

Downing FOUR VCT plc

Half Yearly Report
for the six months ended
30 September 2017



FINANCIAL HIGHLIGHTS

	30 Sept 2017 pence	31 March 2017 pence	30 Sept 2016 pence
DSO B Share pool			
Net asset value per DSO B Share	4.444	20.7	20.0
Net asset value per DSO C Share	10.939	0.1	0.1
Cumulative dividends per DSO B Share	91.500	91.5	91.5
Estimated performance incentive * †	-	(5.5)	(5.3)
Total return per DSO B Share and DSO C Share	<u>106.883</u>	<u>106.8</u>	<u>106.3</u>
DSO D Share pool			
Net asset value per DSO D Share	78.5	76.1	75.5
Cumulative dividends per DSO D Share	27.5	25.0	22.5
Estimated performance incentive *	(4.2)	-	-
Total return per DSO D Share	<u>101.8</u>	<u>101.1</u>	<u>98.0</u>
DP67 Share pool			
Net asset value per DP67 Share	68.7	66.1	63.9
Cumulative dividends per DP67 Share	29.8	27.8	25.8
Total return per DP67 Share	<u>98.5</u>	<u>93.9</u>	<u>89.7</u>
DP2011 General Share pool			
Net asset value per DP2011 Gen Ord Share	15.0	15.0	25.0
Net asset value per DP2011 Gen A Share	34.4	31.2	30.3
Cumulative dividends per DP2011 Gen Ord Share	55.0	55.0	45.0
Total return per DP2011 Gen Ord Share and Gen A Share	<u>104.4*</u>	<u>101.2</u>	<u>100.3</u>
<i>Estimated Performance incentive (already included above) *</i>	5.2		
DP2011 Structured Share pool			
Net asset value per DP2011 Struc Ord Share	5.0	4.8	14.9
Net asset value per DP2011 Struc A Share	34.5	31.9	31.8
Cumulative dividends per DP2011 Struc Share	65.0	65.0	55.0
Total return per DP2011 Struc Ord Share and Struc A Share	<u>104.5*</u>	<u>101.7</u>	<u>101.7</u>
<i>Estimated Performance incentive (already included above) *</i>	5.2		
DP2011 Low Carbon Share pool			
Net asset value per DP2011 Low Carbon Share	39.1	43.0	41.7
Cumulative dividends per DP2011 Low Carbon Share	73.9	73.9	73.9
Estimated performance incentive *	(5.5)	(2.5)	(6.8)
Total return per DP2011 Low Carbon Share	<u>107.5</u>	<u>114.4</u>	<u>108.8</u>
Generalist Share pool			
Net asset value and Total return per Generalist Share	<u>98.7</u>	<u>99.9</u>	<u>N/A</u>
Healthcare Share pool			
Net asset value and Total return per Healthcare Share	<u>98.6</u>	<u>99.7</u>	<u>N/A</u>

* A full explanation of the performance incentive arrangements for each share pool is given on pages 38 to 39.

† As at 30 September 2017, the performance incentive has been provided for by virtue of the allocation of proceeds to the DSO C Share class. The estimated performance incentive is equivalent to 5.5p per DSO B Share in prior years.

SHAREHOLDER INFORMATION

Dividends

Dividends will be 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.

Queries relating to dividends, shareholdings, and requests for mandate forms should be directed to the Company's registrar, Link Asset Services, on 0871 664 0300 (calls cost 12p per minute plus network extras, lines open 9:00am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Mandate forms can also be downloaded from www.linkassetservices.com.

Share scam warning

We are 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 under "Existing Investments". If you have any concerns, please contact Downing on 020 7416 7780.

Other information for shareholders

Up-to-date Company information (including financial statements, share prices, 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 FOUR VCT plc, please contact the registrar on the above number or visit Link's website at www.linkassetservices.com and click on "shareholders".

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Company's Half Yearly Report for the six months ended 30 September 2017. It has been a productive start to the year for your Company with good progress made on share pools working towards exits and the completion of a successful fundraising for the Generalist and Healthcare Share pools.

Share pools

The Company now has eight active share pools, each with a different profile. This report includes sections covering the individual share pools and I will give a brief overview of each.

DSO B Share Pool

The combined NAV of one DSO B Share and one DSO C Share stood at 15.383p at 30 September 2017. Total Return now stands at 106.883p per share, compared to the cost for Shareholders who invested in the B Share offer, net of income tax relief, of 70.0p. A performance fee equivalent to 5.5p per B Share will be paid to members of the management team when the task of returning funds to Shareholders is complete. This performance incentive fee has already been deducted in arriving at the Total Return of 106.883p. Further details of the performance incentive arrangements are set out on page 38.

Since the period end, I am pleased to report that the final investments have been realised at values equal to the carrying value at 30 September 2017. This has allowed the Board to declare final dividends as follows:

DSO B Shares	4.444p	per share
DSO C Shares	10.939p	per share

Both dividends will be paid on 26 January 2018, to Shareholders on the register as at 5 January 2018.

