

Downing ONE VCT PLC

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Report & Accounts
for the year ended
31 March 2011

SHAREHOLDER INFORMATION

Share Prices

The Company's share price can be found on various financial websites. The share price is also available on Downing's website (www.downing.co.uk).

TIDM/EPIC code	"DDV1"
Latest share price (27 July 2011):	79.0p per share

Financial Calendar

13 September 2011	Annual General Meeting ("AGM")
30 September 2011	Final dividend
November 2011	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 (form 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

If you wish to sell your shares, either you or your adviser should contact Downing LLP 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 or purchased shares within the last five years.

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".

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COMPANY INFORMATION

Directors

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

Company number

3150868

Company 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
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

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

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

FINANCIAL HIGHLIGHTS

	2011 Pence	2010 Pence (restated)
Net asset value per share ("NAV")	92.0	105.8
Cumulative distributions paid since 1 April 2010 (see below)	<u>5.0</u>	<u>-</u>
Total return (net asset value plus cumulative distributions paid)	<u>97.0</u>	<u>105.8</u>
Movement in NAV in the year	<u>(8.8)</u>	
Dividends in respect of financial year		
1 st Interim dividend per share – paid 30 September 2010	2.5	
2 nd Interim dividend per share – paid 31 March 2011	<u>2.5</u>	
	<u>5.0</u>	

MERGER AND REORGANISATION DETAILS

The Company underwent a merger and share reorganisation on 1 April 2010, details of which are shown below.

The AIM Distribution Trust plc shareholders

Shareholders in The AIM Distribution Trust plc ("AIMVCT") were issued 0.3495 New Ordinary Shares in Downing Distribution VCT 1 plc ("DDV1") for every one original ordinary AIMVCT share ("Original Ordinary Share") held. Dividends of 57.5p per Original Ordinary Share were paid, since launch, prior to the merger, equivalent to 164.6p per New Ordinary Share in Downing Distribution VCT 1 plc.

Pennine AIM VCT 5 plc shareholders

Shareholders in Pennine AIM VCT 5 plc ("P5") were issued 0.3045 New Ordinary Shares in Downing Distribution VCT 1 plc for every one original ordinary P5 share ("P5 Share") held. Dividends of 31.0p per P5 Share were paid prior to the merger, equivalent to 101.8p per New Ordinary Share in Downing Distribution VCT 1 plc.

Pennine AIM VCT 6 plc shareholders

Shareholders in Pennine AIM VCT 6 plc ("P6") were issued 0.4056 New Ordinary Shares in Downing Distribution VCT 1 plc for every one original ordinary P6 share ("P6 Share") held. Dividends of 30.0p per P6 Share were paid prior to the merger, equivalent to 74.0p per New Ordinary Share in Downing Distribution VCT 1 plc.

PERFORMANCE SUMMARY FOR INVESTORS

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. They are expressed in terms of equivalence to one New Ordinary Share, using the conversion rates noted above.

Share issue	Issue price per New Ordinary Share or equivalent (pence)	Income tax relief available on investment (%)	Effective net cost of investment per New Ordinary Share (pence)	NAV at 31 Mar 2011 Per New Ordinary Share (pence)	Dividends received since issue per New Ordinary Share (pence)	Total return (pence)	% Gain/ (Loss)
AIMVCT – original issue	286.1	20%	228.9	92.0	169.6	261.6	+14.3%
AIMVCT – 2005 top up	210.4	40%	126.2	92.0	27.2	119.2	-5.6%
P5	328.4	40%	197.1	92.0	106.8	198.8	+0.9%
P6	246.5	40%	147.9	92.0	79.0	171.0	+15.6%
DDV1 – 2010 issue	104.8	30%	73.3	92.0	5.0	97.0	+32.2%

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 page 15.

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 VCT 1 plc and is also on the board of Downing Distribution VCT 2 plc. He is also non executive director of Hampden Underwriting 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. He has been a non-executive director of a number of companies.

Roger Jaynes has extensive experience of the technology and investment sectors. His early career included a number of senior technical, marketing and general management roles for IBM, EMC and Pyramid Technology in the UK, Italy and the USA. From 1997 to 2006 he was Chief Operating Officer of Interregnum plc, the AIM-listed technology merchant bank. He is currently chairman of Zoo Digital Group plc (AIM: ZOO.L), a director of Charborough Capital Limited, mxData Limited and Keycom plc, and Professor of Management Practice in the Ashcroft International Business School of Anglia Ruskin University.

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

CHAIRMAN'S STATEMENT

Introduction

I present the Company's first Annual Report covering the period since the merger with Pennine AIM VCT 5 ("P5") and Pennine AIM VCT 6 ("P6"). It has been a busy year in terms of investment activity, primarily as a result of Downing, the new manager, starting to implement the Company's revised investment policy.

Mergers and reorganisation

The Company completed the mergers with P5 and P6 in April 2010, issuing 17.3 million New Ordinary Shares as consideration. Immediately afterwards, the Original Ordinary Shares were converted into New Ordinary Shares at the rate of 0.3495 New Ordinary Shares for every Original Ordinary Share.

At the same time the Company changed its name from The AIM Distribution Trust plc to Downing Distribution VCT 1 plc, changed investment manager and adopted a new investment policy. The new investment policy reflects a move from holding a portfolio consisting of mainly quoted companies, to a portfolio consisting of income producing investments and growth investments. (Full details of the investment policy are shown on pages 15 and 16.)

Net Asset Value

The NAV per New Ordinary Share at 31 March 2011 stood at 92.0p, a decrease of 8.8p (or 8.3%) over the year, compared to the restated 31 March 2010 NAV of 105.8p and after adding back the 5.0p per share of dividends paid in the year.

This is a disappointing result, particularly in view of the reasonably strong performance by the AIM market over the second half of the year. The most significant factor has been a major write down of one unquoted investment which is detailed below.

Venture capital investments

As a result of the merger, the Company's investment portfolio expanded substantially, in terms of value and number of investments.

During the year a significant number of disposals were made as the new investment manager sought to rebalance the portfolio in line with the revised investment policy. Total proceeds from disposals were £3.1 million.

A total of £2.0 million was invested into new and follow-on investments. The four new investments are all in unquoted companies and are intended to produce a running yield.

In terms of the performance, there was mixed news from the portfolio over the year. A number of AIM-quoted investments, such as Plastics Capital plc, Animalcare Group plc, IDOX plc and IS Pharma plc, made strong gains. On the negative side, the Company suffered a substantial downwards revaluation of unquoted investment, Doubletake Studios Limited. Doubletake is facing challenging trading conditions and increased borrowings. Accordingly, a full provision has been made against the equity part of the Company's investment, amounting to £2.0 million. Earlier in the year, the Company also suffered from the collapse of AIM-quoted Connaught plc, which resulted in a realised loss of £247,000. Overall, the portfolio generated net unrealised losses of £1.6 million and net realised gains of £353,000 over the year.

At the year end, the portfolio comprised 48 investments which were valued at £18.8 million.

Full details of the Company's investment activities are set out within the Investment Manager's report and Review of Investments on pages 6 to 13.

Listed fixed income and other investments

The Company holds a small portfolio of non-qualifying investments. At the year end, this comprised one fixed income security which had a value of £357,000. The portfolio generated an unrealised gain of £40,000 and realised gains of £13,000 during the year.

Results

The total return on ordinary activities for the year to 31 March 2011 as shown in the Income Statement is a gain of £3.9 million, comprising £20,000 revenue loss, a £1.5 million capital loss and a £5.4 million capital gain in respect of the merger.

It should be noted that the £5.4 million capital gain is a one off gain which relates to the merger and has arisen as a quirk of the accounting treatment and the relatively low share price of the Company's shares at the time the merger completed.

CHAIRMAN'S STATEMENT (continued)

Dividends

In line with the policy set out at the time of the merger, the Company paid an interim dividend of 2.5p per share on 30 September 2010 to Shareholders on the register at 27 August 2010, and a further interim dividend of 2.5p on 31 March 2011 to Shareholders on the register at 25 February 2011.

A final dividend is being proposed of 2.5p per share to be paid, subject to Shareholder approval at the AGM, on 30 September 2011 to Shareholders on the register at 2 September 2011.

Comparative figures

The Company's previous Annual Report reported NAV, Total Return and Return per share in terms of Original Ordinary Shares. In order to provide a meaningful comparison, the comparative figures in this report have been restated, where applicable, to show them in terms of New Ordinary Shares.

Share buybacks

The Company has a policy of purchasing its own shares that become available in the market. The Board has currently set a price of a 15% discount to NAV for such purchases but continues to monitor the market in the Company's shares and may make adjustments to the policy as appropriate. Such purchases will be subject to VCT regulations, company law, liquidity considerations and the Listing Rules.

There was substantial demand for buybacks over the year with the Company purchasing 1,050,182 New Ordinary Shares for an aggregate consideration of 81.8p per share (approximately equal to a 15% discount to the most recently published NAV), and representing 5% of the issued Ordinary Share capital of the enlarged entity. These shares were subsequently cancelled.

Board change

As Shareholders will be aware from my statement with the Half-Yearly Report, Sir Aubrey Brocklebank resigned as a Director of the Company with effect from 29 November 2010 in order to take on the role of chairman with another VCT.

The Board reviewed the composition of the Board following Sir Aubrey's departure and have concluded a board of four non-executive directors (of which three are independent of the Manager) is adequate for a VCT of this size and have not sought to appoint a replacement.

Annual General Meeting

The next AGM of the Company will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11:00 a.m. on 13 September 2011. Notice of the meeting is at the end of this document.

Three items of special business are proposed: one ordinary and one special resolution in relation to the allotment of shares; and a special resolution to renew the authority to allow the Company to make market purchases of the Company's shares.

Outlook

The Company has undergone a lot of changes over the last year and, I believe, is now better positioned as a result. Having said that, it has been a challenge for the Manager to achieve a sufficient number of realisations to fund new investments and also the high demand for share buybacks that has been experienced.

