



downing absolute
INCOME VCT 1 plc

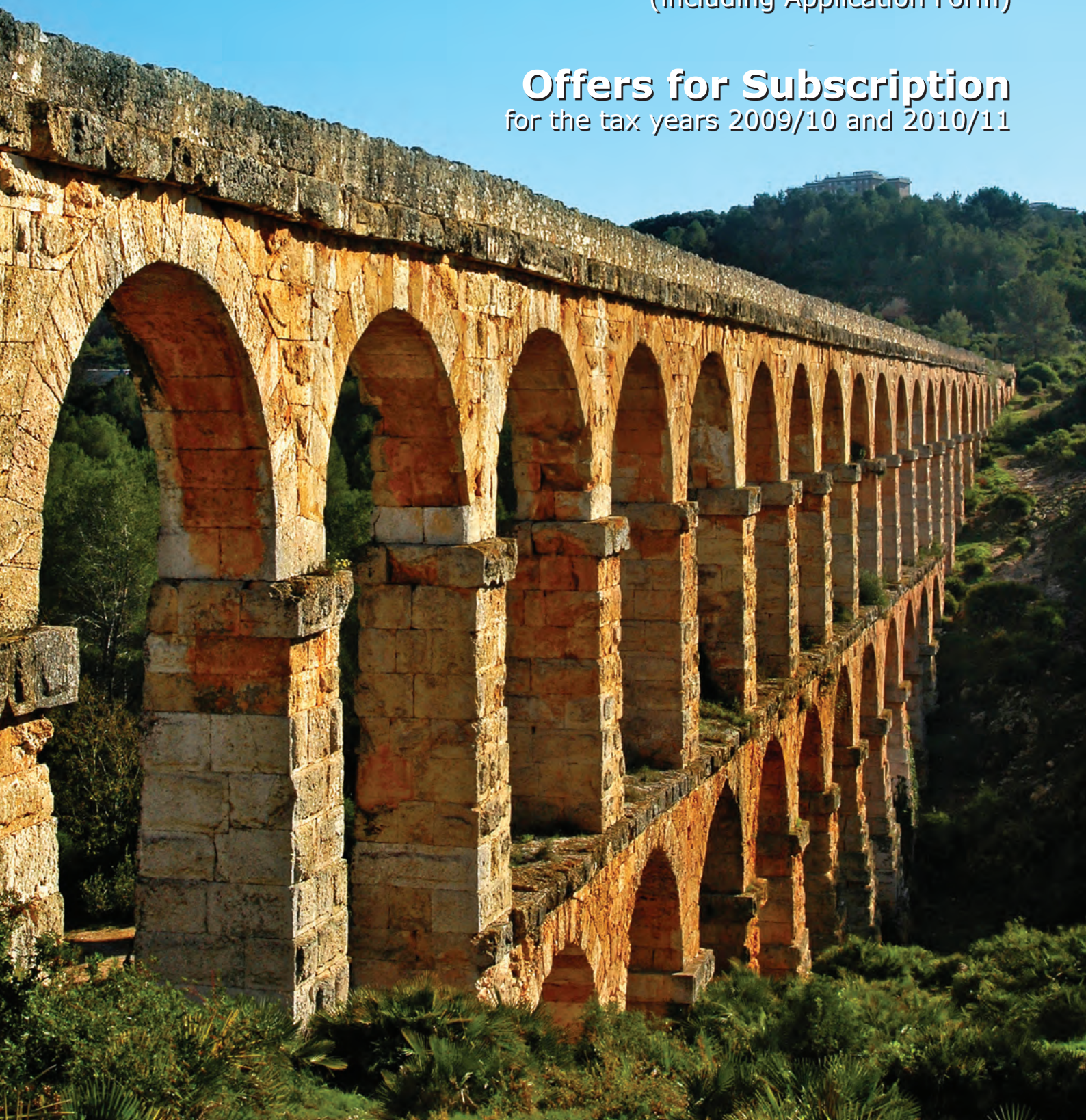
(formerly Downing Protected VCT I plc)

TOP-UP OFFER DOCUMENT

(including Application Form)

Offers for Subscription

for the tax years 2009/10 and 2010/11



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Offer Statistics	
Offer Price per Share	Latest published NAV, grossed up for issue costs of 5.5%
Estimated Maximum gross proceeds of the Offers	£714,000

Financial Calendar	
Financial year end	30 June
Final results announcement	October
Annual general meeting	December
Dividends paid	December and April
Half yearly results announcement	February

Important Notice

There is no guarantee that the Company's investment objectives will be attained. If you are in any doubt as to what action to take, you should contact an independent financial adviser authorised under the Financial Services & Markets Act 2000 who specialises in advising on the acquisition of shares or other securities. The levels and bases of reliefs from taxation described in this Document are those currently available. These may change and their value depends on an Investor's individual circumstances.

This document, which constitutes a financial promotion for the purposes of section 21 of the Financial Services and Markets Act 2000, has been approved, for the purposes of that section only, by Downing Corporate Finance Limited (“Downing”), which is authorised and regulated by the Financial Services Authority. Downing does not offer investment or tax advice or make recommendations regarding investments. Downing is acting for Downing Absolute Income VCT 1 plc (“the Company”) and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Downing. Downing has given, and not withdrawn, its consent to the inclusion of its name in the form and context in which it is included.

Downing Absolute Income VCT 1 plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 3307917)

Offers for Subscription
for the 2009/10 and 2010/11 tax years
of up to 782,983 Ordinary Shares in the capital of the Company

A maximum of 782,983 New Shares, which are being offered to the public, are being made available by the Company under the Offers. The subscription lists for the Offers will open on 26 February 2010 and may close at any time thereafter but, in any event, not later than 1.00 p.m. on 5 April 2010 in the case of the 2009/10 Offer and not later than 5.00 p.m. on 30 April 2010 in the case of the 2010/11 Offer, unless previously extended by the Directors. The terms and conditions of application are set out on pages 13 and 14 of this document and are followed by an Application Form for use in connection with the Offers. There is no minimum subscription for the Offers to proceed and they are not underwritten.

Your attention is drawn to the Risk Factors set out on page 2 of this document. An investment in the Company is only suitable for Investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might arise.