The payment of these final distributions will bring this Share Pool to a close and in due course, the share classes will be cancelled. These distributions will bring Total Return to Shareholders who invested at the launch of the share pools in 2010 to 106.883p for a combined holding of one DSO B Share and one DSO C Share compared to the original cost of 70.0p net of tax relief. The Board considers this to be a satisfactory outcome for investors.

DSO D Share Pool

The DSO D Share NAV stood at 78.5p at 30 September 2017, an increase of 4.9p per share or 6.4% over the period, after adjusting for the dividends paid in the period of 2.5p. Total Return now stands at 101.8p per share, compared to the cost for Shareholders who invested in the D Share offer, net of income tax relief, of 70.0p. Based on the current performance it is estimated that a performance fee equivalent to 4.2p per D Share may become payable to the Manager. This has been reflected in the Total Return figure shown above. Further details of the performance incentive arrangements are set out on page 38.

Following a number of disposals from the D Share Pool, the first major distribution of 25.0p per DSO D Share was paid on 2 November 2017. Plans are progressing in respect of realising the remaining investments, although Shareholders should note that it is expected that it will take some time to complete this process in full.

DP67 Share Pool

As at 30 September 2017, the NAV of the DP67 Shares stood at 68.7p per share. This represents an increase of 4.6p (7.0%), after adjusting for dividends paid in the period of 2.0p. Total Return for DP67 shareholders now stands at 98.5p per share.

The fifth anniversary of the last allotment of DP67 Shares occurs during January 2018 and so the process of preparing to return funds to Shareholders is now underway. We anticipate that the first significant distribution will be paid early in 2018.

DP2011 General Share Pool

The DP2011 General Share Pool is now in the process of returning funds to Shareholders. After providing for an estimated performance incentive of 5.2p per DP2011 General Ordinary Share, as at 30 September 2017, the NAV of a combined holding of one DP2011 General Ordinary Share and one DP2011 General A Share stood at 49.4p per share. This represents an increase of 3.2p or 6.9% after adjusting for dividends paid during the period, as well as the performance incentive estimate. Further details of the performance incentive arrangements are set out on page 38.

CHAIRMAN'S STATEMENT (continued)

DP2011 General Share Pool (continued)

Total Return for DP2011 General Shareholders now stands at 104.4p compared to the cost for Shareholders who invested in the original offer, net of income tax relief, of 70.0p.

On 2 November 2017 dividends of 15.0p per DP2011 General Ordinary Share and 15.0p per DP2011 General A Share were paid, bringing total dividends paid to Shareholders to 85.0p for a combined holding. Further distributions will be made to Shareholders as the remaining investments are realised.

DP2011 Structured Share Pool

The DP2011 Structured Share Pool is at a similar stage to the DP2011 General Share Pool. After providing for an estimated performance incentive of 5.2p per DP2011 Structured Ordinary Share, as at 30 September 2017, the NAV of a combined holding of one DP2011 Structured Ordinary Share and one DP2011 Structured A Share stood at 39.5p per share. This represents an increase of 2.8p or 7.6% after adjusting for dividends paid during the period, as well as the performance incentive estimate. Further details of the performance incentive arrangements are set out on page 38.

Total Return for DP2011 Structured Shareholders now stands at 104.5p compared to the cost for Shareholders who invested in the original offer, net of income tax relief, of 70.0p.

On 2 November 2017 dividends of 5.0p per DP2011 Structured Ordinary Share and 20.0p per DP2011 Structured A Share were paid, bringing total dividends paid to Shareholders to 90.0p for a combined holding. Further distributions will be made to Shareholders as the remaining investments are realised.

DP2011 Low Carbon Share Pool

The NAV of the DP2011 Low Carbon Shares as at 30 September 2017 was 39.1p per share, a decrease of 3.9p (9.0%) for the period as a result of reductions in investment values. Total Return for DP2011 Low Carbon Shareholders now stands at 107.5p compared to the equivalent cost for Shareholders who invested in the original offer, net of income tax relief, of 70.0p. The Total Return figure reflects the estimated performance incentive fee of 5.5p, which is expected to become payable to the manager, Downing LLP, and the adviser, Low Carbon Investors. Further details of the performance incentive arrangements are set out on page 39.

As with the other DP2011 share pools, the process of returning funds to investors commenced in 2016. In respect of the Low Carbon pool, the Manager is working on transactions to realise the remaining investments and we believe that a final distribution should be made to Shareholders in early 2018.

Generalist Share pool

The Generalist Share was launched in late 2016. As at 30 September 2017, NAV and Total Return stood at 98.7p, a decrease of 1.2p per share or 1.2% over the period. This fall has arisen as the majority of fundraising proceeds are yet to be invested, meaning that the portfolio is generating little income to offset against running costs.

As detailed in the Investment Manager's Report, the process of building the Generalist portfolio is underway, with £2.0m having been invested in VCT Qualifying Investments during the six months to 30 September 2017. The Manager has a good pipeline of investment opportunities from which the portfolio will be built over the next 18 months.

Healthcare Share pool

The Healthcare Share pool was also launched in late 2016. As at 30 September 2017, the Healthcare Share NAV and Total Return stood at 98.6p. Similarly, the fall is as a result of the pool being in an early stage, having no income to offset against running costs.

