Downing ONE VCT PLC

Report & Accounts
for the year ended
31 March 2012

Downing

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 (26 July 2012):	60.0p per share

Financial calendar

18 September 2012	Annual General Meeting ("AGM")
28 September 2012	Final dividend
November 2012	Announcement of half year results

Dividends
Dividends are paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose (forms can be downloaded from www.capitaregistrars.com). Queries relating to dividends, shareholdings, and requests for mandate forms should be directed to the Company's registrar, Capita Registrars, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Selling shares
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 and employees".

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

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

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

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

FINANCIAL SUMMARY

	31 March 2012 Pence	31 March 2011 Pence
Net asset value per share ("NAV")	77.9	92.0
Cumulative distributions paid since 1 April 2010	10.0	5.0
Total return (net asset value plus cumulative distributions paid)	87.9	97.0

	Year ended 31 March 2012	Year ended 31 March 2011
Dividends in respect of financial year		
1st Interim dividend per share	2.5	2.5
2nd Interim dividend per share	-	2.5
Proposed final dividend per share	2.5	2.5
	5.0	7.5

PERFORMANCE SUMMARY FOR VARIOUS INVESTOR GROUPS

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

Share issue	Issue price per share or equivalent (pence)	Income tax relief available on investment (%)	Effective net cost of investment per share (pence)	NAV at 31 Mar 2012 per share (pence)	Dividends received since issue per share (pence)	Total return (pence)	% Gain/ (loss)
The AIM Distribution Trust plc – original	286.1	20%	228.9	77.9	174.6	252.5	+10.3%
The AIM Distribution Trust plc – 2005 top up	210.4	40%	126.2	77.9	32.2	110.1	-12.8%
Pennine AIM VCT 5 plc	328.4	40%	197.0	77.9	111.8	189.7	-3.7%
Pennine AIM VCT 6 plc	246.5	40%	147.9	77.9	84.0	161.9	+9.5%
Downing Distribution VCT 1 plc - 2010 issue	104.8	30%	73.4	77.9	10.0	87.9	+19.7%

MERGER AND REORGANISATION DETAILS

The Company underwent a name change (from The AIM Distribution Trust plc), merger and share reorganisation on 1 April 2010. Full details, including share conversion ratios, can be found on Downing's website, www.downing.co.uk.

INVESTMENT OBJECTIVES

The Company's principal investment objectives are:

- predominantly to invest in a diversified portfolio of VCT qualifying growth investments and income producing investments; and

- to maintain VCT status so that the Company and its shareholders may benefit from the tax reliefs and exemptions available under the VCT legislation.

The detailed investment policy adopted to achieve the investment objectives is set out in the Report of the Directors on 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 VCT1 plc and is also a non-executive director of Downing Income VCT 3 plc, Hampden Underwriting Limited, and of FirstCare Limited.

Stuart Goldsmith is chairman of Ketton Securities Limited, a firm that advises a range of companies on corporate strategy, mergers and acquisitions, which he founded in 1989. Previously, he was chairman or chief executive of two groups of financial services companies - Fredericks Place Group and the Britannia Group of Investment Companies, which managed £4bn of funds. He has been a non-executive director of a number of companies.

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

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

CHAIRMAN'S STATEMENT

I present the Annual Report and Accounts for the year ended 31 March 2012. While the weak economy has provided challenges for many portfolio companies, difficult market conditions have also contributed to lower share prices, resulting in a fall in the Company's net asset value per share ("NAV") over the year.

Net asset value

The NAV at 31 March 2012 stood at 77.9p, a decrease of 9.1p (or 9.9%) over the 12 month period (after taking account of 5.0p per share of dividends paid during the year). By way of comparison, FTSE AIM All-Share Index fell by 11.8% over the same period.

The performance in the first half of the year was very disappointing, although there was some recovery in the second half with an increase in NAV of 2.0p per share.

Share realisation and re-investment scheme

The share realisation and re-investment scheme ("SRRP") was well received by Shareholders with 38% of the shares in issue being tendered and proceeds reinvested shortly after the year end in April. A further £393,000 was received in respect of the top-up share offer, with shares being issued after the year end at 77.9p per share. All Shareholders who participated in the SRRP should have received new share certificates and income tax certificates in April shortly after the transactions dates. If you have not yet received these documents, you should contact Downing, whose details are shown on page 1.

Venture capital investments

At the year end, the portfolio comprised 35 investments with a total value of £13 million. 21 investments were quoted and 14 unquoted.

During the year, the Company continued to refocus the portfolio in line with the investment policy adopted when the Company merged and changed manager in April 2010. The Company undertook a number of disposals, generating proceeds of £5.2 million. New and follow-on investments of £1.7 million were also made.

Several quoted portfolio companies saw reasonably large falls in value over the year. Ludorum was the largest faller, accounting for a loss of £439,000. The Manager believes that the underlying business is continuing to make good progress and that the fall in share price is more related to market conditions. Other quoted investments that experienced falls were Tristel, Keycom, and Plastics Capital, while Accumuli and IDOX bucked the trend by showing share price growth over the year.

Within the unquoted investments, the failure of DoubleTake Studios resulted in the largest fall in value, with a full provision being made. FirstCare, West Tower, and Cadbury House also experienced significant reduction in value.

In total, the venture capital portfolio made net unrealised losses of £2.0 million and realised gains of £193,000 over the year.

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

Fixed income investment

The Company held one, non-qualifying, fixed income investment at the year end, with a value of £301,000. The investment recorded an unrealised loss of £56,000 during the year.

Results

The total return on ordinary activities for the year to 31 March 2012, as shown in the Income Statement, is a loss of £2.0 million, comprising a £49,000 revenue return, and a £2.1 million capital loss.

Dividends

The Company paid an interim dividend of 2.5p per share on 30 March 2012 to Shareholders on the register at 2 March 2012.

A final dividend is being proposed of 2.5p per share to be paid, subject to Shareholder approval at the AGM, on 28 September 2012 to Shareholders on the register at 31 August 2012.

CHAIRMAN'S STATEMENT (continued)

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.

During the year, the Company repurchased 1,011,909 Ordinary Shares of 1p each for an aggregate consideration of 69.6p per share (approximately equal to a 15% discount to the most recently published NAV) and representing 4.9% of the issued Ordinary Share capital held at 1 April 2011. These shares were subsequently cancelled.

Annual General Meeting

The next AGM of the Company will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11:30 a.m. on 18 September 2012. 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

Over the coming year, in line with the Company's strategy, the Manager will be seeking opportunities to continue to refine the quoted portfolio to focus on investments where the Manager can have a reasonable level of influence and, in respect of the unquoted portfolio, on investments which own substantial assets and can generate a steady yield. The Company is, however, fully invested and funds for new investments will only be available from further realisations from the existing portfolio.

Markets remain volatile and no significant recovery in economic conditions is expected in the short term. As a result, close monitoring of the existing portfolio will continue to be a very important part of the Manager's role over the next 12 months.

Christopher Powell
Chairman

26 July 2012

INVESTMENT MANAGER'S REPORT

Introduction
The Company saw a reasonable level of investment activity during the year to 31 March 2012, as a significant level of funds was raised from the existing portfolio to meet cash requirements for dividends, share buybacks and a number of follow-on investments.

Investment activity
Over the year, £2.6 million was raised from the quoted portfolio, divesting from eight companies in their entirety and partially realising another eight investments.

The Company made three new investments in quoted companies, two of which were into existing portfolio companies.

£101,000 was invested into Tracsis plc. The company provides optimisation software for the rail industry. A follow-on investment of £106,000, at 44p per share, was made into Boomerang Plus plc, which creates programmes for television, radio and the web. Since the year end there has been an offer for the entire issued share capital in Boomerang, at 77p per share, which has been accepted by shareholders of the company.