Further copies of this document may be obtained from the promoter of the Offers:

Downing Corporate Finance Limited
Kings Scholars House
230 Vauxhall Bridge Road
London SW1V 1AU

telephone: 020 7416 7780
download: www.downing.co.uk
email: vct@downing.co.uk

Risk Factors

The Company's business, financial condition or results could be materially and adversely affected by any of the risks described below. In such cases, the market price of the New Shares may decline as a result of any of these risks and Investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company. The Directors consider the following to be all the material risks for potential Investors in the Company and they are not set out in any particular order of priority:

- Although 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 do so could result in adverse tax consequences for Investors, including being required to repay the 30% income tax relief and the Company becoming liable for corporation tax on capital gains.
- The levels and bases of reliefs from taxation may change and could apply retrospectively. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of Investors. The Company's objectives have been set on the basis that all Investors obtain 30% income tax relief on their subscriptions. Therefore, this investment may not be suitable for Investors who do not qualify for the full 30% income tax relief.
- Although it is intended that the New Shares will be Listed, it is highly unlikely that a liquid market in the New Shares will develop as there is likely to be a low volume of shares traded (the initial income tax relief is only available to those subscribing for New Shares) and there may never be two competitive market makers. It may, therefore, prove difficult for Shareholders to sell their New Shares. In addition, there is no guarantee that the market price of the New Shares will fully reflect their underlying Net Asset Value or the ability to buy and sell at that price. It should be noted that shares held in VCTs usually trade at a discount to the VCT's net asset value.
- Investors should be aware that the sale of New Shares within five years of their subscription will lead to any income tax relief obtained upon investment in the New Shares becoming repayable. Accordingly, investment in the Company is not suitable as a short or medium term investment.
- Most of the Company's investments are likely to be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.
- There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be identified.
- The Company's ability to obtain maximum value from its investments (for example, through their sale) may be limited by the requirements of the relevant VCT legislation in order to maintain the VCT status of the Company (such as the obligation to have at least 70% by value of each VCT's investments in Qualifying Investments).
- In order to comply with VCT legislation, the Qualifying Companies in which the Company invests must have gross assets of not more than £7 million (or £15 million for funds raised prior to 6 April 2007) prior to such investment. Such companies generally have a higher risk profile than larger companies and may also have shorter trading records, limited product lines and resources. Such companies are also often more dependent upon management and key individuals. Therefore, Qualifying Companies may not produce the anticipated returns and Investors could get back less than they invested.
- The past performance of investments made the Company should not be regarded as an indication of the future performance of investments to be made by the Company.
- Changes in legislation, including those proposed in the Pre-Budget Report 2009, or the interpretation of such legislation concerning VCTs in general, and Qualifying Investments and qualifying trades in particular, which could be applied retrospectively and may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.
- The value of New Shares is dependent on the performance of the Company's underlying investments. The value of the investment and the dividend stream can rise and fall.

Forward-Looking Statements

You should not place undue reliance on forward-looking statements. This Offer Document includes statements that are (or may be deemed to be) "forward-looking statements", which can be identified by the use of forward-looking terminology including the terms "believes", "continues", "expects", "intends", "may", "will", "would", "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements contained in this Offer Document, based on past trends or activities, should not be taken as a representation that such trends or activities will continue in the future.

Part I – Letter from the Chairman

Downing Absolute Income VCT 1 plc

Kings Scholars House
230 Vauxhall Bridge Road
London SW1V 1AU

26 February 2010

Dear Investor

For the first time since the Company's original fundraising in 1997, I am pleased to offer Investors the opportunity to subscribe for New Shares in Downing Absolute Income VCT 1 plc. The Company has decided to undertake a "10% top-up" offer and is seeking to raise up to approximately £671,000 (net of costs).

The key features of the opportunity for investors can be summarised as follows:

- 1. Income tax relief** – Subscriptions to VCTs currently attract income tax relief at the rate of 30%. This means that, for every £1 invested, the net cost to VCT Investors should be 70p.
- 2. Strong dividend policy** – The Company has a solid track record of paying biannual dividends. Dividends have averaged approximately 4.5p per share each year since launch over [12] years ago.
- 3. Mature portfolio** – The Company holds an existing portfolio of investments, some of which are reasonably mature. The portfolio also comprises investments which, because of legislation changes, can only be qualifying investments for VCTs who raised funds before March 1998. This includes investments in care homes and hotels.

Further details are provided within this document.

Any existing Shareholders (including spouses) in Downing Absolute Income VCT 1 plc who wish to subscribe will receive additional shares equivalent to 1% of the amount subscribed.

If Investors have any questions regarding this investment they should contact their financial adviser. For questions relating to an application, please telephone Downing on 020 7416 7780. Investors should note that no investment advice can be given by Downing and their attention is drawn to the Risk Factors set out on page 2 of this document.

Yours sincerely



Chris Kay
Chairman

Part II – The Offer

Introduction

Downing Absolute Income VCT 1 (formerly Downing Protected VCT I plc) is an established VCT originally launched in March 1997, when it raised approximately £10 million. The Company initially invested in ten care home businesses but has subsequently disposed of a number of these investments and made a number of new investments in other “asset-backed” businesses, such as pubs, hotels and property development projects.

The unaudited net asset value per Share of the Company as at 31 December 2009 was 87.2p (*source: unaudited half yearly financial report of the Company for six months ended 31 December 2009*). The Company has paid cumulative dividends since launch of 56.4p per Share, averaging approximately 4.5p per annum, resulting in a Total Return (net asset value plus cumulative dividends) of 143.6p per Share as at 31 December 2009. Of the over 100 VCTs in existence, the Company ranks in the top fifteen in terms of Total Return (*source: Allenbridge*).

Downing Absolute Income VCT 1 – track record since launch in 1997						
Net Cost ¹	Dividends paid	Latest NAV	Total Return ²	Increase over Net Cost (%)	Tax-free annual return ³	Gross equivalent return ⁴
80p	56.4p	87.2p	143.6p	+79%	4.6%	7.6%
¹ Net cost is the initial offer price of 100p per share less 20% income tax relief available on subscriptions to VCTs at that time.						
² Total Return is cumulative dividends paid (including the tax credits where reclaimable) and the most recently announced net asset value at 31 December 2009.						
³ The tax-free annual return is calculated as an IRR assuming the subscription was made on the closing date of the offer, 20% tax relief was received seven months later and taking account of all dividends and the NAV at 31 December 2009.						
⁴ The gross equivalent return is to a 40% taxpayer and is calculated by dividing the tax-free annual return by 0.6.						
<i>(Source: Downing Absolute Income VCT 1's unaudited half-year report to 31 December 2009 and Downing)</i>						

Reasons for the Offer

VCTs were introduced to encourage individuals, by offering them substantial tax benefits, to invest in a portfolio of investments comprising at least 70% in unquoted UK trading companies. VCTs are investment companies whose shares are listed on the Official List and traded on the London Stock Exchange. To date, approximately £3.5 billion has been raised by over 100 VCTs (*source: Downing*).

