserves				
Called up share capital	7	754	196	750
Capital redemption reserve	8	1,488	1,153	1,470
Share premium	8	64,307	315	62,114
Share capital to be issued	8	169	-	921
Special reserve	8	8,912	13,743	11,458
Capital reserve – realised	8	-	270	-
Capital reserve – unrealised	8	(3,111)	(2,125)	(2,438)
Revenue reserve	8	595	13	302
Equity shareholders' funds	6	<u>73,114</u>	<u>13,565</u>	<u>74,577</u>
			<i>Restated *</i>	
Basic and diluted net asset value per share	6	96.7p	97.1p	98.2p

* Restated to take account of the share consolidation that took place on 12 November 2013.

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2014

Note	Six months ended 30 September 2014			Six months ended 30 September 2013			Year ended 31 March 2014
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	1,314	-	1,314	155	-	155	1,158
Gains/(losses) on investments							
- realised	-	331	331	-	(6)	(6)	348
- unrealised	-	(314)	(314)	-	154	154	(93)
	<u>1,314</u>	<u>17</u>	<u>1,331</u>	<u>155</u>	<u>148</u>	<u>303</u>	<u>1,413</u>
Net gain on acquisition of net assets	-	-	-	-	-	-	253
Investment management fees	(168)	(503)	(671)	(32)	(94)	(126)	(677)
Other expenses	(359)	(1)	(360)	(127)	-	(127)	(488)
Return/(loss) on ordinary activities before taxation	<u>787</u>	<u>(487)</u>	<u>300</u>	<u>(4)</u>	<u>54</u>	<u>50</u>	<u>501</u>
Taxation	(116)	116	-	-	-	-	-
Return/(loss) attributable to equity shareholders	<u>4</u>	<u>671</u>	<u>(371)</u>	<u>300</u>	<u>(4)</u>	<u>54</u>	<u>50</u>
Basic and diluted return per share	4	0.9p	(0.5p)	0.4 p	-	0.3p	0.3p
							0.7p

The total column within the Income Statement represents the profit and loss account of the Company. All Revenue and Capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement as noted above.

Other than revaluation movements arising on investments held at fair value through the Income Statement, there were no differences between the return/(loss) as stated above and at historical cost.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months ended 30 September 2014

	30 Sep 2014	30 Sep 2013	31 Mar 2014
Note	£'000	£'000	£'000
Opening Shareholders' funds	74,577	14,005	14,005
Issue of share capital on acquisition	-	-	60,625
Issue of new shares	2,303	-	2,102
Unallotted shares	(752)	-	921
Share issue costs	(88)	-	(57)
Purchase of own shares	(1,714)	-	(1,531)
Total recognised gains for the period	300	50	501
Dividends paid	5 (1,512)	(490)	(1,989)
Closing Shareholders' funds	<u>73,114</u>	<u>13,565</u>	<u>74,577</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 September 2014

	30 Sep 2014	30 Sep 2013	31 Mar 2014
Note	£'000	£'000	£'000
Net cash outflow from operating activities and returns on investments	9 <u>(277)</u>	<u>(58)</u>	<u>(128)</u>
Taxation			
Corporation tax paid	(198)	-	(169)
Capital expenditure			
Purchase of investments	(998)	(724)	(1,482)
Disposal of investments	<u>2,035</u>	<u>1,852</u>	<u>5,397</u>
Net cash inflow from capital expenditure	<u>1,037</u>	<u>1,128</u>	<u>3,915</u>
Acquisitions			
Cash acquired	-	-	4,627
Acquisition costs	<u>(244)</u>	<u>-</u>	<u>(238)</u>
Net cash (outflow)/inflow from acquisitions	<u>(244)</u>	<u>-</u>	<u>4,389</u>
Equity dividends paid	<u>(1,512)</u>	<u>(484)</u>	<u>(1,984)</u>
Net cash (outflow)/inflow before financing	<u>(1,194)</u>	<u>586</u>	<u>6,023</u>
Financing			
Proceeds from new share issue	2,303	-	2,102
Unallotted share issue proceeds	(752)	-	921
Share issue costs	(88)	2	(57)
Purchase of own shares	<u>(2,154)</u>	<u>(38)</u>	<u>(1,129)</u>
Net cash (outflow)/inflow from financing	<u>(691)</u>	<u>(36)</u>	<u>1,837</u>
(Decrease)/increase in cash	10 <u>(1,885)</u>	<u>550</u>	<u>7,860</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 30 September 2014

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio by value
Top ten venture capital investments (by value)				
Tracsis plc*	2,017	4,167	840	5.7%
Accumuli plc*	2,395	3,389	610	4.6%
Baron House Developments LLP	2,695	2,695	-	3.7%
Cadbury House Holdings Limited	3,233	2,457	-	3.4%
Vulcan Renewables Limited	2,415	2,415	-	3.3%
Inland Homes plc*	2,075	2,335	48	3.2%
Science in Sport plc*	1,840	2,261	797	3.1%
Mosaic Spa and Health Clubs Limited	2,747	2,214	(223)	3.0%
Ludorum plc*	3,443	1,997	(331)	2.8%
Universe Group plc*	1,706	1,759	(354)	2.4%
	<u>24,566</u>	<u>25,689</u>	<u>1,387</u>	<u>35.2%</u>
Other venture capital investments	<u>45,274</u>	<u>41,040</u>	<u>(1,701)</u>	<u>56.4%</u>
	<u>69,840</u>	<u>66,729</u>	<u>(314)</u>	<u>91.6%</u>
Cash at bank and in hand		<u>6,098</u>		<u>8.4%</u>
Total investments		<u>72,827</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