There is strong competition for deals in the healthcare sector, which tends to inflate the valuations of investee companies. However, the manager has been working to develop a pipeline of opportunities, in order to grow the portfolio.

CHAIRMAN'S STATEMENT (continued)

Dividends

In line with the dividend policy on the DSO D and DP67 Share Pools, interim dividends were paid as follows:

DSO D Shares	2.5p
DP67 Shares	2.0p

The interim dividends were paid on 29 September 2017 to Shareholders on the register at 1 September 2017.

As mentioned above, a number of other dividends in respect of other Share classes were paid on 2 November and some have been declared for payment on 26 January 2018.

No dividends have been declared in the Generalist and Healthcare Share pools as they are still in the early stage of building their initial portfolios.

Share buybacks

The Company has a policy of buying in any Generalist and Healthcare Shares that become available in the market and will usually expect to do so at a price approximately equal to the latest NAV of the shares, subject to regulatory restrictions and other factors such as availability of liquid funds.

In respect of the other share pools that are in the process of returning, or preparing to commence returning, funds to Shareholders, the Board does not intend to buy in any of those shares as it is envisaged that the exit for these Shareholders will be facilitated by way of distributions.

No shares were purchased during the period ended 30 September 2017.

Fundraising

The Generalist Share offer launched in December 2016 and closed having reached full subscription of £30 million in August 2017. The Healthcare offer closed on 30 November 2017, having raised a total of £12.32m.

A small top-up offer for the Generalist Share class was subsequently launched under which regular monthly subscriptions have been allotted.

The Boards congratulates Downing LLP, the promoter, on the successful fundraising, which has provided the Company with a substantial asset base in "evergreen" share classes for the future.

VCT regulations

The Government's recent Budget outlined further changes to the VCT regulations resulting from the "Patient Capital Review", which has sought to strengthen the availability of capital for innovative growth businesses in the UK. The Board welcomes the Government's ongoing support of Venture Capital Trusts and believe that the new regulations will ensure that VCTs continue provide well targeted capital in the future.

The most significant amendment to the regulations impacting the Company is the requirement for VCTs to hold at least 80% of their investments in qualifying companies, an increase on the 70% previously in place. For the Company, this increase will be effective from 1 April 2020.

Although final details of all the changes are not yet available the Board and Manager consider that the new regulations will not have a major impact on the Company's investment strategy or risk profile, however we will continue to monitor developments as further guidance is published.

Outlook

A significant proportion of the Manager's resources over the remainder of the financial year will be focused on realising investments from the share pools that are now in the process of returning, or starting to return, funds to Shareholders. We also expect the remainder of the financial year to be busy in terms of new investment activity in both the Generalist and Healthcare Share Pools as their initial portfolios are built.

Generally, the Board is satisfied with the performance of the portfolio companies, which the Manager will continue to closely monitor.

I look forward to reporting on developments in my statement with the Annual Report to 31 March 2018, as the Company steadily transitions from being a planned exit vehicle to an evergreen VCT.



Lord Flight
Chairman

22 December 2017

INVESTMENT MANAGER'S REPORT

DSO B SHARE POOL

Portfolio Activity

The DSO B Share pool continued to make good progress during the six month period, with one partial and two full realisations having taken place, generating total proceeds of £1.4m.

Portfolio valuation

The remaining investments have been revalued as at 30 September 2017, resulting in an overall uplift of £76,000. This increase predominantly relates to deferred consideration due from Snow Hill Developments LLP and London City Shopping Centre Limited, as a result of the DSO B Share pool having an historic interest in these companies.

Net asset value and results

The NAV at 30 September 2017 was 4.444p per DSO B Share and 10.939p per DSO C Share. Total Return (combined NAV plus cumulative dividends) stood at 106.883p for a combined holding, after taking into account the estimated performance incentive fee of 5.5p.

The profit on ordinary activities after taxation for the period was £9,000, comprising a revenue loss of £86,000 and a capital return of £95,000.

Outlook

Following 30 September 2017, the remaining investments in the DSO B Share pool were transferred to the Generalist Share pool at a price equal to their carrying value as at 30 September 2017. This transfer has allowed the manager to progress with returning funds to shareholders, whilst also allowing the Generalist Share pool to add further investments to its growing portfolio.

The final distributions to Shareholders, of 4.444p per DSO B share and 10.939p per DSO C share, will be paid on 26 January 2018, to Shareholders on the register as at 5 January 2018.