A loan note investment in Ludorum was also refinanced during the year, resulting in the redemption of an original loan note of £775,000 at par and a new loan note investment of £682,000 being put in place.

Two companies within the quoted portfolio were also the subject of takeovers. Atlantic Global realised a gain for the year of £83,000. IS Pharma plc was subject to a merger with Sinclair Pharma plc and the resulting share-for-share exchange gave rise to a realised gain of £23,000.

Material quoted sales included Animalcare Group plc, realising a gain of £50,000 and proceeds of £711,000; IDOX plc, which is mentioned over the page; and Sinclair IS Pharma, which produced proceeds but a realised loss of £59,000 for the year. An opportunity to realise the investment in ANS Group plc was taken when it delisted from AIM, although this resulted in a realised loss of £44,000 for the year.

The Company made four unquoted follow-on investments during the year at a total cost of £225,000. The largest new unquoted investment was £180,000 in Hoole Hall Spa and Leisure Club Limited which was part of a reorganisation with other investors which involved a part disposal of the Company's holding in Hoole Hall Country Club Holdings Limited.

Notable unquoted disposals during the year include Brasserie Bar Co Limited and Financial News Publishing Limited which realised gains on disposal of £154,000 and £16,000 respectively.

A full schedule of additions and disposals undertaken during the year is shown on page 9.

Portfolio valuation
Over the year, in line with the general market trend, many of the Company's quoted investments saw their share prices fall. The FTSE AIM All-Share Index was down 11.8% over the 12 months.

The largest fall in value was Ludorum plc, which is one of the Company's largest investments and includes secured loan stock as part of the investment. Ludorum started to become profitable in the period as merchandising income from "Chuggington", the children's animated TV show, started to develop. Although the share price declined over the year, resulting in an unrealised loss of £439,000, we believe the company still has good prospects.

Keycom plc, a provider of high speed internet access to military and educational establishments, saw its share price fall during the period, resulting in a fall in value of £307,000. The company has consistently struggled to make headway but recent management changes may refresh the business.

Tristel plc, the infection and contamination control business, saw its share price drift and value of the investment decrease by £232,000 as its new product sales were slow to materialise.

On a positive note, Accumuli plc, the provider of software for security on networks, experienced continued strength in its share price as previous acquisitions became fully integrated. The valuation increased by £123,000 to £540,000 in the period and, after the year end, it produced a maiden set of results which demonstrated growth across all of its software products.

IDOX plc, a provider of software for Engineering and Government Project Management, also saw its share price improve in the period, reflecting an uplift of £196,000 for the Company to £482,000 or 3.2% of the Company. Again, a successful acquisition strategy has been reflected in trading and significant new contract wins. During the period, the Company also realised a gain of £145,000.

In the unquoted portfolio, the majority of investments performed in line with expectations, however, there were four significant departures which, between them, resulted in a total reduction in value of £1.1 million.

Doubletake Studios Limited operated photographic studios around the country which saw trade adversely affected by the challenging economic environment. This, coupled with the withdrawal of short-term financing arrangements, led to the company being unable to generate sufficient working capital to its creditors and the company entered into administration in November 2011. The valuation was written down by £475,000 to nil as any recovery in value through the administration process is unlikely.

FirstCare Limited fell significantly behind budget as it tried to develop its absence management business. A new management team has recently been appointed and initial trading in 2012 is improving, however, a provision of £275,000 has been made against the investment.

The basis of valuation of the investment in Cadbury House Holdings Limited has been reviewed and an adjustment made resulting in a reduction in value of £200,000. The company is, however, performing reasonably in line with plans and has the potential to build value as the business matures.

A full provision of £167,000 was made against the remaining value of the investment in West Tower Holdings Limited which was written down to nil during the year. Although the company's wedding venue is making good progress, the company has a high level of loan stock investment which ranks ahead of Downing Distribution VCT 1 and is likely to absorb all of the value of the business.

A small number of unquoted investments justified an uplift in value over the year, including Future Biogas (SF) Limited, Tramps Nightclub Limited, and Business Control Solutions.

Overall, the portfolio produced net realised gains of £193,000 but unrealised losses of £2.0 million for the year.

Outlook

The Company continues to have a significant exposure to the AIM market and will continue to be impacted by the performance of that market. Over the coming year, opportunities will be sought to further refocus the portfolio in line with the current strategy which we believe can deliver results in the medium term when market conditions and the economy in general start to improve.

Downing LLP

26 July 2012

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 March 2012:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Investments by other funds[1]
Top ten venture capital investments					
Cadbury House Holdings Limited*	2,518	2,346	(200)	15.5%	DI3
Hoole Hall Country Club Holdings Limited*	1,920	1,920	-	12.7%	DI3
Ludorum plc	2,068	1,681	(439)	11.1%	DI, DI3, DI4
Hoole Hall Spa and Leisure Club Limited*	1,200	1,200	-	7.9%	DI3
FirstCare Limited*	879	604	(275)	4.0%	
Accumuli plc	338	540	123	3.6%	DI, DI3, DI4, DAI2
IDOX plc	185	482	196	3.2%	
Leytonstone Pub Limited*	415	415	-	2.7%	DI3, DAI1
Tristel plc	631	406	(232)	2.7%	DI, DI3, DI4
Boomerang Plus plc	596	392	(51)	2.6%	
	10,750	9,986	(878)	66.0%	
Other venture capital investments					
Plastics Capital plc	166	385	(106)	2.6%	DI, DI4
Animalcare Group plc	245	341	24	2.3%	
Tramps Nightclub Limited*	310	326	16	2.2%	DI3, DAI2
Aminghurst Limited*	311	311	-	2.1%	DI3
Craneware plc	293	308	(94)	2.0%	DI, DI4
Netcall plc	141	303	73	2.0%	
Vianet (Holdings) plc (formerly Brulines Holdings)	333	283	37	1.9%	DI, DI4
Future Biogas (SF) Limited*	189	212	23	1.4%	DI3, DAI1, DSO, DP2011
Tracsis plc	101	156	56	1.0%	DI3, DAI1,DAI2
Sinclair Pharma plc	178	137	(41)	0.9%	DI, DI3, DI4
Keycom plc**	815	112	(307)	0.7%	DI3
Belgravium Technologies plc	43	111	50	0.7%	DI3, DI4
Universe Group plc	152	107	15	0.7%	
Deltex Medical Group plc	96	101	-	0.7%	
Hasgrove plc	146	97	(41)	0.6%	DI
Autoclenz Holdings plc	136	78	(32)	0.5%	
Richoux Group plc	47	65	(28)	0.4%	
Business Control Solutions plc*	52	63	10	0.4%	
DODs Group plc	260	31	(44)	0.2%	DI3
Travelzest plc	96	30	(73)	0.2%	DI, DI4
Camaxys plc*	223	-	-	-	
Doubletake Studios Limited*	2,204	-	(475)	-	
The Thames Club Limited*	175	-	-	-	DI3
Top Ten Holdings plc*	399	-	-	-	
West Tower Holdings Limited*	167	-	(167)	-	DAI1, DP2011
	7,278	3,557	(1,104)	23.5%	
Fixed interest securities					
Ulster Bank (IRE) 11.75% Subord	558	301	(56)	2.0%	
	18,586	13,844	(2,038)	91.5%	
Cash at bank and in hand		1,284		8.5%	
Total investments		15,128		100.0%	

All venture capital investments are listed on AIM unless otherwise stated

* Unquoted   ** Quoted on the PLUS market

[1] Investments made by other funds also managed by Downing LLP as at 31 March 2012.

