

Downing ONE VCT PLC

—
Half-Yearly Report for
the six months ended
30 September 2010

SHAREHOLDER INFORMATION

	30 Sept 2010 Pence
Net asset value per share	93.4

Dividends paid since merger

	Paid date	Pence per share
Interim dividend for the year to 31 March 2011	30 September 2010	2.5

Forthcoming Dividends

	Payable	Pence per share
Interim dividend	31 March 2011	2.5

Dividends

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.capitaregistrars.com/shareholders/information).

Queries relating to dividends and requests should be directed to the Company's registrar, Capita Registrars, on 0871 664 0300 (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 recently 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.

Please note the Company's new address is:

10 Lower Grosvenor Place,
London
SW1W 0EN

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

Introduction

The six-month period ended 30 September 2010 has been the first operating period for the Company since its merger with Pennine AIM VCT 5 plc and Pennine AIM VCT 6 plc, the implementation of a modified Investment Policy and a change of Investment Manager.

Net Asset Value ("NAV")

As at 30 September 2010, the Company's NAV stood at 93.4p after payment of the 2.5p per share dividend paid on 30 September 2010. This equates to a loss in NAV of approximately 8% over the six-month period.

Venture capital investment portfolio

As a result of the mergers with Pennine AIM VCT 5 plc and Pennine AIM VCT 6 plc on 1 April 2010, the Company acquired the investment portfolios of both entities, which were valued at £17.2 million. This gave the Company an investment portfolio with a total value of approximately £21.5 million.

Since that date, the Company has made three new investments and one follow-on investment at a total cost £1.0 million. In addition, the Company received consideration in cash of £208,000 plus shares in Netcall plc, valued at £140,000, as part of a takeover of another of its holdings, Telephonetics plc.

A major disappointment was the well-publicised failure of Connaught plc. A small disposal of some of the holding was made before the company collapsed, however the total realised loss for the period in respect of this investment was £247,000. Despite this final outcome, it is worth noting that over the years this investment was held by the Company, there was a total net gain of £1.5 million against an original cost of £387,000.

Following the adoption of the revised investment policy, the Manager has undertaken a full review of the portfolio and

made a number of disposals. These, along with takeovers of Glisten plc and Telephonetics plc (but excluding Connaught plc), resulted in realised gains of £550,000.

Of the investments held over the period, AIM and other quoted investments showed an unrealised loss of £650,000.

In reviewing the valuations of the unquoted investments, the Board made two significant adjustments.

The largest adjustment was a reduction of the valuation of Doubletake Studios Limited. The company has produced disappointing trading results and has faced a number of issues. Although it has taken action to address these issues and has reasonable prospects of getting back on track, the Board has concluded that a reduction in value of £1,051,000 is appropriate at the current time.

In addition, a full provision of £175,000 has been made against The Thames Club Limited. Following major refurbishment of its health club, the business is making progress but at a rate slower than had been anticipated. After taking account of the company's third party borrowings, the Board has concluded that a full provision against the investment is appropriate at this time.

Overall the venture capital portfolio showed a net unrealised loss of £1.8 million and net realised gain of £303,000 over the period. Summary details of the portfolio together with the additions and disposals in the period are shown on pages 9 and 10.

CHAIRMAN'S STATEMENT (continued)

Other investments

The Company continues to hold a small number of non-VCT qualifying investments, comprising one hedge fund and a holding of permanent interest bearing shares. At the period end this portfolio was valued at £537,000, with unrealised gains of £33,000 and realised gains arising over the period of £2,000.

Results

The return on ordinary activities after taxation for the period was £3,701,000, comprising a revenue loss of £25,000 and a capital return of £3,726,000.

The Income Statement includes an item entitled "Net gain on acquisition of net assets" (equivalent to negative goodwill), which is a substantial sum that relates to the mergers and arises as a quirk of the accounting treatment and the relatively low share price of the Company's shares at the time the mergers completed. The effective capital loss for the period, before the net gain on acquisition of net assets, was therefore £1,687,000.

Share capital

In completing the mergers, 17,270,986 Ordinary Shares of 1p each were issued to Shareholders in Pennine AIM VCT 5 plc and Pennine AIM VCT 6 plc.

In addition, a small number of shares have been issued under the share offer launched at the same time as the mergers and 406,271 shares have been bought back for cancellation at an average price of 82.2p.

The Company has a policy of purchasing shares at between a 10% and 15% discount to NAV. The Board will monitor the market in the Company's shares and may make adjustments to the policy as appropriate. Such purchases will be subject to VCT regulations, company law, liquidity considerations and the Listing Rules.

