

Downing ONE VCT PLC

Report & Accounts
for the year ended
31 March 2013

SHAREHOLDER INFORMATION

Company name

The Company changed its name to **Downing Distribution VCT 1 plc** on 25 March 2010. Previously the Company's name was The AIM Distribution Trust plc.

Share prices

The Company's share price can be found on various financial websites with the TIDM/EPIC code **DDV1**. The share price is also available on Downing's website (www.downing.co.uk).

Latest share price at 25 July 2013: 53.0p per share

Financial calendar

12 September 2013	Annual General Meeting ("AGM")
30 September 2013	Payment of final dividend
November 2013	Announcement of half year results

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, shareholdings, 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 8:30am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Selling shares

The Company's shares are listed on the London Stock Exchange and can be bought or sold like any other listed shares using a stockbroker. If you wish to sell your shares, either you or your adviser should contact Downing on **020 7416 7780**.

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

Share scam warning

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

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

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 financial statements, 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 above number or visit Capita's website at www.capitaregistrars.com and click on "Shareholders and employees".

CONTENTS

	Page
Company information	1
Financial summary and performance summary	2
Investment objectives and Directors	3
Chairman's statement	4
Investment Manager's report	6
Review of investments	8
Report of the Directors	14
Directors' Remuneration Report	20
Corporate Governance Statement	22
Independent Auditor's Report	25
Income Statement	26
Reconciliation of Movements in Shareholders' funds	27
Balance sheet	28
Cash flow statement	29
Notes to the accounts	30
Notice of Annual General Meeting	43
Form of Proxy	

COMPANY INFORMATION

Directors

Christopher Powell (Chairman)
Michael Cunningham
Stuart Goldsmith
Roger Jeynes
all of
10 Lower Grosvenor Place
London SW1W 0EN

Company number

3150868

Secretary and Registered Office

Grant Whitehouse
10 Lower Grosvenor Place
London SW1W 0EN
Tel No: 020 7416 7780

Investment and Administration Manager

Downing LLP
10 Lower Grosvenor Place
London SW1W 0EN
Tel No: 020 7416 7780
www.downing.co.uk

Auditor

Baker Tilly UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

VCT status advisers

PricewaterhouseCoopers LLP ("PwC")
1 Embankment Place
London WC2N 6RH

Registrar

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel No: 0871 664 0324
(calls cost 10p per minute plus network extras
lines open Mon-Fri from 8.30am to 5.30pm)
www.capitaregistrars.com

Bankers

Royal Bank of Scotland plc
119-121 Victoria Street
London SW1E 6RA

Bank of Scotland plc
33 Old Broad Street
London BX2 1LB

FINANCIAL SUMMARY

	2013 Pence	2012 Pence
Net asset value per share ("NAV")	71.5	77.9
Cumulative dividends paid since 1 April 2010	15.0	10.0
Total return (net asset value plus cumulative dividends paid per share)	86.5	87.9
Dividends in respect of financial year		
Interim dividend per share	2.5	2.5
Proposed final dividend per share	2.5	2.5
	5.0	5.0

DIVIDEND POLICY

The Directors are targeting a 5.0p annual dividend, subject to sufficient distributable reserves and capital resources.

A full dividend history for the Company can be found at www.downing.co.uk.

PERFORMANCE SUMMARY FOR VARIOUS INVESTOR GROUPS

The figures in the table below show the performance since original investment of the various groups of investors who make up the Company's current shareholder base.

Share issue date	Cost per original share (pence)	Initial income tax relief available on investment (%)	Equivalent total dividends received (pence)	Equivalent NAV at 31 March 2013 (pence)	Equivalent total return (pence)	Gain/loss (%)	Gain after SRRP relief (%)
The AIM Distribution Trust (1996)	100.0	20%	62.8	25.0	87.8	9.7%	22.2%
The AIM Distribution Trust (2005)	73.6	40%	13.0	25.0	38.0	-13.9%	5.6%
Pennine AIM VCT 5 plc (2005)	100.0	40%	35.6	21.8	57.4	-4.4%	8.4%
Pennine AIM VCT 6 plc (2006)	100.0	40%	36.1	29.0	65.1	8.5%	28.8%
Downing Distribution VCT 1 plc (2010)	104.8	30%	15.0	71.5	86.5	17.8%	n/a
Downing Distribution VCT 1 plc (2012)	77.9	30%	5.0	71.5	76.5	40.3%	n/a

In April 2012, the Company completed a Share Realisation and Reinvestment Programme ("SRRP") which allowed Shareholders who had held their shares for more than five years to sell their shares and reinvest the proceeds, receiving additional income tax relief at the rate of 30% on the new issue.

MERGER AND REORGANISATION

The Company underwent a merger and share reorganisation on 1 April 2010. Full details, including share conversion ratios, can be found on Downing's website, www.downing.co.uk.

INVESTMENT OBJECTIVES

The Company's principal investment objectives are:

- predominantly to invest in a diversified portfolio of VCT qualifying growth investments and income producing investments; and
- to maintain VCT status so that the Company and its shareholders may benefit from the tax reliefs and exemptions available under the VCT legislation.

The detailed investment policy adopted to achieve the investment objectives is set out in the Report of the Directors on pages 15 and 16.

DIRECTORS

Christopher Powell (Chairman) is chairman of Pennant International Group plc, an AIM company. He is also a non-executive director of The Great British Card Company plc and Severn Glocon Group plc.

Michael Cunningham was an investment director of Rathbones. He has worked in the investment management business for over 25 years and, within Rathbones, had responsibility for VCTs, Rathbones' EIS Portfolios and the IHT Service, which raised over £100 million in total. He is chairman of Hazel Renewable Energy VCT1 plc and is also a non-executive director of Downing Income VCT 3 plc, Hampden Underwriting Limited, and of First Care Limited.

Stuart Goldsmith is chairman of Ketton Securities Limited, a firm that advises a range of companies on corporate strategy, mergers and acquisitions, which he founded in 1989. Previously, he was chairman or chief executive of two groups of financial services companies - Fredericks Place Group, which offered private client investment management and financial planning services and the Britannia Group of Investment Companies, which managed £4bn of funds in London and USA for institutions and private clients. He has been a non-executive director of a number of companies, including Savoy Asset Management and the Hallwood Group.

Roger Jeynes is chairman of AIM-listed Zoo Digital Group plc, Professor of Management Practice in the Lord Ashcroft International Business School of Anglia Ruskin University, and a director of mxData Limited, Keycom plc, and Charborough Capital Limited. He was formerly Chief Operating Officer of Interregnum plc and his early career included a number of senior technical, marketing and general management roles for IBM, EMC and Pyramid Technology.

All the Directors are non-executive and, with the exception of Michael Cunningham, are independent of the Investment Manager.

CHAIRMAN'S STATEMENT

I present the Annual Report and Accounts for the year ended 31 March 2013. The portfolio companies experienced a mixed performance over the year with uplifts in a number of quoted investments being cancelled out by reductions in valuations of some of the Company's larger holdings.

Net asset value

The NAV fell by 1.4p per share or 1.8% over the year (after adjusting for the dividends of 5p paid during the year) and stood at 71.5p per share at 31 March 2013.

Investment activity and performance

At 31 March 2013, the portfolio comprised 31 investments, which were valued at £13.9 million, and was split 35:65 by value between quoted and unquoted investments.

Most of the strongest performers in the quoted portfolio have been investments under the strategy adopted at the time of the last merger, which focusses on holding fewer investments with larger, more influential stakes. Universe Group, Tracsis and IDOX between them produced unrealised gains of £575,000, while IDOX also generated a realised gain of £152,000 and Boomerang Plus a realised gain of £212,000 when it was the subject of an acquisition.

The other major quoted valuation movement was Ludorum, the AIM-quoted owner of "Chuggington" which fell by £519,000. Trading in the company's shares is limited, which the Manager believes has resulted in a share price which does not reflect the true value of the business. The Manager continues to feel that Ludorum remains a company which has potential to deliver rewards in due course.

Amongst the unquoted investments, there were reductions in value of the investments in Hoole Hall Country Club Holdings, Hoole Hall Spa and Leisure Club and Cadbury House Holdings. These reductions primarily reflect the weak market that currently exists for large hotels and similar businesses and the fact that the companies have debt that ranks ahead of our investment. There are, however, no major issues with the underlying trading of the businesses. These investments accounted for a total reduction in value of £751,000.

Overall, the investment portfolio produced net unrealised losses for the year totalling £598,000 and realised gains of £470,000.

Further details on the investment activities and performance are given in the Investment Manager's Report on pages 6 to 7.

Results and dividends

The loss on ordinary activities after tax for the year was £288,000, comprising a revenue return of £27,000 and a capital loss of £315,000.

The Board is proposing to pay a final dividend of 2.5p per share on 30 September 2013, subject to Shareholder approval at the forthcoming AGM, to Shareholders on the register at 6 September 2013.

Share realisation and reinvestment programme

As reported last year, the share realisation and reinvestment programme ("SRRP") took place in April 2012 with 38% of the shares in issue being tendered and proceeds reinvested. A further £393,000 was received in respect of the top-up share offer, with shares being issued at 77.9p per share.

Share buybacks

The Company's current policy is to buy any shares that become available in the market at approximately a 15% discount to the latest published NAV. Buybacks are subject to regulatory restrictions and other factors such as the availability of liquid funds.

During the year, the Company repurchased 647,489 shares at an average price of 63.4p per share and representing 3.3% of the issued share capital. These shares were subsequently cancelled.

Annual General Meeting ("AGM")

The next AGM of the Company will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11:30 a.m. on 12 September 2013. Notice of the meeting is at the end of this document.

One item of special business is proposed: a special resolution to renew the authority to allow the Company to make market purchases of the Company's shares.

CHAIRMAN'S STATEMENT (continued)

Outlook

Despite the fall in NAV over the year, there are some signs of encouragement, particularly in respect of the quoted investments. Conditions do however remain challenging for most businesses and close monitoring of all portfolio companies will remain essential over the coming year to ensure that they are well positioned to take advantage of an improvement in the economy, of which there are perhaps now early signs.

Following changes to the VCT regulations last year which allow VCTs to make larger qualifying investments, there is now a trend towards larger VCTs; these have several attractions, including lower running costs. The Board is considering what options may be available to the Company in this direction.



Christopher Powell
Chairman

25 July 2013

INVESTMENT MANAGER'S REPORT

At the year end, the Company held 15 unquoted investments and 16 quoted investments. Investment activity during the year has continued to focus on the rebalancing of the inherited portfolio following the change of manager in 2010. This is now largely complete. The Company is effectively fully invested and therefore further investment activity will be limited to reinvesting proceeds from divestments when suitable opportunities arise.

Investment activity

Quoted investment activity

Over the year, £1.8 million was raised from the quoted portfolio, divesting from five companies in their entirety and partially realising another six investments.

Material quoted sales included the partial sale of IDOX plc, realising a profit of £323,000 from proceeds of £430,000; and Netcall plc, which realised a profit of £162,000 from proceeds of £248,000. Meanwhile the sale of DODs Group plc produced proceeds of £40,000 but gave rise to a loss of £220,000 on the original investment. An opportunity to realise the investment in Business Control Solutions Limited, which had delisted from AIM, via a tender offer resulted in a profit of £52,000 on cost from proceeds of £104,000.