DI	Downing Income VCT plc		
DI4	Downing Income VCT 4 plc	DI3	Downing Income VCT 3 plc
DAI1	Downing Absolute Income VCT 1 plc	DSO	Downing Structured Opportunities plc
DP2011	Downing Planned Exit VCT 2011 plc	DAI2	Downing Absolute Income VCT 2 plc

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 31 March 2012

Additions		**£'000**
Aminghurst Limited	Follow-on investment	11
Boomerang Plus plc	Follow-on investment	106
Financial News Publishing Limited	Follow-on investment	20
Future Biogas (SF) Limited	Follow-on investment	14
Hoole Hall Spa and Leisure Club Limited	Follow-on investment	180
Ludorum plc	Follow-on investment	682
Sinclair Pharma plc**	Consideration from IS Pharma plc takeover	611
Tracsis plc	New investment	101
		1,725

Disposals	**Cost £'000**	**MV at 01/04/11* £'000**	**Proceeds £'000**	**Profit/ (loss) vs cost £'000**	**Realised gain/(loss) in year £'000**
Market sales					
@ UK plc	7	99	88	81	(11)
Animalcare Group plc	512	661	711	199	50
Aortech International plc	569	39	29	(540)	(10)
Atlantic Global plc	50	28	26	(24)	(2)
Craneware plc	77	106	104	27	(2)
Deltex Medical Group plc	137	145	138	1	(7)
DODs Group plc	23	7	4	(19)	(3)
IDOX plc	187	289	434	247	145
Mears Group plc	204	185	188	(16)	3
Media Square plc	119	3	2	(117)	(1)
Plastics Capital plc	59	174	158	99	(16)
Richoux Holdings plc	260	90	65	(195)	(25)
Servoca plc	477	183	151	(326)	(32)
Sinclair IS Pharma plc	433	433	374	(59)	(59)
Straight plc	72	56	16	(56)	(40)
The Kellan Group plc	34	25	24	(10)	(1)
Zamano plc	374	86	58	(316)	(28)
	3,594	2,609	2,570	(1,024)	(39)
Unquoted (including loan note redemptions)					
ANS Group plc	201	463	419	218	(44)
Brasserie Bar Co Limited	125	125	279	154	154
Financial News Publishing Limited	70	70	86	16	16
Hoole Hall Country Club Holdings Limited	180	180	180	-	-
Ludorum plc	775	775	775	-	-
Tramps Nightclub Limited	23	23	23	-	-
	1,374	1,636	1,762	388	126
Takeovers					
Atlantic Global plc	260	146	229	(31)	83
IS Pharma plc**	392	588	611	219	23
	652	734	840	188	106
Liquidations/administrations					
Chariot (UK) Limited	125	-	-	(125)	-
Sport Media Group plc	14	-	-	(14)	-
	139	-	-	(139)	-
	5,759	4,979	5,172	(587)	193

* Adjusted for purchases in the year

** The consideration for IS Pharma plc was settled by shares in Sinclair Pharma plc

REVIEW OF INVESTMENTS (continued)

Further details of the top ten investments at 31 March 2012 are as follows:

Cadbury House Holdings Ltd
www.cadburyhotelbristol.com

Cost at 31/03/2012:		£2,518,000	Valuation at 31/03/12:	£2,346,000
Cost at 31/03/2011:		£2,518,000	Valuation at 31/03/11:	£2,546,000
Investment comprises:				
Equity shares:		£750,000	Valuation method:	Multiples
Convertible loan note:		£1,558,000		
A Loan:		£210,000		

Audited accounts:	31/03/11	31/03/10	Dividend income:	£Nil
Turnover:	£6.6m	£6.2m	Loan note income:	£55,000
(Loss)/profit before tax:	(£0.5m)	£0.2m	Proportion of capital held:	13.8%
Net assets:	£5.6m	£7.1m	Diluted equity:	32.9%

Cadbury House Holdings Limited owns and operates a health club, restaurant and conference centre at Cadbury House, near Bristol which trades as The Doubletree by Hilton, Bristol. The restaurant trades as a Marco Pierre-White Steakhouse Bar and Grill. The 2013 loan note has a zero rate coupon and is convertible at any time into ordinary shares.

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

Cost at 31/03/2012:		£1,920,000	Valuation at 31/03/12:	£1,920,000
Cost at 31/03/2011:		£2,100,000	Valuation at 31/03/11:	£2,100,000
Investment comprises:				
Equity shares:		£672,000	Valuation method:	Multiples
Convertible loan note:		£1,248,000		

Audited accounts:	31/03/11	31/03/10	Dividend income:	£Nil
Turnover:	£3.9m	£2.9m	Loan note interest:	£Nil
Loss before tax:	(£0.5m)	(£4.5m)	Proportion of capital held:	20.1%
Net liabilities:	(£5.2m)	(£4.7m)	Diluted equity:	32.2%

Hoole Hall Country Club is set on a ten acre site on the edge of Hoole, near Chester and trades as Doubletree by Hilton, Chester. It comprises a Victorian Mansion, a large conservatory and a modern extension. The property has undergone an extensive refurbishment and consists of a conference and banqueting centre and a Marco Pierre White bar and grill. During the year the Company sold part of its equity and loan note holding in Hoole Hall for £180,000. The loan note is convertible into 'A' ordinary shares.

Ludorum plc
www.ludorumplc.com

Cost at 31/03/2012:		£2,068,000	Valuation at 31/03/12:	£1,681,000
Cost at 31/03/2011:		£2,161,000	Valuation at 31/03/11:	£2,213,000
Investment comprises:				
Equity shares:		£1,386,000	Valuation method:	Bid price
7.5% loan note:		£682,000		

Audited accounts:	31/12/11	31/12/10	Dividend income:	£Nil
Turnover:	£7.3m	£3.9m	Loan note interest:	£70,000
Profit/(loss) before tax:	£0.2m	(£1.4m)	Proportion of capital held:	4.1%
Net liabilities:	(£0.1m)	(£2.4m)	Diluted equity:	4.1%

Ludorum is dedicated to developing, acquiring and marketing intellectual entertainment properties which are appropriate for both the new interactive distribution channels as well as classic linear TV. The company owns Chuggington and is also the global distributor of the D C Thomson & Co. property, Dennis & Gnasher, as well as Marvo the Wonder Chicken. During the year, Ludorum redeemed the original loan note held by the Company of £775,000, and a new loan note investment of £682,000 was made.

REVIEW OF INVESTMENTS (continued)

Hoole Hall Spa & Leisure Club Limited
www.theclubandspachester.co.uk

Cost at 31/03/2012:		£1,200,000	Valuation at 31/03/12:	£1,200,000
Cost at 31/03/2011:		£1,020,000	Valuation at 31/03/11:	£1,020,000
Investment comprises:				
Equity shares:		£264,000	Valuation method:	Multiples
Convertible loan note:		£936,000		
Audited accounts:	31/03/11	31/03/10	Dividend income:	£Nil
Turnover:	£2.1m	£0.7m	Loan note interest:	£Nil
Loss before tax:	(£0.6m)	(£2.1m)	Proportion of capital held:	10.8%
Net (liabilities)/assets:	(£0.1m)	£0.7m	Diluted equity:	32.2%

Hoole Hall Spa and Leisure Club operates a large health club and spa adjacent to Hoole Hall Country Club. During the year the Company purchased additional equity and loan note holdings in Hoole Hall for £180,000. 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.

FirstCare Limited
www.firstcare.eu

Cost at 31/03/2012:		£879,000	Valuation at 31/03/12:	£604,000
Cost at 31/03/2011:		£879,000	Valuation at 31/03/11:	£879,000
Investment comprises:				
Equity shares:		£604,000	Valuation method:	Multiples
Loan note:		£275,000		
Audited accounts:	31/12/10	31/12/09	Dividend income:	£Nil
Turnover:	£5.1m	£0.7m	Loan note interest:	£17,000
Profit/(loss) before tax:	£0.2m	(£1.1m)	Proportion of capital held:	10.1%
Net assets/(liabilities):	£0.9m	(£0.3m)	Diluted equity:	10.1%

FirstCare provides outsourced 'absence management' solutions to major employers in both the private and public sectors, covering over 100,000 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 FirstCare's helpline staffed by qualified nurses.