* quoted on AIM

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 30 September 2014

Additions

	£'000
Northbridge Industrial Services plc*	254
Sprue Aegis plc*	212
Science in Sport plc*	151
Anpario plc*	150
Rostima Limited	100
London City Shopping Centre Limited	79
Kidspace Adventures Holdings Limited	51
Other sundry investments	1
	<u>998</u>

Disposals	Cost £'000	Value at 31/03/14** £'000	Disposal Proceeds £'000	Gain/(loss) against cost £'000	Realised gain/(loss) in period £'000
Quoted					
Market sales					
Afriag plc	87	46	30	(57)	(16)
Bglobal public limited company	25	23	49	24	26
Concha plc	26	58	204	178	146
Frontier IP Group plc	4	7	9	5	2
H&T Group plc	413	463	411	(2)	(52)
Octagonal plc	38	20	23	(15)	3
Tracsis plc	36	190	235	199	45
Tender offers					
Hasgrove plc	81	110	110	29	-
Manroy plc	343	528	561	218	33
	<u>1,053</u>	<u>1,445</u>	<u>1,632</u>	<u>579</u>	<u>187</u>

Unquoted

Loan note redemptions

Dominions House Limited	64	64	64	-	-
EPI Service Limited	33	-	51	18	51
Gatewales Limited	20	20	68	48	48
Kidspace Adventures Limited	51	51	51	-	-
Leytonstone Pub Limited	47	47	47	-	-
SPC International Limited	51	51	51	-	-

Liquidation proceeds

Helcim Limited	-	-	45	45	45
	<u>266</u>	<u>233</u>	<u>377</u>	<u>111</u>	<u>144</u>
	<u>1,319</u>	<u>1,678</u>	<u>2,009</u>	<u>690</u>	<u>331</u>

* quoted on AIM

** adjusted for purchases in the period

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2014

1. The unaudited half-yearly financial results cover the six months to 30 September 2014 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 March 2014, which were prepared under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" January 2009.
2. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
3. The comparative figures were in respect of the six months ended 30 September 2013 and the year ended 31 March 2014 respectively.

4. Return per share

	Weighted average number of shares in issue	Revenue return/(loss) £'000	Capital (loss)/gain £'000
Period ended 30 September 2014	76,368,113	<u>671</u>	<u>(371)</u>
Period ended 30 September 2013	19,592,490	<u>(4)</u>	<u>54</u>
Year ended 31 March 2014	74,326,968	<u>285</u>	<u>216</u>

5. Dividends paid in the period

Date paid	Six months ended 30 September 2014			Year ended 31 March 2014
	Revenue £'000	Capital £'000	Total £'000	Total £'000
2014 Final 19/09/2014: 2.0p	378	1,134	1,512	-
2014 Interim 28/03/2014: 2.0p	-	-	-	1,499
2013 Final 30/09/2013: 2.5p	-	-	-	490
	<u>378</u>	<u>1,134</u>	<u>1,512</u>	<u>1,989</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2014 (continued)

6. Basic and diluted net asset value per share

	Shares in issue	Net assets £'000	NAV per share pence
Period ended 30 September 2014	75,426,730	<u>73,114</u>	96.7
Period ended 30 September 2013	19,592,490	<u>13,565</u>	<i>Restated</i> 97.1
Year ended 31 March 2014	75,007,105	<u>74,577</u>	98.2

7. Called up share capital

	Shares in issue	£'000
Period ended 30 September 2014	75,426,730	<u>754</u>
Period ended 30 September 2013	19,592,490	<u>196</u>
Year ended 31 March 2014	75,007,105	<u>750</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2014 (continued)

8. Reserves

	Capital redemption reserve £'000	Share premium £'000	Share capital to be issued £'000	Special reserve £'000	Capital reserve -realised £'000	Capital reserve -unrealised £'000	Revenue reserve £'000
At 1 April 2014	1,470	62,114	921	11,458	-	(2,438)	302
Unallotted shares	-	-	(752)	-	-	-	-
Issue of new shares	-	2,281	-	-	-	-	-
Share issue costs	-	(88)	-	-	-	-	-
Purchase of own shares	18	-	-	(1,714)	-	-	-
Capital expenses	-	-	-	-	(504)	-	-
Corporation tax	-	-	-	-	116	-	-
Gains/(losses) on investments	-	-	-	-	331	(314)	-
Realisation of revaluations							
from previous years	-	-	-	-	359	(359)	-
Transfer between reserves	-	-	-	(832)	832	-	-
Dividends paid	-	-	-	-	(1,134)	-	(378)
Retained net revenue	-	-	-	-	-	-	671
At 30 September 2014	1,488	64,307	169	8,912	-	(3,111)	595

The Special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay dividends/capital distributions.