Boomerang Plus plc, the producer of TV programmes and interactive content, was subject to a takeover during the year at 70p per share. Total proceeds from the Boomerang Plus plc exit were £604,000, resulting in a small profit against cost but a realised gain for the year of £212,000.

The Company made one further material investment in the quoted portfolio, investing an additional £141,000 into Universe Group plc in the form of equity shares and a £40,000 yielding loan note.

Unquoted investment activity

During the year the Company made four new unquoted investments and two follow-on investments at a total cost of £2.0 million.

The largest new investment was £700,000 in Vulcan Renewables Limited, which is building an anaerobic digestion plant in Doncaster to produce electricity and gas, which will be injected into the gas main grid. As a result, Vulcan will receive Feed-in-Tariff and Renewable Heat Incentive scheme payments.

£500,000 was invested in Baron House Developments LLP, a non-qualifying opportunity. The partnership is developing a new Hampton by Hilton Hotel in Newcastle. The investment attracts a fixed yield along with a share of the development profit.

A non-qualifying investment of £400,000 was also made in Southampton Hotel Developments Limited which is developing a Hilton branded hotel and spa next to the Ageas Bowl cricket ground (formerly known as the Rosebowl) near Southampton.

A £200,000 investment was made in Mosaic Spa and Health Clubs Limited. Mosaic own two freehold Spa and Health Clubs, one in Shrewsbury and a second in Hereford. Mosaic also runs a spa and health club management company.

Portfolio valuation

Overall, the portfolio fell in value by £598,000 over the year, but produced realised gains of £470,000.

Quoted investment performance

The holdings within the quoted portfolio experienced a small fall in value of 1.8% in the year reflecting the more focused investment strategy deployed within the portfolio, with the net loss amounting to £74,000. All those quoted investments introduced since Downing assumed management of the Company have contributed positively towards performance (Accumuli plc, Tracsis plc, and Universe Group plc). We envisage that there is still plenty of scope for the quoted portfolio to perform in absolute terms and we will continue to make new investments selectively on AIM.

Universe Group plc, a company that provides forecourt payment solutions for UK retailers, has improved its performance during the year following a successful share placing, which alleviated the issue of onerous debt. The investment has increased in value by £237,000.

Tracsis plc, the provider of optimisation software for the transport sector, experienced positive trading in the year. Its fully owned subsidiary, MPEC, which provides monitoring solutions for rail infrastructure, has performed particularly well, reflecting the continued Government spend on the upgrading of the UK rail network. The holding within the Company increased in value by £201,000 in the year, with profits of £27,000 taken on the sale of a portion of the holding. We continue to believe in the long term prospects of Tracsis plc and monitor the valuation against the opportunities that we believe they can deliver for their shareholders.

IDOX plc, a provider of software for engineering and government project management, also saw its share price improve in the year after a successful acquisition strategy and significant new contract wins being reflected in trading. This has resulted in an uplift in valuation of £137,000 during the year.

INVESTMENT MANAGER'S REPORT (continued)

Portfolio valuation (continued)

Quoted investment performance (continued)

Hasgrove plc rose in value during the year by £108,000 following news of a disposal of one of its holdings. After the year end, Hasgrove announced a tender offer at 82.0p per share.

Ludorum plc saw its valuation decline by £519,000 despite starting to become profitable in the year, as merchandising income from "Chuggington", the children's animated TV show, continued to develop. We believe Ludorum still has good prospects, reflected in its positive ratings on Disney Channels and the BBC. Sales in the USA of its new product, Stacktrack (www.stackyourtrack.com) have been encouraging and we eagerly await the launch of this product in Europe, which will coincide with the launch of series 3 of the Chuggington TV show in the autumn. The Company holds both loan stock and equity in Ludorum plc, which provides more investor rights (and a paid yield) than would normally be inferred with a straight equity investment. We believe that the current share price does not yet reflect the intrinsic value of the "Chuggington" asset.

Tristel plc, a manufacturer and distributor of disinfectants to hospitals and vet practices, saw its valuation fall by £129,000, reflecting a slow take up of some of its new products and declining profitability as it invested in its new production facilities. Our lack of confidence in the ability of management to implement a cost cutting exercise has led us to exit this legacy holding, in full, after the year end.

Unquoted investments

In the unquoted portfolio, the majority of investments performed in line with expectations, however, there were three significant departures which, between them, resulted in a total reduction in value of £751,000.

Cadbury House Holdings Limited owns and operates a restaurant, health club and spa alongside a large DoubleTree by Hilton Hotel at Cadbury House in Bristol. Although performance of the business remains consistent year on year, growth has now plateaued. Additionally, the market for large hotels in out of town locations, such as Cadbury, has weakened recently. This, combined with the high degree of leverage in the investment, has resulted in the investment valuation being reduced by £283,000.

Hoole Hall Country Club Holdings Limited and Hoole Hall Spa and Leisure Limited own and operate the restaurant, conferencing centre, and spa and health club facilities at Hoole Hall alongside a large DoubleTree by Hilton hotel in Chester. Whilst performance of the business remains ahead of last year, the improvement has not been as good as hoped. As with Cadbury House, the market for such assets is now weak, with the only buyers tending to be seeking distressed businesses. As a result, the valuation of Hoole Hall Country Club Holdings has been reduced by £336,000 and Hoole Hall Spa and Leisure by £132,000. There is the possibility of additional value being gained through the sale of land at the site, however it is currently too early to attribute a value to the plot.

On a more positive note, two investments, Leytonstone Pub Limited and Tramps Nightclub Limited, have made modest progress and, as a result, have been revalued upwards by £31,000 and £15,000 respectively at the year end. Additionally, Real Time Logistic Solutions Limited was sold, in full, after the year end for a book profit of £125,000.

Fixed income investment

The Company held one, non-qualifying, fixed income investment at the year end, with a value of £357,000. The investment recorded an unrealised gain of £56,000 during the year.

Outlook

Although the macro economic climate is still challenging, particularly at Government and domestic levels, there is evidence that corporate balance sheets are in good shape, which could lead to further merger and acquisition activity in the quoted portfolio in the coming months. Given that the portfolio is now largely fully invested, the focus will continue to be on rigorous portfolio management of the individual investments to optimise the capital growth and yield. This will enable continued dividend payments to Shareholders by the Company.

Downing LLP

25 July 2013

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 March 2013:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Investments by other funds ¹
Top ten venture capital investments					
Cadbury House Holdings Limited	2,518	2,063	(283)	14.6%	DI3
Hoole Hall Country Club Holdings Limited	1,920	1,584	(336)	11.2%	DI3
Ludorum plc *	2,068	1,161	(519)	8.3%	DI,DI3,DI4,OEIC,DIHT
Hoole Hall Spa and Leisure Club Limited	1,200	1,068	(132)	7.6%	DI3
Vulcan Renewables Limited	700	700	-	5.0%	DI,DI3,DI4,DP11,DSO
First Care Limited	942	668	-	4.7%	
Accumuli plc *	338	577	37	4.1%	DI,DI3,DI4,DA2,OEIC,DIHT
Baron House Developments LLP	500	500	-	3.6%	DI,DI3,DI4,DA1,DA2
Aminghurst Limited	493	493	-	3.5%	DI3
Universe Group plc *	293	484	237	3.4%	DI,DI3,DI4,DA1,OEIC,DIHT
	10,972	9,298	(996)	66.0%	
Other venture capital investments					
Plastics Capital plc *	166	450	65	3.2%	DI,DI3,DI4
Leytonstone Pub Limited	415	446	31	3.2%	DI3,DA1
Southampton Hotel Developments Limited	400	400	-	2.9%	DI,DI3,DI4,DA1
IDOX plc *	79	342	137	2.4%	
Tracsis plc *	82	327	201	2.3%	DI3,DA1,DA2,OEIC, DIHT
Craneware plc *	293	326	18	2.3%	DI,DI4
Tramps Nightclub Limited	295	326	15	2.3%	DI3,DA2
Animalcare Group plc *	218	222	(82)	1.6%	DI3
Future Biogas (SF) Limited	189	212	-	1.5%	DI3,DA1,DSO,DP11
Hasgrove plc *	146	205	108	1.5%	DI
Mosaic Spa and Health Clubs Limited	200	200	-	1.4%	DI,DI3,DI4,DA1,DA2,DSO, DP11
Tristel plc *	511	193	(129)	1.4%	DI,DI3,DI4
Netcall plc *	55	187	69	1.3%	
Vianet Group plc *	271	184	(45)	1.3%	DI,DI4
Real Time Logistic Solutions Limited	-	125	125	0.9%	DI3
Aimshell Acquisitions plc * (formerly Autoclenz plc)	136	81	3	0.6%	
Belgravium Technologies plc *	44	34	(77)	0.2%	DI4
Keycom plc **	815	28	(84)	0.2%	DI3
Travelzest plc *	96	17	(13)	0.1%	DI,DI4
The Thames Club Limited	175	-	-	-	DI3
Top Ten Holdings plc	399	-	-	-	
	4,985	4,305	342	30.6%	
Fixed interest securities					
Ulster Bank (IRE) 11.75% Subord	558	357	56	2.5%	
	16,515	13,960	(598)	99.1%	
Cash at bank and in hand		123		0.9%	
Total investments		14,083		100.0%	

All venture capital investments are unquoted unless otherwise stated

* Quoted on AIM

** Quoted on the ISDX Growth Market

¹ Investments made by other funds also managed by Downing LLP as at 31 March 2013 (key shown on page 9).

REVIEW OF INVESTMENTS (continued)

¹ Investments made by other funds also managed by Downing LLP as at 31 March 2013.

DI	Downing Income VCT plc	DI3	Downing Income VCT 3 plc
DI4	Downing Income VCT 4 plc	DSO	Downing Structured Opportunities plc
DA1	Downing Absolute Income VCT 1 plc	DA2	Downing Absolute Income VCT 2 plc
DP11	Downing Planned Exit VCT 2011 plc	DIHT	Downing AIM Inheritance Tax Portfolio Service
OEIC	Downing PFS Active Management Fund		

Investment movements for the year ended 31 March 2013

Additions

	£'000
<i>New investments</i>	
Baron House Developments LLP	500
Mosaic Spa and Health Clubs Limited	200
Southampton Hotel Developments Limited	400
Vulcan Renewables Limited	700
	<u>1,800</u>
<i>Follow-on investments</i>	
Aminghurst Limited	181
First Care Limited	63
Universe Group plc	141
Other sundry investments	3
	<u>388</u>
Total additions	<u>2,188</u>

