

Downing ONE VCT PLC

—
Half-Yearly Report for
the six months ended
30 September 2011

SHAREHOLDER INFORMATION

	30 Sept 2011 pence	31 Mar 2011 pence	30 Sept 2010 pence
Net asset value per share	78.4	92.0	93.4
Cumulative dividends paid since 1 April 2010	<u>7.5</u>	<u>5.0</u>	<u>2.5</u>
Total return per share	<u>85.9</u>	<u>97.0</u>	<u>95.9</u>

Forthcoming dividends	Date payable	Pence per share
Interim dividend	30 March 2012	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). Queries relating to dividends and requests for mandate forms should be directed to the Company's registrar, Capita Registrars, 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 present the half-yearly report for the six month period ended 30 September 2011, a period which saw sharp falls in stock market indices. It is disappointing to report that lower share prices, along with the impact of generally difficult trading conditions, have resulted in a fall in your Company's net asset value ("NAV") over the period.

On a positive note, I can report that the Company has announced the payment of a further dividend and also the Company will shortly launch a programme whereby Shareholders will have the opportunity to obtain a further 30% income tax relief on the value of their investment.

Net asset value

As at 30 September 2011, the Company's NAV stood at 78.4p, a decrease of 11.1p (or 12.1%) compared to the year end position and after taking into account the 2.5p dividend paid during the period.

Venture capital investment portfolio

The Company has seen a reasonable level of investment activity during the period as the Manager continued to rationalise the investment portfolio.

The Company made one new AIM-quoted investment (£101,000 in Tracsis plc) and three follow-on unquoted investments totalling £214,000.

There were disposals or part disposals from 12 AIM-quoted stocks, which generated proceeds of £1.2 million. There were also two redemptions or partial redemptions of loan stock which returned £194,000 to the Company.

Additionally, IS Pharma plc was the subject of a share-for-share takeover during the period, whereby the Company received shares in the acquiring entity, Sinclair IS Pharma plc.

There were a number of significant valuation movements within the AIM-quoted portfolio.

The largest single movement was that of Ludorum, which fell in value by £499,000. Ludorum is a relatively young, AIM-quoted, media investment company, which includes the children's animated TV show, Chuggington, within its portfolio. The company is making good progress and has significant potential for future growth. However, trading in the company's shares is very limited and, in recent months, the share price has drifted lower without there being any apparent negative concerns about the company's progress. Ludorum is a relatively large investment for your Company and so the fall in share price has had a significant impact on NAV. The Manager and the Board remain satisfied with the investment in Ludorum and are optimistic that it can deliver attractive returns in due course.

Overall, the quoted investment portfolio experienced a total fall of £1.157 million over the period.

The Board reviewed the unquoted valuations at the period end and made a number of adjustments. The largest impact has been from a full provision against Doubletake Studios Limited, which operated a number of photographic studios. The company suffered from a downturn in trading during summer 2011 which, following the withdrawal of short-term financing arrangements by Lloyds Bank in 2010, put the business under significant stress and has resulted in the company going into administration. As a consequence the investment has been valued at nil at the period end, a write down of £475,000. Several other investments were also revalued such that net unrealised losses on the unquoted investments totalled £948,000.

A summary of the full portfolio, together with details of the additions and disposals in the period, are shown on pages 8 and 9.

CHAIRMAN'S STATEMENT (continued)

Other investments

The Company continues to hold a small investment in permanent interest bearing shares. At the period end, this investment was valued at £280,000, with unrealised losses of £77,000 for the six-month period.

Results

The loss on ordinary activities after taxation for the period was £2.3 million, comprising a revenue return of £1,000 and a capital loss of £2.3 million.

Share buybacks

The Company has a policy of purchasing its own shares as they become available in the market. The Board has currently set a price of a 15% discount to NAV for such purchases but continues to 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.

During the period, the Company purchased 472,909 shares for an average price of 74.6p per share (being approximately equal to a 15% discount to the most recently published NAV). These shares were subsequently cancelled.

Dividends

The Company has a policy of seeking to pay regular dividends to Shareholders and targets a dividend of 2.5p per share at approximately six monthly intervals. I am pleased to confirm that the next dividend of 2.5p will be paid on 30 March 2012 to Shareholders on the register at 2 March 2012.