Although the AIM market has risen strongly over the last year, the general economy remains fragile and a sustained recovery may be some way off. The larger proportion of unquoted, income-producing investments which the Company now holds should mean it is somewhat less vulnerable to market volatility and may have a better chance of making headway even in challenging conditions.

The Company continues to be effectively fully invested and much of its investment portfolio is reasonably illiquid. The Board is giving consideration to ways in which the Company can improve its liquidity, possibly by undertaking a new fundraising in due course.

At the time of the merger, the Company indicated that it hoped to be able to offer Shareholders an "enhanced share buyback" scheme whereby they could sell their shares and reinvest the proceeds in a new issue of shares, allowing them to obtain a further 30% income tax relief in the process. After initially encountering some difficulties, progress has recently been made to this end and we now expect to be able to offer this to Shareholders in the coming months. Further information will be sent to Shareholders in due course.



Christopher Powell
Chairman

28 July 2011

INVESTMENT MANAGER'S REPORT

We present this report having completed our first year as Investment Manager.

Following the Company's merger with Pennine AIM 5 VCT plc and Pennine AIM 6 VCT plc in April 2010, the combined portfolio of quoted investments had become more concentrated. Consistent with the Company's revised investment policy, we have replaced a number of smaller and less dynamic investments with larger holdings in a more focused portfolio of both quoted and unquoted investments.

The general economic conditions of the UK and Europe remained strained throughout the period. Base rates have been held low whilst inflation has increased and investors' risk appetite has returned. In the year to March 2011, the FTSE 100 increased 4.6% to over 6,000 points, but has since declined. There remains considerable uncertainty in global markets as evidenced by record prices in safe haven assets such as gold and in the appreciation of the Swiss Franc.

The FTSE AIM All-Share Index increased 28.2% to over 900 points in the year to March 2011. Despite this, the Index remains 27% below its July 2007 high. The recovery is largely driven by mineral and exploration stocks which constitute over 30% of the Index and in which the Company does not invest.

The current investment portfolio is valued at £19.1 million and is split broadly equally between quoted and unquoted investments.

Quoted investments

Additions

During the year the Company invested £750,000 in quoted investments.

In November 2010, the Company invested a further £250,000 alongside £650,000 from other Downing Funds, in Accumuli plc (previously NetServices Plc), a provider of IT security software and services, at 7.0p per share. The share price has increased from 7.1p to 9.0p in the year, and at the year end the overall investment was valued at £417,000. Downing related investment funds now hold, in aggregate, over 10% of the share capital in Accumuli plc, which provides additional influence and leverage for the Company.

The Company has also increased its investment in Ludorum plc by £194,000. Combined with the additional holding acquired on the Scheme of Acquisition, the Company's investment in Ludorum is now valued at £2.2 million. At 10.9% of the portfolio this is the single largest quoted holding, although the investment is structured between loan notes and equity. This provides some downside protection through security over the intellectual property of the children's TV title "Chuggington".

Disposals

In the period the Company sold out in full from seven quoted investments, reducing their number to 24. This included the exit from Telephonetics plc for £348,000, which was taken over by Netcall plc, with the consideration comprising shares in Netcall plc and cash, realising a £37,000 gain. Similarly the Company exited Neutrahealth plc as part of a takeover offer, for cash, resulting in a £53,000 realised gain.

The Company also sold its holding in Spice plc, realising a gain of £142,000.

Changes in value in period

Overall, the quoted portfolio benefited from a £553,000 valuation increase driven by a combination of share price fluctuations.

The value of the investment in Plastic Capital plc increased by £441,000, the value of the IDOX plc investment increased by £202,000 and the value of the Animalcare Group plc investment increased by £221,000. Some proceeds were taken on each of these investments during the year.

INVESTMENT MANAGER'S REPORT (continued)

In the meantime, the fall in share price of Zamano plc and of Servoca plc have resulted in a combined valuation reduction of £581,000, whilst Shieldtech plc has gone into liquidation resulting in a further £120,000 realised loss in the year. As previously reported at the half year, Connaught plc has gone into liquidation. The failure of Connaught has created a £247,000 realised loss in the period but the overall net gain from this investment over its entire life in the fund has been £1.5 million.

A number of ex-Connaught contracts have been acquired by Mears plc, also an investee company (valued at £185,000 at year end). In May 2011, Mears posted strong results which give us confidence in the longevity of the business.

Unquoted investments

Additions

£1.2 million was invested across four new unquoted investments. £415,000 was invested in Leytonstone Pubs Limited which owns and operates public houses in east London. The operator is experienced and already has a significant number of units across south London. £333,000 was invested in Tramps Nightclub Limited in Worcester, £300,000 was invested in Aminghurst Limited, a Devon based property developer, and £175,000 was invested in Future Biogas (SF) Limited. Future Biogas generates renewable electricity and sells it back to the National Grid taking advantage of Government Feed-in Tariffs.

Disposals

The loan note in Real Time Logistic Solutions Limited was redeemed at par for £450,000 resulting in a realised gain of £270,000 against its merger acquisition value. The Company retains its equity holding in the company, although this is valued at nil.

Changes in value in period

Doubletake Studios Limited and The Thames Club Limited were both previously reported at the half year as requiring significant impairments against their carrying values.

Doubletake Studios Limited suffered a disappointing year in 2010, and increased borrowing levels. The company is still facing challenging conditions and high levels of indebtedness; therefore, we have taken the decision to write down the investment further. This has resulted in an overall write down on this investment of nearly £2 million in the year.

The £175,000 impairment, taken at the half year point, against The Thames Club is unlikely to be reversed until trading improves significantly.

A full schedule of additions and disposals across both investment pools is disclosed on page 9.

Developments since the year end

Since the year end, as part of the revised investment policy, the Company continues to make strategic changes to the investment portfolio. It has made a £100,000 investment in AIM-listed Tracsis plc which specialises in optimisation software for the rail industry. Again, Downing related investment funds account for over 8% of the shareholdings in Tracsis plc. This provides additional influence to the Company's investment, and is consistent with the strategy to take more meaningful and influential stakes in a select number of companies.

Outlook

Whilst the economic conditions in the UK are expected to see a modest improvement in 2011, the after effects of the "credit crunch" will continue to be felt for some time. The historic low UK interest rate, at 0.5% since March 2009, has done little to improve lending to small businesses despite political pressure on banks to do more. Even those with sufficient equity continue to be charged high margins. These factors will continue to provide investment opportunities for the unquoted portfolio as small businesses struggle to access finance.

The refocusing of the quoted portfolio will continue into next year to ensure the portfolio is resilient in the current macro-economic climate but also poised to take advantage of future growth.

Downing LLP

28 July 2011

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 March 2011:

	Cost £'000	Valuation £'000	Valuation	% of portfolio by value	Investments by other funds ¹			
			movement in year £'000		DD2	DAI1	DAI2	DSO
Top ten venture capital investments (by value)								
Cadbury House Holdings Limited *	2,518	2,546	-	13.2%	●			
Ludorum plc	2,161	2,213	(62)	11.4%	●			
Hoole Hall Country Club Holdings Limited *	2,100	2,100	-	10.9%	●			
Hoole Hall Spa and Leisure Limited *	1,020	1,020	-	5.3%	●			
Animalcare Group plc	757	978	221	5.1%				
First Care Limited *	879	879	-	4.5%				
Plastics Capital plc	224	666	441	3.4%				
Tristel plc	631	639	(6)	3.3%	●			
IS Pharma plc	392	587	196	3.0%	●			
IDOX plc	372	574	202	3.0%				
	11,054	12,202	992	63.1%				
Other venture capital investments								
Craneware plc	371	508	137	2.6%				
Doubletake Studios Limited *	2,204	475	(1,978)	2.5%				
ANS Group plc **	201	463	(52)	2.4%				
Keycom plc **	815	418	(70)	2.2%	●			
Accumuli plc	337	417	79	2.2%	●		●	
Leytonstone Pubs Limited *	415	415	-	2.2%	●	●		
Boomerang Plus plc	490	338	(152)	1.8%				
Tramps Nightclub Limited *	333	333	-	1.7%	●		●	
Aminghurst Limited *	300	300	-	1.6%	●			
Deltex Medical Group plc	233	247	140	1.3%				
Brulines (Holdings) plc	333	245	(88)	1.3%				
Netcall plc	141	230	89	1.2%				
Mears Group plc ***	204	185	(23)	1.0%	●			
Servoca plc	477	183	(293)	1.0%				
Richoux Group plc	307	183	92	1.0%				
Future Biogas (SF) Limited *	175	175	-	0.9%	●			●
Atlantic Global plc	310	174	(37)	0.9%				
West Tower Holdings Limited *	167	167	-	0.8%				
Hasgrove plc	147	138	(9)	0.7%				
Brasserie Bar Co Limited *	125	125	-	0.6%				
Autoclenz Holdings plc	136	110	(26)	0.5%				
Travelzest plc	96	103	7	0.5%				
@UK plc	7	99	92	0.5%	●			
Universe Group plc	152	91	(61)	0.4%				
Zamano plc	374	86	(288)	0.4%				
DODs Group plc (formerly Huveaux plc)	283	82	(20)	0.4%				
Belgravium Technologies plc	43	61	18	0.3%	●			
Straight plc	72	57	2	0.3%	●			
Business Control Solutions plc *	52	52	-	0.3%				
Financial News Publishing Limited *	50	50	-	0.2%	●			
Aortech International plc	569	39	11	0.2%				
The Kellan Group plc	34	25	(10)	0.1%				
Media Square plc	119	3	(4)	-	●			
Camaxys plc *	223	-	-	-				
Chariot (UK) Limited *	125	-	-	-	●			
Sport Media Group plc	14	-	(14)	-				
The Thames Club Limited *	175	-	(175)	-	●			
Top Ten Holdings plc	399	-	-	-				
	11,008	6,577	(2,633)	34.0%				
Bonds								
Ulster Bank (IRE) 11.75% Subord	558	357	40	1.9%				
	22,620	19,136	(1,601)	99.0%				
Cash at bank and in hand								
		199		1.0%				
Total investments		19,335		100.0%				

All venture capital investments are listed on AIM unless otherwise stated

* Unlisted

** Quoted on the PLUS market

*** Quoted on London Stock Exchange full list

¹ Investments made by other funds also managed by Downing Corporate Finance Limited as at 31 March 2011.