Downing LLP

22 December 2017

SUMMARY OF INVESTMENT PORTFOLIO**DSO B SHARE POOL**

as at 30 September 2017

	Cost £000	Valuation £000	Unrealised gain/(loss) in period £000	% of portfolio by value
Venture Capital investments				
Fenkle Street LLP*	154	361	(1)	8.5%
Snow Hill Developments LLP*	-	86	86	2.0%
Mosaic Spa & Health Clubs Limited	282	37	(39)	0.9%
London City Shopping Centre Limited*	-	30	30	0.7%
Future Biogas (Reepham Road) Limited*	632	-	-	0.0%
Quadrate Spa Limited	276	-	-	0.0%
	<u>1,344</u>	<u>514</u>	<u>76</u>	<u>12.1%</u>
Cash at bank and in hand		3,717		87.9%
Total investments		<u>4,231</u>		<u>100.0%</u>

* non-qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS**DSO B SHARE POOL**

for the period ended 30 September 2017

Disposals	Cost £000	Valuation at 31/03/2017 £000	Disposal proceeds £000	Total gain/(loss) against cost £000	Realised gain/(loss) in period £000
Avon Solar Energy Limited	420	515	528	108	13
Westcountry Solar Solutions Limited	500	434	445	(55)	11
Mosaic Spa & Health Clubs Limited	480	411	385	(95)	(26)
Total	<u>1,400</u>	<u>1,360</u>	<u>1,358</u>	<u>(42)</u>	<u>(2)</u>

INVESTMENT MANAGER'S REPORT

DSO D SHARE POOL

Venture Capital portfolio

One partial and four full realisations took place during the period, generating proceeds of £1.5m. As at 30 September 2017, the DSO D Share Pool had a portfolio of ten investments with a value of £3.6m.

Structured Product portfolio

The one remaining Structured Product investment was sold during April, generating proceeds of £608,000, resulting in a gain over cost of £107,000.

Portfolio valuation

Two small uplifts in value were recognised in the period, for Merlin Renewables Limited and Fresh Green Power Limited, totalling £106,000.

Results and net asset value

The net asset value ("NAV") per DSO D Share at 30 September 2017 stood at 78.5p, an increase of 4.9p or 6.4% over the period, after adjusting for dividends paid. Total Return stands at 101.8p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per share.

The profit on ordinary activities after taxation for the period was £384,000, comprising a revenue gain of £45,000 and a capital gain of £339,000.

Dividends

In light of the recent realisations from the DSO D Share Pool, the first return of capital, being 25.0p per DSO D Share, was paid on 2 November 2017 to shareholders on the register as at 13 October 2017.

This is in addition to the interim dividend of 2.5p, which was paid in line with the annual dividend policy, on 29 September 2017 to shareholders on the register at 1 September 2017.

Outlook

Plans are progressing in respect of realising the remaining investments, however due to the number of investments held this process may take some time to complete.

Downing LLP

22 December 2017

SUMMARY OF INVESTMENT PORTFOLIO

DSO D SHARE POOL

as at 30 September 2017

DSO D SHARE POOL

	Cost £000	Valuation £000	Unrealised gain in period £000	% of portfolio by value
Venture Capital investments				
Goonhilly Earth Station Limited	715	715	-	11.7%
Merlin Renewables Limited	500	642	67	10.5%
Nightjar Sustainable Power Limited	485	600	-	9.8%
Lambridge Solar Limited	500	595	-	9.7%
Apex Energy Limited	400	400	-	6.5%
Pearce and Saunders Limited*	300	300	-	4.9%
Fresh Green Power Limited	200	239	39	3.9%
Green Energy Production UK Limited	100	100	-	1.6%
Fubar Stirling Limited	135	25	-	0.4%
Pearce and Saunders DevCo Limited**	20	20	-	0.3%
	<u>3,355</u>	<u>3,636</u>	<u>106</u>	<u>59.3%</u>
Cash at bank and in hand		2,479		40.7%
Total investments		<u>6,115</u>		<u>100.0%</u>

* partially qualifying

** non-qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS

DSO D SHARE POOL

for the period ended 30 September 2017

Disposals	Cost £000	Valuation at 31/03/2017 £000	Disposal proceeds £000	Total gain/(loss) against cost £000	Realised gain in period £000
Venture Capital investments					
Vulcan Renewables Limited	653	779	903	250	124
City Falkirk Limited	562	236	324	(238)	88
Fubar Stirling Limited	223	201	209	(14)	8
Cheers Dumbarton Limited	64	22	37	(27)	15
Lochrise Limited	17	-	10	(7)	10
	<u>1,519</u>	<u>1,238</u>	<u>1,483</u>	<u>(36)</u>	<u>245</u>
Structured Product investments					
HSBC 5.4% Dual Index Synthetic Zero	501	598	608	107	10
	<u>2,020</u>	<u>1,836</u>	<u>2,091</u>	<u>71</u>	<u>255</u>

INVESTMENT MANAGER'S REPORT

DP67 SHARE POOL

Portfolio activity

One partial and one full realisation occurred during the period. As at 30 September 2017, the DP67 Share Pool had a portfolio of 7 investments with a value of £4.9m.

Results and net asset value

The net asset value ("NAV") per DP67 Share at 30 September 2017 stood at 68.7p, an increase of 4.6p (7.0%) over the period, after adjusting for dividends paid. Total Return stands at 98.5p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per share.

The profit on ordinary activities after taxation for the period was £514,000, comprising a revenue gain of £57,000 and a capital gain of £457,000.

Portfolio valuation

The DP67 portfolio continues to perform well, with two uplifts during the period, totalling £244,000, and all other investment valuations remaining unchanged from the year end.