Share Realisation and Reinvestment Programme

In view of the disappointing recent performance of the Company, the Board is pleased to confirm that it expects to be able to offer Shareholders the opportunity to obtain a further 30% income tax relief on

their investment via a "Share Realisation and Reinvestment Programme" or "Enhanced Share Buyback Scheme".

The programme will allow Shareholders to elect to sell their shares back to the Company at a small discount to NAV on the basis that the proceeds are reinvested in new shares in the Company, allowing the Shareholder to obtain VCT income tax relief on the new investment. The scheme has taken longer to finalise than originally hoped as a result of unexpected delays in obtaining regulatory approval. It is now expected that documentation will be finalised shortly. Full details will be sent to all Shareholders as soon as they are available.

Risks 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 a VCT, the Company has significant exposure to relatively small businesses. 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.

CHAIRMAN'S STATEMENT (continued)

Risks and uncertainties (continued)

The Company's compliance with the VCT regulations is continually monitored by the Manager, 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.

Going concern

The Company has sufficient financial resources at the period end, and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully, despite the current uncertain economic outlook.

The Directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Outlook

The limited recovery shown by stock markets in October has been undone by more falls during November against a background of renewed fears of a Eurozone crisis and a generally weak economy. The gloomy economic outlook suggests that conditions are likely to remain challenging for the portfolio companies for some time to come.

While this environment is unlikely to support significant growth in the Company's underlying net assets in the short-term, the Board remains committed to the Company's dividend policy, which will continue to provide Shareholders with regular tax-free distributions from their investment.



Christopher Powell
Chairman

30 November 2011

UNAUDITED BALANCE SHEET

as at 30 September 2011

	Note	30 Sept 2011 £'000	30 Sept 2010 £'000	31 Mar 2011 £'000
Fixed assets				
Investments		<u>15,796</u>	<u>19,141</u>	<u>19,136</u>
Current assets				
Debtors		275	177	159
Cash at bank and in hand		<u>70</u>	<u>1,043</u>	<u>199</u>
		345	1,220	358
Creditors: amounts falling due within one year		<u>(184)</u>	<u>(310)</u>	<u>(333)</u>
Net current assets		<u>161</u>	<u>910</u>	<u>25</u>
Net assets		<u>15,957</u>	<u>20,051</u>	<u>19,161</u>
Capital and reserves				
Called up share capital	7	204	215	208
Capital redemption reserve	8	1,141	1,130	1,137
Share premium	8	2	2	2
Special reserve	8	14,558	15,442	14,913
Capital reserve – realised	8	5,552	7,127	6,444
Revaluation reserve	8	(5,442)	(3,801)	(3,484)
Revenue reserve	8	(58)	(64)	(59)
Equity shareholders' funds	6	<u>15,957</u>	<u>20,051</u>	<u>19,161</u>
Net asset value per Ordinary Share	6	78.4p	93.4p	92.0p

INCOME STATEMENT

for the six months ended 30 September 2011

	Note	Six months ended 30 September 2011			Six months ended 30 September 2010			Year ended 31 March 2011
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income								
- continuing operations		171	-	171	96	-	96	188
- acquisitions		-	-	-	81	-	81	152
Losses on investments								
- continuing operations		-	(2,223)	(2,223)	-	(272)	(272)	(79)
- acquisitions		-	-	-	-	(1,266)	(1,266)	(1,156)
Net gain on acquisition of net assets		-	-	-	-	5,413	5,413	5,403
		171	(2,223)	(2,052)	177	3,875	4,052	4,508
Investment management fees		(39)	(118)	(157)	(49)	(148)	(197)	(374)
Other expenses		(131)	-	(131)	(153)	(1)	(154)	(269)
Return/(loss) on ordinary activities before taxation		1	(2,341)	(2,340)	(25)	3,726	3,701	3,865
Taxation		-	-	-	-	-	-	-
Return/(loss) attributable to equity shareholders	4	1	(2,341)	(2,340)	(25)	3,726	3,701	3,865
(Loss)/return per Ordinary Share	4	-	(11.4p)	(11.4p)	(0.1p)	17.1p	17.0p	18.0p

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.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months ended 30 September 2011