DD2 Downing Distribution VCT 2 plc DSO Downing Structured Opportunities plc

DAI1 Downing Absolute Income VCT 1 plc DAI2 Downing Absolute Income VCT 2 plc

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 31 March 2011

Acquired through Mergers

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

Additions

		£'000
Aminghurst Limited	New investment	300
Future Biogas (SF) Limited	New investment	175
Leytonstone Pubs Limited	New investment	415
Tramps Nightclub Limited	New investment	333
Accumuli plc	Follow-on investment	250
Ludorum plc	Follow-on investment	194
Tristel plc	Follow-on investment	165
Netcall plc	Consideration from Telephonetics plc takeover **	140
Sundry investments		<u>1</u>
		<u>1,973</u>

Disposals


	Cost £'000	MV at 01/04/10* £'000	Proceeds £'000	Profit/ (loss) vs cost £'000	Realised gain/(loss) in year £'000
1 st Dental Laboratories plc	200	17	18	(182)	1
Animalcare Group plc	157	157	198	41	41
Belgravium Technologies plc	4	4	6	2	2
Connaught plc	3	24	32	29	8
Craneware plc	347	347	436	89	89
IDOX plc	115	115	112	(3)	(3)
Plastics Capital plc	14	14	42	28	28
Printing.com plc	178	233	252	74	19
Quadnetics Group plc	34	20	23	(11)	3
Real Time Logistic Solutions Ltd	180	180	450	270	270
Spice plc	273	124	266	(7)	142
The Kellan Group plc	75	75	42	(33)	(33)
The Mission Marketing Group plc	129	129	87	(42)	(42)
Takeovers					
Glisten plc	84	49	50	(34)	1
Neutrahealth plc	240	146	199	(41)	53
Telephonetics plc **	311	311	348	37	37
Liquidations/administrations					
Clerkenwell Ventures plc	18	-	104	86	104
Coffee Republic plc	713	-	-	(713)	-
Connaught plc	25	247	-	(25)	(247)
Sheildtech plc	120	120	-	(120)	(120)
	<u>3,220</u>	<u>2,312</u>	<u>2,665</u>	<u>(555)</u>	<u>353</u>
Other investments					
Bluecrest Allblue Fund LD	145	227	229	84	2
Goldman Sachs Dynamic Opp. LD	207	186	197	(10)	11
	<u>352</u>	<u>413</u>	<u>426</u>	<u>74</u>	<u>13</u>
Total disposals	<u>3,572</u>	<u>2,725</u>	<u>3,091</u>	<u>(481)</u>	<u>366</u>


* Adjusted for purchases in the year


** The consideration for Telephonetics plc was settled by cash and shares in Netcall plc.

REVIEW OF INVESTMENTS (continued)

Further details of the top ten investments at 31 March 2011 are as follows:

 DOUBLE TREE by Hilton BRISTOL SOUTH • CADBURY HOUSE www.cadburyhotelbristol.com	Cadbury House Holdings Ltd	Cost:	£2,518,000	Valuation at 31/03/11:	£2,546,000
	Investment comprises:			Valuation at 31/03/10:	£346,000
	Equity shares:		£750,000	Valuation method:	Industry valuation benchmark
	Convertible loan note:		£1,558,000		
	A Loan:		£210,000		
	Audited accounts:	31/03/10	31/03/09	Dividend income:	£Nil
	Turnover:	£6.2m	£6.5m	Loan note interest:	£Nil
	Profit/(loss) before tax:	£0.2m	(£0.3m)	Proportion of capital held:	14.0%
	Net assets:	£7.1m	£8.9m	Diluted equity:	31.0%
		<p>Cadbury House has expanded its Bristol-based hotel and rebranded as a DoubleTree by Hilton. The restaurant has also been rebranded and trades as a Marco Pierre White Steakhouse Bar and Grill. On the same site is an award winning health club and spa. The 2013 loan note has a zero rate coupon and is convertible at any time into ordinary shares at the rate of one ordinary share for each £1 of loan note held.</p>			

 ludorum www.ludorumplc.com	Ludorum plc	Cost:	£2,161,000	Valuation at 31/03/11:	£2,213,000	
	Investment comprises:			Valuation at 31/03/10:	£354,000	
	Equity shares:		£1,386,000	Valuation method:	Bid price	
	9% Loan notes:		£775,000			
	Audited accounts:	31/12/10	31/12/09	Dividend income:	£Nil	
	Turnover:	£3.9m	£2.1m	Loan note interest:	£70,000	
	Loss before tax:	(£1.4m)	(£1.7m)	Proportion of capital held:	4.1%	
	Net liabilities:	(£2.4m)	(£2.4m)	Diluted equity:	4.1%	
		<p>Ludorum is a group that aims to purchase and manage the rights for children's entertainment properties through the media sector. The company owns Chuggington, a children's television series about animated trains aimed at under five year olds. This is Ludorum's primary focus however, it is also the global distributor to the iconic D C Thomson & Co. Ltd property Marvo the Wonder Chicken and Dennis & Gnasher. Chuggington has now been licensed for broadcast to over 175 countries and has over 210 consumer products and home entertainment license agreements. In 2010, Ludorum launched its first die-cast toy range at retail outlets in the UK and in several major international markets, followed by an interactive toy range and wooden train-set range.</p>				

 the club at hoole hall www.hoolehall.com	Hoole Hall Country Club Holdings Limited	Cost:	£2,100,000	Valuation at 31/03/11:	£2,100,000	
	Investment comprises:			Valuation at 31/03/10:	Not held	
	Equity shares:		£735,000	Valuation method:	Industry valuation benchmark	
	Convertible loan note:		£1,365,000			
	Audited accounts:	31/03/10	31/12/08	Dividend income:	£Nil	
	Turnover:	£2.9m	£1.3m	Loan note interest:	£Nil	
	Loss before tax:	(£4.5m)	(£2.7m)	Proportion of capital held:	17.0%	
	Net liabilities:	(£4.7m)	(£0.3m)	Diluted equity:	42.9%	
		<p>Hoole Hall Country Club is set on a 10 acre site on the edge of Hoole, near 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. The loan note is convertible into 'A' ordinary shares at the rate of one share per £1 loan note held either on sale, flotation or after a period of five years.</p>				

REVIEW OF INVESTMENTS (continued)

Hoole Hall Spa & Leisure Limited



www.hoolehall.com

Cost:	£1,020,000	Valuation at 31/03/11:	£1,020,000
Investment comprises:		Valuation at 31/03/10:	£120,000
Equity shares:	£224,000	Valuation method:	Industry valuation benchmark
Convertible loan note:	£796,000		

Abbreviated audited accounts:	31/03/10	30/11/08	Dividend income:	£Nil
Turnover:	Unpublished information		Loan note interest:	£Nil
Profit before tax:	Unpublished information		Proportion of capital held:	7.2%
Net assets:	£0.6m	£2.3m	Diluted equity:	28.1%

Hoole Hall Spa and Leisure Club is a health club and spa adjacent to Hoole Hall Country Club. The company is trading well with over 2,000 members. The loan note is convertible into 'A' ordinary shares at the rate of one share per £1 loan note held either on sale, flotation or after a period of five years.

Animalcare Group plc

Animalcare Group plc

www.animalcargroup.co.uk

Cost:	£757,000	Valuation at 31/03/11:	£978,000
Investment comprises:		Valuation at 31/03/10:	Not held
Equity shares:	£757,000	Valuation method:	Bid price

Audited accounts:	30/06/10	30/06/09	Dividend income:	£23,000
Turnover:	£20m	£18m		
(Loss)/profit before tax:	(£0.6m)	£1.5m	Proportion of capital held:	3.1%
Net assets:	£14m	£15m	Diluted equity:	3.1%

Animalcare supplies pharmaceutical and other premium products and services to the veterinary industry. During 2010 the livestock divisions of Ritchey, Fearing and Travik were sold. Animalcare is now focused entirely on the supply of products to veterinary professionals principally for use in companion animal markets in the UK and through distribution partners in the major markets of Europe.

First Care Limited

FIRSTCARE®

www.firstcare.eu

Cost:	£879,000	Valuation at 31/03/11:	£879,000
Investment comprises:		Valuation at 31/03/10:	Not held
Equity shares:	£604,000	Valuation method:	Price of recent investment
Loan note:	£275,000		

Audited accounts:	31/12/10	31/12/09	Dividend income:	£Nil
Turnover:	£5.1m	£0.8m	Loan note income:	£Nil
Profit/(loss) before tax:	£0.2m	(£1.0m)	Proportion of capital held:	8.8%
Net assets/(liabilities):	£0.9m	(£0.3m)	Diluted equity:	8.8%

First Care provides outsourced 'absence management' solutions to major employers in both the private and public sectors, covering over 120,000 employees from clients ranging from Coca Cola and British Gas to Serco and the NHS. 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. 2010 is the first full year since merging with a competitor, Active Health Partners.

Plastics Capital plc



www.plasticscapital.com

Cost:	£224,000	Valuation at 31/03/11:	£666,000
Investment comprises:		Valuation at 31/03/10:	Not held
Equity shares:	£224,000	Valuation method:	Bid price

Audited accounts:	31/03/11	31/03/10	Dividend income:	£Nil
Turnover:	£33m	£27m		
Profit/loss before tax:	£3.6m	£1.8m	Proportion of capital held:	2.9%
Net assets:	£18m	£15m	Diluted equity:	2.9%

Plastics Capital is a specialist plastics products manufacturer focused on proprietary products for niche markets. These include a wide variety of products including the use in specialist food packaging, through to specialised plastic mandrels used in hydraulic and industrial hoses. The group has four factories in the UK, one in Thailand and sales offices in the USA, Japan, India and China. Approximately 62 per cent of sales are exported to over 80 countries worldwide.