Accumuli plc
www.accumuliplc.com

Cost at 31/03/2012:		£338,000	Valuation at 31/03/12:	£540,000
Cost at 31/03/2011:		£337,000	Valuation at 31/03/11:	£417,000
Investment comprises:				
Equity shares:		£338,000	Valuation method:	Bid price
Audited accounts:	31/03/12	31/03/11	Dividend income:	£Nil
Turnover:	£13.0m	£2.4m		
Profit/(loss) before tax:	£0.1m	(£0.7m)	Proportion of capital held:	3.5%
Net assets:	£10.0m	£7.2m	Diluted equity:	3.5%

Accumuli is a UK-based advanced security solutions provider, delivering multi-layered security services that protect customers' networks and their users from targeted assaults on resources and data. Using leading edge technologies, Accumuli has created solutions that can identify and eliminate irregular patterns that could otherwise lead to disruption and financial loss for its clients. The Company delivers a full range of capabilities that ensures the successful deployment of advanced security solutions from inception to a fully managed support service. Accumuli's customer base consists of companies of all sizes across a range of sectors, including financial services, utilities, telecommunications, manufacturing and government.

Idox plc
www.idoxgroup.com

Cost at 31/03/2012:		£185,000	Valuation at 31/03/12:	£482,000
Cost at 31/03/2011:		£372,000	Valuation at 31/03/11:	£574,000
Investment comprises:				
Equity shares:		£185,000	Valuation method:	Bid price
Audited accounts:	31/10/11	31/10/10	Dividend income:	£18,000
Turnover:	£39.0m	£31.0m		
Profit before tax:	£5.6m	£4.9m	Proportion of capital held:	0.5%
Net assets:	£34.0m	£31.0m	Diluted equity:	0.5%

IDOX plc is a supplier of specialist document management collaboration solutions and services to the UK public sector and increasingly to highly regulated asset intensive industries around the world. The group is made up of the following divisions; Public Sector Software, Engineering Information Management, Information Solutions and Recruitment.

Leytonstone Pub Ltd
www.theredlionleytonstone.com

Cost at 31/03/2012:	£415,000	Valuation at 31/03/12:	£415,000
Cost at 31/03/2011:	£415,000	Valuation at 31/03/11:	£415,000
Investment comprises:			
Equity shares:	£124,000	Valuation method:	Multiples
Loan notes:	£291,000		
Audited abbreviated accounts:	31/12/11	Dividend income:	£Nil
Turnover:	Not published	Loan note income	£17,000
Profit before tax:	Not published	Proportion of capital held:	20.8%
Net assets:	£0.3m	Diluted equity:	20.8%

Leytonstone Pub Limited owns a 12,000 sqft pub called The Red Lion located in Leytonstone, London. The downstairs of the pub re-opened in June 2011, following a complete refurbishment, and it now provides both a food and beverage offering.

Tristel plc
www.tristel.com

Cost at 31/03/2012:		£631,000	Valuation at 31/03/12:	£406,000
Cost at 31/03/2011:		£631,000	Valuation at 31/03/11:	£639,000
Investment comprises:				
Equity shares:		£631,000	Valuation method:	Bid price
Audited accounts:	30/06/11	30/06/10	Dividend income:	£4,000
Turnover:	£9.3m	£8.8m		
Profit before tax:	£0.5m	£1.7m	Proportion of capital held:	2.9%
Net assets:	£14.0m	£8.5m	Diluted equity:	2.9%

Tristel is an infection prevention and contamination control business. Its products are used to prevent hospital acquired infections, for hygiene in animal healthcare and by pharmaceutical and personal care manufacturers for contamination control. Its leading brands are Tristel (infection prevention) and Crystel (contamination control). Tristel's lead technology is a proprietary chlorine dioxide formulation used to disinfect instruments and surfaces and to control legionella and biofilm build up in water.

Boomerang Plus plc
www.boomerang.co.uk

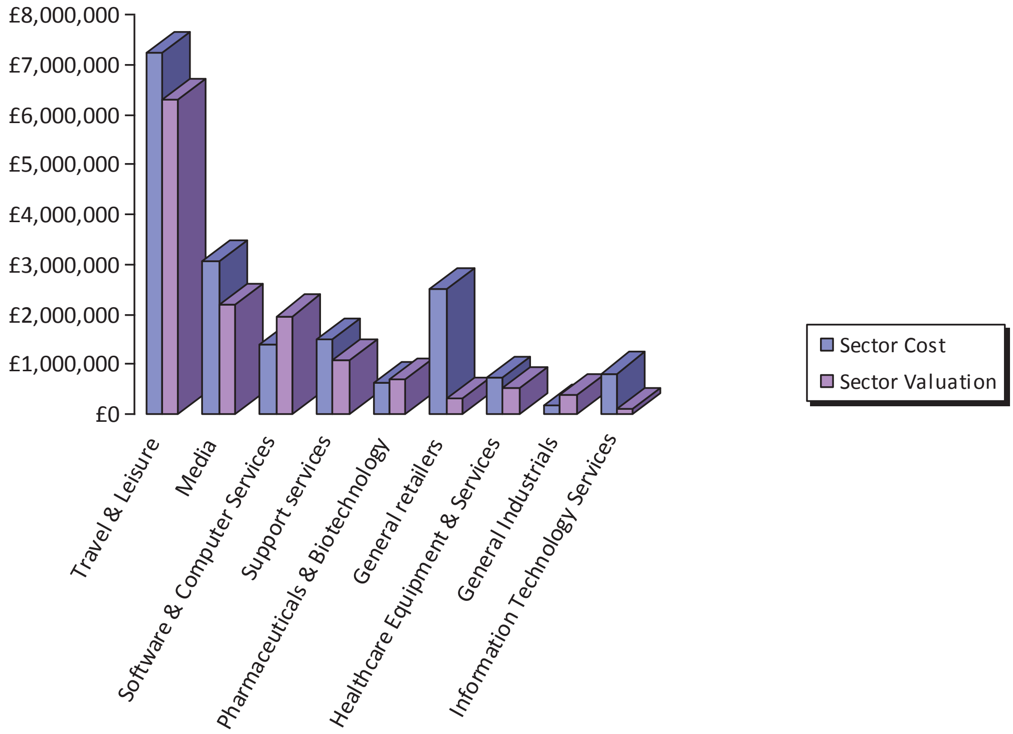
Cost at 31/03/2012:		£596,000	Valuation at 31/03/12:	£392,000
Cost at 31/03/2011:		£490,000	Valuation at 31/03/11:	£338,000
Investment comprises:				
Equity shares:		£596,000	Valuation method:	Bid price
Audited accounts:	31/05/11	31/05/10	Dividend income:	£Nil
Turnover:	£27.0m	£21.0m		
Profit before tax:	£1.0m	£0.5m	Proportion of capital held:	8.8%
Net assets:	£9.5m	£9.0m	Diluted equity:	8.8%

Boomerang Plus comprises a group of media businesses whose activities include programme production, post-production services, television facilities and talent management. The Group produces content in a variety of genres, including entertainment, factual, sport, music, drama and children's programmes for television, radio and the web.