Disposals

	Cost £'000	Value at 01/04/12 * £'000	Proceeds £'000	Profit/ (loss) vs cost £'000	Realised (loss)/ gain £'000
<i>Market sales</i>					
Animalcare Group plc	27	37	30	3	(7)
Deltex Medical Group plc	96	102	96	-	(6)
DODs Group plc	260	31	40	(220)	9
IDOX plc	107	278	430	323	152
Netcall plc	86	185	248	162	63
Richoux Holdings plc	47	65	74	27	9
Sinclair IS Pharma plc	178	137	144	(34)	7
Tracsis plc	20	31	47	27	16
Tristel plc	120	85	54	(66)	(31)
Vianet Group plc	62	53	58	(4)	5
	<u>1,003</u>	<u>1,004</u>	<u>1,221</u>	<u>218</u>	<u>217</u>
<i>Unquoted (including loan note redemptions)</i>					
Tramps Nightclub Limited	15	15	15	-	-
	<u>15</u>	<u>15</u>	<u>15</u>	<u>-</u>	<u>-</u>
<i>Takeovers</i>					
Boomerang Plus plc	596	392	604	8	212
Business Control Solutions Limited	52	63	104	52	41
West Tower Holdings Limited	167	-	-	(167)	-
	<u>815</u>	<u>455</u>	<u>708</u>	<u>(107)</u>	<u>253</u>
<i>Liquidations/administrations</i>					
Camaxys Group plc	223	-	-	(223)	-
Doubletake Studios Limited	2,204	-	-	(2,204)	-
	<u>2,427</u>	<u>-</u>	<u>-</u>	<u>(2,427)</u>	<u>-</u>
Total disposals	<u>4,260</u>	<u>1,474</u>	<u>1,944</u>	<u>(2,316)</u>	<u>470</u>

* Adjusted for purchases in the year where applicable

REVIEW OF INVESTMENTS (continued)

Further details of the top ten investments held (by value) are as follows:

Cadbury House Holdings Ltd
www.cadburyhotelbristol.com



Cost at 31/03/2013:	£2,518,000	Valuation at 31/03/13:	£2,063,000	
Cost at 31/03/2012:	£2,518,000	Valuation at 31/03/12:	£2,346,000	
Investment comprises:				
Equity shares:	£750,000	Valuation method:	Net assets	
Convertible loan note:	£1,558,000			
A Loan note:	£210,000			
Audited accounts:	31/03/12	31/03/11	Dividend income:	£Nil
Turnover:	£6.9m	£6.6m	Loan note income:	£26,000
Profit/(loss) before tax:	£0.3m	(£0.5m)	Proportion of capital held:	13.8%
Net assets:	£5.9m	£5.6m	Diluted equity:	32.9%

Cadbury House Holdings Limited owns and operates a health club, restaurant and conference centre at Cadbury House, near Bristol which trades as The DoubleTree by Hilton, Bristol. The restaurant trades as a Marco Pierre-White Steakhouse Bar and Grill.

Hoole Hall Country Club Holdings Limited
www.doubletreechester.co.uk



Cost at 31/03/2013:	£1,920,000	Valuation at 31/03/13:	£1,584,000	
Cost at 31/03/2012:	£1,920,000	Valuation at 31/03/12:	£1,920,000	
Investment comprises:				
Equity shares:	£672,000	Valuation method:	Net assets	
Convertible loan note:	£1,248,000			
Audited accounts:	31/03/12	31/03/11	Dividend income:	£Nil
Turnover:	£3.7m	£3.9m	Loan note interest:	£Nil
Loss before tax:	(£0.5m)	(£0.5m)	Proportion of capital held:	20.1%
Net assets:	£4.6m	£4.6m	Diluted equity:	32.2%

Hoole Hall Country Club is set on a ten acre site on the edge of Hoole, near Chester and trades as DoubleTree by Hilton, Chester. It comprises a Victorian Mansion, a large conservatory and a modern extension. The property has undergone an extensive refurbishment and consists of a conference and banqueting centre and a Marco Pierre White bar and grill.

Ludorum plc
www.ludorumplc.com



Cost at 31/03/2013:	£2,068,000	Valuation at 31/03/13:	£1,161,000	
Cost at 31/03/2012:	£2,068,000	Valuation at 31/03/12:	£1,681,000	
Investment comprises:				
Equity shares:	£1,386,000	Valuation method:	Bid price	
7.5% loan note:	£682,000			
Audited accounts:	31/03/13	31/12/11	Dividend income:	£Nil
Turnover:	£7.8m	£7.3m	Loan note interest:	£51,000
(Loss)/profit before tax:	(£0.2m)	£0.2m	Proportion of capital held:	4.1%
Net liabilities:	(£0.4m)	(£0.2m)	Diluted equity:	4.1%

AIM-quoted Ludorum is dedicated to developing, acquiring and marketing intellectual entertainment properties which are appropriate for both the new interactive distribution channels as well as classic linear TV. The company owns Chuggington the award winning under fives train animation character.

REVIEW OF INVESTMENTS (continued)

Hoole Hall Spa & Leisure Club Limited

www.theclubandspachester.co.uk



Cost at 31/03/2013:	£1,200,000	Valuation at 31/03/13:	£1,068,000
Cost at 31/03/2012:	£1,200,000	Valuation at 31/03/12:	£1,200,000
Investment comprises:			
Equity shares:	£264,000	Valuation method:	Net assets
Convertible loan note:	£936,000		

Abbreviated audited accounts:	31/03/12	31/03/11	Dividend income:	£Nil
Turnover:		Not published	Loan note interest:	£Nil
Loss before tax:		Not published	Proportion of capital held:	10.8%
Net assets:	£3.3m	£3.0m	Diluted equity:	32.2%

Hoole Hall Spa and Leisure Club operate a large health club and spa adjacent to Hoole Hall Country Club in Chester.

Vulcan Renewables Limited

www.futurebiogas.com



Cost at 31/03/2013:	£700,000	Valuation at 31/03/13:	£700,000
Cost at 31/03/2012:	Not Held	Valuation at 31/03/12:	Not Held
Investment comprises:			
Equity shares:	£490,000	Valuation method:	Price of recent investment
Loan note:	£210,000		

Audited accounts:	None yet published	Dividend income:	£Nil
Turnover:	n/a	Loan note interest:	£Nil
Profit before tax:	n/a	Proportion of capital held:	7.0%
Net assets:	n/a	Diluted equity:	7.0%

Vulcan Renewables is developing a 2MW maize fed biogas plant near Doncaster that will generate gas for injection into the National Grid. The investment will benefit from the receipt of FITs from the production of energy, and RHI (Renewable Heat Incentive scheme) from gas production.

First Care Limited

www.firstcare.eu



Cost at 31/03/2013:	£942,000	Valuation at 31/03/13:	£668,000
Cost at 31/03/2012:	£879,000	Valuation at 31/03/12:	£604,000
Investment comprises:			
Equity shares:	£667,000	Valuation method:	Multiples
Loan note:	£275,000		

Audited accounts:	31/12/11	31/12/10	Dividend income:	£Nil
Turnover:	£4.7m	£5.1m	Loan note interest:	£19,000
(Loss)/profit before tax:	(£0.5m)	£0.2m	Proportion of capital held:	11.8%
Net assets:	£0.3m	£0.9m	Diluted equity:	11.8%

First Care provides outsourced 'absence management' solutions to major employers in both the private and public sectors. Clients benefit from significant reductions in absence through sickness, while employees have access to 24 hour medical advice from First Care's helpline staffed by qualified nurses.

REVIEW OF INVESTMENTS (continued)

Accumuli plc

www.accumuliplc.com



Cost at 31/03/2013:	£338,000	Valuation at 31/03/13:	£577,000	
Cost at 31/03/2012:	£338,000	Valuation at 31/03/12:	£540,000	
Investment comprises:				
Equity shares:	£338,000	Valuation method:	Bid price	
Audited accounts:	31/03/13	31/03/12	Dividend income:	£Nil
Turnover:	£14.1m	£13.0m		
Profit before tax:	£0.1m	£0.1m	Proportion of capital held:	3.3%
Net assets:	£14.6m	£10.0m	Diluted equity:	3.3%

Accumuli is an AIM-quoted UK-based advanced security solutions provider, delivering multi-layered security services that protect customers' networks and their users from targeted assaults on resources and data.

Baron House Developments LLP



Cost at 31/03/2013:	£500,000	Valuation at 31/03/13:	£500,000
Cost at 31/03/2012:	Not Held	Valuation at 31/03/12:	Not Held
Investment comprises:			
Loan note:	£500,000	Valuation method:	Price of recent investment
Audited accounts:	None yet published	Dividend income:	n/a
Turnover:	n/a	Loan note income:	18,000
Profit before tax:	n/a	Proportion of capital held:	n/a
Net assets:	n/a	Diluted equity:	n/a

Baron House Developments has purchased a building in Newcastle with a view to converting most of the building into a hotel. The investment is by way of a non-qualifying loan secured by the first charge over the building.

Aminghurst Limited

www.gararock.com



Cost at 31/03/2013:	£493,000	Valuation at 31/03/13:	£493,000	
Cost at 31/03/2012:	£311,000	Valuation at 31/03/12:	£311,000	
Investment comprises:				
Loan note:	£493,000	Valuation method:	Net assets	
Abbreviated audited				
accounts:	31/12/11	31/12/10	Dividend income:	n/a
Turnover:	Not published		Loan note income:	£Nil
Profit before tax:	Not published		Proportion of capital held:	n/a
Net liabilities:	(£6.8m)	(£4.4m)	Diluted equity:	n/a

Aminghurst is a property development company which owns the Gara Rock site near Salcombe, South Devon. The company is building a luxury hotel, spa, restaurant, holiday apartments and cottages.

REVIEW OF INVESTMENTS (continued)

Universe Group plc
www.universe-group.co.uk



Cost at 31/03/2013:	£293,000	Valuation at 31/03/13:	£484,000
Cost at 31/03/2012:	£152,000	Valuation at 31/03/12:	£107,000
Investment comprises:			
Equity shares:	£253,000	Valuation method:	Bid price
Loan note:	£40,000		

Audited accounts:	31/12/12	31/12/11	Dividend income:	£Nil
Turnover:	£11.8m	£10.4m	Loan note income	£1,000
Profit before tax:	£1.0m	£0.3m	Proportion of capital held:	5.6%
Net assets:	£14.1m	£11.6m	Diluted equity:	5.6%

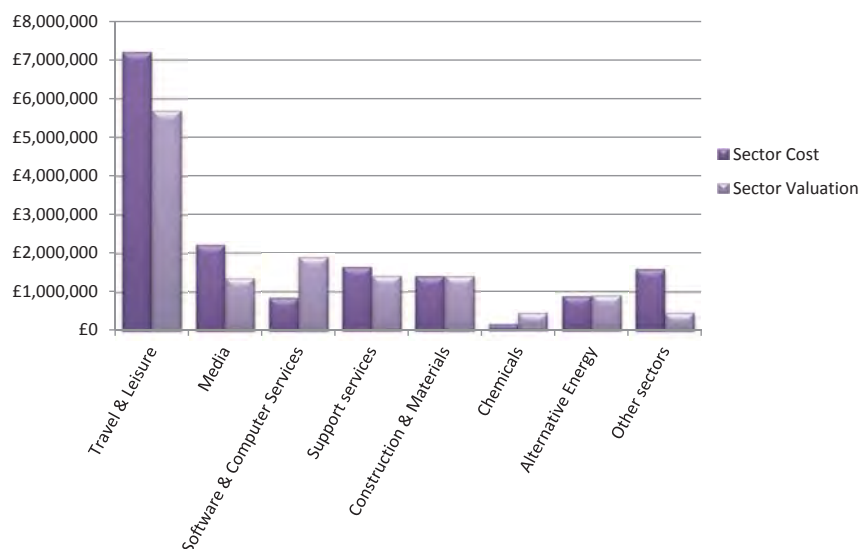
Universe Group is an AIM-quoted business which operates through its main trading subsidiary HTEC Limited, a specialist in payment, loyalty and forecourt technology.