REVIEW OF INVESTMENTS (continued)

Tristel plc



Cost:	£631,000	Valuation at 31/03/11:	£639,000	
Investment comprises:		Valuation at 31/03/10:	£94,000	
Equity shares:	£631,000	Valuation method:	Bid price	
Audited accounts:	30/06/10	30/06/09	Dividend income:	£21,000
Turnover:	£8.8m	£6.8m		
Profit before tax:	£1.7m	£1.3m	Proportion of capital held:	2.9%
Net assets:	£8.5m	£4.8m	Diluted equity:	2.9%

www.tristel.com

Tristel focuses on infection control products for acute NHS and private sector hospitals, as well as primary care trusts, community hospitals and private practices. Tristel also provides products for legionella control in water systems and contamination control in the food growing, food processing and pharmaceutical industries. The expansion of the Tristel product range into overseas markets is a key driver of organic growth and as part of this expansion Tristel has received regulatory approval for the use of its Wipes System in the German public hospital sector, ENT Societies in the UK and Italy, Australia's Therapeutic Goods Association and from Hong Kong's Disinfectant & Sterilant Assessment Committee (DSAC).

IS Pharma plc



Cost:	£392,000	Valuation at 31/03/11:	£578,000	
Investment comprises:		Valuation at 31/03/10:	Not held	
Equity shares:	£392,000	Valuation method:	Bid price	
Audited accounts:	31/03/10	31/03/09	Dividend income:	£Nil
Turnover:	£14m	£12m		
Profit before tax:	£2.6m	£2.0m	Proportion of capital held:	1.4%
Net assets:	£30m	£28m	Diluted equity:	1.4%

www.ispharma.plc.uk

IS Pharma is an international speciality pharmaceutical company which develops, acquires and commercialises late-stage pharmaceuticals and medical devices, focusing on critical care, oncology and neurology. Based in the UK, IS Pharma commercialises its portfolio in the UK directly and internationally through a network of distributors. In April 2011, IS Pharma merged with Sinclair Pharma the international specialty pharmaceutical company focused on oncology care support, dermatology, oral health and wound care. It has a number of direct operations, most notably in France, and now the UK, and also a number of distribution partners in the emerging markets.

Idox plc



Cost:	£372,000	Valuation at 31/03/11:	£574,000	
Investment comprises:		Valuation at 31/03/10:	Not held	
Equity shares:	£372,000	Valuation method:	Bid price	
Audited accounts:	31/10/00	31/10/09	Dividend income:	£9,000
Turnover:	£31m	£32m		
Profit before tax:	£4.9m	£4.5m	Proportion of capital held:	0.9%
Net assets:	£31m	£28m	Diluted equity:	0.9%

www.idoxgroup.com

Idox is a supplier of software solutions and services to the UK public sector and increasingly to the wider corporate sector. The group is made up of three main segments, Information Solutions, Software and Managed Services and Recruitment Services. Acquisitions in the financial year ending October 2010 of Grantfinder, Strand Electoral Management Services and the Local Authority Modernisation Programme (LAMP) long-term managed services contracts have broadened the product range and managed service business. The £1.0m cash acquisition of McLaren Software in December 2010 has increased document management presence serving many leading international companies in industries such as oil & gas, mining, utilities, pharmaceuticals and transportation. In February 2011, LalPac Ltd was acquired for £2.6m and provides licensing management software and services, supplying 131 local authorities covering the full range of licensing.

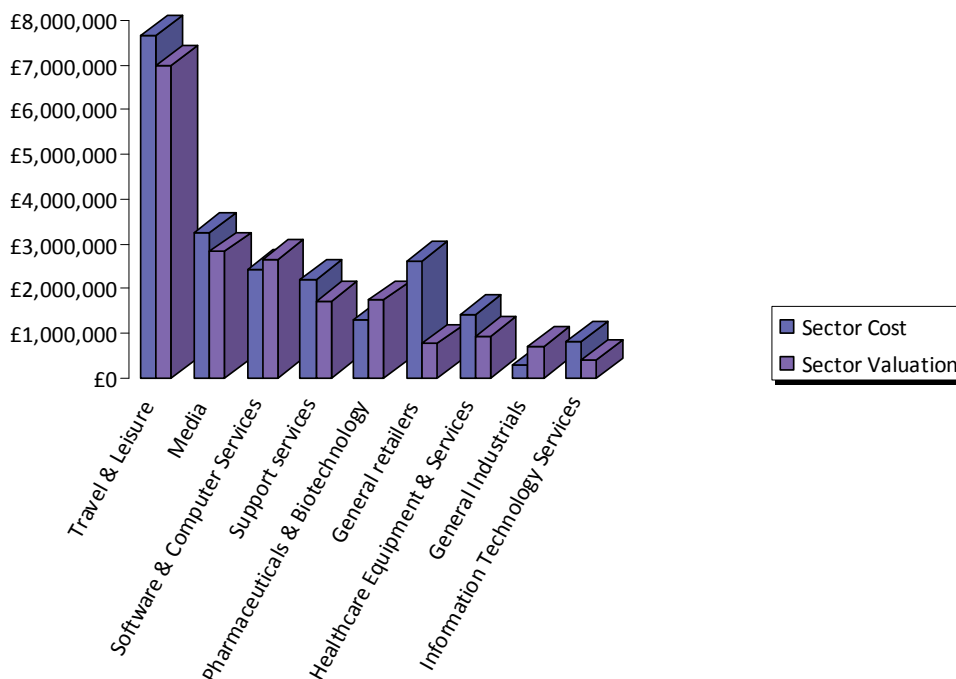
REVIEW OF INVESTMENTS (continued)

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.

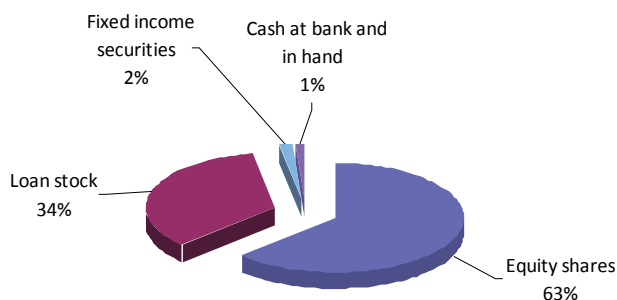
Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 March 2011) 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 2011):



Portfolio balance

At 31 March 2011, the Company assets employed were broadly in line with the targets within the investment policy. These are summarised as follows:

Type of Investment (by value, according to HMRC rules)	Actual	Target
VCT qualifying investments	96.7%	Minimum 70%
VCT non-qualifying investments	3.3%	Maximum 30%
Cash at bank and in hand	-	-
Total	100.0%	100%

Type of investment (by value)	Actual	Target
Growth	52.2%	40% - 60%
Income producing	42.7%	40% - 60%
Non qualifying	4.1%	20% - 30%
Cash at bank	1.0%	-
Total	100.0%	

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2011.

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 and have continued to meet the standards set out by the Revenue.

The Company revoked its status as an investment company in 2000. The Directors consider that the Company has conducted its affairs in a manner to enable it to continue to comply with Part 6 of the Income Tax Act 2007.

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

Business review and developments

The Company expanded significantly following the completion of the Schemes of Arrangement with P5 and P6 on 1 April 2010. The net gain on acquisition of net assets (negative goodwill) arising on the completion of this transaction was £5.4 million, with 17,270,986 Ordinary Shares of 1p each being issued to holders of P5 and P6 in consideration. Full details are shown within note 17.

At the year end, the investment portfolio had fallen in value by £1.6 million. Gains arising on portfolio realisations totalled £366,000.

Additionally, the total running costs of the Company exceeded revenue income arising from the portfolio investments by £303,000. This takes into account the reduction in the Manager's fee by £3,000 as a result of the operation of the 3.0% cap on annual expenses (2010: 5% cap). The total expense ratio at the year end, compared to net assets before taking account of the expense cap, was 3.2% (2010: 5.3%), and thereafter was 3.2% (2010: 5.2%).

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 4 to 13.

Share capital

On 31 March 2010, the Company had 13,140,436 Ordinary Shares of 25p each in issue.

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

The resulting shareholding of 62,549,585 Ordinary Shares of 25p each was, on the same day, converted to 21,864,230 Ordinary Shares of 1p each and 1,541,875,401 deferred shares, with the deferred shares being cancelled immediately. Full details of the transactions are shown within note 12.

The Company also issued 9,538 Ordinary Shares of 1p each under the terms of the merger prospectus between 1 April 2010 and 4 August 2010. The shares were issued at an average price of 104.8p each, the share price being linked to the most recently published NAV, with proceeds received thereon of £10,000.

In accordance with the authority granted by special resolutions at the Company's AGMs, during the year, the Company repurchased 1,050,182 Ordinary Shares of 1p each for an aggregate consideration of 81.8p per share (approximately equal to a 15% discount to the most recently published NAV), and representing 5% of the issued Ordinary Share capital of the enlarged entity. These shares were subsequently cancelled.

During the year, the Company had only one class of shares in issue, being Ordinary Shares of 1p each. At the year end, the Company had 20,823,586 Ordinary Shares of 1p each in issue (2010: 4,593,244 Ordinary Shares of 1p each in issue (as restated)). 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 2011	<u>3,865</u>	<u>18.0p</u>
Interim dividends:		
Paid on 30 September 2010	540	2.5p
Paid on 31 March 2011	<u>525</u>	<u>2.5p</u>
	<u>1,065</u>	<u>5.0p</u>

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 2011 to Shareholders on the register at 2 September 2011.

REPORT OF THE DIRECTORS (continued)

Performance incentive fee

With effect from 1 April 2010, the Company has the following performance incentive fee arrangement with Downing Corporate Finance Limited (“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 targets have not been met, no fees are due in respect of the year ended 31 March 2011.

Investment policy

Quantitative analyses of the investment policy are shown in the Review of Investments on pages 8 to 13 and in the VCT compliance section of this report on page 17.