Dividends

The fifth anniversary of the close of the offer will fall during January 2018 and the first return of capital is expected to be announced shortly thereafter.

Outlook

The focus for the Share pool is on realisations and monitoring performance in order to maximise growth opportunities. Plans are now being developed for exits from the remaining portfolio companies and we expect to see further progress in this regard over the next six months.

Downing LLP

22 December 2017

SUMMARY OF INVESTMENT PORTFOLIO DP67 SHARE POOL

as at 30 September 2017

	Cost £000	Valuation £000	Unrealised gain in period £000	% of portfolio by value
Venture Capital investments				
Cadbury House Holdings Limited	1,409	1,613	-	22.5%
Snow Hill Developments LLP*	809	1,203	143	16.8%
Fenkle Street LLP*	405	678	-	9.5%
Oak Grove Renewables Limited	820	451	-	6.3%
Gatewales Limited*	344	446	101	6.2%
Yamuna Energy Limited	400	400	-	5.6%
London City Shopping Centre Limited*	99	99	-	1.4%
	<u>4,286</u>	<u>4,890</u>	<u>244</u>	<u>68.3%</u>
Cash at bank and in hand		2,264		31.7%
Total investments		<u>7,154</u>		<u>100.0%</u>

* non-qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS DP67 SHARE POOL

for the period ended 30 September 2017

Disposals	Cost £000	Valuation at 31/03/2017 £000	Disposal proceeds £000	Total gain against cost £000	Realised gain in period £000
Brownfields Trading Limited	300	300	300	-	-
Gatewales Limited	65	102	340	275	238
	<u>365</u>	<u>402</u>	<u>640</u>	<u>275</u>	<u>238</u>

INVESTMENT MANAGER'S REPORT DP2011 GENERAL SHARE POOL

Portfolio activity

During the period, six full exits and two partial disposals completed, generating proceeds of £5.1m. The largest of these, Vulcan Renewables Limited, generated proceeds of £2.5m and a profit over cost of £333,000. As at 30 September 2017, the DP2011 General Share Pool had a portfolio of ten investments with a value of £2.9m.

Net asset value and results

The combined net asset value ("NAV") of one DP2011 General Ordinary Share and one DP2011 General A Share at 30 September 2017 stood at 49.4p, a decrease of 3.2p or 6.9% over the period. Total Return stands at 104.4p per share compared to an initial cost to Shareholders, net of income tax relief, of 70.0p per share.

The profit on ordinary activities after taxation for the period was £593,000, comprising a revenue profit of £56,000 and a capital gain of £537,000.

Portfolio valuation

One small uplift and one small reduction in value were recognised in the period, generating a net uplift of £88,000. The valuations of the remaining investments are unchanged from the year end.

Dividends

The Share pool started the task of realising its investments earlier this year. As a result, a further return of capital, being 15.0p per DP2011 General Ordinary Share and 15.0p per DP2011 General A Share was paid on 2 November 2017 to shareholders on the register as at 13 October 2017. Further distributions will be made to shareholders as the remaining investments are realised.

Outlook

The focus for the pool is now on realising investments, in order to return funds to Shareholders. Shareholders will be provided with a further update in the annual report to 31 March 2018, which will be published in June 2018.

Downing LLP

22 December 2017

SUMMARY OF INVESTMENT PORTFOLIO DP2011 GENERAL SHARE POOL

as at 30 September 2017

	Cost £000	Valuation £000	Unrealised gain/(loss) in period £000	% of portfolio by value
Venture Capital investments				
Snow Hill Developments LLP*	750	1,095	113	12.8%
Wickham Solar Limited	550	600	-	7.0%
Odysian Holdings Limited	873	591	-	6.9%
Oak Grove Renewables Limited	400	233	-	2.7%
Mosaic Spa and Health Clubs Limited	212	101	(25)	1.2%
London City Shopping Centre Limited*	88	88	-	1.0%
Clean Electricity Limited*	70	70	-	0.8%
UK Renewable Power Limited*	55	55	-	0.6%
Fubar Stirling Limited	142	29	-	0.3%
21 st Century Energy Limited*	22	22	-	0.3%
	<u>3,162</u>	<u>2,884</u>	<u>88</u>	<u>33.6%</u>
Cash at bank and in hand		5,675		66.4%
Total investments		<u>8,559</u>		<u>100.0%</u>

* non-qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS DP2011 GENERAL SHARE POOL

for the period ended 30 September 2017

Disposals	Cost £000	Valuation at 31/03/2017 £000	Disposal proceeds £000	Total gain/(loss) against cost £000	Realised Gain/(loss) in period £000
Vulcan Renewables Limited	2,199	2,199	2,532	333	333
Avon Solar Energy Limited	505	618	633	128	15
Mosaic Spa & Health Clubs Limited	935	699	699	(236)	-
Westcountry Solar Solutions Limited	600	521	535	(65)	14
City Falkirk Limited	330	283	389	59	106
Fubar Stirling Limited	268	241	251	(17)	10
Cheers Dumbarton Limited	27	27	22	(5)	(5)
Lochrise Limited	-	-	12	12	12
	<u>4,864</u>	<u>4,588</u>	<u>5,073</u>	<u>209</u>	<u>485</u>

INVESTMENT MANAGER'S REPORT DP2011 STRUCTURED SHARE POOL

Portfolio activity

Six full and two partial realisations occurred during the period, generating proceeds of £3.1m. The largest of these, Vulcan Renewables Limited, generated proceeds of £1.5m and a profit over cost of £225,000. As at 30 September 2017, the DP2011 Structured Share Pool had a portfolio of five investments with a value of £1.4m.