Note:

The proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

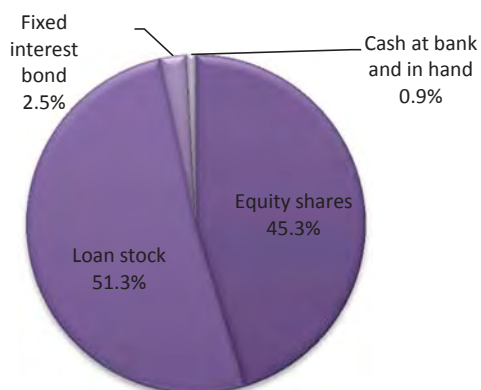
Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 March 2013) is as follows:



Analysis of investments by nature of instrument

The following chart summarises the Company's investment portfolio by the nature of instrument held (by value at 31 March 2013):



Portfolio balance

At 31 March 2013, the Company assets employed were broadly in line with the targets within the investment policy. These are summarised as follows:

Type of Investment

(by HMRC valuation rules)

	Actual	Target
VCT qualifying investments	90.2%	>70%
Non-qualifying investments (including cash at bank)	9.8%	<30%
Total	100.0%	100%

Investment category (by value)

	Actual	Target
Growth	38.7%	40% -60%
Income producing	45.7%	40% -60%
Non-qualifying	15.6%	20%- 30%
Total	100.0%	

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2013.

Principal activity and status

The Directors initially obtained provisional approval for the Company to act as a venture capital trust from HM Revenue and Customs ("HMRC") at the date of launch, and since that date have continued to meet the standards set out by HMRC.

The Company revoked its status as an investment company in 2000, however, the Company has continued to conduct its affairs in a manner to enable it to continue to comply with Part 6 of the Income Tax Act 2007 (the Venture Capital Trust Regulations).

The Company has no employees (other than the Directors).

Business review and developments

The Company undertook a small top up share offer during the year, raising gross proceeds of £393,000.

Over the year to 31 March 2013, the investments held fell in value by £598,000. Gains arising on investment realisations totalled £470,000.

Income over expenditure for the year resulted in a net loss, after accounting for capital expenses, of £160,000.

The Company's business and developments during the year are reviewed further in the Chairman's Statement, the Investment Manager's Report and the Review of Investments on pages 6 to 13.

Share capital

At the AGM held on 20 September 2012, Shareholders unconditionally authorised the Company to make market purchases of its own Ordinary shares of 1p each up to a maximum of 3,015,756 Ordinary Shares, representing 14.9% of the share capital in issue at the date of the last annual report. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 12 September 2013.

During the year, the Company repurchased 647,489 Ordinary Shares of 1p each for an aggregate consideration of 63.4p per share, representing 3.2% of those shares authorised to be repurchased. These shares were subsequently cancelled.

On 3 February 2012, the Company published an Offer Document in respect of (i) a Tender Offer and Substitute Share Offer, together the Share Realisation and Reinvestment Programme ("SRRP"), for existing shareholders and (ii) a Top-up Offer to issue up to 2,009,771 additional Ordinary Shares. Shareholders approved the SRRP and Top-Up offer at a General Meeting on 29 February 2012.

Between 4 April 2012 and 13 April 2012 the following transactions took place under the SRRP:

- A total of 7,587,377 Ordinary Shares were purchased for cancellation at a price of 77.1p per Ordinary Share.
- A total of 7,510,952 Ordinary Shares were allotted in respect of the shares tendered for cancellation at a price of approximately 77.9p per Ordinary Share.

Total costs in respect of the transaction were £128,000.

Between 4 April 2012 and 13 April 2012, 504,727 Ordinary shares were allotted at a price of approximately 77.9p per Ordinary Share as a result of new subscriptions under the Top-up Offer.

At the year end, the Company had 19,592,490 Ordinary Shares in issue. There were no other share classes in issue at the year end.

Results and dividends

	£'000	Per share
Return on ordinary activities after tax for the year ended 31 March 2013	(288)	(1.5p)
<i>Distributions paid in the year</i>		
28 September 2012	499	2.5p
28 March 2013	492	2.5p
	991	5.0p

The Board is proposing a final dividend of 2.5p per share to be paid, subject to Shareholder approval at the AGM, on 30 September 2013 to Shareholders on the register at 6 September 2013.

REPORT OF THE DIRECTORS (continued)

Performance incentive fee

The Company has the following performance incentive fee arrangement in place with Downing LLP ("Downing"):

Downing will receive an additional fee equal to 25% of the sum by which annual dividends declared by the Company exceed 3p per share.

No fee will be payable if the following hurdle is not met:

NAV must be greater than 100p less cumulative dividends paid since 1 January 2010 plus 3p per share per annum.

The performance incentive fee will be capped at 1p per Ordinary Share per annum. No fees will be payable (but can accrue) in the three years following 1 April 2010.

As the target has not been met, no fees are due in respect of the year ended 31 March 2013.

Investment policy

Quantitative analyses of how the Company has operated in accordance with its investment policy are shown in the Review of Investments on pages 6 to 13 and in the VCT compliance section of this report on page 17.

The Company's investment policy is as follows:

Asset allocation

The Company will seek to have a minimum of 70% of its funds invested in VCT qualifying investments, with the balance held in non-qualifying investments. New funds raised under the Offer for Subscription will initially be held in non-qualifying investments and will gradually be invested in VCT qualifying investments over a two to three year period.

VCT qualifying investments

The Company seeks to hold a portfolio of VCT qualifying investments as follows:

Investment type	Target	Maximum
Growth	40%-60%	100%
Income producing	40%-60%	100%

Growth investments will be in companies with prospects for high capital growth, predominantly focusing on:

- companies already quoted on AIM, or the ISDX Growth market, or being admitted to AIM; and
- investments in unquoted companies where there are reasonable prospects of flotation or a clear exit strategy.

Income producing investments will generally be in unquoted businesses (although this may include some quoted businesses), with a preference for companies which own substantial assets. These investments are likely to be structured such that they comprise significant levels of loan stock and/or preference shares.

Some investments may exhibit features of both of the above categories.

Non-qualifying investments

The funds not employed in VCT qualifying investments (20% to 30% of total funds) may be invested in a variety of investments which may include:

- Fixed income securities
- Hedge funds
- Non-qualifying quoted investments
- Pooled funds
- Secured loans
- Structured products

Fixed income securities will consist of bonds issued by the UK Government, major companies and institutions, liquidity funds, fixed deposits or similar securities and will have credit ratings of not less than A minus (Standard & Poor's rated)/A3 (Moody's rated).

Hedge funds will be reduced risk "funds of funds" hedge funds.

Non-qualifying quoted investments will typically be in quoted companies where the holdings can be traded and in companies in which the Investment Manager has detailed knowledge as a result of VCT qualifying investments made previously.

Pooled funds including those typically invested in equities, bonds and property.

Secured loans will be secured on assets held by the borrower.

Structured products will be investment products which provide returns based on the performance of the FTSE 100 or similar indices and use derivatives to provide some level of capital protection.

The maximum exposure to any one counterparty will not exceed 15% of the fund at the time of investment.

The allocation between asset types in the non-qualifying portfolio will vary depending upon opportunities that arise, with any one asset class having a maximum exposure of 100% of the non-qualifying portfolio.

REPORT OF THE DIRECTORS (continued)

Investment policy (continued)

Risk diversification

The Directors will control the overall risk of the Company. The Investment Manager will ensure the Company has exposure to a diversified range of VCT qualifying investments from different sectors and generally no more than 15% of the Company's funds in any one company or any one issue of fixed income securities (except UK Government gilts or deposit accounts with UK clearing banks).

Further investment restrictions:

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. In respect of funds raised before 5 April 2011, at least 30% of the Company's qualifying investments (by value) are held in "eligible shares" ("eligible shares" generally being ordinary share capital). For funds raised after 5 April 2011 this is increased to 70%;
3. At least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);
4. No investment constitutes more than 15% of the Company's portfolio (by value at time of investment);
5. The Company's income for each financial year is derived wholly or mainly from shares and securities; and
6. 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.

Listing Rules

In accordance with the Listing Rules:

- (i) the Company may not invest more than 10%, in aggregate, of the value of the total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds;
- (ii) the Company must not conduct any trading activity which is significant in the context of its group as a whole; and

- (iii) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy set out in this document. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 of the Income Tax Act.

Borrowing policy

It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a sum equal to no more than the aggregate of the nominal capital of the Company (being issued and paid up) plus the amounts standing to the credit of the consolidated reserves of the Company.

At 31 March 2013, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £14 million. There are no plans to utilise this ability at the current time.

Environmental and social policy

The Company seeks to conduct its affairs responsibly. Where appropriate, the Board and Investment Manager take environmental and social factors into consideration.

Investment and administration manager

Downing was appointed on 1 April 2010, as Investment Manager, for an annual fee of 1.8% of the Company's net assets, calculated by reference to the NAV at the previous half year (i.e. 31 March and 30 September). The agreement is not for a fixed term, and may be terminated by either side giving not less than 12 months' notice in writing.

The Board is satisfied with the performance of Downing as Investment Manager and with its strategy, approach and procedures in providing investment management services to the Company. The Directors have concluded that the continuing appointment of Downing LLP, as Investment Manager, remains in the best interest of Shareholders.

In addition, Downing also provides administration services to the Company for a fee currently at £70,000 per annum. This is subject to an RPI annual increase (if positive).

Trail commission

The Company has an agreement to pay trail commission, annually, to Downing LLP, in connection to funds raised under original offers for subscription. Trail commission is calculated at 0.15% and 0.25% of the respective net assets, attributable to the original shareholdings, at each year end.

REPORT OF THE DIRECTORS (continued)

Annual running costs cap

From April 2010 until September 2012, the annual running costs of the Company were capped at 3.0% of its NAV (calculated on a semi-annual basis). Thereafter, such costs are capped at 3.5% (including irrecoverable VAT), of its NAV. Any excess running costs above the cap are met by Downing.

Annual Running Costs are costs incurred by the Company in the ordinary course of its business and include, *inter alia*, Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders, annual trail commission and all the annual fees payable to the Company's investment manager and administrators. Costs incurred on abortive investment proposals are the responsibility of the Investment Manager. It is intended that fees payable by the Company to the Investment Manager will be allocated at least 25% to revenue and up to 75% to capital. This allocation may be reviewed in the future as the focus of the portfolio changes.

Directors

The Directors of the Company during the year and their beneficial interests in the Ordinary Shares of the Company were as follows:

	31 March 2013	31 March 2012
Christopher Powell	4,115	4,157
Michael Cunningham	9,322	9,417
Stuart Goldsmith	11,056	11,168
Roger Jeynes	38,472	36,268

There have been no changes in Directors shareholdings since the year end.

In view of trends in corporate governance practice, all Directors retire at each Annual General Meeting. Accordingly at the forthcoming AGM all Directors, being eligible, offer themselves for re-election. In view of each Director's considerable experience in the VCT sector the Board recommends that Shareholders vote in favour of the resolutions to re-appoint each of the Directors at the AGM.

Each of the Directors has entered into an agreement for services whereby he is required to devote such time to the affairs of the Company as the Board reasonably requires consistent with his role as a non-executive Director, and is subject to a three month termination notice on either side. Appointments of new Directors to the Board are considered by the Nomination Committee as, and when, required.