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 VCT non-qualifying investments. New funds raised under the Offer for Subscription will initially be held in VCT 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 PLUS 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.

VCT 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.

VCT 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 investing 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 VCT non-qualifying portfolio will vary depending upon opportunities that arise, with any one asset class having a maximum exposure of 100% of the VCT non-qualifying portfolio.

REPORT OF THE DIRECTORS (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).

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 2011, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £20 million. There are no plans to utilise this ability at the current time.

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. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" ("eligible shares" generally being ordinary share capital);
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;
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; and
7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).

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 ITA.

Environmental and social policy

As a VCT with all of its executive and administrative activities delegated to third parties, the Company does not have a policy on either environmental or social and community issues.

Investment 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, having been in place for only a year, and with their strategy, approach and procedures in providing investment management services to the Company. The Directors have therefore concluded that the continuing appointment of Downing, as Investment Manager, remains in the best interest of Shareholders.

In addition Downing also provides administration services to the Company for an initial fee of £70,000 per annum. This is subject to an increase by the positive movement (if any) of RPI, in comparison to the previous year end.

REPORT OF THE DIRECTORS (continued)

Investment manager (continued)

In June 2011, Downing Corporate Finance Limited transferred its business to a limited liability partnership, Downing LLP. The Company's Investment Management and Administration Agreement with Downing Corporate Finance Limited was novated to Downing LLP. The terms of the agreement, services provided by Downing LLP and the provision of a running costs cap are identical to those provided under the original agreement.

Annual running costs cap

From 1 April 2010, the Annual Running Costs of the Company are capped at 3.0% of its NAV (calculated on a semi-annual basis) for a period of two years and six months following completion of the Scheme. Thereafter, such costs will be capped at 3.5% (including irrecoverable VAT), of its NAV. Any excess running costs above the cap will be paid 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 fund 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 issued Ordinary Shares of the Company at 1 April 2010, 31 March 2011 and the date of this report were as follows:

	Ordinary Shares of 1p each	
	31 March 2011	1 April 2010
Christopher Powell	4,157	4,157
Sir Aubrey Brocklebank	-	7,332
Michael Cunningham	9,417	-
Stuart Goldsmith	11,168	11,168
Roger Jaynes	36,268	36,268

Michael Cunningham was appointed to the Board on 21 April 2010 and Sir Aubrey Brocklebank resigned from the Board on 29 November 2010.

Christopher Powell, Stuart Goldsmith and Roger Jaynes are to retire at the forthcoming AGM, as they have held positions on the Board for more than nine years, and being eligible are offering themselves for re-election. The remainder of the Board feels that they have made valuable contributions during the term of their appointment and remain committed to their roles. They have considerable experience in VCTs and in other areas, as shown in their biographies on page 3, and the Board therefore recommends that Shareholders support the resolutions to re-elect them 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 all existing Directors 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 PricewaterhouseCoopers LLP ("PwC") to advise it on compliance with VCT requirements, including evaluation of investment opportunities as appropriate and regular reviews of the portfolio. Although PwC works closely with the Investment Manager, they report directly to the Board.

REPORT OF THE DIRECTORS (continued)

VCT compliance (continued)

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 2011 and the period then ended is summarised as follows:

1. 70% of its investments in qualifying companies (Company as a whole)	96.7%
2. At least 30% of the Company's qualifying investments in "eligible shares"	80.9%
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 2011 is derived wholly or mainly from shares and securities	96.9%
6. For the year ended 31 March 2011, no more than 15% of the income from shares and securities is retained (after taking into account paid and proposed Revenue Dividends in respect of the year under review)	Revenue loss thereby complied
7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year)	Complied

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 (2010: Nil).

Key performance indicators

The main key performance indicators for the Company are the Venture Capital Trust Regulations as shown in the table on page 16. The Manager, together with PwC, reviews compliance with the regulations monthly, and the Board reviews the position at the quarterly Board meetings.

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its investment policy (as shown on pages 15 and 16). 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 (see page 2).

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, market price, credit and liquidity risks, are summarised within note 18 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 2011, and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 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 11:00 a.m. on 13 September 2011. 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 Annual Report, the Directors' Remuneration Report, the Corporate Governance Statement, and the financial statements in accordance with applicable law and regulations.

REPORT OF THE DIRECTORS (continued)

Statement of Directors' responsibilities (continued)

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 or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 accounting records that are sufficient to show and explain the Company's transactions and 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 requirements of 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.

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 Directors' Report 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 Combined Code on Corporate Governance June 2008 (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

28 July 2011

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 420 of the Companies Act 2006. A resolution to approve this report will be put to the members at the AGM to be held on 13 September 2011.

Directors' remuneration policy

Directors' remuneration is calculated 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:

	2011 fee £	2010 fee £
Christopher Powell	15,000	12,000
Aubrey Brocklebank	8,000	15,000
Michael Cunningham	10,000	-
Stuart Goldsmith	12,000	12,000
Roger Jeynes	12,000	12,000
	<u>57,000</u>	<u>51,000</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.

2011/2012 remuneration

The remuneration levels for the forthcoming year, following completion of the mergers, are expected to be 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

The chart shown below represents the Company's performance, for Shareholders who invested in the Company (when it was known as The AIM Distribution Trust plc) from its launch in 1995/96. It compares the Net Asset Value ("NAV") Total Return of the Company (NAV plus cumulative dividends paid to date) and the Company's Share Price Total Return (share price plus cumulative dividends paid to date) against the FTSE AIM All Share Index Total Return ("AIM Index") (all series have been rebased in terms of New Ordinary Shares).

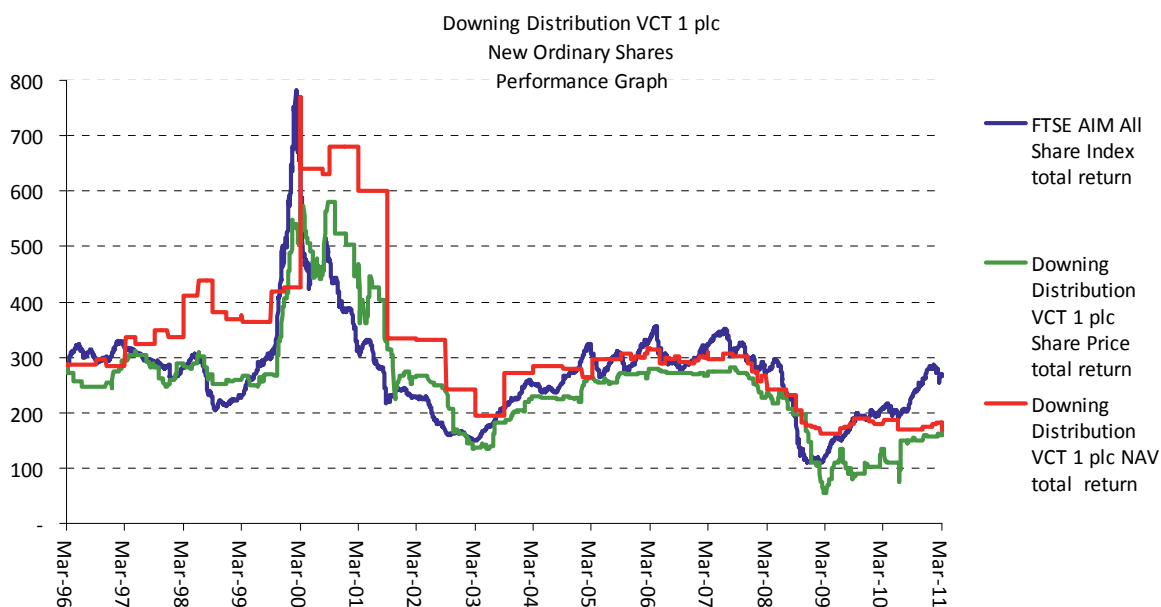
Although it is not a benchmark against which to assess the Company's performance, the FTSE AIM All Share Index has been chosen as it is the most appropriate of the publicly available indices.

By order of the Board

G. Whitehouse

Grant Whitehouse
 10 Lower Grosvenor Place
 London SW1W 0EN

28 July 2011



CORPORATE GOVERNANCE STATEMENT

The Directors support the relevant principles of the Combined 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.

Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter. One Director retired by rotation during the year. Michael Cunningham was re-elected at the 2010 AGM, being the first AGM since his appointment. Christopher Powell, Stuart Goldsmith and Roger Jeynes are all retiring at the forthcoming AGM as a result of being a Director of the Company for more than nine years, and are all offering themselves for re-election.

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 Manager; making decisions concerning the acquisition or disposal of investments; and reviewing, yearly, the terms of engagement of all third party advisers (including the investment manager and administration 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 Board will also seek authority at the forthcoming AGM to issue new shares of up to 10% of the current issued share capital.

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

Committees to the Board

As the Company has a small Board of non-executive Directors, all Directors sit on the Nomination Committee and Remuneration Committee and all, with the exception of Michael Cunningham, sit on the Audit Committee. The Chairman of each Committee was, until 4 November 2010, Sir Aubrey Brocklebank. Stuart Goldsmith was appointed as Chairman in replacement. 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
Sir Aubrey Brocklebank	3	2
Michael Cunningham	4	N/A
Stuart Goldsmith	4	2
Roger Jeynes	4	2

Although the Nomination and Remuneration Committees did not meet specifically during the year, relevant matters were discussed as part of the normal course of the Board meetings.

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 a full review of the effectiveness of the Company's internal control and risk management systems.

CORPORATE GOVERNANCE STATEMENT (continued)

Audit Committee (continued)

Any non-audit services provided by the Auditors (e.g. additional services in respect of work in relation to Schemes of Arrangement) are reviewed and approved by the Committee prior to being undertaken (such services being undertaken by a separate department to the Auditors), to ensure that Auditor objectivity and independence is safeguarded. In addition, annual reports are received from the Auditor confirming their independent status.

The Committee is satisfied with the performance of the Auditor and have seen no cause to request they step down. They therefore recommend to Shareholders that they be re-appointed as Auditor for the forthcoming year.