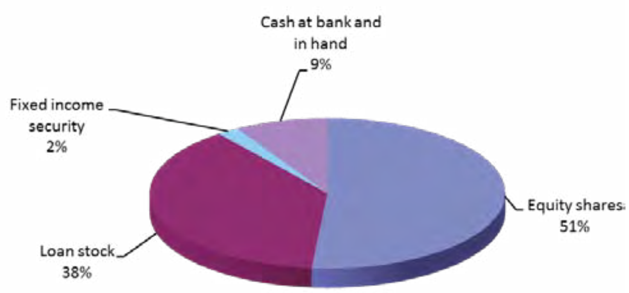
REVIEW OF INVESTMENTS (continued)

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 2012) 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 2012):



Portfolio balance
At 31 March 2012, the Company assets employed were broadly in line with the targets within the investment policy. These are summarised as follows:

Type of Investment (by HMRC valuation rules)	**Actual**	**Target**
VCT qualifying investments	98.2%	>70%
Non-qualifying investments	1.8%	<30%
Cash at bank and in hand	-	-
Total	100.0%	100%

Investment category (by value)	**Actual**	**Target**
Growth	40.3%	40% - 60%
Income producing	44.7%	40% - 60%
Non-qualifying	15.0%	20%- 30%
Total	100.0%	

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2012.

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, however, the Company has continued to conduct its affairs in a manner such that it continues to comply with Part 6 of the Income Tax Act 2007 (the Venture Capital Trust Regulations).

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

Business review and developments
Over the year to 31 March 2012, the investments held had fallen in value by £2.0 million. Gains arising on investment realisations totalled £193,000.

Additionally, the total running costs of the Company exceeded revenue income arising from the portfolio investments by £168,000. This takes into account the reduction in the Manager's fee by £28,000 as a result of the operation of the 3.0% cap on annual expenses (2011: 3.0% cap).

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
During the year, the Company repurchased 1,011,909 Ordinary Shares of 1p each for an aggregate consideration of 69.6p per share (equal to approximately a 15% discount to the most recently published NAV), and representing 4.9% of the issued Ordinary Share capital held at 1 April 2011. These shares were subsequently cancelled.

On 3 February 2012, the Company published an Offer Document in respect of (i) a Tender Offer to buy back up to 20,097,712 ordinary shares of 1p each ("Ordinary Shares") from existing shareholders and (ii) an Open Offer to the issue of up to 22,107,483 Ordinary Shares, together the Share Realisation and Reinvestment Programme ("SRRP").

In accordance with the terms of the SRRP, between 4 April 2012 and 13 April 2012:

- A total of 7,587,377 Ordinary Shares were purchased for cancellation at a price of 77.1p per Ordinary Share.

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

Total costs in respect of the transaction were £130,000.

Between 4 April 2012 and 13 April 2012, under the Open Offer, 504,727 Ordinary Shares were allotted at a price of 77.9p per Ordinary Share. Total proceeds received thereon were £393,000, of which £382,000 was received before the year end.

At the year end, the total number of Ordinary Shares of 1p each in issue was 19,811,677. There were no other share classes in issue at the year end.

Following the post year end transactions, at the date of this report the total number of Ordinary Shares of 1p each in issue was 20,239,979.

Results and dividends

	£'000	**Pence per share**
Return on ordinary activities after tax for the year ended 31 March 2012	(2,013)	(9.9p)
Distributions paid in the year		
30 September 2011	509	2.5p
30 March 2012	502	2.5p
	1,011	

The Board is proposing a final dividend of 2.5p per share to be paid, subject to Shareholder approval at the AGM, on 28 September 2012 to Shareholders on the register at 31 August 2012.

Performance incentive fee

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

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

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

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

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

As the targets have not been met, no fees are due in respect of the year ended 31 March 2012.

Investment policy

Quantitative analyses of how the Company has operated in accordance with its investment policy are shown in the Review of Investments on pages 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 non-qualifying investments. New funds raised under the Offer for Subscription will initially be held in non-qualifying investments and will gradually be invested in VCT qualifying investments over a two to three year period.

VCT qualifying investments

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

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

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

- companies already quoted on AIM, or the 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.

Non-qualifying investments

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

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

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

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

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

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

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

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

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

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

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 2012, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £15 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 Income Tax Act.

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.

Despite the disappointing result for the year, the Board is satisfied with the overall performance of Downing as Investment Manager and its strategy, approach and procedures in providing investment management services to the Company. The Directors have concluded that the continuing appointment of Downing, as Investment Manager, remains in the best interests of Shareholders.

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

Annual running costs cap

From April 2010, the annual running costs of the Company have been capped at 3.0% of its NAV (calculated on a semi-annual basis) until September 2012. 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 investment manager and administrators. Costs incurred on abortive investment proposals are the responsibility of the Investment Manager. It is intended that fees payable by the Company to the Investment Manager will be allocated at least 25% to revenue and up to 75% to capital. This allocation may be reviewed in the future as the focus of the portfolio changes.

Directors

The Directors of the Company during the year and their beneficial interests in the Ordinary Shares of the Company at 1 April 2011, 31 March 2012 and the date of this report were as follows:

	Ordinary Shares	
	Date of this report	1 April 2011 and 31 March 2012
Christopher Powell	4,115	4,157
Michael Cunningham	9,322	9,417
Stuart Goldsmith	11,056	11,168
Roger Jeynes	38,472	36,268

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

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

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

VCT compliance

The Company has retained PwC to advise it on compliance with VCT requirements, 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.

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 2012, and the period then ended is summarised as follows:

1.	70% of its investments in qualifying companies (Company as a whole)	97.9%
2.	At least 30% of the Company's qualifying investments in "eligible shares"	75.3%
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 2012 is derived wholly or mainly from shares and securities	95.7%
6.	For the year ended 31 March 2012, no more that 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)	14.3%
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 (2011: None).

Key performance indicators

The main key performance indicators for the Company are the Venture Capital Trust Regulations as shown in the table on page 13. 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 level of success in meeting its objectives (as shown on page 13). 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 (page 2).

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, investment, credit and liquidity risks, are summarised within note 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 2012, 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 11:30 a.m. on 18 September 2012. The Notice of the AGM and Form of Proxy are at the end of this document.

Statement of Directors' responsibilities

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

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

Statement of Directors' responsibilities (continued)
In preparing these financial statements, the Directors are required to:

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

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

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

Directors' statement pursuant to the Disclosure and Transparency Rules
Each of the Directors, whose names are listed on page 3, confirms that, to the best of each person's knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

- the Report of the Directors contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

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

Corporate governance
The Company's compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code, June 2010 (www.frc.org.uk), is shown on pages 22 to 25.

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

G Whitehouse

Grant Whitehouse
Company Secretary
Company Number: 3150868
Registered Office:
10 Lower Grosvenor Place
London SW1W 0EN

26 July 2012

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 18 September 2012.

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

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

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

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

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

	2012 fee £	2011 fee £
Christopher Powell	15,000	15,000
Aubrey Brocklebank	n/a	8,000
Michael Cunningham	10,000	10,000
Stuart Goldsmith	12,000	12,000
Roger Jeynes	12,000	12,000
	49,000	57,000

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.

2012/2013 remuneration
The remuneration levels for the forthcoming year are expected to be unchanged and at the following levels:

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

DIRECTORS' REMUNERATION REPORT

Performance graph

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

The following graph charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) ("NAV Total Return") and total return of the Company's share price ("Share Price Total Return") over the past five years compared with the total cumulative return of the FTSE AIM All-Share Index ("FTSE AIM All-Share Index Total Return") (copyright FTSE International Limited), each of which has been rebased to 100 at 31 March 2007.

