

downing investment update



2010

Downing operates a number of Venture Capital Trusts and similar funds which seek to invest in solid, cash generative businesses

About Downing

Downing Corporate Finance Limited ("Downing") was established in 1986 and specialises in the structuring, promotion and management of tax efficient investment funds, including Venture Capital Trusts (VCT), Enterprise Investment Schemes (EIS) and Inheritance Tax mitigation funds (IHT).

Downing seeks to limit downside risk by providing a total funding package to businesses with reliable revenue streams and/or often significant assets available as security. Downing has remained active throughout the recent economic downturn and invested a total of £27.6 million in 20 transactions during 2009. Downing manages over £150 million and is in the process of raising up to £70 million of new funds to invest in similar businesses.

Seeking New Investment Opportunities

Downing expects the shortage of available funding for small and medium sized enterprises to continue in 2010, believing its ability to act quickly and without reliance on bank debt will provide excellent investment opportunities, including the chance to purchase assets from distressed sellers at attractive prices.

Downing seeks to establish long term relationships and looks to invest in businesses which are operated by experienced and successful management teams with ambitions to expand. As funds grow, Downing is keen to build new relationships with experienced management teams as well as back current partners to expand their operations.

Investment Update

Downing's portfolio companies typically have little by way of external loans, which means that they were well-placed to weather the economic conditions of the last two years. During 2009, Downing funded a number of expansion and refurbishment programmes which have protected business levels and should provide a strong platform as the economy recovers. In cases where business levels have been affected by the downturn in the economy, Downing's proactive and supportive approach to portfolio management together with robust investment structures have provided support to management teams whilst limiting the impact on investment values. Some examples of our existing investments and our recent activity is provided below.



Thames Club

Following its purchase in July 2008, there has been extensive refurbishment at The Thames Club, a health and leisure club in Staines, with work being completed in September 2009. Work included moving the gym and creating additional studios. During this work the club remained open to members and is now well positioned to capitalise on this further investment which will allow for an increased drive on membership numbers over the coming months and years.



Hoole Hall Country Club, Spa & Conference Centre

Downing VCTs have been supporting these businesses since early 2007. During the last year, there have been a number of significant developments. The DoubleTree by Hilton franchise, which was obtained in 2009, has provided a boost to the conference and banqueting centre. The restaurant is being relaunched in March 2010 as a Marco Pierre White Steakhouse and Grill. The new health club and spa opened in November 2009 and at the end of January 2010 had 1,800 members. This site provides a good example of what can be achieved with the opportunity to invest in upgrading tired premises in an excellent location.

Recent Downing Investments

Downing invested into a range of industry sectors in 2009 and has already undertaken a number of new investments in 2010. A brief synopsis of a number of our recent investments is provided below.



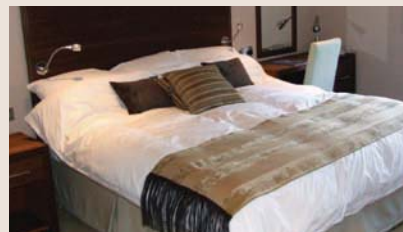
Complete Childcare

In January 2009, Downing VCTs invested £3.3 million in the Complete Childcare group. The investment has enabled a promising management team to expand through acquisition and to take advantage of the current market conditions to buy additional freehold nurseries at an attractive price. These assets are highly cash generative, and management are confident that a more professional approach will improve the underlying profitability.



Horsham Superbowl

In February 2009, Downing VCTs invested £1.76 million in Horsham Superbowl, which is a joint venture with American Amusements Limited. The company owns a tenpin bowling centre and nightclub in an excellent location at the edge of the park in the centre of Horsham. A full refurbishment of the bowling area, has resulted in a modern café-bar and two dedicated party rooms. These should supplement the revenue from the 12 bowling lanes and the laser quest facility.



Icon Humber Hotel

In January 2010, the Downing IHT funds helped finance the purchase of a 55-bedroom hotel in a prime location in Grimsby. The hotel was purchased from an administrator for £1.45 million. The Downing IHT funds have agreed to provide further funds to enable the currently tired and out-dated interior to be upgraded to a modern standard. The management team is experienced in both operating and refurbishing hotels and expect the refurbishment to improve both turnover and profitability.



Pub People

In October 2009, Downing EIS Funds invested £1.5 million into Pub People Freeholds which, at the time of the investment, owned the freehold interest in two public houses in Denby and Nottingham. The Downing funds were used to acquire the freehold interest of two further public houses. The pubs were acquired from Punch Taverns plc and were leased to and operated by Pub People prior to their acquisition. Pub People is an experienced pub operator, which also operates an estate of over 40 leased managed public houses in the East Midlands through a separate company.



Bijou Weddings

In September 2009, Downing VCTs invested £3.65 million in Bijou Wedding Venues to help fund the purchase of Botleys Mansion in Chertsey, Surrey; previously a head office function for a mortgage broker. It was purchased from an administrator for £3.55 million. Bijou helps to plan every detail of each wedding ensuring the bride and groom have the perfect day. Downing backed a strong, energetic management team who have over 10 years' experience of owning and operating similar venues.



Antic

In September 2009, Downing VCTs invested £4.2 million to acquire the freehold interest of three established and successful South London public houses from Punch Taverns plc which, at the time, were operated by Antic. The deal was completed within extremely tight deadlines to take advantage of the opportunity presented. Having bought out the freeholds, Antic is operating the pubs without the restrictions typical of tied leases which should result in increased profitability.

Summary of Downing Investments in 2009

Company	Sector	Month	Amount Invested (£)
Pocket Living (Bath Road) Limited	Property Development	January	400,000
Complete Childcare Limited	Children's Nurseries	January	3,325,000
Horsham Bowl Limited	Bowling Centre	February	1,760,000
West Tower Holdings Limited	Conference and Function Centre	March	600,000
Tancred Trading Limited	Bar and Nightclub	April	746,000
Kaizen Developments LLP	Property Development	June	322,000
The Close Imperial Pub Company plc	Freehold Public Houses	July	500,000
Towson Trading Limited	Secured Contracting	August	2,000,000
Lilliput Developments LLP	Property Development	September	1,485,000
Bijou Wedding Venue Limited	Wedding Venues	September	3,645,000
The Westow Limited	Freehold Public Houses	September	1,575,000
East Dulwich Tavern Limited	Freehold Public Houses	September	1,785,000
Atlantic Dogstar Limited	Freehold Public Houses	September	840,000
Hoi Polloi Pub Co Limited	Freehold Public Houses	September	900,000
Wylva Trading Limited	Health Clubs	October	1,800,000
Pub People Freeholds Limited	Freehold Public Houses	October	1,500,000
Willmer Trading Limited	Secured Contracting	October	783,000
Clifton Student Property LLP	Student Accommodation	November	1,275,000
Cadbury House Holdings Limited	Conference and Leisure Centre	December	2,000,000
The Harmony LLP	Freehold Pub/Property Development	December	403,000
			27,644,000

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