The Committee reviewed the internal financial controls of the Company, and recommended that, although still appropriate to the Company, they be updated. They also considered the need for an internal audit function and concluded that due to the size of the Company this would not be an appropriate function.

The Committee discharges 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.

As the Company has had no staff, other than Directors, there are no procedures in place in respect of C3.4 of the Combined Code, relating to whistle blowing. The Audit Committee understands the Manager has whistle blowing procedures in place.

Remuneration Committee

The Remuneration Committee meets as and when required. Details of the specific levels of remuneration to each Director are set out in the Directors' Remuneration Report on page 20 which is subject to shareholder approval. The Committee did not meet during the year.

Nomination Committee

The Nomination Committee meets as and when required. The Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to Board composition and balance. The Committee concluded that a replacement Director was not required following the resignation of Sir Aubrey Brocklebank.

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 major Shareholders if so requested.

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 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 Combined 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 terms of reference of the Audit Committee and terms and 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 page 18, 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 they are responsible, which has been compiled in order to comply with the Combined 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 advisers and themselves 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 page 4, the Investment Manager's Report on page 6 and the Directors' Report 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 Directors' Report on page 16. In addition, notes 12 and 18 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 48 Combined Code provisions throughout the accounting period. With the exception of the items outlined below, the Company has complied throughout the accounting

year ended 31 March 2011 with the provisions set out in Section 1 of the Combined Code:

- a) New directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise, giving due regard to the individual's previous experience. 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. (A5-1, D1-1, D1-2)
- b) Non-executive Directors' contracts are on three months' rolling notice following an initial three year fixed term, whereas the Cadbury recommendation is for fixed term renewable contracts. Directors are all subject to re-election at least every three years or annually if they have served for more than nine years, which is considered sufficient to ensure planned and progressive refreshing of the Board, as necessary. (A7-2, B1-6)
- c) 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. (A6-1, A7-2)
- d) The Company does not have a Senior Director or any Independent Directors as defined by the Combined Code as a result of non-executive Directors holding a place on the Board in excess of nine years. (A1-2, A3-1.) The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the Combined Code. (A3-2, A3-3.) (Consequently the Boards of the Nomination, Remuneration and Audit Committees do not comply with A4-1, B2-1 and C3-1.)
- e) The Company did not undertake a formal search for a new director as Michael Cunningham was appointed due to his knowledge of the portfolio, having previously been Rathbones' representative to the Board. (A4-6)

By order of the Board



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

28 July 2011

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

We have audited the financial statements on pages 26 to 44. 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 2011 and of its return 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 Services 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 June 2008 Combined Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

Baker Tilly UK Audit LLP

GREGORY CRAIG WALLER (Senior Statutory Auditor)

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

28 July 2011

INCOME STATEMENT

for the year ended 31 March 2011

		2011			2010		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income							
Continuing operations		188	-	188	139	-	139
Acquisitions		152	-	152	-	-	-
	2	<u>340</u>	<u>-</u>	<u>340</u>	<u>139</u>	<u>-</u>	<u>139</u>
(Losses)/gains on investments							
Continuing operations		-	(79)	(79)	-	792	792
Acquisitions		-	(1,156)	(1,156)	-	-	-
	9	<u>-</u>	<u>(1,235)</u>	<u>(1,235)</u>	<u>-</u>	<u>792</u>	<u>792</u>
Net gain on acquisition of net assets	17	<u>-</u>	<u>5,403</u>	<u>5,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
		340	4,168	4,508	139	792	931
Investment management fees	3	(94)	(280)	(374)	(17)	(51)	(68)
Other expenses	4	<u>(266)</u>	<u>(3)</u>	<u>(269)</u>	<u>(186)</u>	<u>-</u>	<u>(186)</u>
Return on ordinary activities before tax		(20)	3,885	3,865	(64)	741	677
Tax on ordinary activities	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Return attributable to equity Shareholders		<u>(20)</u>	<u>3,885</u>	<u>3,865</u>	<u>(64)</u>	<u>741</u>	<u>677</u>
Basic and diluted return per Ordinary Share	8	(0.1p)	18.1p	18.0p	Restated (1.4p)	Restated 16.1p	Restated 14.7p

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.

The accompanying notes form an integral part of this statement.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 March 2011**

	Note	2011 £'000	2010 £'000
Opening Shareholders' funds		4,860	4,413
Issue of share capital on acquisition	17	12,353	-
Proceeds of new share issue	12	10	-
Purchase of own shares	12	(862)	-
Total recognised gains for the year		3,865	677
Distributions paid	7	<u>(1,065)</u>	<u>(230)</u>
Closing Shareholders' funds		<u>19,161</u>	<u>4,860</u>

The accompanying notes form an integral part of this statement.

BALANCE SHEET
as at 31 March 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investments	9	<u>19,136</u>	<u>4,317</u>
Current assets			
Debtors	10	159	219
Cash at bank and in hand		<u>199</u>	<u>425</u>
		358	644
Creditors: amounts falling due within one year	11	<u>(333)</u>	<u>(101)</u>
Net current assets		<u>25</u>	<u>543</u>
Net assets		<u>19,161</u>	<u>4,860</u>
Capital and reserves			
Called up share capital	12	208	3,285
Capital redemption reserve	13	1,137	1,126
Share premium account	13	2	348
Special reserve	13	14,913	-
Capital reserve – realised	13	6,444	2,871
Revaluation reserve	13	(3,484)	(2,731)
Revenue reserve	13	<u>(59)</u>	<u>(39)</u>
Total equity Shareholders' funds		<u>19,161</u>	<u>4,860</u>
Basic and diluted net asset value per Share	14	92.0p	Restated 105.8p

The financial statements on pages 25 to 44 were approved and authorised for issue by the Board of Directors on 28 July 2011 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 2011

	Note	2011 £'000	2010 £'000
Net cash outflow from operating activities	15	<u>(262)</u>	<u>(73)</u>
Capital expenditure			
Purchase of investments		(1,833)	(352)
Disposal of investments		<u>2,879</u>	<u>805</u>
Net cash inflow from capital expenditure		<u>1,046</u>	<u>453</u>
Acquisitions			
Cash acquired	17	970	-
Acquisition costs		<u>(149)</u>	<u>(170)</u>
Net cash inflow/(outflow) from acquisitions		<u>821</u>	<u>(170)</u>
Equity distributions paid		<u>(1,067)</u>	<u>(230)</u>
Net cash inflow/(outflow) before financing		538	(20)
Financing			
Unallotted share issue		-	10
Purchase of own shares		<u>(764)</u>	<u>-</u>
Net cash (outflow)/inflow from financing		<u>(764)</u>	<u>10</u>
Decrease in cash	16	<u><u>(226)</u></u>	<u><u>(10)</u></u>

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

NOTES TO THE ACCOUNTS for the year ended 31 March 2011

1. Accounting policies

Basis of accounting

The Company has prepared its financial statements under UK Generally Accepted Accounting Practice ("UK GAAP") 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 ("FRS") 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, hedge funds 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, are disclosed, which may be abbreviated information only in the case of unlisted investments.

Income

Dividend income from investments is recognised when the Shareholders' rights 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.

NOTES TO THE ACCOUNTS (continued) for the year ended 31 March 2011

1. Accounting policies (continued)

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, equivalent to the fair value of the expected balance receivable/payable by the Company.

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.

Acquisitions

Acquisitions made during the year are accounted for using the acquisition method. The purchase consideration is measured at the fair value of equity issued compared to the fair value of the assets and liabilities of the company acquired. Negative goodwill represents the excess of the fair value of the assets, liabilities and contingent liabilities of the company acquired over the purchase consideration. Any negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised in the Capital Account within the Income Statement in the periods expected to benefit and is described as "Net gain on acquisition of net assets".

2. Income

	2011 £'000	2010 £'000
Income from investments		
Loan stock interest	145	20
Dividend income	144	74
Listed fixed income security interest	41	41
	330	135
Other income		
Other income	6	-
Deposit interest	4	4
	340	139

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

3. Investment management fees

	2011	2010
	£'000	£'000
Investment management fees	<u>374</u>	<u>68</u>

The annual running costs of the Company for the year are subject to a cap of 3% of the Company's net assets. The Investment Manager's fees have been reduced accordingly.

4. Other expenses

	2011	2010
	£'000	£'000
Administration services	70	39
Directors' remuneration	57	51
Social security costs	1	1
Trail commission	34	-
Auditor's remuneration for statutory audit	18	18
Legal and professional fees	10	25
Provision for doubtful income	2	3
Other expenses	<u>77</u>	<u>49</u>
	<u>269</u>	<u>186</u>

Included within the costs arising on the Schemes of Arrangement (as shown within note 17), were £14,000 of advisory costs attributable to Baker Tilly Corporate Finance LLP.

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 (2010: none).

6. Tax on ordinary activities

	2011	2010
	£'000	£'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		
Return on ordinary activities before taxation	<u>3,865</u>	<u>677</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 21.0% (2010: 21.0%)	812	142
Effects of:		
Losses/(gains) on investments	259	(166)
Net gain on acquisition of net assets	(1,135)	-
UK dividend income	(30)	(16)
Disallowable expenses	9	-
Excess management fees carried forward	<u>85</u>	<u>40</u>
	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

6. Tax on ordinary activities (continued)

- (c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £3,775,000 (2010: £3,374,000). 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

	2011			2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Paid in year						
2011 Interim 30/09/10: 2.5p	-	540	540	-	-	-
2011 Interim 31/03/11: 2.5p	-	525	525	-	-	-
2010 Interim: 1.75p	-	-	-	-	230	230
	<u>-</u>	<u>1,065</u>	<u>1,065</u>	<u>-</u>	<u>230</u>	<u>230</u>

8. Return per Share

	2011	2010
Return per Share based on:		
Net revenue loss for the financial year (£'000)	<u>20</u>	<u>64</u>
Capital return per Share based on:		
Net capital gain for the financial year (£'000)	<u>3,885</u>	<u>741</u>
		Restated
Weighted average number of Shares in issue	<u>21,493,659</u>	<u>4,593,244</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.