Net asset value and results

The combined net asset value ("NAV") of one DP2011 Structured Ordinary Share and one DP2011 Structured A Share at 30 September 2017 stood at 39.5p, a decrease of 2.8p or 7.6% over the period. Total Return stands at 104.5p per share compared to an initial cost to Shareholders, net of income tax relief, of 70.0p per share.

The profit on ordinary activities after taxation for the period was £332,000 comprising a revenue profit of £43,000 and a capital gain of £289,000.

Portfolio valuation

One small reduction in value of £16,000 was recognised in the period. The valuations of the remaining investments are unchanged from the year end.

Dividends

The Share pool started the task of realising its investments earlier this year. As a result, a further return of capital, being 5.0p per DP2011 Structured Ordinary Share and 20.0p per DP2011 Structured A Share was paid on 2 November 2017 to shareholders on the register as at 13 October 2017. Further distributions will be made to shareholders as the remaining investments are realised.

Outlook

The focus for the pool is now on realising investments, in order to return funds to Shareholders. Shareholders will be provided with a further update in the annual report to 31 March 2018, which will be published in June 2018.

Downing LLP

22 December 2017

SUMMARY OF INVESTMENT PORTFOLIO DP2011 STRUCTURED SHARE POOL

as at 30 September 2017

	Cost £000	Valuation £000	Unrealised loss in period £000	% of portfolio by value
Venture Capital investments				
Wickham Solar Limited	550	600	-	12.5%
Odysian (Holdings) Limited	582	394	-	8.2%
Oak Grove Renewables Limited	545	317	-	6.6%
Mosaic Spa and Health Clubs Limited	142	67	(16)	1.4%
Fubar Stirling Limited	95	20	-	0.4%
	<u>1,914</u>	<u>1,398</u>	<u>(16)</u>	<u>29.1%</u>
Cash at bank and in hand		3,390		70.9%
Total investments		<u>4,788</u>		<u>100.0%</u>

SUMMARY OF INVESTMENT MOVEMENTS DP2011 STRUCTURED SHARE POOL

for the period ended 30 September 2017

Disposals	Cost £000	Valuation at 31/03/2017 £000	Disposal proceeds £000	Total gain/(loss) against cost £000	Realised gain/(loss) in period £000
Vulcan Renewables Limited	1,305	1,305	1,530	225	225
Avon Solar Energy Limited	336	412	422	86	10
Westcountry Solar Solutions Limited	400	347	356	(44)	9
Mosaic Spa & Health Clubs Limited	543	386	386	(157)	-
City Falkirk Limited	220	189	259	39	70
Fubar Stirling Limited	178	161	167	(11)	6
Cheers Dumbarton Limited	18	18	15	(3)	(3)
Lochrise Limited	-	-	8	8	8
	<u>3,000</u>	<u>2,818</u>	<u>3,143</u>	<u>143</u>	<u>325</u>

INVESTMENT MANAGER'S REPORT DP2011 LOW CARBON SHARE POOL

Portfolio activity

As at 30 September 2017, the DP2011 Low Carbon Share Pool had a portfolio of four investments with a value of £2.7m.

Net asset value and results

The net asset value ("NAV") per DP2011 Low Carbon Ordinary Share at 30 September 2017 stood at 39.1p, a decrease of 3.9p over the period. Total Return stands at 107.5p per share compared to an initial cost to Shareholders, net of income tax relief, of 70.0p per share. The Total Return figure is stated net of the estimated performance fee.

We have reviewed and recalculated the estimated performance fee that we expect to become payable to Low Carbon Investors Limited and Downing LLP should the remaining investments be exited at their current valuations. This now stands at 5.5p per share (we identified a difference due to a computation error in the calculation at the previous year end, when the estimate was stated as 2.5p per share).

The loss on ordinary activities after taxation for the period was £303,000 comprising a revenue profit of £82,000 and a capital loss of £385,000.

Portfolio valuation

One uplift and three reductions in value were recognised in the period, generating a net value reduction of £303,000. The valuation changes have been processed in order to bring the portfolio valuations in line with the proceeds the Manager expects to realise on exit.

Dividends

As with the other DP2011 share pools, the process of returning funds to investors commenced in 2016. In respect of the Low Carbon pool, the Manager is working on transactions to realise the remaining investments and we believe that a final distribution should be made to Shareholders in early 2018.

Outlook

The focus for the pool is now on realising investments, in order to return funds to Shareholders. We anticipate that there will be an update for Shareholders early in the new year, once the remaining investments have been realised.