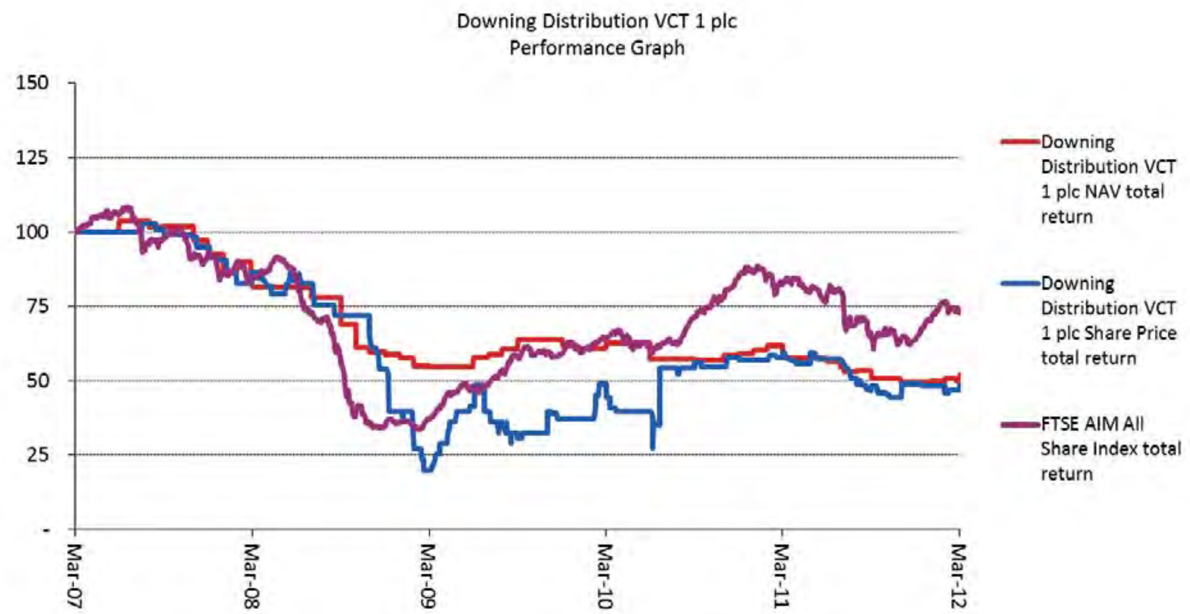
This Index is considered to be the most appropriate broad equity market against which investors can measure the relative performance of the Company.

By order of the Board

GWhitehouse

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

26 July 2012



CORPORATE GOVERNANCE STATEMENT

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

The Board

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

In accordance with the Articles of Association, Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter. The Board has decided that it would be best practise for the whole Board of Directors to retire at each AGM, with those wishing to do so putting themselves forward for re-election. Accordingly at the forthcoming AGM all Directors will retire and, all of them being eligible are 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 Investment Manager; making decisions concerning the acquisition or disposal of investments; and reviewing, annually, the terms of engagement of all third party advisers (including the Investment Manager). All the members of the Board attended each full Board meeting held during the year.

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

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

Share capital

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

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

Board and Committee meetings

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

	Board meetings attended (4 held)	**Audit Committee meetings attended (2 held)**
Christopher Powell	4	2
Michael Cunningham	4	N/A
Stuart Goldsmith	4	2
Roger Jeynes	4	2

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

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

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

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

Any non-audit services provided by the Auditors 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, the Auditor confirms their independent status on an annual basis.

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

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

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

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

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

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

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

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

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

Financial reporting
The Directors' Statement of Responsibilities for preparing the accounts is set out in the Report of the Directors on pages 18 to 19, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 26.

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

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

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

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's Statement on pages 4 to 5, the Investment Manager's Report on pages 6 to 7 and the Report of the Directors on page 14. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 30 and the Report of the Directors on page 16. In addition, notes 12 and 17 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

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

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

Compliance statement

The Listing Rules require the Board to report on compliance with the fifty-two UK Corporate Governance Code provisions throughout the accounting period. The preamble to the UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 March 2012 with the provisions set out in the UK Corporate Governance Code issued in June 2010.

a) New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. Also the Company has no major Shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the AGM. (B.4.1, B.4.2, E.1.1)

b) Due to the size of the Board and the nature of the Company's business, a formal performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. Similarly, a senior independent director has not been appointed. (A.4.1, A.4.2, B.6.1, B.6.3, B.7.2)

c) The Company does not have a Senior Director or any independent Directors as defined by the UK Corporate Governance Code as a result of other directorships of companies managed by the same Investment Management Team and length of service. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the UK Corporate Governance Code. (B.1.2). (Consequently the composition of the Audit Committee does not comply with C.3-1.)

d) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts. (B.2.3) The Directors do have agreements for services in place. In the Directors' opinion, this does not make a substantive difference to the circumstances of the Company.

e) As the Company has no staff, other than the Directors, there are no procedures in place in respect of C.3.4 of the UK Corporate Governance Code, relating to whistleblowing. The Audit Committee understands that the Manager has whistleblowing procedures in place.

By order of the Board

G Whitehouse

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

26 July 2012

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

We have audited the financial statements on pages 27 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 2012 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 24 to 25 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 to 25 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

Baker Tilly UK Audit LLP

RICHARD COATES (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP,
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

26 July 2012

INCOME STATEMENT

for the year ended 31 March 2012

	Note	Revenue £'000	Capital £'000	2012 Total £'000	Revenue £'000	Capital £'000	2011 Total £'000
Income							
Continuing operations		360	-	360	188	-	188
Acquisitions		-	-	-	152	-	152
	2	360	-	360	340	-	340
(Losses)/gains on investments							
Continuing operations		-	(1,845)	(1,845)	-	(79)	(79)
Acquisitions		-	-	-	-	(1,156)	(1,156)
	9	-	(1,845)	(1,845)	-	(1,235)	(1,235)
Net gain on acquisition of net assets		-	-	-	-	5,403	5,403
		360	(1,845)	(1,485)	340	4,168	4,508
Investment management fees	3	(72)	(216)	(288)	(94)	(280)	(374)
Other expenses	4	(239)	(1)	(240)	(266)	(3)	(269)
Return on ordinary activities before tax		49	(2,062)	(2,013)	(20)	3,885	3,865
Tax on ordinary activities	6	-	-	-	-	-	-
Return attributable to equity shareholders		49	(2,062)	(2,013)	(20)	3,885	3,865
Basic and diluted return per Ordinary Share	8	0.2p	(10.1p)	(9.9p)	(0.1p)	18.1p	18.0p

The 'Total' column within the Income Statement represents the profit and loss account of the Company. No operations were acquired or discontinued during the year.

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 these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Opening Shareholders' funds		19,161	4,860
Issue of share capital on acquisition		-	12,353
Proceeds of new share issue		-	10
Unallotted shares	**13**	382	-
Purchase of own shares	**12**	(707)	(862)
Total recognised (losses)/gains for the year		(2,013)	3,865
Dividends paid	**7**	(1,011)	(1,065)
Closing Shareholders' funds		15,812	19,161

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

BALANCE SHEET
as at 31 March 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	9	13,844	19,136
Current assets			
Debtors	10	947	159
Cash at bank and in hand		1,284	199
		2,231	358
Creditors: amounts falling due within one year	11	(263)	(333)
Net current assets		1,968	25
Net assets		15,812	19,161
Capital and reserves			
Called up share capital	12	198	208
Capital redemption reserve	13	1,147	1,137
Share premium account	13	2	2
Share capital to be issued	13	382	-
Special reserve	13	14,206	14,913
Capital reserve – realised	13	4,629	6,444
Revaluation reserve	13	(4,742)	(3,484)
Revenue reserve	13	(10)	(59)
Total equity shareholders' funds		15,812	19,161
Basic and diluted net asset value per share	14	77.9p	92.0p

The financial statements on pages 27 to 44 were approved and authorised for issue by the Board of Directors on 26 July 2012 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 2012

	Note	2012 £'000	2011 £'000
Net cash outflow from operating activities	**15**	(235)	(262)
Capital expenditure			
Purchase of investments		(1,115)	(1,833)
Disposal of investments		3,859	2,879
Net cash inflow from capital expenditure		2,744	1,046
Acquisitions			
Cash acquired		-	970
Acquisition costs		(12)	(149)
Net cash (outflow)/inflow from acquisitions		(12)	821
Equity dividends paid		(1,015)	(1,067)
Net cash inflow before financing		1,482	538
Financing			
Unallotted share issue proceeds		382	-
Share issue costs		(67)	-
Purchase of own shares		(712)	(764)
Net cash outflow from financing		(397)	(764)
Increase/(decrease) in cash	**16**	1,085	(226)

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

NOTES TO THE ACCOUNTS
for the year ended 31 March 2012

1. Accounting policies

Basis of accounting
The Company has prepared its financial statements under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" January 2009 ("SORP").