On 1 April 2010, the 13,140,436 Ordinary Shares of 25p each, as shown in note 12, were converted into 4,593,244 Ordinary Shares of 1p each under the Schemes of Arrangement. The return per share disclosed on the face of the Income Statement for the period to 31 March 2010 has been restated accordingly.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

9. Investments

	Unquoted investments £'000	Quoted on PLUS £'000	Quoted on AIM £'000	Quoted on Main Market £'000	Total £'000
Cost at 1 April 2010	1,087	609	3,955	1,397	7,048
Losses at 1 April 2010	(71)	(13)	(2,566)	(81)	(2,731)
Opening fair value at 1 April 2010	1,016	596	1,389	1,316	4,317
Movement in the year:					
Acquisitions (note 17)	8,732	407	8,016	17	17,172
Purchased at cost	1,223	-	750	-	1,973
Sale – proceeds	(450)	-	(1,917)	(724)	(3,091)
– realised gains/(losses) on sales in the income statement	270	-	180	(84)	366
Unrealised (losses)/gains in the income statement	(2,154)	(122)	658	17	(1,601)
Closing fair value at 31 March 2011	8,637	881	9,076	542	19,136
Closing cost at 31 March 2011	10,638	1,016	10,204	762	22,620
Losses at 31 March 2011	(2,001)	(135)	(1,128)	(220)	(3,484)
	8,637	881	9,076	542	19,136

An analysis of venture capital investments between equity and non-equity elements is set out in note 18. Costs incidental to the acquisitions of investments incurred during the year were £3,000 (2010: minimal) and costs were incurred on the disposal of investments totalling £8,000 (2010: minimal). A full schedule of 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 hedge funds);
- 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 (unlisted equity investments and loan note investments).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2011 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2010 £'000
Quoted on the Main market	542	-	-	542	1,316	-	-	1,316
Quoted on AIM	8,301	-	-	8,301	1,189	-	-	1,189
Quoted on Plus	881	-	-	881	596	-	-	596
Loan notes	-	-	6,649	6,649	-	-	1,031	1,031
Unlisted	-	-	2,763	2,763	-	-	185	185
	9,724	-	9,412	19,136	3,101	-	1,216	4,317

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

9. Investments (continued)

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

	£'000
Balance at 31 March 2010	1,216
<i>Movements in the income statement:</i>	
Unrealised gains in the income statement	(2,154)
Realised gains in the income statement	270
	<u>(1,884)</u>
Acquisition	9,307
Purchases at cost	1,223
Sales proceeds	(450)
Balance at 31 March 2011	<u>9,412</u>

FRS 29 requires disclosure to be made if changing one or more of the inputs to reasonably possible alternative assumptions 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 different assumptions could have been made and that these assumptions could have resulted in different valuations for some investments. The Directors and Investment Manager believe, however, that the valuations as at 31 March 2011, calculated in accordance with IPEV Guidelines, reflect the most appropriate assumptions at that date and that it is not possible to undertake any meaningful sensitivity analysis which would be useful to Shareholders.

10. Debtors

	2011 £'000	2010 £'000
Other debtors	82	170
Income tax recoverable	16	16
Prepayments and accrued income	61	33
	<u>159</u>	<u>219</u>

11. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Taxation and social security	3	4
Other creditors	138	42
Accruals and deferred income	192	55
	<u>333</u>	<u>101</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

12. Called up share capital

	Shares	£'000
As at 1 April 2010: Ordinary Shares of 25p each	13,140,436	3,285
Conversion into Ordinary Shares of 1p each	<u>(8,547,192)</u>	<u>(3,239)</u>
Restated holding at 1 April 2010: Ordinary Shares of 1p each	4,593,244	46
Shares issued to holders of Pennine AIM VCT 5 plc under the Scheme	6,478,440	65
Shares issued to holders of Pennine AIM VCT 6 plc under the Scheme	<u>10,792,546</u>	<u>108</u>
Holding following the scheme of arrangement	21,864,230	219
New shares issued in period	9,538	-
Shares bought back and cancelled	<u>(1,050,182)</u>	<u>(11)</u>
As at 31 March 2011: Ordinary Shares of 1p each	<u><u>20,823,586</u></u>	<u><u>208</u></u>

On 1 April 2010, Ordinary Shares of 25p each were issued to Shareholders in Pennine AIM VCT 5 plc and Pennine AIM VCT 6 plc in consideration for the purchase of the assets and liabilities of the companies (see note 17).

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

The Company issued 9,538 Ordinary Shares of 1p each under the terms of the merger prospectus between 1 April 2010 and 4 August 2010. The shares were issued at an average price of 104.8p each, the share price being linked to the most recently published NAV, with proceeds received thereon of £10,000.

The Company has the authority to buy back shares as described in the Corporate Governance Statement on page 22.

During the year, the Company repurchased 1,050,182 Ordinary Shares of 1p each for an aggregate consideration of 81.8p per share (approximately equal to a 15% discount to the most recently published NAV), and representing 5% of the issued Ordinary Share capital of the enlarged entity. These shares were subsequently cancelled.

The Company's capital is managed in accordance with its investment and share buyback policy, as shown in the Directors' Report on pages 14 to 19, in pursuit of its principal investment objectives as stated on page 1. There has been no significant change in the objectives, policies or processes for managing capital from the previous year.

The Company does not have any externally imposed capital requirements.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2011

13. Reserves

	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Capital reserve - realised £'000	Revaluation reserve £'000	Revenue reserve £'000
At 1 April 2010	1,126	348	-	2,871	(2,731)	(39)
Conversion of original ordinary shares	3,239	-	-	-	-	-
Cancellation of deferred shares	12,180	-	-	-	-	-
Proceeds of new share issue	-	10	-	-	-	-
Shares repurchased	11	-	(862)	-	-	-
Net gain on acquisition of net assets	-	-	-	5,403	-	-
Cancellation of share premium account	-	(356)	356	-	-	-
Cancellation of capital redemption reserve	(15,419)	-	15,419	-	-	-
Capital expenses	-	-	-	(283)	-	-
Gains/(losses) on investments	-	-	-	366	(1,601)	-
Realisation of revaluations from previous years	-	-	-	(848)	848	-
Dividend paid	-	-	-	(1,065)	-	-
Retained net revenue loss	-	-	-	-	-	(20)
At 31 March 2011	1,137	2	14,913	6,444	(3,484)	(59)

The share premium account in existence at 15 July 2010 was cancelled following court approval, with the balance thereon being transferred to the special reserve. The special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay dividends/capital distributions.

Distributable reserves comprise the special reserve, capital reserve – realised and revenue reserve, and are reduced by investment holding losses of £3,512,000 (2010: £3,008,000) (which exclude unquoted investment gains of £27,000 (2010: £277,000)). At the year end, there was £17,786,000 of reserves available for distribution (2010: £nil).

14. Net asset value per Share

	Shares in issue		2011 Net asset value		2010 Net asset value	
	2011	2010	Pence per Share	£'000	Pence per Share (restated)	£'000
Ordinary Shares	20,823,586	4,593,244	92.0p	<u>19,161</u>	105.8p	<u>4,860</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.

On 1 April 2010, the 13,140,436 Original Ordinary Shares of 25p each, were converted into 4,593,244 New Ordinary Shares of 1p each under the Schemes of Arrangement. The net asset value for the period to 31 March 2010 has been restated accordingly.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

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

	2011	2010
	£'000	£'000
Return on ordinary activities before taxation	3,865	677
Losses/(gains) on investments	1,235	(792)
Net gains on acquisition of net assets	(5,403)	-
(Increase)/decrease in debtors	(15)	4
Increase in creditors	56	38
Net cash outflow from operating activities	<u>(262)</u>	<u>(73)</u>

Since acquisition, the businesses of Pennine AIM VCT 5 plc and Pennine AIM VCT 6 plc have been integrated into the existing business of Downing Distribution VCT 1 plc. As a result it is impractical to isolate cash flows of the Pennine AIM VCT 5 plc and Pennine AIM VCT 6 plc businesses.

16. Change in cash

	2011	2010
	£'000	£'000
Beginning of year	425	435
Net cash outflow	<u>(226)</u>	<u>(10)</u>
End of year	<u>199</u>	<u>425</u>

Major non-cash transaction

As stated in note 17, shares were issued during the year in consideration for the purchase of the assets and liabilities of Pennine AIM VCT 5 plc and Pennine AIM VCT 6 plc.

17. Acquisitions

On 1 April 2010, the Company acquired the assets and liabilities of Pennine AIM VCT 5 plc ("P5") and of Pennine AIM VCT 6 plc ("P6"). The proposals for the merger of the three companies were approved by the Company's Shareholders on 24 March 2010. The mechanism by which the merger was effected was one under which P5 and P6 were placed into members' voluntary liquidation pursuant to Schemes of Arrangement under Section 110 of the Insolvency Act 1986 ("the Schemes"). Under the Schemes, the assets and liabilities of P5 and P6 were transferred to the Company in exchange for New Ordinary Shares issued to P5 and P6 Shareholders. The number of New Ordinary Shares issued was on the basis of the relative net assets of the companies. Under the Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004, the transaction was possible without prejudicing the tax relief obtained by Shareholders of either P5 or P6 on their original investment.