Downing LLP

22 December 2017

SUMMARY OF INVESTMENT PORTFOLIO DP2011 LOW CARBON SHARE POOL

as at 30 September 2017

	Cost £000	Valuation £000	Unrealised gain/(loss) in period £000	% of portfolio by value
Venture Capital investments				
21 st Century Energy Limited	708	762	54	27.8%
UK Renewable Power Limited	780	686	(94)	25.0%
Clean Electricity Limited	710	686	(23)	25.0%
Progressive Power Generation Limited	800	560	(240)	20.4%
Total	<u>2,998</u>	<u>2,694</u>	<u>(303)</u>	<u>98.2%</u>
Cash at bank and in hand		45		1.8%
Total investments		<u>2,739</u>		<u>100.0%</u>

There were no disposals or additions during the period.

INVESTMENT MANAGER'S REPORT GENERALIST SHARE POOL

Portfolio activity

Seven new and two follow on investments totalling £12.4m were made during the year, as we start to build the portfolio of the Generalist Share pool.

VCT Qualifying Investments

£567,000 was invested in Volo Commerce Limited, a leading provider of multichannel e-commerce technology. The company enables brands and retailers to efficiently and rapidly grow their e-commerce businesses by automating the sales process and providing valuable analytics to improve profitability and growth.

£500,000 was invested in Destiny Pharma PLC, an innovative biotech company developing treatments for antibiotic-resistant bacteria (also known as superbugs). The investment was made in collaboration with BioScience Managers.

£394,000 was invested in BridgeU, a company founded in 2014 to provide schools with a smart, modern university and careers guidance service. The platform provides intelligent university and course matching tailored to each student, helps teachers to support and manage the creation of compelling applications and provides senior leaders in schools with powerful analytics and reporting tools.

A further £250,000 was invested in Xupes Limited, an online retailer of pre-owned luxury goods including designer watches, handbags, jewellery and antiques. The management team has built a profitable business with a strong brand selling high-quality products, centred on exceptional customer service.

£250,000 was invested in Empiribox Limited, a company which provides equipment, lesson plans and CPD-accredited support for teachers to deliver engaging and practical science lessons to UK primary school children. The company has seen strong growth and now supplies to more than 20,000 pupils across 150 schools in the UK.

Non-Qualifying Investments

In order to utilise fundraising proceeds in the short term, £4.1m was invested in Downing Strategic Micro-Cap Investment Trust PLC and a follow on investment of £3.0m was made in the MI Downing UK Micro-cap Growth Fund. Both companies hold concentrated portfolios of UK listed companies, predominantly with market capitalisations of below £150m at the time of investment.

Further to this, £1.5m was invested in the MI Downing Monthly Income Fund, which targets a premium yield to the UK equity income sector.

£1.8m was also invested in the MI Downing Diversified Global Managers Fund, which invests in a global portfolio of specialised funds to provide access to a variety of asset classes and fund strategies.

Net asset value and results

At 30 September 2017, the NAV of a Generalist share stood at 98.7p, a decrease of 1.2p for the period, resulting from the initial "cash drag" of holding uninvested funds.

The loss on ordinary activities after taxation for the period was £340,000 comprising a revenue loss of £181,000 and a capital loss of £159,000.

Portfolio valuation

The carrying values of the liquidity investments have been adjusted to reflect their quoted prices as at 30 September 2017. With the exception of Destiny Pharma plc, which has been revalued to the prevailing bid price as at 30 September 2017, the venture capital portfolio continues to be held at cost, due to these investments being in an early stage.

Outlook

The task of building the Generalist Share portfolio is underway and we will continue to seek investment opportunities as we develop the investment portfolio.

Downing LLP

22 December 2017

SUMMARY OF INVESTMENT PORTFOLIO GENERALIST SHARE POOL

for the period ended 30 September 2017

	Cost £'000	Valuation £'000	Unrealised (loss)/gain in period £'000	% of portfolio
Venture Capital investments				
Volo Commerce Limited	567	567	-	1.9%
Destiny Pharma plc**	500	494	(6)	1.6%
Xupes Limited	450	450	-	1.5%
BridgeU Corporation	394	394	-	1.3%
Empiribox Limited	250	250	-	0.8%
	<u>2,161</u>	<u>2,155</u>	<u>(6)</u>	<u>7.1%</u>
Liquidity investments				
Downing Strategic Micro-Cap Investment Trust plc*	4,100	4,059	(41)	13.4%
MI Downing UK Micro-Cap Growth Fund*	3,025	3,011	(14)	9.9%
MI Downing Diversified Global Managers Fund*	1,800	1,779	(21)	5.9%
MI Downing Monthly Income Fund*	1,500	1,558	58	5.1%
	<u>10,425</u>	<u>10,407</u>	<u>(18)</u>	<u>34.3%</u>
Total	<u><u>12,586</u></u>	<u><u>12,562</u></u>	<u><u>(24)</u></u>	<u><u>41.4%</u></u>
Cash at bank and in hand		<u>17,732</u>		<u>58.6%</u>
Total investments		<u><u>30,294</u></u>		<u><u>100.0%</u></u>