The Company provides Directors' and Officers' liability insurance, giving appropriate cover for legal action brought against its Directors, and has also agreed to indemnify Directors in circumstances where they are not considered to be culpable. The indemnity, which is a qualifying third party indemnity provision for the purpose of the Companies Act, is for the benefit of all of the Company's current Directors.

VCT compliance

The Company has retained PwC to advise it on compliance with VCT requirements, reporting directly to the Board. PwC works closely with the Manager; undertaking reviews of the VCT compliance status of new investment opportunities; providing regular compliance updates on the Company's existing portfolio of investments and providing advice on VCT compliance issues as and when they arise.

A summary of the VCT Regulations is included in the Company's Investment Policy as shown on page 16. Compliance with the main VCT regulations at 31 March 2013, and for the year then ended is summarised as follows:

1. 70% of its investments in qualifying companies (Company as a whole) 90.2%
2. At least 30% of the Company's qualifying investments in "eligible shares" 70.6%
3. At least 10% of each investment in a qualifying company held in "eligible shares" Complied
4. No investment constitutes more than 15% of the Company's portfolio Complied
5. Income for the year ended 31 March 2013 is derived wholly or mainly from shares and securities 97.4%
6. No more than 15% of the income from shares and securities is retained 8.3%

Creditor payment policy

The Company's payment policy is to pay creditors within thirty days of receipt of an invoice except where other terms have been agreed. The Company did not have any trade creditors at the year end (2012: none).

REPORT OF THE DIRECTORS (continued)

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's level of success in meeting its objectives (as shown on page 3). The Board believes the Company's key performance indicators, for comparison against similar VCTs, are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (as disclosed within the financial summary for each share pool).

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, investment, credit and liquidity risks, are summarised within note 17 to the financial statements.

In addition to these risks, the Company, as a fully listed Company on the London Stock Exchange and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces a number of related risks. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to Shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the UK Listing Authority Listing Rules and the Companies Act, could lead to suspension from the Stock Exchange and damage to the Company's reputation.

The Board reviews and agrees policies for managing each of these risks. They receive quarterly reports from the Manager, which monitor the compliance of these risks, and places reliance on the Manager to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial period.

Substantial interests

As at 31 March 2013, and at the date of this report, the Company was not aware of any beneficial interest exceeding three per cent of the issued share capital.

Auditor

A resolution to re-appoint Baker Tilly UK Audit LLP as the Company's auditor will be proposed at the forthcoming AGM.

Annual General Meeting

The AGM will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11:30 a.m. on 12 September 2013. The Notice of the AGM and Form of Proxy are at the end of this document.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors, the Directors' Remuneration Report, the separate corporate governance statement and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Conduct Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements and the Directors Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE DIRECTORS (continued)

Statement of Directors' responsibilities (continued)

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names are listed on page 17, confirms that, to the best of each person's knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Report of the Directors contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

Electronic publication

The financial statements are published on www.downing.co.uk, a website maintained by the Manager. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Corporate governance

The Company's compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code, June 2010 (www.frc.org.uk), is shown on pages 22 to 24.

Statement as to disclosure of information to Auditor

The Directors in office at the date of the report have confirmed that, as far as they are aware, there is no relevant audit information of which the Auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

By order of the Board



Grant Whitehouse

Company Secretary

Company Number: 3150868

Registered Office:

10 Lower Grosvenor Place

London SW1W 0EN

25 July 2013

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedules 420 to 422 of the Companies Act 2006. A resolution to approve this report will be put to the members at the AGM to be held on 12 September 2013.

Directors' remuneration policy

Directors' remuneration is set in accordance with the Company's Articles of Association as follows:

- (i) The ordinary remuneration of the Directors (other than an executive director appointed under the Articles) shall be such amount as the Directors shall from time to time determine (provided that, unless otherwise approved by the Company in general meeting, the aggregate of the ordinary remuneration of such Directors shall not exceed £75,000 per year, to be divided among them in such proportion and manner as the Directors may determine). The Directors shall also be paid by the Company all travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.
- (ii) Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.
- (iii) The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

Directors' remuneration, as set out in the following paragraphs, is set at a level designed to reflect the time commitment and the high level of responsibility borne by the non-executive Directors and should be broadly comparable with those paid by similar companies.

Directors' agreements

Each of the Directors on the current Board has entered into an agreement for services whereby he is required to devote such time to the affairs of the Company as the Board reasonably requires consistent with his role as a non-executive Director. A three month rolling notice period applies.

Directors' remuneration (audited)

Directors' remuneration for the year under review was as follows:

	2013 fee £	2012 fee £
Christopher Powell	15,000	15,000
Michael Cunningham	10,000	10,000
Stuart Goldsmith	12,000	12,000
Roger Jeynes	12,000	12,000
	<u>49,000</u>	<u>49,000</u>

No other emoluments, pension contributions or life assurance contributions were paid by the Company to, or on behalf of, any Director. The Company does not have any share options in place.

2013/2014 remuneration

The remuneration levels for the forthcoming year are expected to be unchanged, at the following levels:

	Annual fee £
Christopher Powell	15,000
Michael Cunningham	10,000
Stuart Goldsmith	12,000
Roger Jeynes	12,000
	<u>49,000</u>

DIRECTORS' REMUNERATION REPORT (continued)

Performance graph

The Board believes that NAV Total Return (dividends re-invested) provides Shareholders with a fair indication of the Company's performance.

The following graph charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) ("NAV Total Return") and total return of the Company's share price ("Share Price Total Return") over the past five years to Numis Smaller Companies Index (Total return, excluding investment companies), each of which has been rebased to 100 pence.

This Index is considered to be the most appropriate broad equity market against which investors can measure the relative performance of the Company.

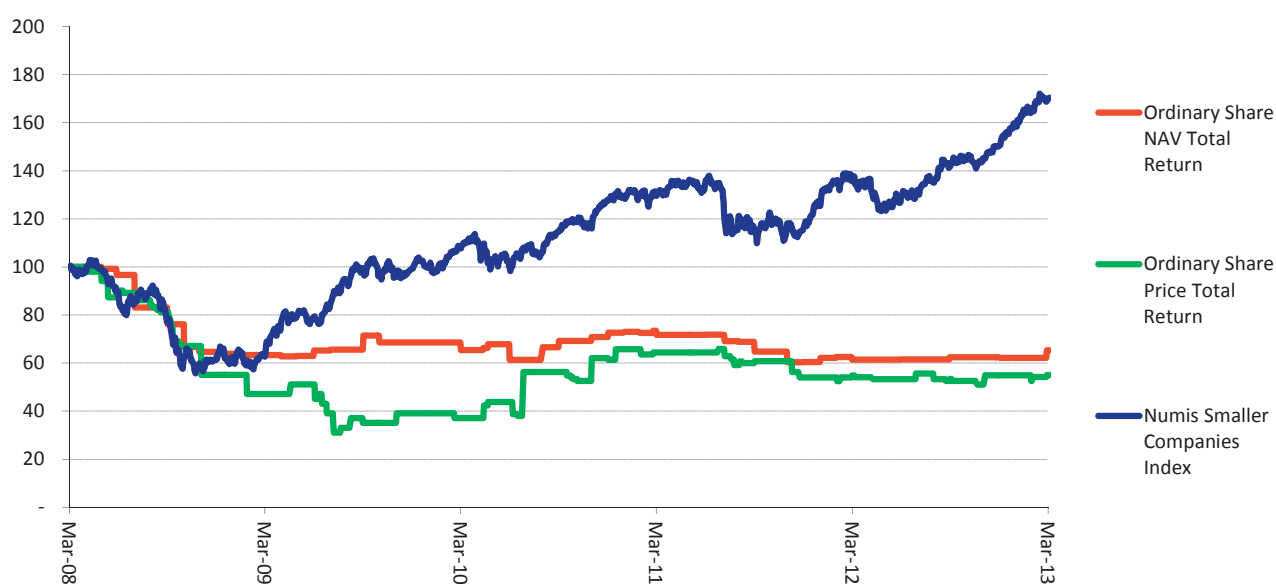
By order of the Board



Grant Whitehouse
Company Secretary
10 Lower Grosvenor Place
London SW1W 0EN

25 July 2013

Ordinary Share Performance Graph



CORPORATE GOVERNANCE STATEMENT

The Directors support the relevant principles of the UK Corporate Governance Code being the principles of good governance and the code of best practice.

The Board

At the date of this report, the Company has a Board comprising of four non-executive Directors. The Chairman is Christopher Powell. The Company does not have a Senior Independent Director. Biographical details of all current Board members (including the significant commitments of the Chairman) are shown on page 3.

In accordance with Company policy all of the Directors are offering themselves for re-election at the next AGM.

Full Board meetings take place quarterly and the Board meets or communicates more regularly to address specific issues. The Board has a formal schedule of matters specifically reserved for its decision which includes, but is not limited to: considering recommendations from the Investment Manager; and reviewing, annually, the terms of engagement of all third party advisers (including the Investment Manager). All the members of the Board attended each full Board meeting held during the year.

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chairman in advance of each Board meeting.

Share capital

The Board has authority to make market purchases of the Company's own shares. This authority for up to 14.9% of the Company's issued share capital was granted at the last AGM. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

The capital structure of the Company is disclosed on page 14.

Committees to the Board

As the Company has a small Board comprising wholly of non-executive Directors, all Directors sit on the Nomination Committee and Remuneration Committee. The Company also has an Audit Committee, comprising all Directors with the exception of Michael Cunningham.

The Chairman of each Committee is Stuart Goldsmith. Committee meetings are held in conjunction with the Board meetings. All committees have defined terms of reference and duties, which are available from www.downing.co.uk.

Board and Committee meetings

The following table sets out the Directors' attendance at the Board and Committee meetings held during the year.

	Board meetings attended (4 held)	Audit Committee meetings attended (2 held)
Christopher Powell	4	2
Michael Cunningham	4	n/a
Stuart Goldsmith	4	2
Roger Jeynes	4	2

Neither of the Nomination or Remuneration Committees met during the year.

Audit Committee

The Audit Committee is responsible for reviewing the half-yearly and annual accounts before they are presented to the Board; the terms of appointment of the Auditor, together with their remuneration; as well as undertaking a full annual review of the effectiveness of the Company's internal control and risk management systems.

During the year the Committee discharged its responsibilities by obtaining assurance from their own evaluation of the annual and half-yearly reports; the audit feedback documentation and; from correspondence and discussions with the engagement partner of Baker Tilly UK Audit LLP. Based on the assurance obtained, the Committee has recommended, to Shareholders and the Board, that Baker Tilly UK Audit LLP is re-appointed as Auditor at the forthcoming AGM.

In addition, the Committee reviewed the internal financial controls and concluded that they were appropriate given the nature of the Company. They also considered the need for an internal audit function and concluded that this function would not be an appropriate control for a venture capital trust.

CORPORATE GOVERNANCE STATEMENT (continued)

Audit Committee (continued)

Any non-audit services provided by the Auditor are reviewed and approved by the Committee prior to being undertaken, to ensure that Auditor objectivity and independence is safeguarded. In addition, the Auditor confirms their independent status on an annual basis.