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

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

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

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

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

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

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

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

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

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

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

1. Accounting policies (continued)

Investments (continued)

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

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.

Expenses

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

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

Taxation

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

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

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

Other debtors and other creditors

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

Share issue costs

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

Segmental reporting

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2012

1. Accounting policies (continued)

Acquisitions
Acquisitions 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

	2012 £'000	2011 £'000
Income from investments		
Loan stock interest	203	145
Dividend income	101	144
Listed fixed income security interest	41	41
	345	330
Other income		
Other income	7	6
Deposit interest	8	4
	360	340

3. Investment management fees

	2012 £'000	2011 £'000
Investment management fees	288	374

The annual running costs of the Company for the year are subject to a cap of 3.0% of the Company's net assets. The Investment Manager's fees have been reduced accordingly.

4. Other expenses

	2012 £'000	2011 £'000
Administration services	70	70
Directors' remuneration	49	57
Social security costs	1	1
Trail commission	25	34
Auditor's remuneration for statutory audit	17	18
Legal and professional fees	4	10
Provision for doubtful income	-	2
Other expenses	74	77
	240	269

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 (2011: none).

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2012

6. Tax on ordinary activities

	2012 £'000	2011 £'000
a) Tax charge for year		
Current year:		
UK Corporation tax (charged to the Revenue Account)	-	-
Tax credited to Capital Account	-	-
	-	-
b) Factors affecting tax charge for the year		
(Loss)/return on ordinary activities before taxation	(2,013)	3,865
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 20.0% (2011: 21.0%)	(403)	812
Effects of:		
Losses on investments	369	259
Net gain on acquisition of net assets	-	(1,135)
UK dividend income	(20)	(30)
Disallowable expenses	5	9
Excess management fees carried forward	49	85
	-	-

c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £4.0 million (2011: £3.8 million). The associated deferred tax asset has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future.

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

7. Dividends

			2012			2011
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Paid in year						
2012 Interim 30/03/12: 2.5p	-	502	502	-	-	-
2011 Final 30/09/11: 2.5p	-	509	509	-	-	-
2011 Interim 31/03/11: 2.5p	-	-	-	-	525	525
2011 Interim 30/09/10: 2.5p	-	-	-	-	540	540
	-	1,011	1,011	-	1,065	1,065
Proposed in year						
Final 2.5p (2011: 2.5p)	-	506	506	-	520	520

8. Return per share

	2012	2011
Return per share based on:		
Net revenue return/(loss) for the financial year (£'000)	49	(20)
Capital return per share based on:		
Net capital (loss)/gain for the financial year (£'000)	(2,062)	3,885
Weighted average number of shares in issue	20,429,797	21,493,659

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

9. Investments

	Unquoted investments £'000	Quoted on PLUS £'000	Quoted on AIM £'000	Listed on Main Market £'000	Total £'000
Cost at 1 April 2011	10,638	1,016	10,204	762	22,620
Losses at 1 April 2011	(2,001)	(135)	(1,128)	(220)	(3,484)
Opening fair value at 1 April 2011	8,637	881	9,076	542	19,136
Movement in the year:					
Purchased at cost	225	-	1,500	-	1,725
Sale – proceeds	(569)	(418)	(3,997)	(188)	(5,172)
– realised gains/(losses) on sales in the income statement	171	(44)	63	3	193
Unrealised losses in the income statement	(1,068)	(307)	(607)	(56)	(2,038)
Closing fair value at 31 March 2012	7,396	112	6,035	301	13,844
Closing cost at 31 March 2012	10,963	815	6,250	558	18,586
Losses at 31 March 2012	(3,567)	(703)	(215)	(257)	(4,742)
	7,396	112	6,035	301	13,844

Costs incidental to the acquisitions of investments incurred during the year were £1,000 (2011: £3,000) and costs were incurred on the disposal of investments totalling £5,000 (2011: £8,000). A schedule disclosing the additions and disposals during the year can be found within the Review of Investments on page 9.

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

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2012

9. Investments (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2012 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2011 £'000
Quoted on the Main Market	301	-	-	301	542	-	-	542
Quoted on AIM	5,353	-	-	5,353	8,301	-	-	8,301
Quoted on Plus	112	-	-	112	881	-	-	881
Loan notes	-	-	5,764	5,764	-	-	6,649	6,649
Unquoted	-	-	2,314	2,314	-	-	2,763	2,763
	5,766	-	8,078	13,844	9,724	-	9,412	19,136

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

	Unquoted shares £'000	Loan notes £'000	Total £'000
Balance at 31 March 2011	2,763	6,649	9,412
Movements in the income statement:			
Unrealised losses in the income statement	(302)	(766)	(1,068)
Realised gains in the income statement	165	5	170
	(137)	(761)	(898)
Purchases at cost	54	854	908
Sales proceeds	(366)	(978)	(1,344)
Balance at 31 March 2012	2,314	5,764	8,078

FRS 29 requires disclosure to be made of the possible effect of changing one or more of the inputs to reasonably possible alternative assumptions where this would result in a significant change in the fair value of the Level 3 investments. There is an element of judgment in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments. The Directors and Investment Manager believe that the valuations as at 31 March 2012 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 17.

10. Debtors

	2012 £'000	2011 £'000
Trades awaiting settlement	775	72
Other debtors	7	10
Income tax recoverable	25	16
Prepayments and accrued income	140	61
	947	159

11. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Taxation and social security	3	3
Other creditors	93	138
Accruals and deferred income	167	192
	263	333

12. Called up share capital

	2012 £'000	2011 £'000
Issued, allotted, called up and fully paid:		
19,811,677 (2011: 20,823,586) Ordinary Shares of 1p each	198	208

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 16, in pursuit of its principal investment objectives as stated on page 3. There has been no significant change in the objectives, policies or processes for managing capital from the previous year.

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 1,011,909 Ordinary Shares of 1p each for an aggregate consideration of 69.6p per share (approximately equal to a 15% discount to the most recently published NAV), and representing 4.9% of the issued Ordinary Share capital held at 1 April 2011. These shares were subsequently cancelled.

The Company does not have any externally imposed capital requirements.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2012

13. Reserves

	Capital redemption reserve £'000	Share premium account £'000	Share capital to be issued £'000	Special reserve £'000	Capital reserve -realised £'000	Revaluation reserve £'000	Revenue reserve £'000
At 1 April 2011	1,137	2	-	14,913	6,444	(3,484)	(59)
Unallotted shares	-	-	382	-	-	-	-
Shares repurchased	10	-	-	(707)	-	-	-
Capital expenses	-	-	-	-	(217)	-	-
Gains/(losses) on investments	-	-	-	-	193	(2,038)	-
Realisation of revaluations from previous years	-	-	-	-	(780)	780	-
Dividends paid	-	-	-	-	(1,011)	-	-
Retained net revenue	-	-	-	-	-	-	49
At 31 March 2012	1,147	2	382	14,206	4,629	(4,742)	(10)

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 £4.8 million (2011: £3.5 million) (which exclude unquoted investment gains of £49,000 (2011: £27,000)). At the year end, there was £14 million of reserves available for distribution (2011: £17 million).