The Company seeks to lower risks compared to typical generalist VCTs, by focusing on investing in businesses that trade from freehold premises.

Downing Absolute Income VCT 1 does not have a fixed wind-up date and seeks to provide long term tax-free income by way of dividends. The Company seeks to make investments which provide reasonable levels of investment income (whether by dividends or loan stock interest) while also providing the potential for capital growth. As an “evergreen” fund, the Company has flexibility on the timing of investment exits, allowing it to avoid having to pursue realisations during periods of economic downturn or when certain business sectors are depressed.

The Company's original fundraising took place in 1997. As a result, the Company can make VCT-qualifying investments in a broader range of businesses than is possible with VCT funds raised after 16 March 1998. Examples of such businesses are care homes, hotels and property development.

Benefits for existing Shareholders

The Directors believe that the proposed fundraising will benefit existing Shareholders in the following ways:

- The New Shares issued will increase the capital available to the Company which may be invested alongside existing capital. This affords the Company the opportunity to invest in businesses it might not otherwise have the ability to do so.
- The running costs of the Company will be spread over a larger combined asset base as a result of the issue of New Shares, thereby reducing the level of the running costs attributable to existing Shareholders and, therefore, providing the potential for enhanced returns to Shareholders.

Benefits for new Shareholders

The Directors believe that the proposed fundraising will benefit new Shareholders in the following ways:

- 30% income tax relief on their investment;
- The Board intends to continue to pay regular dividends which are tax-free for qualifying investors; and
- The issue of Ordinary Shares rather than a new class of shares provides immediate exposure to the Company's existing portfolio, including:
 - a number of mature companies; and
 - investments in businesses which undertake activities which, as a result of amended legislation, are not qualifying for newer VCTs.

Further details on tax benefits are set out below and in Part III.

Objective

The Company's investment objective is to provide Shareholders with an attractive dividend return on their investment, whilst providing an "asset-backed" environment for their capital.

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

The principal UK tax reliefs, which are available to qualifying investors on a maximum investment of £200,000 per individual in each of the 2009/10 and 2010/11 tax years, are set out below:

- **Income tax relief at 30%** of the amount subscribed provided the VCT shares are held for at least five years. Relief is restricted to the amount which reduces the investor's income tax liability to nil.
- **Tax-free dividends and capital distributions** from a VCT.
- **Capital gains tax exemption** on any gains arising on the disposal of VCT shares.

The table below shows the effect of the initial 30% income tax relief (assuming an issue price of 91.2p per share):

Effect of initial 30% income tax relief	
Cost of investment	Per Share
Gross subscription by Investor (per share)	91.2p
30% income tax relief	(27.4p)
Net of tax cost of investment (per share)	63.8p
Initial value of investment	
Gross subscription by Investor (per share)	91.2p
Issue costs (5.5%)	(5.0p)
Initial Net Asset Value (per share)	86.2p
Initial "uplift" (pence per share)	+22.4p
Initial "uplift" (%)	+35.0%

The above table shows that, assuming income tax relief is received at 30% and the issue price is 91.2p per share, the Investor's net of tax cost of investment is 63.8p per Share and the initial NAV is 86.2p, an "uplift" of 22.4p per Share or +35%. **Investors should note that they are required to hold the Shares for at least five years in order to retain the income tax relief and, as such, this initial uplift cannot be immediately realised.**

(Source: Downing)

This is only a very brief summary of the UK tax position of investors in VCTs, which is based on the Company's understanding of current law and practice. Further details are set out in Part III of this document. Potential investors are recommended to consult their own appropriate professional advisers as to the taxation consequences of their investing in a VCT.

Investment Policy

Qualifying investments

Qualifying investments comprise investments in UK trading companies which own substantial assets over which the VCT takes a charge or have development contracts in place.

Non-qualifying investments

The funds not employed by the Company in qualifying investments will be invested in loans secured on property or other assets or cash deposits.

Venture Capital Trust Regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Tax Act 2007. How the main regulations apply to the Company is summarised as follows:

1. The Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007);
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" – ("eligible shares" generally being ordinary share capital). This requirement increases to 70% for funds raised on or after 6 April 2010;
3. No investment constitutes more than 15% of the Company's portfolio (by value at time of investment);
4. The Company's income for each financial year is derived wholly or mainly from shares and securities;
5. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained; and
6. A maximum unit size of £1 million in each VCT-qualifying investment (per tax year).

Borrowing policy

Under its Articles, the Company has the ability to borrow a maximum amount equal to 10% of its capital and reserves. As at the date of this document, the Company has not made any borrowings. Although the Company does not intend to borrow, it has the flexibility to do so. In particular, because the Board intends to minimise cash balances, the Company may borrow on a short-term basis for cashflow purposes.

Investment portfolio

At 31 December 2009, being the date of the Company's most recently published financial information, the Company's investment portfolio was summarised as follows:

Investment portfolio at 31 December 2009			Cost	Valuation
			£'000	£'000
Venture capital investments				
Bowman Care Homes Limited	Care home operator		1,000	1,500
Blue Cedars Holdings Limited	Care home operator		850	975
Downing (Pirbright Road) Limited	Care home operator		700	950
Kimbolton Lodge Limited	Care home operator		605	750
Heyford Homes (VCT) Limited	Residential developer		1,000	700
Gatewales Limited	Developer		850	650
Downing Office Village Contractor Limited	Building contractor		255	255
Bond Contracting Limited	Building contractor		200	100
Wykeham Hotel Limited	Hotel developer		1	42
Heyford Homes (Thornton Hall) Limited	Residential developer		72	-
Kings Gap Group Limited	Hotel operator		1,000	-
Sanguine Hospitality Limited	Leisure developer/operator		6	-
Total			6,539	5,922
Cash at bank				811
Total investments and cash				6,733

Source: Half-Yearly Report to 31 December 2009

Share Buyback Policy

In recent years, in order to provide some liquidity in the market in the Company's shares, the Company has operated a share buyback policy of buying its own shares that become available in the market at a discount of approximately 10% to the latest published NAV. The Board intends to continue with this policy, subject to Shareholder approval, regulatory restrictions and liquidity. The Board may from time-to-time review the discount at which the Company buys in shares and will make adjustments if appropriate.