As the Company has no staff, other than non-executive Directors, there are no procedures in place in respect of C3.4 of the UK Corporate Governance Code relating to whistleblowing. The Audit Committee understands that the Manager has whistleblowing procedures in place.

Remuneration Committee

The Remuneration Committee meets as required, to discuss the existing levels of remuneration for the non-executive Directors, and whether they reflect the time commitment and responsibilities of the positions and are comparable with industry standards. Where deemed necessary, they will recommend adjustments to the remuneration levels.

Nomination Committee

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to the Board composition and balance. The Committee did not meet during the year.

Diversity policy

When considering a new appointment to the Board, the committee's responsibility is to ensure that Shareholders are safeguarded by appointing the most appropriate person for the position, (irrespective of gender) giving due regard to past and present experience in the sectors in which the Company invests. The Company therefore does not have a specific diversity policy in place.

Anti-bribery policy

The Company operates an anti-bribery policy to ensure that it meets its responsibilities arising from the Bribery Act 2010. This policy can be found on the website maintained by the Manager at www.downing.co.uk.

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by Shareholders during the course of the year, or to meet with Shareholders if so requested. As disclosed in the Report of the Directors, there were no Shareholders with a substantial interest in the Company at the year end or at the date of this report.

In addition to the formal business of the AGM, representatives of the management team and the Board are available to answer any questions a Shareholder may have.

Separate resolutions are proposed at the AGM on each substantially separate issue. Downing LLP collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM.

In order to comply with the UK Corporate Governance Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called, and are published immediately following the AGM. The notice of the next AGM and proxy form can be found at the end of these financial statements.

The conditions of appointment of non-executive Directors are available to Shareholders upon request.

Financial reporting

The Directors' Statement of Responsibilities for preparing the accounts is set out in the Report of the Directors on pages 18 to 19, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 25.

Internal control

The Board has adopted an Internal Control Manual ("Manual") for which it is responsible, which has been compiled in order to comply with the UK Corporate Governance Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. This is achieved through internal control and risk management of financial reporting. The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate.

CORPORATE GOVERNANCE STATEMENT (continued)

Internal control (continued)

The Board is responsible for ensuring that the procedures to be followed by the Company's advisers and Directors are in place, and they review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year.

Although the Board is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company (including the financial reporting process) to Downing LLP.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's Statement on pages 4 to 5, the Investment Manager's Report on pages 6 to 7 and the Report of the Directors on page 14. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 29 and the Report of the Directors on page 16. In addition, notes 12 and 17 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources at the year 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 have a reasonable expectation 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 annual financial statements.

The Directors confirm that the business is a going concern and that their assessment of the going concern position has been prepared in accordance with Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council in October 2009.

Compliance statement

The Listing Rules require the Board to report on compliance with the fifty-two UK Corporate Governance Code provisions throughout the accounting period. The preamble to the UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 March 2013 with the provisions set out in the UK Corporate Governance Code issued in June 2010.

- a) New Directors do not receive a full, formal and tailored induction on joining the Board, nor does the Chairman review and agree training and development needs. Such matters are addressed on an individual basis as they arise. Also the Company has no major Shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the AGM. (B.4.1, B.4.2, E.1.1)
- b) Due to the size of the Board and the nature of the Company's business, a formal performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. Similarly, a senior independent director has not been appointed. (A.4.1, A.4.2, B.6.1, B.6.3, B.7.2)
- c) The Company does not have a senior independent director or any independent directors as defined by the UK Corporate Governance Code as a result of other directorships of companies managed by the same Investment Management Team and length of service. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the UK Corporate Governance Code. (B.1.2). (Consequently the composition of the Audit Committee does not comply with C.3.1.)
- d) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts. (B.2.3) The Directors do have agreements for services in place. In the Directors' opinion, this does not make a substantive difference to the circumstances of the Company.

By order of the Board



Grant Whitehouse

Company Secretary

10 Lower Grosvenor Place

London SW1W 0EN

25 July 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING DISTRIBUTION VCT 1 PLC

We have audited the financial statements on pages 26 to 42. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 18 to 19, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the information given in the Corporate Governance Statement set out on pages 22 to 24 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 24, in relation to going concern;
- the part of the Corporate Governance Statement on page 24 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

Baker Tilly UK Audit LLP

RICHARD COATES (Senior Statutory Auditor)

For and on behalf of **BAKER TILLY UK AUDIT LLP**,
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

25 July 2013

INCOME STATEMENT
for the year ended 31 March 2013

		2013			2012		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	329	-	329	360	-	360
Losses on investments	9	-	(128)	(128)	-	(1,845)	(1,845)
		329	(128)	201	360	(1,845)	(1,485)
Investment management fees	3	(63)	(187)	(250)	(72)	(216)	(288)
Other expenses	4	(239)	-	(239)	(239)	(1)	(240)
(Loss)/return on ordinary activities before tax		27	(315)	(288)	49	(2,062)	(2,013)
Tax on ordinary activities	6	-	-	-	-	-	-
(Loss)/return attributable to equity shareholders	8	27	(315)	(288)	49	(2,062)	(2,013)
Basic and diluted return per share	8	0.1p	(1.6p)	(1.5p)	0.2p	(10.1p)	(9.9p)

All Revenue and Capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. 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 shown above.

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

The accompanying notes form an integral part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Opening Shareholders' funds		15,812	19,161
Issue of shares	12	393	-
Unallotted shares		(382)	382
Issue of shares under Share Realisation and Reinvestment Programme	12	5,850	-
Share issue costs	12	(97)	-
Purchase of own shares	12	(413)	(707)
Purchase of own shares under Share Realisation and Reinvestment Programme	12	(5,879)	-
Total recognised losses for the year		(288)	(2,013)
Dividends paid	7	<u>(991)</u>	<u>(1,011)</u>
Closing Shareholders' funds		<u>14,005</u>	<u>15,812</u>

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
as at 31 March 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	9	13,960	13,844
Current assets			
Debtors	10	111	947
Cash at bank and in hand		123	1,284
		234	2,231
Creditors: amounts falling due within one year	11	(189)	(263)
Net current assets		45	1,968
Net assets		14,005	15,812
Capital and reserves			
Called up share capital	12	196	198
Capital redemption reserve	13	1,153	1,147
Share premium account	13	315	2
Share capital to be issued	13	-	382
Special reserve	13	13,743	14,206
Capital reserve – realised	13	1,136	4,629
Capital reserve – unrealised	13	(2,555)	(4,742)
Revenue reserve	13	17	(10)
Total equity shareholders' funds	14	14,005	15,812
Basic and diluted net asset value per share	14	71.5p	77.9p

The financial statements on pages 26 to 42 were approved and authorised for issue by the Board of Directors on 25 July 2013 and were signed on its behalf by



Christopher Powell
Chairman

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT
for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Net cash outflow from operating activities	15	<u>(119)</u>	<u>(235)</u>
Capital expenditure			
Purchase of investments		(2,188)	(1,115)
Disposal of investments		<u>2,719</u>	<u>3,859</u>
Net cash inflow from capital expenditure		<u>531</u>	<u>2,744</u>
Acquisitions			
Acquisition costs		<u>-</u>	<u>(12)</u>
Net cash outflow from acquisitions		<u>-</u>	<u>(12)</u>
Equity dividends paid		<u>(989)</u>	<u>(1,015)</u>
Net cash (outflow)/inflow before financing		(577)	1,482
Financing			
Proceeds from share issue		393	-
Proceeds from new share issue under Share Realisation and Reinvestment Programme		5,850	-
Unallotted share issue proceeds		(382)	382
Share issue costs		(99)	(67)
Purchase of own shares		(467)	(712)
Purchase of own shares under Share Realisation and Reinvestment Programme		<u>(5,879)</u>	<u>-</u>
Net cash outflow from financing		<u>(584)</u>	<u>(397)</u>
(Decrease)/increase in cash	16	<u><u>(1,161)</u></u>	<u><u>1,085</u></u>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013

1. Accounting policies

Basis of accounting

The Company has prepared its financial statements 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 ("SORP").

The financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments.

The Company implements new Financial Reporting Standards issued by the Accounting Standards Board when required.

Presentation of income statement

In order to better reflect the activities of a Venture Capital Trust and in accordance with guidance issued by the Association of Investment Companies ("AIC"), supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. The net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Part 6 of the Income Tax Act 2007.

Investments

Venture capital investments are designated as "fair value through profit or loss" assets due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed on a fair value basis, with a view to selling after a period of time, in accordance with the Company's documented investment policy. The fair value of an investment upon acquisition is deemed to be cost. Thereafter, investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV") together with FRS 26.

Listed fixed income investments and investments quoted on recognised stock markets are measured using bid prices.

The valuation methodologies for unlisted instruments used by the IPEV to ascertain the fair value of an investment are as follows:

- Price of recent investment;
- Multiples;
- Net assets;
- Discounted cash flows or earnings (of the underlying business);
- Discounted cash flows (from the investment); and
- Industry valuation benchmarks.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value.

Where an investee company has gone into receivership, liquidation, or administration where there is little likelihood of a recovery, the loss on the investment, although not physically disposed of, is treated as being realised.

Gains and losses arising from changes in fair value are included in the income statement as a capital item.

It is not the Company's policy to exercise either significant or controlling influence over investee companies. Therefore, the results of these companies are not incorporated into the revenue account except to the extent of any income accrued. This is in accordance with the SORP that does not require portfolio investments to be accounted for using the equity method of accounting.

In respect of disclosures required by the SORP for the 10 largest investments held by the Company, the most recent publicly available accounts information, either as filed at Companies House, or announced to the London Stock Exchange, is disclosed. In the case of unlisted investments, this may be abbreviated information only.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2013

1. Accounting policies (continued)

Income

Dividend income from investments is recognised when the Shareholders' right to receive payment has been established, normally the ex-dividend date.

Interest income is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection.

Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been presented as revenue items except as follows:

- Expenses which are incidental to the acquisition of an investment are deducted from the Capital Account.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and accordingly the investment management fee and finance costs have been allocated 25% to revenue and 75% to capital, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company.

Taxation

The tax effects on different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate using the Company's effective rate of tax for the accounting period.

Due to the Company's status as a Venture Capital Trust and the continued intention to meet the conditions required to comply with Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments.

Deferred taxation is not discounted and is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when the obligations or rights crystallise based on tax rates and law enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax assets are only recognised if it is expected that future taxable profits will be available to utilise such assets and are recognised on a non-discounted basis.

Other debtors and other creditors

Other debtors (including accrued income) and other creditors are included within the accounts at amortised cost.

Share issue costs

Share issue costs have been deducted from the share premium account.

Segmental reporting

The Company only has one class of business and one market.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2013

2. Income

	2013 £'000	2012 £'000
Income from investments		
Loan stock interest	195	203
Dividend income	84	101
Listed fixed income security interest	41	41
	<u>320</u>	<u>345</u>
Other income		
Other income	-	7
Deposit interest	9	8
	<u>329</u>	<u>360</u>

3. Investment management fees

	2013 £'000	2012 £'000
Investment management fees	<u>250</u>	<u>288</u>

The annual running costs of the Company for the year were subject to a cap of 3.0% of the Company's net assets until 30 September 2012; thereafter the annual running costs are capped at 3.5% of the Company's net assets. Accordingly the Investment Management fees have been reduced by £21,000 for the year under review.