Share capital to be issued relates to funds received for an Open Offer for Subscription, but not allotted before the year end (see note 19).

14. Net asset value per share

	Shares in issue 2012	Shares in issue 2011	2012 Net asset value Pence per share	2012 Net asset value £'000	2011 Net asset value Pence per share	2011 Net asset value £'000
Ordinary Shares	19,811,677	20,823,586	77.9p	15,430	92.0p	19,161
Share capital to be issued				382		-
				15,812		19,161

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.

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

	2012 £'000	2011 £'000
(Loss)/return on ordinary activities before taxation	(2,013)	3,865
Losses on investments	1,845	1,235
Net gains on acquisition of net assets	-	(5,403)
Increase in debtors	(12)	(15)
(Decrease)/increase in creditors	(55)	56
Net cash outflow from operating activities	(235)	(262)

16. Change in cash

	2012 £'000	2011 £'000
Beginning of year	199	425
Net cash inflow/(outflow)	1,085	(226)
End of year	1,284	199

17. Financial instruments

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

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

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

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

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

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

17. Financial instruments (continued)

Investment risks

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

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

- Investment price risk; and
- Interest rate risk.

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

Investment price risk

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

Quoted investments

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

			2012			**2011**
Sensitivity			50% mvmt			50% mvmt
	Risk exposure £'000	**Impact on net assets £'000**	**Impact on NAV per share Pence**	**Risk exposure £'000**	**Impact on net assets £'000**	**Impact on NAV per share Pence**
Quoted shares	5,465	2,732	13.8	9,367	4,684	22.5

17. Financial instruments (continued)

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

Sensitivity			2012 25% mvmt			2011 25% mvmt *(restated)*
	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence
Unquoted shares	2,314	579	2.9	2,763	690	3.3

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

Sensitivity			2012 5% mvmt			2011 5% mvmt
	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence
Fixed interest securities	301	15	0.1	357	18	0.1

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

Interest rate risk
The Company accepts exposure to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates. The Company receives interest on its cash deposits at a rate agreed with its bankers. Investments in loan stock and fixed interest 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 fixed interest and loan note investments.
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate and comprise cash at bank.
- "No interest rate" assets do not attract interest and comprise equity investments, non-interest bearing convertible loan notes, loans and receivables (excluding cash at bank) and other financial liabilities.

17. Financial instruments (continued)

Interest rate risk (continued)
Interest rate risk profile of financial assets and financial liabilities

	Weighted average interest rate	Weighted average period until maturity	2012 £'000	2011 £'000
Fixed rate	4.8%	930 days	4,611	5,262
Floating rate	0.9%		1,284	199
No interest rate		744 days *	9,917	13,700
			15,812	19,161

* In respect of non-interest bearing loan notes only.

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

The Bank of England base rate stood at 0.5% per annum throughout the year; and it is currently likely that a change from this level may occur. Any potential change in the base rate, at the current level, would have an immaterial impact on the net assets and total return of the Company.

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 listed fixed interest investments, cash deposits and debtors.

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

	2012 £'000	2011 £'000 *(Restated)*
Fair value through profit or loss assets:		
Investments in listed fixed interest investments	301	357
Investments in loan stocks	5,764	6,649
Loans and receivables:		
Cash and cash equivalents	1,284	199
Trades awaiting settlement	775	72
Interest, dividends and other receivables	100	84
	8,224	7,361

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

Cash is mainly held at Royal Bank of Scotland plc and Bank of Scotland plc, both of which are A/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.

17. Financial instruments (continued)

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 (2012: £263,000, 2011: £333,000) and has no borrowings. Additionally, most quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal.

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

The carrying value of loan stock investments held at fair value through the profit and loss account at 31 March 2012, as analysed by expected maturity date, is as follows:

As at 31 March 2012	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	Past maturity date £'000	Total £'000
Full performing loan stock	-	-	-	5,162	-	5,162
Impaired loan stock	-	-	-	-	-	-
Past due loan stock	-	-	11	291	300	602
	-	-	11	5,453	300	5,764

Loan stock categorised as past due refers to two loan note investments, valued at £311,000 and £291,000 respectively. The loan note valued at £291,000 has not yet passed its maturity date, however, the investee company is not fully servicing the interest arrears under the loan note, with total interest arrears thereon falling within a banding of 9 to 12 months. The loan note valued at £311,000, of which £300,000 has passed its maturity date within a banding of 3 to 6 months, is also in interest arrears falling within a banding of 9 to 12 months. Notwithstanding this information, the Directors do not consider the loan notes to be impaired at the current time or that the maturity date of the principals has altered. The Company holds a further loan note investment which, although has not passed its maturity date, has been valued as fully impaired and is therefore not reflected in the above table.

As at 31 March 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	Past maturity date £'000	Total £'000
Full performing loan stock	-	-	300	5,207	-	5,507
Impaired loan stock	-	-	-	167	-	167
Past due loan stock	-	-	-	975	-	975
	-	-	300	6,349	-	6,649

Financial liabilities

The Company has no financial liabilities or guarantees, other than the creditors disclosed within the balance sheet (2011: none).

Currency exposure

As at 31 March 2012, the Company had no foreign investments (2011: none).

Borrowing facilities

The Company had no committed borrowing facilities as at 31 March 2012 (2011: none).

18. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2011: none).

19. Post balance sheet events

On 3 February 2012, the Company published an Offer Document in respect of (i) a Tender Offer to buy back up to 20,097,712 ordinary shares of 1p each (“Ordinary Shares”) from existing shareholders and (ii) an Open Offer to the issue of up to 22,107,483 Ordinary Shares, together the Share Realisation and Reinvestment Programme (“SRRP”).

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

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

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

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 11:30 a.m. on 18 September 2012 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 2012 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, Michael Cunningham, who retires in accordance with the UK Corporate Governance Code and, being eligible, offers himself for re-election.

7. 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.

8. To re-elect as Director, Roger Jeynes, 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

9. 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

10. That, conditional upon the passing of resolution 9, 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)

11. 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

G Whitehouse

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

26 July 2012

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

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

Notes

(a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:

- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

(b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.

(c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:

- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- by sending an e-mail to proxy@downing.co.uk.

In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.

(d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.

(e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the Ordinary Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (excluding weekends and public holidays) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

(f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11:30 a.m. on 14 September 2012 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 11:30 a.m. on 14 September 2012 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 26 July 2012, the Company's issued share capital comprised 20,239,979 Ordinary Shares and the total number of voting rights in the Company was 20,239,979. 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 18 September 2012 at 10 Lower Grosvenor Place, London SW1W 0EN at 11:30 a.m.

I/We*…… (in BLOCK CAPITALS please)

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

or ………

of ………
as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 10 Lower Grosvenor Place, London SW1W 0EN on 18 September 2012 or at any adjournment thereof.

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

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

ORDINARY BUSINESS	**FOR**	**AGAINST**	**WITHHELD**
1. To receive and adopt the Directors' Report and Accounts.	☐	☐	☐
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 Michael Cunningham as a Director.	☐	☐	☐
7. To re-elect Stuart Goldsmith as a Director.	☐	☐	☐
8. To re-elect Roger Jeynes as a Director.	☐	☐	☐
SPECIAL BUSINESS			
9. To authorise the Company to allot shares.	☐	☐	☐
10. To authorise the Company to disapply pre-emption rights.	☐	☐	☐
11. To authorise the Directors to make market purchases of its shares.	☐	☐	☐

Signature(s)*……………………………………………………………………………………… Date ……………………………………2012

* Delete as appropriate

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

NOTES AND INSTRUCTIONS:

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

Downing

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