	30 Sept 2011	30 Sept 2010	31 Mar 2011
Note	£'000	£'000	£'000
Opening Shareholders' funds	19,161	4,860	4,860
Issue of share capital on acquisition	-	12,353	12,353
Proceeds of new share issue	-	10	10
Purchase of own shares	(355)	(333)	(862)
Total recognised (losses)/gains for the period	(2,340)	3,701	3,865
Dividends paid	5 (509)	(540)	(1,065)
Closing Shareholders' funds	<u>15,957</u>	<u>20,051</u>	<u>19,161</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 September 2011

	Note	30 Sept 2011 £'000	30 Sept 2010 £'000	31 Mar 2011 £'000
Cash outflow from operating activities and returns on investments	9	<u>(181)</u>	<u>(107)</u>	<u>(262)</u>
Capital expenditure				
Purchase of investments		(315)	(1,142)	(1,833)
Sale of investments		<u>1,344</u>	<u>1,877</u>	<u>2,879</u>
Net cash inflow from capital expenditure		<u>1,029</u>	<u>735</u>	<u>1,046</u>
Acquisitions				
Cash acquired		-	970	970
Costs in relation to schemes of arrangement		<u>(7)</u>	<u>(100)</u>	<u>(149)</u>
		<u>(7)</u>	<u>870</u>	<u>821</u>
Equity dividends paid		<u>(518)</u>	<u>(547)</u>	<u>(1,067)</u>
Net cash inflow before financing		<u>323</u>	<u>951</u>	<u>538</u>
Financing				
Purchase of own shares		<u>(452)</u>	<u>(333)</u>	<u>(764)</u>
Net cash outflow from financing		<u>(452)</u>	<u>(333)</u>	<u>(764)</u>
(Decrease)/increase in cash	10	<u>(129)</u>	<u>618</u>	<u>(226)</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 30 September 2011

	Cost £'000	Valuation £'000	Unrealised (loss)/gain in period £'000	% of portfolio by value
Top ten venture capital investments (by value)				
Cadbury House Holdings Limited *	2,518	2,346	(200)	14.8%
Hoole Hall Country Club Holdings Limited *	1,920	1,920	-	12.1%
Ludorum plc	2,161	1,714	(499)	10.8%
Hoole Hall Spa and Leisure Limited *	1,200	1,200	-	7.6%
Animalcare Group plc	521	695	21	4.4%
IDOX plc	337	645	125	4.1%
First Care Limited *	879	604	(275)	3.8%
Tristel plc	631	465	(174)	2.9%
Plastics Capital plc	183	456	(85)	2.9%
Craneware plc	293	448	45	2.8%
	<u>10,643</u>	<u>10,493</u>	<u>(1,042)</u>	<u>66.2%</u>
Other venture capital investments	10,037	5,023	(1,063)	31.7%
Other investments	558	280	(77)	1.7%
	<u>21,238</u>	<u>15,796</u>	<u>(2,182)</u>	<u>99.6%</u>
Cash at bank and in hand		<u>70</u>		<u>0.4%</u>
Total investments		<u>15,866</u>		<u>100.0%</u>

All venture capital investments are quoted on AIM unless otherwise stated.

* unquoted

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 30 September 2011

Additions

		£'000
Financial News Publishing Limited	Follow-on investment	20
Future Biogas (SF) Limited	Follow-on investment	14
Hoole Hall Spa and Leisure Limited	Follow-on investment	180
Sinclair IS Pharma plc *	Consideration from IS Pharma plc takeover	611
Tracsip plc	New investment	101
		<u>926</u>

Disposals

	Cost £'000	Market value at 1 April 2011** £'000	Disposal proceeds £'000	Gain/ (loss) in period £'000	Realised (loss)/ gain £'000
Sales					
@ UK plc	7	99	88	81	(11)
Animalcare Group plc	235	304	321	86	17
Aortech International plc	569	39	29	(540)	(10)
Atlantic Global plc	50	28	26	(24)	(2)
Craneware plc	77	106	104	27	(2)
Deltex Medical Group plc	75	79	75	-	(4)
Hoole Hall Country Club Holdings Ltd	180	180	180	-	-
IDOX plc	35	53	72	37	19
Media Square plc	119	3	2	(117)	(1)
Plastics Capital plc	42	125	117	75	(8)
Sinclair IS Pharma plc	433	433	374	(59)	(59)
The Kellan Group plc	34	25	24	(10)	(1)
Tramps Nightclub Ltd	14	14	14	-	-
Zamano plc	32	8	6	(26)	(2)
Takeovers					
IS Pharma plc *	392	588	611	219	23
Administrations					
Sport Media Group plc	14	-	-	(14)	-
	<u>2,308</u>	<u>2,084</u>	<u>2,043</u>	<u>(265)</u>	<u>(41)</u>