4. Other expenses

	2013 £'000	2012 £'000
Administration services	70	70
Directors' remuneration	49	49
Social security costs	1	1
Trail commission	25	25
Auditor's remuneration for statutory audit	18	17
Legal and professional fees	2	4
Other expenses	74	74
	<u>239</u>	<u>240</u>

5. Directors' remuneration

Details of remuneration (excluding VAT and employer's NIC) are given in the Directors' Remuneration Report on page 20. The Company had no employees (other than Directors) during the year (2012: none).

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2013

6. Tax on ordinary activities

	2013 £'000	2012 £'000
a) Tax charge for year		
Current year:		
UK Corporation tax (charged to the Revenue Account)	-	-
Tax credited to Capital Account	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
b) Factors affecting tax charge for the year		
Loss on ordinary activities before taxation	<u>(288)</u>	<u>(2,013)</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 20.0% (2012: 20.0%)	(58)	(403)
Effects of:		
Losses on investments	26	369
UK dividend income	(17)	(20)
Disallowable expenses	5	5
Excess management fees carried forward	<u>44</u>	<u>49</u>
	<u>-</u>	<u>-</u>

- c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £4.2 million (2012: £4.0 million). The associated deferred tax asset has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future.

Due to the Company's status as a Venture Capital Trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7. Dividends

	2013			2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividends paid in year						
2013 Interim: 2.5p	-	492	492	-	-	-
2012 Final: 2.5p	-	499	499	-	-	-
2012 Interim: 2.5p	-	-	-	-	502	502
2011 Final: 2.5p	-	-	-	-	509	509
	<u>-</u>	<u>991</u>	<u>991</u>	<u>-</u>	<u>1,011</u>	<u>1,011</u>
Dividends proposed						
2013 Final: 2.5p	<u>-</u>	<u>490</u>	<u>490</u>	<u>-</u>	<u>506</u>	<u>506</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2013

8. Basic and diluted return per share

	2013	2012
Return per share based on:		
Net revenue return for the financial year (£'000)	<u>27</u>	<u>49</u>
Capital return per share based on:		
Net capital loss for the financial year (£'000)	<u>(315)</u>	<u>(2,062)</u>
Weighted average number of shares in issue	<u>19,958,558</u>	<u>20,429,797</u>

As the Company has not issued any convertible securities or share options, there is no dilutive effect on return per share. The return per share disclosed therefore represents both basic and diluted return per share.

9. Investments

	Unquoted investments £'000	Quoted on ISDX Growth Market £'000	Quoted on AIM £'000	Quoted on Main Market £'000	Total £'000
Cost at 1 April 2012	10,963	815	6,250	558	18,586
Unrealised losses at 1 April 2012	(3,567)	(703)	(215)	(257)	(4,742)
Opening fair value at 1 April 2012	<u>7,396</u>	<u>112</u>	<u>6,035</u>	<u>301</u>	<u>13,844</u>
Movement in the year:					
Change in status	682	-	(682)	-	-
Purchased at cost	2,085	-	103	-	2,188
Disposal proceeds	(119)	-	(1,825)	-	(1,944)
Realised gains in the income statement	41	-	429	-	470
Unrealised losses in the income statement	(579)	(84)	9	56	(598)
Closing fair value at 31 March 2013	<u>9,506</u>	<u>28</u>	<u>4,069</u>	<u>357</u>	<u>13,960</u>
Closing cost at 31 March 2013	11,069	815	4,073	558	16,515
Unrealised losses at 31 March 2013	(1,563)	(787)	(4)	(201)	(2,555)
Closing fair value	<u>9,506</u>	<u>28</u>	<u>4,069</u>	<u>357</u>	<u>13,960</u>

Costs incidental to the acquisitions of investments incurred during the year were minimal (2012: £1,000) and costs were incurred on the disposal of investments totalling £2,500 (2012: £5,000). A schedule disclosing the additions and disposals during the year can be found within the Review of Investments on page 9.

The Company has categorised its financial instruments using the fair value hierarchy as follows:

- Level 1 Reflects financial instruments quoted in an active market (quoted companies and fixed interest bonds);
- Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly;
- Level 3 Reflects financial instruments that are not based on observable market data (investments in unquoted shares and loan note investments).

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2013

9. Investments (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2013 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2012 £'000
Quoted on Main Market	357	-	-	357	301	-	-	301
Quoted on AIM	4,069	-	-	4,069	5,353	-	-	5,353
Quoted on ISDX	28	-	-	28	112	-	-	112
Loan notes	-	-	7,228	7,228	-	-	5,764	5,764
Unquoted	-	-	2,278	2,278	-	-	2,314	2,314
	<u>4,454</u>	<u>-</u>	<u>9,506</u>	<u>13,960</u>	<u>5,766</u>	<u>-</u>	<u>8,078</u>	<u>13,844</u>

Reconciliation of fair value for Level 3 financial instruments held at the year end:

	Unquoted shares £'000	Loan notes £'000	Total £'000
Balance at 31 March 2012	2,314	5,764	8,078
<i>Movements in the income statement:</i>			
Unrealised losses in the income statement	(579)	-	(579)
Realised gains in the income statement	41	-	41
	<u>(538)</u>	<u>-</u>	<u>(538)</u>
Purchases at cost	606	1,479	2,085
Disposal proceeds	(104)	(15)	(119)
	<u>2,278</u>	<u>7,228</u>	<u>9,506</u>

FRS 29 requires disclosure to be made of the possible effect of changing one or more of the inputs to reasonably possible alternative assumptions where this would result in a significant change in the fair value of the Level 3 investments. There is an element of judgment in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments. The Directors and Investment Manager believe that the valuations as at 31 March 2013 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 17.

10. Debtors

	2013 £'000	2012 £'000
Trades awaiting settlement	-	775
Other debtors	7	7
Income tax recoverable	33	25
Prepayments and accrued income	<u>71</u>	<u>140</u>
	<u>111</u>	<u>947</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2013

11. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Taxation and social security	2	3
Other creditors	39	93
Accruals and deferred income	148	167
	<hr/> 189	<hr/> 263

12. Called up share capital

	2013 £'000	2012 £'000
Issued, allotted, called up and fully paid:		
19,592,490 (2012: 19,811,677) Ordinary Shares of 1p each	<hr/> 196	<hr/> 198

On 3 February 2012, the Company published an Offer Document in respect of (i) a Tender Offer and Substitute Share Offer, together the Share Realisation and Reinvestment Programme ("SRRP"), for existing shareholders and (ii) a Top-up Offer to issue up to 2,009,771 additional Ordinary Shares.

Between 4 April 2012 and 13 April 2012, the following transactions took place under the SRRP:

- 7,587,377 Ordinary Shares were purchased for cancellation at a price of 77.1p per Ordinary Share.
- 7,510,952 Ordinary Shares were allotted in respect of the shares tendered for cancellation at a price of approximately 77.9p per Ordinary Share.

Between 4 April 2012 and 13 April 2012, 504,727 Ordinary Shares were allotted at a price of 77.9p per Ordinary Share as a result of new subscriptions under the Open Offer.

During the year, the Company repurchased 647,489 Ordinary Shares of 1p each for an aggregate consideration of 63.4p per share (approximately equal to a 15% discount to the most recently published NAV), and representing 3.3% of the issued Ordinary Share capital held at 1 April 2012. These shares were subsequently cancelled.

Management of capital

The Company's capital is managed in accordance with its investment policy, as shown in the Directors' Report on pages 15 to 16, in pursuit of its principal investment objectives as stated on page 3. The Company has the authority to buy back shares as described in the Corporate Governance Statement on page 22.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and to provide an adequate return to Shareholders by allocating its capital to assets commensurately with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the levels of liabilities are small and the management of them is not directly related to managing the return to Shareholders. There has been no change in this approach from the previous year.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2013

13. Reserves

	Capital redemption reserve £'000	Share premium account £'000	Share capital to be issued £'000	Special reserve £'000	Capital reserve -realised £'000	Capital reserve -unrealised £'000	Revenue reserve £'000
At 1 April 2012	1,147	2	382	14,206	4,629	(4,742)	(10)
Issue of new shares	-	388	(382)	-	-	-	-
Issue of new shares under SRRP	-	5,775	-	-	-	-	-
Share issue costs	-	(97)	-	-	-	-	-
Purchase of own shares	6	-	-	(413)	-	-	-
Purchase of own shares under SRRP	-	(5,753)	-	(50)	-	-	-
Capital expenses	-	-	-	-	(187)	-	-
Gains/(losses) on investments	-	-	-	-	470	(598)	-
Realisation of revaluations from previous years	-	-	-	-	(2,785)	2,785	-
Dividends paid	-	-	-	-	(991)	-	-
Retained net revenue	-	-	-	-	-	-	27
At 31 March 2013	1,153	315	-	13,743	1,136	(2,555)	17

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

Distributable reserves are calculated as follows:

	2013 £'000	2012 £'000
Special reserve	13,743	14,206
Capital reserve – realised	1,136	4,629
Revenue reserve	17	(10)
Unrealised losses (excluding unrealised unquoted gains)	<u>(2,765)</u>	<u>(4,791)</u>
	<u>12,131</u>	<u>14,034</u>

14. Basic and diluted net asset value per share

		Shares in issue	Net assets £'000	NAV per share pence
Year ended 31 March 2013	Ordinary Shares	19,592,490	<u>14,005</u>	71.5
Year ended 31 March 2012	Ordinary Shares	19,811,677	15,430	77.9
	Share capital to be issued		<u>382</u>	
			<u>15,812</u>	

As the Company has not issued any convertible securities or share options, there is no dilutive effect on net asset value per class of share in issue. The net asset value per share disclosed therefore represents both basic and diluted net asset value per class of share in issue.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2013

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

	2013 £'000	2012 £'000
Loss on ordinary activities before taxation	(288)	(2,013)
Losses on investments	128	1,845
Decrease/(increase) in debtors	60	(12)
Decrease in creditors	(19)	(55)
	<hr/>	<hr/>
Net cash outflow from operating activities	(119)	(235)

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

	2013 £'000	2012 £'000
Beginning of year	1,284	199
Net cash (outflow)/inflow	(1,161)	1,085
	<hr/>	<hr/>
End of year	123	1,284

17. Financial instruments

The Company's financial instruments comprise investments held at fair value through profit and loss, being equity and loan stock investments in quoted companies and unquoted companies, loans and receivables, being cash deposits and short term debtors, and financial liabilities, being creditors arising from its operations. The main purpose of these financial instruments is to generate cashflow, revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors and does not use any derivatives.

The fair value of investments is determined using the detailed accounting policy as shown in note 1. The composition of the investments is set out in note 9. The fair value of cash deposits and short-term debtors and creditors equates to their carrying value in the balance sheet.

The Company's investment activities expose the Company to a number of risks associated with financial instruments and the sectors in which the Company invests. The principal financial risks arising from the Company's operations are:

- Investment risks;
- Credit risk; and
- Liquidity risk.

The Board regularly reviews these risks and the policies in place for managing them. There have been no significant changes to the nature of the risks that the Company is exposed to over the year and there have also been no significant changes to the policies for managing those risks during the year.