Dividends

On 30 September 2010, the Company paid an interim dividend of 2.5p per share in respect of the year to 31 March 2011. In line with its intention of paying annual dividends of 5.0p per share, a further 2.5p will be paid on 31 March 2011 to Shareholders on the register at 25 February 2011.

Board change

Sir Aubrey Brocklebank has been invited to chair the Board of another VCT which is to be launched shortly. In order to comply with rules on directors' independence, Sir Aubrey has agreed to step down as a director of the Company.

As many Shareholders will know, Sir Aubrey was chairman of the Company for many years until the recent mergers. My fellow Directors and I would like to thank him for his valuable contribution to the Company over the years and wish him well in his new venture.

In light of this, the Directors have reviewed the composition of the Board and have concluded that a board comprising four non-executive directors of which three are independent of the Manager, is appropriate for a VCT of this size. Therefore, the Board do not intend to seek a replacement for Sir Aubrey at this time.

CHAIRMAN'S STATEMENT (continued)

Risk and Uncertainties

Under the Disclosure and Transparency Directive, 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) investment risk associated with investing in small businesses;
- (ii) investment risk arising from market volatility; and
- (iii) failure to maintain approval as a VCT.

In the case of (i) and (ii) the Board is satisfied with the Company's approach to these risks. As an AIM-focused VCT, the Company, by definition, has significant exposure to the relatively small businesses quoted on AIM. However, by seeking to hold a well-diversified portfolio of businesses with strong management teams, the impact of falling markets and challenging economic conditions should be mitigated as much as possible given the Company's status as a VCT and its investment policy.

The Company's compliance with the VCT regulations is continually monitored by the Administrator, who regularly reports to the Board on the current position. The Company also retains PricewaterhouseCoopers to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level.

Outlook

The Company's performance over the six-month period is naturally disappointing, however I can report some improvement since the period end. As at 31 October 2010, the Company's NAV stood at 95.3p per share, an increase of 1.9p per share over the month.

The Board is pleased with the steps taken by the manager since its appointment in starting to implement the Company's revised investment policy. Exposure to AIM and other quoted investments has been reduced a little and new investments have been secured which are focused towards the Company's strategy of seeking to increase yield from the portfolio.

As the Company is close to being fully invested, the task of rebalancing the portfolio will depend on suitable exit opportunities being available for existing investments. With the outlook for the economy remaining uncertain, such opportunities may not be easy to come by.



Christopher Powell
Chairman

29 November 2010

INCOME STATEMENT

for the six months ended 30 September 2010

		Six months ended 30 September 2010		
	Note	Revenue £'000	Capital £'000	Total £'000
Income		96	-	96
	– continuing operations			
	– acquisitions	81	-	81
(Losses)/gains on investments		-	(272)	(272)
	– continuing operations			
	– acquisitions	-	(1,266)	(1,266)
Net gain on acquisition of net assets	11	-	5,413	5,413
		177	3,875	4,052
Investment management fees		(49)	(148)	(197)
Other expenses		(153)	(1)	(154)
Return/(loss) on ordinary activities before taxation		(25)	3,726	3,701
Taxation		-	-	-
Return/(loss) attributable to equity shareholders	4	(25)	3,726	3,701
Basic and diluted return per Ordinary Share	4	(0.1p)	17.1p	17.0p
Basic and diluted return per Original Ordinary Share	4	n/a	n/a	n/a

The total column within the Income Statement represents the profit and loss account of the Company.

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.

Six months ended 30 September 2009			Year ended 31 March 2010
Revenue £'000	Capital £'000	Total £'000	Total £'000
87	-	87	139
-	-	-	-
-	801	801	792
-	-	-	-
-	-	-	-
87	801	888	931
(8)	(26)	(34)	(68)
(80)	-	(80)	(186)
(1)	775	774	677
-	-	-	-
(1)	775	774	677
n/a	n/a	n/a	n/a
-	5.9p	5.9p	5.1p