Management

Manager

The Company is managed by a wholly owned subsidiary, Downing Managers 1 Limited. The Managers' executives are provided by Downing Corporate Finance Limited and paid by the Manager.

Downing Corporate Finance Limited

Downing was incorporated in 1986 and is authorised and regulated by the Financial Services Authority. Since 1991, Downing has specialised in structuring, promoting, managing and administering tax efficient products. Downing has raised over £130 million for the Downing VCTs. Its Management Team, comprising 10 executives, is responsible for the management of the Downing VCTs, each of which has a strategy of investing in Qualifying Companies primarily benefiting from asset-backing.

Co-investment policy

The Company has a co-investment agreement with the Downing VCTs, Downing's IHT and EIS funds (together "the Funds"). It has been agreed that allocations will be offered to each party in proportion to their respective funds available for investment, subject to: (i) a priority being given to any of the Funds in order to maintain their tax status; (ii) the time horizon of the investment opportunity being compatible with the exit strategy of each Fund; and (iii) the risk/reward profile of the investment opportunity being compatible with the target return for each Fund. The terms of the investments may differ between the parties, but all investments will be approved by the relevant board, designated members or committees. In the event of any conflicts between the parties, the issues will be resolved at the discretion of the independent directors, designated members and committees. It is not intended that the Company will co-invest with Directors, Downing, the Manager or members of the Management Team (including family members).

Directors

The Board comprises four Directors, all of whom are non-executive and independent of the Manager (with the exception of Nicholas Lewis who is a director of Downing).

Chris Kay (Chairman) has over 20 years' experience in the venture capital industry. He spent nine years with 3i Group plc, where he was an investment director, and a further eight years at Elderstreet Investments Limited, where he headed the VCT team. He is a non-executive director of a number of other VCTs (including other Downing VCTs) and chief executive of Chrysalis VCT Management Ltd. He is a Cambridge University graduate and gained an MBA at Manchester Business School.

Martin Bradford is a chartered accountant who has been involved with the care home sector since 1985, having been a co-founder and executive director of Westminster Health Care Holdings plc. It was a leading provider of self-developed purpose-built facilities to over 5,000 residents by 1998. He resigned in 1999 following a change of ownership of the company.

Edward Buchan is managing director of Corporate Finance at LCF Edmond de Rothschild Securities and a non-executive director of the Wallem Group Limited. He trained as a chartered accountant with Deloitte Haskin and Sells and attended Harvard Business School. He spent 19 years at Hill Samuel Bank Limited, including 11 as a director, and subsequently joined Close Brothers Corporate Finance and then West LB Panmure, specialising in the transport and logistics industry sectors.

Nicholas Lewis is a director of Downing Corporate Finance Limited, which he founded in 1986. Downing specialises in promoting and administering tax-based investments, having raised over £600 million in the last ten years. He is a non-executive director of a number of other venture capital trusts and an executive director of investment managers of the other Downing VCTs. He was formerly with NatWest Ventures Limited and, before that, with Apax Partners and Co. Limited.

Management Fees

Annual fees

The Manager receives an annual investment management fee of 1.0% of the Company's Net Assets. Downing Management Services Limited receives an annual fee for administration services at a current rate of £36,676 (plus VAT). This is adjusted annually for RPI and movements in the Company's NAV.

The Annual Running Costs of the Company are capped at 3.25% of the Net Assets (plus cumulative dividends paid since 1 January 2004) calculated on a semi-annual basis. Any excess will be paid by the Manager, or refunded by way of a reduction in its fees. Annual Running Costs include, *inter alia*, Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders, annual trail commission and the annual fees payable to Downing, but not the Performance Incentive. For the six month period to 31 December 2009, annualised running costs were approximately 3.3% of Net Assets (including irrecoverable VAT).

The Manager may receive arrangement fees (capped at 1%) and monitoring fees from investee companies. Costs incurred on abortive investment proposals will be the responsibility of the Manager.

Management incentive

The Manager and certain Directors are entitled to receive management incentive fees. These are equal to 25% of the aggregate amount of gross distributions in excess of a cumulative annual hurdle of 3p per share ("the Hurdle") in respect of any accounting period (Gross Distributions being defined as the amount of revenue and capital dividends that the Board resolves to distribute plus any applicable management incentive fees in respect of any accounting period). If the Hurdle of 3p per share is not met in a particular year, the shortfall will be carried forward to subsequent years and taken into account when calculating any future incentive fee. Such fees are allocated as follows:

Allocation:	Between 3p and 4p per share	Above 4p per share
Chris Kay (Chairman)	25%	10%
Martin Bradford (non-executive director)	25%	10%
Manager	50%	80%

Issue Price

New Shares are being offered at a price in accordance with the Pricing Formula. Under the Pricing Formula the issue price is calculated as the latest published NAV of the Company (adjusted for dividends as appropriate), divided by 0.945 to allow for issue costs of 5.5%, rounded up to the nearest one-tenth of a penny per New Share. Based on the Company's NAV at 31 December 2009 (adjusted for the dividend of 1p per share payable on 23 April 2010) of 86.2p per share, under the Pricing Formula, New Shares will be issued at 91.2p per Share until such time as an adjustment is required.

The application of this Pricing Formula avoids the necessity to announce the Offer Price of the New Shares when New Shares are being allotted whilst the Offers are open should a new NAV be announced or otherwise published.

The number of New Shares allotted to each Applicant will be determined by the amount subscribed divided by the Offer Price (as determined by the Pricing Formula), rounded up to the nearest whole New Share.

Existing Shareholders of the Company (and their spouses) will receive additional New Shares equivalent to 1% of the shares applied for.