* share-for-share takeover by Sinclair IS Pharma plc

** adjusted for purchases in the period

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2011

- The unaudited half-yearly financial results cover the six months to 30 September 2011 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 March 2011, 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.
- The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
- The comparative figures were in respect of the six months ended 30 September 2010 and the year ended 31 March 2011 respectively.

4. Return per share

	30 Sept 2011	30 Sept 2010	31 March 2011
Return per share based on:			
Net revenue return/(loss) for the period (£'000)	<u>1</u>	<u>(25)</u>	<u>(20)</u>
Capital return per share based on:			
Net capital (loss)/gain for the period (£'000)	<u>(2,341)</u>	<u>3,726</u>	<u>3,885</u>
Weighted average number of Ordinary Shares	<u>20,559,823</u>	<u>21,819,546</u>	<u>21,493,659</u>

5. Dividends

Paid in the period		30 September 2011			31 March 2011
		Revenue £'000	Capital £'000	Total £'000	Total £'000
	Date paid				
2011 Final	30/09/2011: 2.5p	-	509	509	-
2011 Interim	31/03/2011: 2.5p	-	-	-	540
2011 Interim	30/09/2010: 2.5p	-	-	-	525
		<u>-</u>	<u>509</u>	<u>509</u>	<u>1,065</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2011 (continued)

6. Net asset value per share

	30 Sept 2011	30 Sept 2010	31 March 2011
Net asset value per share based on:			
Net assets (£'000)	15,957	20,051	19,161
Number of Ordinary Shares in issue at the period end	20,350,677	21,467,497	20,823,586
Basic and diluted net asset value per share	78.4p	93.4p	92.0p

7. Called up share capital

	Shares	£'000
As at 1 April 2011: Ordinary Shares of 1p each	20,823,586	208
Shares bought back and cancelled	(472,909)	(4)
As at 30 September 2011: Ordinary Shares of 1p each	20,350,677	204

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 2011	1,137	2	14,913	6,444	(3,484)	(59)
Shares repurchased	4	-	(355)	-	-	-
Expenses capitalised	-	-	-	(118)	-	-
Losses on investments	-	-	-	(41)	(2,182)	-
Realisation of revaluations from previous years	-	-	-	(224)	224	-
Dividends paid	-	-	-	(509)	-	-
Retained net revenue gain	-	-	-	-	-	1
At 30 September 2011	1,141	2	14,558	5,552	(5,442)	(58)

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 and Revenue reserve and are reduced by Revaluation reserves of £5,610,000 (31/03/2011: £3,512,000). At the period end there was £14,442,000 of reserves available for distribution (31/03/2011: £17,786,000).

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2011 (continued)

9. Cash outflow from operating activities and returns on investments

	30 Sept 2011 £'000	30 Sept 2010 £'000	31 Mar 2011 £'000
(Loss)/return on ordinary activities before taxation	(2,340)	3,701	3,865
Losses on investments	2,223	1,538	1,235
Net gain on acquisition of net assets	-	(5,413)	(5,403)
Increase in other debtors	(20)	(26)	(15)
(Decrease)/increase in other creditors	(44)	93	56
Net cash outflow from operating activities	(181)	(107)	(262)

10. Analysis of net funds

	30 Sept 2011 £'000	30 Sept 2010 £'000	31 Mar 2011 £'000
Beginning of period	199	425	425
Net cash (outflow)/inflow	(129)	618	(226)
End of period	70	1,043	199

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 2011 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.
12. 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.
13. 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).

	Ordinary Shares
TIDM/EPIC codes	DDV1
Latest share price (29 November 2011):	59.0p per share

Selling 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 directly 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 the number shown on the back cover or visit Capita's website at www.capitaregistrars.com and click on "Shareholders".

Directors

Christopher Powell (Chairman)
Michael Cunningham
Stuart Goldsmith
Roger Jeynes

Company Secretary and Registered Office

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