UNAUDITED SUMMARISED BALANCE SHEET

as at 30 September 2010

	Note	30 Sept 2010 £'000	30 Sept 2009 £'000	31 Mar 2010 £'000
Fixed assets				
Investments		19,141	4,369	4,317
Current assets				
Debtors		177	53	219
Cash at bank and in hand		1,043	812	425
		1,220	865	644
Creditors: amounts falling due within one year		(310)	(47)	(101)
Net current assets		910	818	543
Net assets		20,051	5,187	4,860
Capital and reserves				
Called up share capital	7	215	3,285	3,285
Capital redemption reserve	8	1,130	1,126	1,126
Special reserve	8	15,442	-	-
Share premium	8	2	348	348
Capital reserve – realised	8	7,127	5,075	2,871
Revaluation reserve	8	(3,801)	(4,671)	(2,731)
Revenue reserve	8	(64)	24	(39)
Equity shareholders' funds	6	20,051	5,187	4,860
Basic and diluted net asset value per Ordinary Share	6	93.4p	n/a	n/a
Basic and diluted net asset value per Original Ordinary Share	6	n/a	39.5p	37.0p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the six months ended 30 September 2010

	Note	30 Sept 2010 £'000	30 Sept 2009 £'000	31 Mar 2010 £'000
Opening Shareholders' funds		4,860	4,413	4,413
Issue of share capital on acquisition		12,353	-	-
Proceeds of new share issue		10	-	-
Purchase of own shares		(333)	-	-
Total recognised gains for the period		3,701	774	677
Dividends paid	5	<u>(540)</u>	<u>-</u>	<u>(230)</u>
Closing Shareholders' funds		<u>20,051</u>	<u>5,187</u>	<u>4,860</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 September 2010

	Note	Six months ended 30 Sept 2010 £'000	Six months ended 30 Sept 2009 £'000	Year ended 31 Mar 2010 £'000
Cash outflow from operating activities and returns on investments	9	(107)	(33)	(73)
Capital expenditure				
Purchase of investments		(1,142)	(113)	(352)
Sale of investments		1,877	523	805
Net cash inflow from capital expenditure		735	410	453
Equity dividends paid		(547)	-	(230)
Acquisitions				
Cash acquired		970	-	-
Costs in relation to schemes of arrangement		(100)	-	(170)
		870	-	(170)
Net cash inflow/ (outflow) before financing		951	377	(20)
Financing				
Unallotted share issue		-	-	10
Purchase of own shares		(333)	-	-
Net cash (outflow)/inflow from financing		(333)	-	10
Increase/(decrease) in cash	10	618	377	(10)

SUMMARY OF INVESTMENT PORTFOLIO

as at 30 September 2010

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Top ten largest VC investments (by value)				
Cadbury House Holdings Limited *	2,518	2,546	-	12.6%
Ludorum plc	2,161	2,233	(42)	11.1%
Hoole Hall Country Club Holdings Limited *	2,100	2,100	-	10.4%
Doubletake Studios Limited *	2,204	1,402	(1,051)	6.9%
Hoole Hall Spa and Leisure Limited *	1,020	1,020	-	5.1%
First Care Limited *	879	879	-	4.4%
Craneware plc	492	687	195	3.4%
Animalcare Group plc	914	685	(228)	3.4%
IS Pharma plc	392	476	84	2.4%
ANS Group plc **	201	471	(44)	2.3%
	<u>12,881</u>	<u>12,499</u>	<u>(1,086)</u>	<u>62.0%</u>
Other VC investments	9,296	6,105	(790)	30.2%
Listed fixed income securities	558	357	40	1.7%
Other investments	<u>207</u>	<u>180</u>	<u>(7)</u>	<u>0.9%</u>
	<u>22,942</u>	<u>19,141</u>	<u>(1,843)</u>	<u>94.8%</u>
Cash at bank and in hand		<u>1,043</u>		<u>5.2%</u>
Total investments		<u>20,184</u>		<u>100.0%</u>

All VCT investments are quoted on AIM unless otherwise stated.

* Unquoted

** Quoted on the PLUS Market

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 30 September 2010

Acquired under Schemes of Arrangement

	£'000
From Pennine AIM VCT 5 plc	6,037
From Pennine AIM VCT 6 plc	11,135
	<u>17,172</u>

Additions

		£'000
Aminghurst Limited	New investment	300
Future Biogas (SF) Limited	New investment	175
Tramps Nightclub Limited	New investment	333
Ludorum plc	Follow-on investment	194
Netcall plc	Consideration from Telephonetics plc takeover	140
		<u>1,142</u>