Other Information

Taxation and HM Revenue & Customs approval

The Directors intend to conduct the affairs of the Company so that it continues to satisfy the conditions for approval as a VCT and that such approval will be maintained. HM Revenue & Customs has granted the Company approval as a VCT under the ITA. The Company intends to comply with the ITA and has retained PricewaterhouseCoopers LLP to advise it on VCT taxation matters.

The Offers and minimum and maximum subscription

A maximum of up to 782,983 New Shares, which are being offered to the public, are being made available by the Company under the Offers. In the event that applications are received in excess of the maximum subscription under the Offers, the Directors reserve the right to use their absolute discretion in the allocation of successful applications, but subject to that discretion giving priority to the earliest Applicants. The minimum investment per Applicant is £5,000. The maximum investment, on which tax reliefs in VCTs are available, is £200,000 per Applicant in each of the 2009/10 and 2010/11 tax years.

The subscription list for the Offers will open at 9 a.m. on 26 February 2010 and may close at any time thereafter, but in any event, not later than 1.00 p.m. on 5 April 2010 in the case of the 2009/10 Offer, and not later than 5.00 p.m. on 30 April 2010, unless fully subscribed earlier or previously extended by the Directors, in the case of the 2010/11 Offer. The Offers are not underwritten.

New Shares will be allotted and issued in respect of valid applications on 5 April 2010, on 30 April 2010 and on any other dates on which the Directors decide. Application has been made to the UK Listing Authority on behalf of the Company for the Admission of up to 782,983 New Shares. New Shares will be issued in registered form and be transferable in both certificated and uncertificated form and will rank for all dividends and other distributions declared, paid or made by the Company in respect of the New Shares thereafter.

It is anticipated that dealings in the first allotment of New Shares will commence by 30 April 2010 and subsequent allotments thereafter within 20 business days of allotment. Dealings may not begin before notification of allotments is made. Revocation of the Offers cannot occur after dealings in the New Shares have commenced. The Company has applied for its New Shares to be admitted to CREST. Share certificates (where applicable) and certificates to enable a claim for income tax relief to be made in respect of New Shares will be posted to Shareholders within 30 days of each allotment. No notification will be made to successful applicants prior to despatch of definitive share certificates. Prior to despatch of definitive share certificates (where applicable), transfers (if any) will be certified against the register. No temporary documents of title will be issued. CREST accounts will first be credited on the same day on which dealings in the New Shares first commence.

The initial costs of the Offers are fixed at 5.5% of the gross proceeds; consequently the net proceeds of the Offers will be 94.5% of the amount subscribed per New Share. The result of the Offers will be announced through a regulatory information service provider authorised by the Financial Services Authority.

Issue costs

Downing has agreed to underwrite all the costs of the Offers in return for an initial fee of 5.5% of the gross funds raised, together with an annual fee of 0.5% per annum of the gross funds raised payable for 5 years. Out of its capital raising fees, Downing will be responsible for paying all the costs of the Offers including commission (as described in the paragraph headed "Commission" below) to authorised financial intermediaries.

Commission

Authorised financial intermediaries will usually be entitled to receive an initial commission of either 3% or 2.5% (depending on whether they wish to receive trail commission) of the amount invested by their clients. Additionally, provided that the intermediary continues to act for the client and the client continues to be the beneficial owner of the New Shares, intermediaries who elect to take an initial commission of 2.5% will usually be paid an annual trail commission of 0.25% of the Net Asset Value of their clients' holdings for five years (the cumulative trail commission is subject to a cap of 4.5% of the gross proceeds of the Offers). Trail commission will be paid annually in November (commencing November 2011) based on the audited Net Asset Value at the preceding 30 June.

Part III – Taxation

VCTs: Summary of the applicable legislation in respect of investors

1. Taxation of a VCT

VCTs are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT, subject to the requirements of company law. The Company will be subject to corporation tax on its income (excluding dividends received from UK companies) after deduction of attributable expenses.

2. Tax reliefs for individual investors

Individuals who subscribe for Shares must be aged 18 or over to qualify for the tax reliefs outlined below.

Relief from income tax

An investor subscribing up to £200,000 in the 2009/10 tax year for eligible shares in a VCT will be entitled to claim income tax relief, at the rate of 30%, although this relief will be withdrawn if either the shares are sold within five years or the investor takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of such shares. Relief is restricted to the amount which reduces the investor's income tax liability to nil. However, tax credits on dividends are notional and cannot be repaid and, therefore, investors should take this into account when calculating the value of the income tax relief.

Dividend relief

An investor who subscribes for or acquires eligible shares in a VCT (up to a maximum of £200,000 in the 2009/10 tax year) will not be liable for UK income tax on dividends paid by the VCT. The income received by the VCT will usually constitute either interest (on which the VCT may be subject to tax) or a dividend from a UK company (on which the VCT would not be subject to tax). The VCT's net income, reduced by the payment of tax (if applicable), can then be distributed tax-free to investors who benefit from this dividend relief. There is no withholding tax on dividends paid by a UK company and consequently the Company does not assume responsibility for the withholding of tax at source. Dividends carry a tax credit at the rate of one-ninth of the net dividend which is not repayable and which cannot be utilised in any other way.

Capital gains tax relief

A disposal by an individual investor of his shares in a VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is also limited to disposals of shares acquired within the £200,000 limit described above.

Loss of tax reliefs

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

The Ordinary Shares are eligible VCT shares for the purposes of this section.

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

(i) *Initial income tax*

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

(ii) *Tax implications for the beneficiary*

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

(iii) *Transfer of shares between spouses*

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

4. General

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

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

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

No stamp duty or (unless shares in a VCT are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax will be payable on the issue of such shares. The transfer on the sale of shares would normally be subject to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) stamp duty reserve tax generally, in each case at the rate of 50p for every £100 or part of £100 of the consideration paid where the total consideration exceeds £1,000 or if it forms part of a series of transactions where the total consideration exceeds £1,000. Such duties would be payable by a person who purchases such shares from the original subscriber.

(iii) *Purchases in the market after listing*

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

(iv) *The VCT Regulations 2004*

The VCT Regulations came into force on 17 October 2004. Under the VCT Regulations, monies raised by any further issue of shares by an existing VCT must be applied by that VCT for qualifying purposes. If any of the money raised (except for amounts which HM Revenue & Customs agrees are insignificant in the context of the whole issued ordinary share capital of the VCT) is used by the VCT to purchase its own shares then the funds may be deemed to not have been used for a qualifying purpose.