The risk management policies used by the Company in respect of the principal financial risks and a review of the financial instruments held at the year end are provided below:

Investment risks

As a VCT, the Company is exposed to investment risks in the form of potential losses and gains that may arise on the investments it holds in accordance with its investment policy. The management of these investment risks is a fundamental part of the investment activities undertaken by the Manager and overseen by the Board. The Manager monitors investments through regular contact with management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Manager to manage the investment risk in respect of individual investments. Investment risk is also mitigated by holding a diversified portfolio spread across various business sectors and asset classes.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2013

17. Financial instruments (continued)

Investment risks (continued)

The key investment risks to which the Company is exposed are:

- Investment price risk; and
- Interest rate risk.

The Company has undertaken sensitivity analysis on its financial instruments, split into the relevant component parts, taking into consideration the economic climate at the time of review in order to ascertain the appropriate risk allocation.

Investment price risk

Investment price risk arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through investment price movements in respect of quoted investments and also changes in the fair value of unquoted investments that it holds.

Quoted investments

The Company's sensitivity to fluctuations in the share prices of its quoted investments, excluding fixed interest bonds, is summarised below. A 50% movement in the share price in each of the quoted stocks held by the Company would have an effect as follows:

Sensitivity	2013 50% mvmt			2012 50% mvmt		
	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence
Quoted shares	4,097	2,048	10.5	5,465	2,732	13.8

Unquoted investments

As many of the Company's unquoted investments are valued using revenue or earnings multiples of comparable companies or sectors, a change in the relevant market sectors could impact on the valuation of the equity shares held in the unquoted portfolio by up to 25%. Loan notes held in the Company would not immediately be impacted and would therefore retain their value. The impact on the unquoted shares held by the Company of a 25% movement in share price would therefore be as follows:

Sensitivity	2013 25% mvmt			2012 25% mvmt		
	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence
Unquoted shares	2,278	570	2.9	2,314	579	2.9

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2013

17. Financial instruments (continued)

Fixed interest securities

The Company also has exposure to variations in the price of non-qualifying investments, held in fixed interest bonds. A 5% movement in the valuation of these assets held by the Company would have the following impact:

Sensitivity	2013 5% mvmt			2012 5% mvmt		
	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence
Fixed interest securities	357	18	0.1	301	15	0.1

In each case, the impact of such changes on the return for the year would be the same as that on net assets and NAV per share.

Interest rate risk

The Company accepts exposure to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates. The Company receives interest on its cash deposits at a rate agreed with its bankers. Investments in loan stock and fixed interest securities attract interest predominately at fixed rates. A summary of the interest rate profile of the Company's investments is shown below.

Interest rate profile of financial assets and financial liabilities

There are three levels of interest which are attributable to the financial instruments as follows:

- "Fixed rate" assets represent investments with predetermined yield targets and comprise fixed interest and loan note investments.
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate and comprise cash at bank.
- "No interest rate" assets do not attract interest and comprise equity investments, non-interest bearing convertible loan notes, loans and receivables (excluding cash at bank) and other financial liabilities.

Interest rate risk profile of financial assets and financial liabilities

	Weighted average interest rate	Weighted average period until maturity	2013 £'000	2012 £'000
Fixed rate	4.2%	850 days	6,132	4,611
Floating rate	0.9%		123	1,284
No interest rate		1,234 days *	7,750	9,917
			<u>14,005</u>	<u>15,812</u>

* In respect of non-interest bearing loan notes only

The Company monitors the level of income received from fixed, floating and non interest rate assets and, if appropriate, may make adjustments to the allocation between the categories, in particular, should this be required to ensure compliance with the VCT regulations.

The Bank of England base rate stood at 0.5% per annum throughout the year. Any potential change in the base rate, at the current level, would have an immaterial impact on the net assets and total return of the Company.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2013

17. Financial instruments (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company is exposed to credit risk through its holdings of loan stock in investee companies, investments in fixed interest securities, cash deposits and debtors.

The Company's financial assets that are exposed to credit risk are summarised as follows:

	2013 £'000	2012 £'000
<i>Fair value through profit or loss assets:</i>		
Investments in fixed interest securities	357	301
Investments in loan stocks	7,228	5,764
<i>Loans and receivables:</i>		
Cash and cash equivalents	123	1,284
Trades awaiting settlement	-	775
Interest, dividends and other receivables	111	100
	<u>7,819</u>	<u>8,224</u>

The Manager manages credit risk in respect of loan notes with a similar approach as described under investment risks above. In addition the credit risk is partially mitigated by registering floating charges over the assets of certain investee companies. The strength of this security in each case is dependent on the nature of the investee company's business and its identifiable assets. The level of security is a key means of managing credit risk. Similarly, the management of credit risk associated interest, dividends and other receivables is covered within the investment management procedures.

Cash is mainly held at Royal Bank of Scotland plc, with a balance also maintained at Bank of Scotland plc, both of which are A-rated financial institutions and ultimately part-owned by the UK Government. Consequently, the Directors consider that the risk profile associated with cash deposits is low.

There have been no changes in fair value during the year that can be directly attributable to changes in credit risk.

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. The Company only normally ever has a relatively low level of creditors (2013: £189,000, 2012: £263,000) and has no borrowings. Also most quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons the Board believes that the Company's exposure to liquidity risk is minimal.

The Company's liquidity risk is managed by the Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2013

17. Financial instruments (continued)

Liquidity risk (continued)

The carrying value of loan stock investments held at fair value through the profit and loss account at 31 March 2013, as analysed by expected maturity date, is as follows:

As at 31 March 2013	Not later than 1 Year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Passed maturity date £'000	Total £'000
Fully performing loan stock	275	4,445	463	1,432	-	6,615
Past due loan stock	22	-	291	-	300	613
	<u>297</u>	<u>4,445</u>	<u>754</u>	<u>1,432</u>	<u>300</u>	<u>7,228</u>

Loan stock categorised as past due refers to two loan note investments, valued at £322,000 and £291,000 respectively. The loan note valued at £291,000 has not yet passed its maturity date; however, the investee company is not fully servicing the interest arrears under the loan note, with total interest arrears thereon falling within a banding of 1 to 2 years. The loan note valued at £322,000, of which £300,000 has passed its maturity date within a banding of 1 to 2 years, is also in interest arrears falling within a banding of 1 to 2 years. Notwithstanding this information, the Directors do not consider the loan notes to be impaired at the current time or that the maturity date of the principals has altered. The Company holds a further loan note investment which, although has not passed its maturity date, has been valued as fully impaired and is therefore not reflected in the above table.

As at 31 March 2012	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Passed maturity date £'000	Total £'000
Fully performing loan stock	-	2,459	1,664	1,039	-	5,162
Past due loan stock	-	11	-	291	300	602
	<u>-</u>	<u>2,470</u>	<u>1,664</u>	<u>1,330</u>	<u>300</u>	<u>5,764</u>

Financial liabilities

The Company has no financial liabilities or guarantees, other than the creditors disclosed within the balance sheet (2012: none).

Currency exposure

As at 31 March 2013, the Company had no foreign investments (2012: none).

Borrowing facilities

The Company had no committed borrowing facilities as at 31 March 2013 (2012: none).

18. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2012: none).

19. Controlling party

In the opinion of the Directors, there is no immediate or ultimate controlling party.

NOTICE OF ANNUAL GENERAL MEETING OF DOWNING DISTRIBUTION VCT 1 PLC

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Downing Distribution VCT 1 plc will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11:30 a.m. on 12 September 2013 for the transaction of the following business:

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as **Ordinary Resolutions**:

1. To receive and adopt the Report of the Directors and Accounts of the Company for the year ended 31 March 2013 together with the Report of the Auditor thereon.
2. To approve the Directors' Remuneration Report.
3. To approve a final dividend of 2.5p per Ordinary Share.
4. To re-appoint Baker Tilly UK Audit LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and to authorise the Directors to determine their remuneration.
5. To re-elect as Director, Christopher Powell, who retires and, being eligible, offers himself for re-election.
6. To re-elect as Director, Michael Cunningham, who retires and, being eligible, offers himself for re-election.
7. To re-elect as Director, Stuart Goldsmith, who retires and, being eligible, offers himself for re-election.
8. To re-elect as Director, Roger Jeynes, who retires and, being eligible, offers himself for re-election.

As **Special Business**, to consider and, if thought fit, pass the following **Special Resolution**:

9. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of its own Ordinary Shares of 1p each ("Ordinary Shares") in the capital of the Company provided that:
 - (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 14.9% of the present issued Ordinary Share capital of the Company;
 - (ii) the minimum price which may be paid for an Ordinary Share is 1p exclusive of all expenses;
 - (iii) the maximum price which may be paid for an Ordinary Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the Ordinary Shares are contracted to be purchased;
 - (iv) the Company may validly make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Ordinary Shares in pursuance of any such contract;

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

By order of the Board



Grant Whitehouse

Company Secretary

Registered Office:

10 Lower Grosvenor Place

London SW1W 0EN

25 July 2013

Note:

Information regarding the Annual General Meeting, including the information required by section 311A of the Act, is available from www.downing.co.uk.

NOTICE OF THE ANNUAL GENERAL MEETING OF DOWNING DISTRIBUTION VCT 1 PLC (continued)

Notes

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - by sending an e-mail to proxy@downing.co.uk.
- In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the Ordinary Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (excluding weekends and public holidays) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 10:30 a.m. on 10 September 2013 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 10 a.m. on 10 September 2013 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (g) As at 9:00 a.m. on 25 July 2013, the Company's issued share capital comprised 19,592,490 Ordinary Shares and the total number of voting rights in the Company was 19,592,490. The website referred to above will include information on the number of shares and voting rights.

NOTICE OF THE ANNUAL GENERAL MEETING OF DOWNING DISTRIBUTION VCT 1 PLC (continued)

Notes (continued)

- (h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights (“Nominated Person”):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (“Relevant Member”) to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.
- (l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman’s letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

DOWNING DISTRIBUTION VCT 1 PLC FORM OF PROXY

For use at the Annual General Meeting of the above named Company to be held on 12 September 2013 at 10 Lower Grosvenor Place, London SW1W 0EN at 11:30 a.m.

I/We* (in BLOCK CAPITALS please)

of
being the holder(s)* of Ordinary Shares of 1p each in the above-named Company, hereby appoint the Chairman of the meeting (see note 1)

or

of
as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 10 Lower Grosvenor Place, London SW1W 0EN on 12 September 2013 or at any adjournment thereof.

I/We* desire to vote on the resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast.

Details of the resolutions are set out in the Notice of the Annual General Meeting.

ORDINARY BUSINESS

	FOR	AGAINST	WITHHELD
1. To receive and adopt the Directors' Report and Accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the payment of a final dividend of 2.5p per share.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint the Auditor and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Christopher Powell as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Michael Cunningham as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Stuart Goldsmith as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-elect Roger Jeynes as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

9. To authorise the Company to make market purchases of its shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Signature(s)* Date.....2013

* Delete as appropriate

PLEASE RETURN TO DOWNING LLP IN THE PRE-PAID ENVELOPE PROVIDED



NOTES AND INSTRUCTIONS:

1. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointer. A member entitled to attend and vote at the Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.



10 Lower Grosvenor Place
London SW1W 0EN

Tel: 020 7416 7780

Email: vct@downing.co.uk

Web: www.downing.co.uk

Downing LLP is authorised and regulated by the Financial Conduct Authority