Disposals

	Cost £'000	Market value at 1 April 2010 * £'000	Disposal proceeds £'000	Gain/ (loss) in period vs cost £'000	Realised gain/ (loss) £'000
Disposals					
1 st Dental Laboratories plc	200	17	18	(182)	1
Connaught plc	3	24	32	29	8
Craneware plc	224	224	258	34	34
IDOX plc	115	115	112	(3)	(3)
Real Time Logistic Solutions Ltd	180	180	450	270	270
Spice plc	273	124	266	(7)	142
The Mission Marketing Group plc	129	129	87	(42)	(42)
Takeovers					
Telephonetics plc	311	311	348	37	37
Glisten plc	84	49	50	(34)	1
Liquidations/administrations					
Clerkenwell Ventures plc	18	-	102	84	102
Coffee Republic plc	713	-	-	(713)	-
Connaught plc	25	247	-	(25)	(247)
	<u>2,275</u>	<u>1,420</u>	<u>1,723</u>	<u>(552)</u>	<u>303</u>
Other investments					
Bluecrest Allblue Fund LD	145	227	229	84	2
	<u>2,420</u>	<u>1,647</u>	<u>1,952</u>	<u>(468)</u>	<u>305</u>

* Adjusted for purchases in the period

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2010

1. The unaudited half yearly financial results cover the six months to 30 September 2010 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 March 2010 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 year ended 31 March 2010 and the six months ended 30 September 2009 respectively.

4. Basic and diluted return per share

	30 Sept 2010	30 Sept 2009	31 March 2010
Return per share based on:			
Net revenue loss for the period (£'000)	<u>(25)</u>	<u>(1)</u>	<u>(64)</u>
Return per Ordinary Share/ Original Ordinary Share	<u>(0.1p)</u>	<u>-</u>	<u>(0.5p)</u>
Capital return per share based on:			
Net capital gain for the period (£'000)	<u>3,726</u>	<u>775</u>	<u>741</u>
Return per Ordinary Share/ Original Ordinary Share	<u>17.1p</u>	<u>5.9p</u>	<u>5.6p</u>
Total return per share	<u>17.0p</u>	<u>5.9p</u>	<u>5.1p</u>
Weighted average number of Ordinary Shares/ Original Ordinary Shares	<u>21,819,546</u>	<u>13,140,436</u>	<u>13,140,436</u>

5. Dividends

Paid in the period	30 September 2010			31 March 2010
	Revenue £'000	Capital £'000	Total £'000	Total £'000
2010 interim	-	-	-	230
2011 interim	<u>-</u>	<u>540</u>	<u>540</u>	<u>-</u>
	<u>-</u>	<u>540</u>	<u>540</u>	<u>230</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2010 (continued)

6. Basic and diluted net asset value per share

	30 Sept 2010	30 Sept 2009	31 March 2010
Net Asset Value per share based on:			
Net Assets (£'000)	<u>20,051</u>	<u>5,187</u>	<u>4,860</u>
Number of Ordinary Shares/Original Ordinary Shares in issue at period end	<u>21,467,497</u>	<u>13,140,436</u>	<u>13,140,436</u>
Basic and diluted net asset value per share	<u>93.4p</u>	<u>39.5p</u>	<u>37p</u>

7. Called up share capital

	Ordinary Shares	
	Shares	£'000
As at 1 April 2010: Ordinary Shares of 25p each	13,140,436	3,285
Conversion into Ordinary Shares of 1p each	<u>(8,547,192)</u>	<u>(3,239)</u>
Restated holding at 1 April 2010: Ordinary Shares of 1p each	4,593,244	46
Shares issued to holders of Pennine AIM VCT 5 plc under the Scheme	6,478,440	65
Shares issued to holders of Pennine AIM VCT 6 plc under the Scheme	10,792,546	108
Shares issued in the period	9,538	-
Shares bought back and cancelled	<u>(406,271)</u>	<u>(4)</u>
As at 30 September 2010: Ordinary Shares of 1p each	<u>21,467,497</u>	<u>215</u>

On 1 April 2010 Ordinary Shares of 25p each were issued to Shareholders in Pennine AIM VCT 5 plc and Pennine AIM VCT 6 plc in consideration for the purchase of the assets and liabilities of the companies.

Following the issue of the shares to the shareholders of Pennine AIM VCT 5 plc and Pennine AIM VCT 6 plc, the entire shareholding of Ordinary Shares of 25p each were converted to Ordinary Shares of 1p each and deferred shares. Upon the conversion of the 25p Ordinary Shares into 1p Ordinary Shares, 1,541,875,401 deferred shares were issued and cancelled immediately. The Capital Redemption Reserve arising on the transaction of £15,419,000, was cancelled on 15 July 2010 following court approval with the balance thereon being transferred to the Special Reserve.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2010 (continued)