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

Part IV – Definitions

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

"2006 Act"	the Companies Act 2006 (as amended)
"Admission"	admission of the New Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities
"Annual Running Costs"	annual costs incurred by the Company in the ordinary course of its business (including irrecoverable VAT but excluding any amount payable in respect of the management incentive)
"Applicant"	Investor who subscribes for New Shares pursuant to the Offer Document
"Application Form"	form of application for New Shares under the Offers set out at the end of this document
"Articles"	Articles of Association of the Company
"Company" or "Downing Absolute Income VCT 1"	Downing Absolute Income VCT 1 plc
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited
"Directors" or "Board"	directors of the Company
"Downing"	Downing Corporate Finance Limited, which is authorised and regulated by the Financial Services Authority
"Downing VCTs"	Downing Planned Exit VCT 2 plc, Downing Planned Exit VCT 3, Downing Protected VCT IV plc, Downing Protected VCT V plc, Downing Protected VCT VI plc, Downing Protected VCT VII plc, Downing Protected VCT VIII plc, Downing Protected VCT IX plc, Downing Structured Opportunities VCT 1 plc, Downing Absolute Income VCT 2 plc and the Company, as applicable
"FSA"	Financial Services Authority
"Investor"	subscriber for New Shares under the Offers
"IRR"	the internal rate of return, which applied to the relevant cash flows, produces a net present value of zero (expressed as a percentage)
"ITA"	Income Tax Act 2007
"Listed"	admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities
"Listing Rules"	Listing Rules of the UK Listing Authority
"London Stock Exchange"	London Stock Exchange plc
"Manager"	Downing Managers 1 Limited
"ML Regulations"	Money Laundering Regulations 2007
"NAV" or "Net Asset Value"	net asset value per share
"Net Assets"	gross assets less all liabilities (excluding contingent liabilities) of the Company
"New Shares"	new Shares available for subscription pursuant to the Offers
"Offer Document"	this document
"Offer Price"	price per New Share as determined by the Pricing Formula
"Offers"	together the 2009/10 Offer and the 2010/11 Offer
"2009/10 Offer"	offer for subscription of New Shares in respect of the 2009/10 tax year, pursuant to the terms set out in this Offer Document
"2010/11 Offer"	offer for subscription of New Shares in respect of the 2010/11 tax year, pursuant to the terms set out in this Offer Document
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	ordinary shares of 50p each in the capital of the Company (ISIN: GB0002790714)

"Pricing Formula"	mechanism by which the pricing of the Offers may be adjusted according to the Company's latest published NAV, as described on page 8 of this document
"Qualifying Companies"	unquoted companies carrying on qualifying trades wholly or mainly in the United Kingdom and which satisfy certain other conditions as defined in Chapter 4 Part 6 of the ITA
"Qualifying Investment" or "Venture Capital Investment"	investment in an unquoted trading company, which comprises a qualifying holding for a VCT as defined in Chapter 4 Part 6 of the ITA
"Registrar"	Capita Registrars Limited
"RPI"	Retail Prices Index
"Shareholders"	holders of Shares
"Share(s)"	Ordinary Share(s)
"Total Return"	NAV together with cumulative dividends paid including tax credits where reclaimable
"UK Listing Authority"	Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"VCT"	a company approved as a venture capital trust under Section 274 ITA
"VCT Regulations"	The Venture Capital Trust (Winding Up and Mergers) (Tax) Regulations 2004

Part V – Terms and Conditions of Application

1. In these Terms and Conditions of Application, the expression “Offer Document” means this document dated 26 February 2010. The expression “Application Form” means the application form for use in accordance with these Terms and Conditions of Application. Save where the content requires otherwise, the terms used in the Application Form bear the same meaning as in the Offer Document.
2. The right is reserved to reject any application or to accept any application in part only. Multiple applications are permitted. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer Shares than the number applied for, or if in any other circumstances there is an excess payment in relation to an application, the application monies or the balance of the amount paid or the excess paid on application will be returned without interest by post at the risk of the Applicant. In the meantime application monies will be retained in the Company's account with Bank of Scotland.
3. You may pay for your application for Shares by cheque or bankers' draft submitted with the Application Form.
4. The contract created by the acceptance of applications will be conditional on Admission of the relevant Ordinary Shares (in respect of such first allotment of Shares) being granted not later than 5:00 p.m. on 30 April 2010 (unless otherwise resolved by the Board).
5. By completing and delivering an Application Form, you:
 - (a) offer to subscribe for the amount specified on your Application Form or any smaller sum for which such application is accepted at the Offer Price subject to the Pricing Formula, Offer Document, these Terms and Conditions of Application, the Memorandum of Association of the Company and its Articles;
 - (b) acknowledge that, subject to any adjustment for IFA commission waived as extra Shares, if your subscription is accepted, you will be allocated New Shares at a price determined by the Pricing Formula;
 - (c) authorise the Registrar or the Company to send a document of title for, or credit your CREST account in respect of, the number of Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address as set out on your Application Form;
 - (d) agree that your application may not be revoked and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon despatch by post or delivery of your duly completed Application Form to the Company or to your financial adviser;
 - (e) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive share certificates for the New Shares applied for or to enjoy or receive any rights or distributions in respect of such New Shares unless and until you make payment in cleared funds for such New Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such New Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such New Shares as void and may allot such New Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such New Shares (other than return of such late payment at your risk and without interest);
 - (f) agree that all cheques and bankers' drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the verification of identity which Downing or the Company considered to be required for the purpose of the ML Regulations and that such monies will not bear interest;
 - (g) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company) to ensure compliance with the ML Regulations;
 - (h) agree that, in respect of those New Shares for which your application has been received and processed and not rejected, acceptance of your application may be constituted by the Company instructing Downing or the Registrar to enter your name on the share register or by notification to the London Stock Exchange of the basis of allocation;
 - (i) agree that all documents in connection with the Offers and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;
 - (j) agree that, having had the opportunity to read the Offer Document, you shall be deemed to have had notice of all information and representations including the risk factors contained therein;
 - (k) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information and representation other than those contained in the Offer Document and you accordingly agree that no person responsible solely or jointly for the Offer Document or any part thereof or involved in the preparation thereof will have any liability for any such other information or representation (This paragraph shall not apply to any representation or warranty given or made fraudulently by any person);
 - (l) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offers shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
 - (m) irrevocably authorise the Company, the Registrar or Downing or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any New Shares subscribed by or issued to you into your name and authorise any representatives of the Company, the Registrar or Downing to execute any documents required and to enter your name on the register of members of the Company;
 - (n) agree to provide the Company with any information which it may request in connection with your application or to comply with the VCT Regulations or other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the ML Regulations;
 - (o) warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company or Downing acting in breach of the regulatory or legal requirements of any territory in connection with the Offers or your application;
 - (p) confirm that you have read and complied with paragraph 6 below;
 - (q) confirm that you have reviewed the restrictions contained in paragraph 7 below;
 - (r) warrant that you are not under the age of 18 years;
 - (s) warrant that, if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, you have complied with all such laws and none of the Company, Downing or the Sponsor or any of their respective agents will infringe any

- laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your application;
- (t) agree that Downing is acting for the Company in connection with the Offers and for no-one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of New Shares or concerning the suitability of New Shares for you or be responsible to you for the protections afforded to their customers;
- (u) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- (v) warrant that you are not subscribing for the New Shares using a loan which would not have been given to you or any associate, or not given to you on such favourable terms, if you had not been proposing to subscribe for the New Shares;
- (w) warrant that the New Shares are being acquired by you for *bona fide* investment purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax. Obtaining tax reliefs given under the applicable VCT legislation is not of itself tax avoidance;
- (x) warrant that you are not a "US person" as defined in the United States Securities Act of 1933 (as amended) nor a resident of Canada and that you are not applying for any Shares on behalf of or with a view to their offer, sale or delivery, directly or indirectly, to or for the benefit of any US person or resident of Canada;
- (y) warrant that the information contained in the Application Form is accurate; and
- (z) agree that if New Shares are not issued to you, or not issued to you on any particular date, the Company and Downing will have no liability to you.
- (aa) Downing's determination of the date and time of any Application is received and/or accepted shall be conclusive and binding.
6. No person receiving a copy of the Offer Document, or an Application Form, in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
7. The New Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager will not be registered under the United States Investment Adviser Act of 1940 (as amended). No application will be accepted if it bears an address in the USA.
8. This application is addressed to the Company. The rights and remedies of the Company under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.
9. The dates and times referred to in these Terms and Conditions of Application may be altered by the Company.
10. Authorised financial advisers who, acting on behalf of their clients, return valid Application Forms bearing their stamp and Financial Services Authority number will be entitled to commission on the amount payable in respect of the New Shares allocated for each such Application Form at the rates specified in the paragraph headed "Commission" in Part II of this document. Authorised financial advisers may agree to waive part or all of their initial commission in respect of an application. If this is the case, then such application will be treated as an application to subscribe the amount stated in box number 2 of the Application Form together with an additional subscription equivalent to the amount of commission waived. Downing or the Registrar is authorised to amend such box number 2 to include any such additional subscription. Financial advisers should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission.
11. The section headed Notes on Application Form forms part of these Terms and Conditions of Application.
12. It is a condition of the Offers to ensure compliance with the ML Regulations. Downing is therefore entitled to require, in its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to Downing to be acting on behalf of some other person. Pending the provision of evidence satisfactory to Downing as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, Downing may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or the Registrar may not enter the Applicant on the register of members or issue any share certificates in respect of such application. If verification of identity is required, this may result in delay in dealing with an application and in rejection of the application. The Company reserves the right, in its absolute discretion, for it or Downing to reject any application in respect of which Downing considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to Downing such information as may be specified by it as being required for the purpose of the ML Regulations.
13. The right is also reserved to treat as valid and binding any application not complying fully with these Terms and Conditions of Application or not in all respects complying with the Notes on Application Form. In particular, but without limitation, the Company may accept applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner acceptable to the Company to apply in accordance with these Terms and Conditions of Application.

DOWNING ABSOLUTE INCOME VCT 1 PLC

Application Form

Make your cheque or bankers' draft out to "Downing Absolute Income VCT 1 plc – Top Up" and crossed "A/C Payee only" and return this form as soon as possible to Downing Corporate Finance Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU. The closing date for the 2009/10 Offer will be 1.00 p.m. on Monday 5 April 2010 and, in respect of the 2010/11 Offer, 5.00 p.m. on Friday 30 April 2010 (unless extended or fully subscribed earlier).

1	Title and Name in Full		Existing shareholder?	
	Permanent Address			
Postcode		Daytime tel		
Email address				
Date of Birth		National Insurance No		

I am subscribing the following amounts:

2	A	B	(A+B)
	2009/10 tax year	2010/11 tax year	Total
	£	£	£ min £5,000

or such lesser sum for which this application may be accepted on the Terms and Conditions of Application set out in Part V of this document dated 26 February 2010. Please send me a certificate(s) confirming my entitlement to VCT tax reliefs.

BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have had an opportunity to receive the Offer Document dated 26 February 2010 and to read the terms and conditions of application therein; (ii) I will be the beneficial owner of the New Shares in Downing Absolute Income VCT 1 plc issued to me pursuant to the Offers; (iii) to the best of my knowledge and belief, the particulars I have given to Downing Absolute Income VCT 1 plc are correct; and (iv) I acknowledge that my application for New Shares will be allocated in the manner described under the heading "The Offers and minimum and maximum subscription" in Part II of this document.

Investors and their advisers are required to provide an email address if they require the receipt of the Application Form to be acknowledged.

3 Please tick this box if you would like to receive progress updates from the Company by email (up to approximately five emails per year)

HM Revenue and Customs may inspect this application form. It is a serious offence to make a false declaration.

4 Signature Date

Authorised intermediaries should stamp and complete this box

Contact name Priti Patel
 Firm name Allenbridge Group plc
 FSA No. 137716
 Address 17 Hill Street
 Mayfair
 Postcode W1J 5NZ
 Tel No 02074091111
 Email address

Commission Options (tick one box)

Authorised intermediaries should complete this box

A) 3% upfront; no trail

OR

B) 2.5% upfront; 0.25% p.a. trail for five years

Commission waived (leave blank if nil waived)

Commission waived as extra Shares (insert the sum in £s)

Due completion of the agent's box indicates that the agent is duly authorised to transact investments of this type under the Financial Services and Markets Act 2000.