Immediately prior to the share conversion, as discussed in note 12, a total of 18,533,636 Original Ordinary Shares were issued in consideration for the purchase of P5 with a fair value of £4,633,000 thereon, and a total of 30,875,513 Original Ordinary Shares were issued in consideration for the purchase of P6 with a fair value of £7,719,000 thereon. Transaction costs borne by the Company, of £329,000, have been set against the negative goodwill arising on the issue of the new shares.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

17. Acquisitions (continued)

	Pennine AIM VCT 5 plc £'000	Pennine AIM VCT 6 plc £'000	Total £'000
Investments	6,037	11,135	17,172
Debtors	7	18	25
Cash at bank and in hand	722	248	970
Creditors	(41)	(41)	(82)
Book value and fair value of net assets acquired	6,725	11,360	18,085
Net gain on acquisition of net assets			(5,403)
Costs in relation to scheme of arrangement			(329)
Consideration			12,353
Consideration satisfied by:			
Market value of Ordinary Shares issued on date of acquisition			12,353

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

The monetary assets and liabilities (predominantly quoted investments) acquired under the Schemes of Arrangement were integrated into the Company's existing assets and liabilities immediately and, at that point, the Board considered that the Company realised the full benefits and risks associated with the assets and liabilities. As a result, the Board has released the full amount of the gain on acquisition of net assets arising to the Income Statement during the year.

The performance of P5 for the year ended 30 September 2008 and for the period from 1 October 2008 until 1 April 2010 (date of acquisition) is summarised as follows:

	Period from 1 October 2008 to 1 April 2010			Year ended 30 September 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	95	-	95	432	-	432
Loss on investments	-	(150)	(150)	-	(6,727)	(6,727)
	95	(150)	(55)	432	(6,727)	(6,295)
Investment management fees	(29)	(86)	(115)	(83)	(248)	(331)
Other expenses	(285)	-	(285)	(222)	(3)	(225)
Return on ordinary activities before tax	(219)	(236)	(455)	127	(6,978)	(6,851)
Tax on ordinary activities	-	-	-	(15)	15	-
Return attributable to equity shareholders	(219)	(236)	(455)	112	(6,963)	(6,851)

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2011

17. Acquisitions (continued)

The performance of P6 for the year ended 30 September 2009 and for the period from 1 October 2009 until 1 April 2010 (date of acquisition) is summarised as follows:

	Period from 1 October 2009 to 1 April 2010			Year ended 30 September 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	67	-	67	262	-	262
Gain/(loss) on investments	-	404	404	-	(1,479)	(1,479)
	<u>67</u>	<u>404</u>	<u>471</u>	<u>262</u>	<u>(1,479)</u>	<u>(1,217)</u>
Investment management fees	(22)	(64)	(86)	(85)	(256)	(341)
Other expenses	<u>(108)</u>	<u>-</u>	<u>(108)</u>	<u>(292)</u>	<u>(1)</u>	<u>(293)</u>
Return on ordinary activities before tax	(63)	340	277	(115)	(1,736)	(1,851)
Tax on ordinary activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Return attributable to equity shareholders	<u>(63)</u>	<u>340</u>	<u>277</u>	<u>(115)</u>	<u>(1,736)</u>	<u>(1,851)</u>

18. Financial instruments

The Company financial instruments comprise equity and loan stock investments in quoted companies and unquoted companies, cash deposits and short term debtors and creditors arising from its operations. The main purpose of these financial instruments is to generate cashflow and 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.

Investments are valued at fair value as determined using the accounting policies as shown in note 1. 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:

- Market 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:

Market risks

As a VCT, the Company is exposed to market 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 market risks is a fundamental part of investment activities undertaken by the Investment 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. Market 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 2011

18. Financial instruments (continued)

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

- Market 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.

Market price risk

Market 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 market price movements in respect of quoted investments and also changes in the fair value of unquoted investments that it holds.

In the following tables, all the comparatives "impact on NAV per share" have been restated to reflect the share conversion as shown in note 12.

Quoted investments

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

Sensitivity	2011			2010		
		50% mvmt		50% mvmt		
Share pool	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
Ordinary Shares	9,367	4,684	22.5	2,298	1,149	25.0

Unquoted investments

As many of the Company's unquoted investments are valued using revenue or earnings multiples of comparable companies or sectors, a fall in share prices generally would impact on the valuation of the unquoted portfolio. A 25% movement in the valuations of all of the unquoted investments held by the Company would have an effect as follows:

Sensitivity	2011			2010		
		25% mvmt		25% mvmt		
Share pool	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
Ordinary Shares	9,412	2,353	11.3	1,216	304	6.6

The sensitivity analysis for unquoted valuations above assumes that each of the sub-categories of financial instruments (ordinary shares, preference shares and loan stocks) held by the Company produces an overall movement of 25%. Shareholders should note that equal correlation between these sub-categories is unlikely to be the case in reality, particularly in the case of loan stock instruments. Where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2011

18. Financial instruments (continued)

Non-qualifying investments

The Company also has exposure to variations in the price of its non-qualifying investments, which include protected plans and hedge funds, and are more sensitive to fluctuations in the market. A 5% movement in the valuation of these assets held by the Company would have the following impact:

Sensitivity	2011			2010		
	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
Share pool						
Ordinary Shares	357	18	0.1	730	36	0.8

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 and on liquidity funds at rates based on the underlying investments. Investments in loan stock and fixed interest investments 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 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, hedge funds, 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	2011 £'000	2010 £'000
Fixed rate	3.6%	1,158 days	5,262	1,098
Floating rate	0.8%		199	425
No interest rate		1,110 days *	13,700	3,337
			<u>19,161</u>	<u>4,860</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.

It is estimated that an increase of 1% in interest rates would have increased net assets and total return before taxation for the year by £1,000. As the Bank of England base rate stood at 0.5% per annum throughout the year, it is not believed that a reduction from this level is likely.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2011

18. 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 liquidity funds, cash deposits and debtors.

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

	2011 £'000	2010 £'000
<i>Fair value through profit or loss assets:</i>		
Investments in listed fixed interest investments	357	317
Investments in loan stocks	6,649	1,031
<i>Loans and receivables:</i>		
Cash and cash equivalents	199	425
Interest, dividends and other receivables	140	30
	<u>7,345</u>	<u>1,803</u>

The Manager manages credit risk in respect of loan stock with a similar approach as described under Market risks above. Similarly the management of credit risk associated interest, dividends and other receivables is covered within the investment management procedures.

Cash is mainly held by Bank of Scotland plc and Royal Bank of Scotland plc, both of which are A-rated financial institutions and both also 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 are 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 (2011: £332,000, 2010: £101,000) 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 investment manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals. Due to the level of unquoted, illiquid assets held by the Company, the Investment Manager and the Board is giving due consideration to methods to improve liquidity.

The carrying value of loan stock investments held at fair value through the profit and loss account at 31 March 2011 as analysed by expected maturity date is as follows:

As at 31 March 2011	Not later than 1 month £'000	Between 1 and 3 months £'000	Between 3 months and 1 year £'000	Between 1 and 5 years £'000	Total £'000
Full performing loan stock	-	-	300	5,564	5,864
Impaired loan stock	-	-	-	167	167
Past due loan stock	-	-	-	975	975
	<u>-</u>	<u>-</u>	<u>300</u>	<u>6,706</u>	<u>7,006</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

18. Financial instruments (continued)

As at 31 March 2010	Not later than 1 month £'000	Between 1 and 3 months £'000	Between 3 months and 1 year £'000	Between 1 and 5 years £'000	Total £'000
Full performing loan stock	-	-	-	1,348	1,348
Impaired loan stock	-	-	-	-	-
Past due loan stock	-	-	-	-	-
	-	-	-	1,348	1,348

Loan stock categorised as past due includes:

- Three investments which have been not been impaired in value, but where interest has not been received in accordance with the loan stock instruments.

Financial liabilities

The Company has no financial liabilities or guarantees, other than the creditors disclosed within the balance sheet (2010: none).

Currency exposure

As at 31 March 2011, the Company had no foreign investments (2010: None).

Borrowing facilities

The Company had no committed borrowing facilities as at 31 March 2011 (2010: None).

19. Contingencies, guarantees and financial commitments

The Company had no commitments at the year end (2010: £225,000 committed for the purchase of two investments). There were no contingencies or guarantees of the Company at the year end.

20. 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 11:00 a.m. on 13 September 2011 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 2011 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 in accordance with the UK Corporate Governance Code and, being eligible, offers himself for re-election.
6. To re-elect as Director, Stuart Goldsmith, who retires in accordance with the UK Corporate Governance Code and, being eligible, offers himself for re-election.
7. To re-elect as Director, Roger Jaynes, who retires in accordance with the UK Corporate Governance Code and, being eligible, offers himself for re-election.

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

Ordinary Resolution

8. That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £250,000 during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require shares to be allotted or rights to be granted to subscribe for or to convert any security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with Section 551 of the Act be and are hereby revoked, provided that such revocation shall not have retrospective effect.

Special Resolutions

9. That, conditional upon the passing of the other resolutions set out in this Notice, in substitution for any existing power under Section 570 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered, during the period commencing on the passing of this special resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in general meeting), pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution 6 above, as if Section 561 of the Act did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

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

10. 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

28 July 2011

Notes

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.

NOTICE OF THE ANNUAL GENERAL MEETING of Downing Distribution VCT 1 plc (continued)

- (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 (Saturday and Public Holidays excluded) 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 11:00 a.m. on 11 September 2011 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 11:00 a.m. on 11 September 2011 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 28 July 2011, the Company's issued share capital comprised 20,823,586 Ordinary Shares and the total number of voting rights in the Company was 20,823,586. The website referred to above will include information on the number of shares and voting rights.
- (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 13 September 2011 at 10 Lower Grosvenor Place, London SW1W 0EN at 11:00 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 13 September 2011 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

1. To receive and adopt the Directors' Report and Accounts.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of a final dividend of 2.5p per share.
4. To re-appoint the Auditor and authorise the Directors to determine their remuneration.
5. To re-elect Christopher Powell as a Director.
6. To re-elect Stuart Goldsmith as a Director.
7. To re-elect Roger Jeynes as a Director.

FOR	AGAINST	WITHHELD
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

8. To authorise the Company to allot shares.
9. To authorise the Company to disapply pre-emption rights.
10. To authorise the Directors to make market purchases of its shares.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s)* Date.....

Notes:

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.

* Delete as appropriate



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Business Reply
Licence Number
RRJU-YLYH-CTJK



Downing Distribution VCT 1 plc
c/o Downing LLP
10 Lower Grosvenor Place
London
SW1W 0EN

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First Fold