8. Reserves

	Capital redemption reserve £'000	Share premium £'000	Special reserve £'000	Capital reserve - realised £'000	Revaluation reserve £'000	Revenue reserve £'000
At 1 April 2010	1,126	348	-	2,871	(2,731)	(39)
Conversion of original ordinary shares	3,239	-	-	-	-	-
Cancellation of deferred shares	12,180	-	-	-	-	-
Proceeds of new share issue	-	10	-	-	-	-
Shares repurchased	4	-	(333)	-	-	-
Net gain on acquisition of net assets	-	-	-	5,413	-	-
Cancellation of share premium account	-	(356)	356	-	-	-
Cancellation of capital redemption reserve	(15,419)	-	15,419	-	-	-
Expenses capitalised	-	-	-	(149)	-	-
Gains/(losses) on investments	-	-	-	305	(1,843)	-
Realisation of revaluations from previous years	-	-	-	(773)	773	-
Dividends paid	-	-	-	(540)	-	-
Retained net revenue loss	-	-	-	-	-	(25)
At 30 September 2010	1,130	2	15,442	7,127	(3,801)	(64)

The share premium account in existence at 15 July 2010 was cancelled following court approval, with the balance thereon being transferred to the special reserve. 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 comprise the special reserve, capital reserve – realised, revenue reserve and are reduced by investment holding losses of £3,485,000. At the period end there were £18,677,000 of reserves available for distribution.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
for the six months ended 30 September 2010 (continued)

9. **Cash outflow from operating activities and returns on investments**

	30 Sept	30 Sept	31 Mar
	2010	2009	2010
	£'000	£'000	£'000
Return on ordinary activities before taxation	3,701	774	677
Losses/ (gains) on investments	1,538	(801)	(792)
Net gain on acquisition of net assets	(5,413)	-	-
(Increase)/decrease in other debtors	(26)	1	4
Increase/(decrease) in other creditors	93	(7)	38
Net cash outflow from operating activities	<u>(107)</u>	<u>(33)</u>	<u>(73)</u>

10. **Analysis of net funds**

	30 Sept	30 Sept	31 Mar
	2010	2009	2010
	£'000	£'000	£'000
Beginning of period	425	435	435
Net cash inflow/(outflow)	<u>618</u>	<u>377</u>	<u>(10)</u>
End of period	<u><u>1,043</u></u>	<u><u>812</u></u>	<u><u>425</u></u>

Major Non-Cash Transaction

As stated in note 7, shares were issued during the period in consideration for the purchase of the assets and liabilities of Pennine AIM VCT 5 plc and Pennine AIM VCT 6 plc.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2010 (continued)

11. Acquisitions

	Pennine AIM VCT 5 plc £'000	Pennine AIM VCT 6 plc £'000	Total £'000
Fair value of net assets acquired	<u>6,725</u>	<u>11,361</u>	18,086
Net gain on acquisition of net assets			(5,413)
Costs in relation to schemes of arrangement			<u>(320)</u>
Consideration			<u>12,353</u>
Consideration satisfied by:			
Market value of Ordinary Shares issued on date of acquisition			<u>12,353</u>

The book and fair value of assets and liabilities shown above, have been taken from the respective management accounts at 1 April 2010. The market value of the shares issued is based on the mid-market price of the Ordinary Shares at the date of acquisition. As the number of consideration shares issued under the Schemes of Reconstruction was determined by the relative net asset value of the companies, a gain on acquisition of net assets has arisen because of the fact that the Company's shares trade at a discount to the net asset value.

12. 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 2010 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the auditors' report on those financial statements was unqualified.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2010 (continued)

13. 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.
14. 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 prices can be found on various financial websites. The share prices are also available on Downing's website (www.downing.co.uk).

	Ordinary Shares DDV1
TIDM/EPIC codes	
Latest share price (26 November 2010):	77.5p per share

Trading shares

Any Shareholders who are considering selling some or all of their shares should ensure they are fully aware of any tax consequences. If you are in any doubt, please contact your financial adviser.

The Company operates a policy of buying its Shares for cancellation as they become available. The Company is, however, unable to buy back shares direct from Shareholders, so you will need to use a Stockbroker to sell your shares. Downing is able to provide details of close periods (when the Company is prohibited from buying in shares) and details of the price at which the Company has bought in shares. Contact details are shown on the back cover of this document.

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 Registrars, 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 Distribution VCT 1 plc, please contact the registrar on 0871 664 0300 or visit Capita's website at www.capitaregistrars.com and click on "Shareholders".

Directors

Christopher Powell (Chairman)
Michael Cunningham
Stuart Goldsmith
Roger Jeynes

Secretary and Registered Office

Grant Whitehouse
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