For Official Use Only	
Less than £11,000 <input type="checkbox"/>	List A <input type="checkbox"/>
Personal Cheque <input type="checkbox"/>	List B <input type="checkbox"/>
Letter of Introduction <input type="checkbox"/>	Money Laundering Officer <input type="checkbox"/>

Data Protection Act

Downing Corporate Finance Limited, Downing Management Services Limited and the Company will use the information you give for administration, research and statistical purposes. Information provided by you will be held in confidence by Downing Corporate Finance Limited, Downing Management Services Limited and the Company and will not be passed on to any other product or service companies. Your details may be used by Downing Corporate Finance Limited, Downing Management Services Limited and the Company to send you information on other products and services they offer. If you would prefer not to receive such information, please tick this box.



Notes on Application Form

Before making an application to acquire Shares you are strongly recommended to consult an appropriate financial adviser authorised under the Financial Services and Markets Act 2000. It is essential that you complete all parts of the Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or bankers' draft, by post, or deliver it by hand, to Downing Corporate Finance Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU. If you have any questions on how to complete the Application Form please contact Downing Corporate Finance Limited on 020 7416 7780 or your financial adviser.

The following notes should be read in conjunction with the Application Form and the Terms and Conditions of Application.

1

Insert in Box 1 in BLOCK CAPITALS your full name, permanent address, daytime telephone number, date of birth, National Insurance number and, if you have one, your email address. Joint applications are not permitted. Please also tick the relevant box if you (or your spouse) are an existing shareholder in Downing Absolute Income VCT 1.

2

Insert (in figures) in Box A the total amount you wish to invest under the Offers in respect of the 2009/10 tax year (state nil if appropriate). Insert (in figures) in Box B the amount you wish to invest under the Offers in respect of the 2010/11 tax year (state nil if appropriate). **You may post-date your cheque to 6 April 2010 in respect of the sum in Box B.** Insert (in figures) the total of Boxes A and B in Box C. This is the total amount you are subscribing under the Offers. Share subscriptions will be adjusted to reflect any commission waived (by agents) as extra New Shares or any additional shares issued.

Please note that the minimum investment is £5,000. The maximum investment, on which tax reliefs on investments in VCTs are available, is £200,000 in each of the 2009/10 and 2010/11 tax years.

Attach your cheque or bankers' draft to the Application Form for the exact amount shown in Box C. Your cheque or bankers' draft must be made payable to "**Downing Absolute Income VCT 1 plc**" and crossed "**A/C Payee only**". Your payment must relate solely to this application.

Money Laundering Regulations 2007 – Important note for applications of £11,000 or more

If the value of the shares applied for is £11,000 or more (or is one of a series of linked applications, the value of which exceeds that amount) payment should be made by means of a cheque drawn on an account in the name of the Applicant. If this is not practicable and you use a cheque drawn by a third party or a building society cheque or bankers' draft, you should write the name, address and date of birth of the Applicant on the back of the cheque or bankers' draft and:

- (a) if a building society cheque or bankers' draft is used, the building society or bank must also endorse on the cheque or draft the name and account number of the person whose account is being debited; or
- (b) if a cheque is drawn by a third party, you must ensure that one item from each of List A and List B (see below) is enclosed with the form.

Alternatively, verification of the Applicant's identity may be provided by means of a "Letter of Introduction" in the prescribed form from a UK or European Economic Area financial institution (such as a bank or stockbroker) or other regulated person (such as a solicitor, accountant or appropriate financial adviser) who is required to comply with the ML Regulations. The relevant financial institution or regulated person will be familiar with the requirements and the relevant form.

For applications of £11,000 or more and subscription by way of a cheque drawn by a third party (one item from List A AND one item from List B)

List A (Verification of Identity)

Current signed passport
Current UK Driving Licence
HM Revenue and Customs Tax Notification
Firearms Certificate

List B (Verification of Address)

Recent* utility bill (but not a mobile telephone bill)
Recent* local authority tax bill
Recent* bank or building society statement
Recent* mortgage statement from a recognised lender

Please send original (not passport or driving licence) or certified copies of the documents. Certified as a true copy of the original by a UK lawyer, banker, authorised financial intermediary (e.g. financial adviser or an FSA authorised mortgage broker), accountant, teacher, doctor, minister of religion, postmaster or sub-postmaster. The person certifying the document should state that the copy is a true copy of the original, print their name, address, telephone number and profession and sign and date the copy. *Recent" means dated within the last three months.

No money laundering verification is required to be enclosed if the application is for less than £11,000 or if payment is by means of a cheque drawn on an account in the name of the Applicant (provided that (a) the cheque includes details of the Applicant's bank account or building society account (as applicable) and (b) the cheque is drawn on a UK or European Union authorised bank or credit institution). Please note, however, that Downing may, in its absolute discretion, require Money Laundering verification and that Money Laundering verification will be required by introducing financial advisers.

3

Please tick this box if you would like to receive email updates from the Company (approximately five emails per year).

4

Read the declaration and sign and date the Application Form in Box 4. If someone other than the Applicant named in Box 1 signs on such Applicant's behalf, such signatory must ensure that the declaration given on behalf of such Applicant is correct.

Authorised intermediaries who are entitled to receive commission should stamp and complete the agent's box, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of commission if the Company is not, at its sole discretion, satisfied that the agent is so authorised. Intermediaries should indicate which commission option they prefer by ticking one of the boxes. Intermediaries can choose to waive some or all of their upfront commission, which will be invested in additional shares for their clients.

Receipt of applications will be acknowledged only by email to both Applicants and their intermediaries.

COMPANY INFORMATION

Directors

Chris Kay (Chairman)
Martin Bradford
Edward Buchan
Nicholas Lewis

Secretary and Registered Office

Grant Whitehouse
Kings Scholars House
230 Vauxhall Bridge Road
London SW1V 1AU

Registered No. 3307917

Investment Manager

Downing Managers 1 Limited
Kings Scholars House
230 Vauxhall Bridge Road
London SW1V 1AU

Administration Manager

Downing Management Services Limited
Kings Scholars House
230 Vauxhall Bridge Road
London SW1V 1AU

Tel: 020 7416 7780
www.downing.co.uk

Registrar

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0GA

**For any queries, regarding this offer
or the application process
please contact Downing on 020 7416 7780**