Distributable reserves are calculated as follows:

	30 Sep 2014 £'000	31 Mar 2014 £'000
Special reserve	8,912	11,458
Revenue reserve	595	302
Unrealised losses (excluding unrealised unquoted gains)	(3,818)	(3,457)
Total distributable reserves	<u>5,689</u>	<u>8,303</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2014 (continued)

9. Reconciliation of return on ordinary activities before taxation to net cash flow from operating activities

	30 Sep 2014 £'000	30 Sep 2013 £'000	31 Mar 2014 £'000
Return on ordinary activities before taxation	300	50	501
Gains on investments	(17)	(148)	(255)
Net gain on acquisition of net assets	-	-	(253)
(Increase)/decrease in other debtors	(463)	59	130
Decrease in other creditors	(97)	(19)	(251)
Net cash outflow from operating activities	<u>(277)</u>	<u>(58)</u>	<u>(128)</u>

10. Reconciliation of net cash flow to movement in net funds

	30 Sep 2014 £'000	30 Sep 2013 £'000	31 Mar 2014 £'000
Beginning of period	7,983	123	123
Net cash (outflow)/inflow	<u>(1,885)</u>	<u>550</u>	<u>7,860</u>
End of period	<u>6,098</u>	<u>673</u>	<u>7,983</u>

11. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 March 2014 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Auditor's report on those financial statements was unqualified.

12. Going concern

The Directors have reviewed the Company's financial resources at the period end and concluded that the Company is well placed to manage its business risks.

The Directors confirm that they are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, the Directors believe that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2014 (continued)

13. Risks and uncertainties

Under the Disclosure and Transparency Rules, the Board is required, in the Company's half-year results, to report on principal risks and uncertainties facing the Company over the remainder of the financial year.

The Board has concluded that the key risks are:

- (i) compliance risk of failure to maintain approval as a VCT; and
- (ii) investment risk associated with investing in small and immature businesses.

The Company's compliance with the VCT regulations is continually monitored by the Adviser, who regularly reports to the Board on the current position. The Company also retains PricewaterhouseCoopers LLP to provide regular reviews and advice in this area.

In order to make VCT qualifying investments, the Company has to invest in small businesses which are often immature. It also has a limited period in which it must invest the majority of its funds into VCT qualifying investments. The Adviser follows a rigorous process in vetting and careful structuring of new investments, including taking a charge over the assets of the business wherever possible and, after an investment is made, closely monitoring the business.

The Board is satisfied that these approaches provide satisfactory management of the key risks.

14. The Directors confirm that, to the best of their knowledge, the half yearly financial report has been prepared in accordance with the "Statement: Half-Yearly Financial Reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:

- (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

15. Copies of the unaudited half-yearly financial results will be sent to Shareholders shortly. Further copies can be obtained from the Company's Registered Office and will be available for download from www.downing.co.uk.

SHAREHOLDER INFORMATION (continued)

Share price

The Company's share price can be found on various financial websites. The share price is also available on Downing's website (www.downing.co.uk).

TIDM/EPIC codes	New Ordinary Shares
Latest share price (1 December 2014):	DDV1 87.8p per share

Selling shares

If you wish to sell your shares either you or your adviser should contact Downing on **020 7416 7780**.

Shareholders are advised to seek advice from their tax adviser before selling shares, particularly if they deferred capital gains in respect of shares acquired prior to 6 April 2004, took part in the Share Realisation and Reinvestment Programme or purchased Ordinary Shares within the last five years.

The Company is, however, unable to buy back shares direct from Shareholders, so you will need to use a stockbroker to sell your shares. If you are considering selling your shares or wish to buy shares in the secondary market, please contact the Company's Corporate Broker, Panmure Gordon (UK) Limited ("Panmure"). Panmure can be contacted as follows:

Chris Lloyd
0207 886 2716 chris.lloyd@panmure.com

Paul Nolan
0207 886 2717 paul.nolan@panmure.com

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Capita Asset Services, under the signature of the registered holder.

Other information for Shareholders

Up-to-date Company information (including company announcements, share price and dividend history) may be obtained from Downing's website at:

www.downing.co.uk

If you have any queries regarding your shareholding in Downing ONE VCT plc (formerly Downing Distribution VCT 1 plc), please contact the registrar on the number shown on the back cover or visit Capita's website at www.capitaassetservices.com and click on "Shareholders and employees".

Directors

Chris Kay (Chairman)
Barry Dean
Stuart Goldsmith
Andrew Griffiths
Helen Sinclair

Company Secretary and Registered Office

Grant Whitehouse
Ergon House
Horseferry Road
London SW1P 2AL

Registered No. 3150868

Investment Adviser and Administration Manager

Downing LLP
Ergon House
Horseferry Road
London SW1P 2AL

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Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

www.capitaassetservices.com
Tel: 0871 664 0324

(calls cost 10p per minute plus network extras,
lines open Monday to Friday 8:30am to 5:30pm)