* non-qualifying investment

** listed and traded on the Main Market of the London Stock Exchange

SUMMARY OF INVESTMENT MOVEMENTS GENERALIST SHARE POOL

as at 30 September 2017

	Cost £'000
Venture Capital investments	
Volo Commerce Limited	567
Destiny Pharma plc**	500
BridgeU Corporation	394
Xupes Limited	250
Empiribox Limited	250
	<hr/> 1,961
Liquidity investments	
Downing Strategic Micro-Cap Investment Trust plc*	4,100
MI Downing UK Micro-Cap Growth Fund*	3,000
MI Downing Diversified Global Managers Fund*	1,800
MI Downing Monthly Income Fund*	1,500
	<hr/> 10,400
Total	<hr/> 12,361 <hr/>

Cash at bank and in hand

Total investments

* non-qualifying investment

** listed and traded on the Main Market of the London Stock Exchange

All VCT Qualifying Investments are incorporated in England and Wales.

INVESTMENT MANAGER'S REPORT HEALTHCARE SHARE POOL

Portfolio activity

One follow on and four new investments totalling £3.4m were made during the period, as we start to build the portfolio of the Healthcare Share pool.

VCT Qualifying Investments

£750,000 was invested in Destiny Pharma PLC, an innovative biotech company developing treatments for antibiotic-resistant bacteria (also known as superbugs). The investment was made in collaboration with BioScience Managers, a global leader in healthcare and life sciences and investment partner to the Healthcare Share Class.

Non-Qualifying Investments

In order to utilise fundraising proceeds in the short term, £700,000 was invested in Downing Strategic Micro-Cap Investment Trust PLC and a further £800,000 was invested in the MI Downing UK Micro-Cap Growth Fund. Both companies hold concentrated portfolios of UK listed companies, predominantly with market capitalisations of below £150m at the time of investment.

Further to this, £500,000 was invested in the MI Downing Monthly Income Fund, which targets a premium yield to the UK equity income sector.

£600,000 was also invested in the MI Downing Diversified Global Managers Fund, which invests in a global portfolio of specialised funds to provide access to a variety of asset classes and fund strategies.

Net asset value and results

At 30 September 2017, the NAV of a Healthcare share stood at 98.6p, a decrease of 1.1p for the period, resulting from the initial "cash drag" of holding uninvested funds.

The loss on ordinary activities after taxation for the period was £100,000, comprising a revenue loss of £49,000 and a capital loss of £51,000.

Portfolio valuation

The carrying values of all investments have been adjusted to reflect their quoted prices as at 30 September 2017.

Outlook

The task of building the Healthcare Share portfolio is underway and we will continue to seek investment opportunities as we develop the investment portfolio.

Downing LLP

22 December 2017

SUMMARY OF INVESTMENT PORTFOLIO HEALTHCARE SHARE POOL

as at 30 September 2017

	Cost £'000	Valuation £'000	Unrealised (loss)/gain in period £'000	% of portfolio
Venture Capital investments				
Destiny Pharma plc**	750	740	(10)	8.2%
	<u>750</u>	<u>740</u>	<u>(10)</u>	<u>8.2%</u>
Liquidity investments				
MI Downing UK Micro-Cap Growth Fund*	825	816	(9)	9.1%
Downing Strategic Micro-Cap Investment Trust plc*	700	693	(7)	7.7%
MI Downing Diversified Global Managers Fund*	600	593	19	6.6%
MI Downing Monthly Income Fund*	500	519	(7)	5.8%
	<u>2,625</u>	<u>2,621</u>	<u>(4)</u>	<u>29.2%</u>
Total	<u>3,375</u>	<u>3,361</u>	<u>(14)</u>	<u>37.4%</u>
Cash at bank and in hand		<u>5,629</u>		<u>62.6%</u>
Total investments		<u>8,990</u>		<u>100.0%</u>

* non-qualifying investment

** listed and traded on the Main Market of the London Stock Exchange

All VCT Qualifying Investments are incorporated in England and Wales.

SUMMARY OF INVESTMENT MOVEMENTS HEALTHCARE SHARE POOL

for the period ended 30 September 2017

	Cost £'000
Venture Capital investments	
Destiny Pharma plc**	750
	<hr/> 750
Liquidity investments	
MI Downing UK Micro-Cap Growth Fund*	800
Downing Strategic Micro-Cap Investment Trust plc*	700
MI Downing Diversified Global Managers Fund*	600
MI Downing Monthly Income Fund*	500
	<hr/> 2,600
Total	<hr/> <hr/> 3,350

Cash at bank and in hand

Total investments

* non-qualifying investment

** listed and traded on the Main Market of the London Stock Exchange

All VCT Qualifying Investments are incorporated in England and Wales.

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2017

Company Total	Six months ended 30 Sep 2017			Six months ended 30 Sep 2016			Year ended 31 Mar 2017
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
Income	545	-	545	978	-	978	1,999
Net gains on investments	-	1,440	1,440	-	1,165	1,165	1,980
	<u>545</u>	<u>1,440</u>	<u>1,985</u>	<u>978</u>	<u>1,165</u>	<u>2,143</u>	<u>3,979</u>
Investment management fees	(317)	(317)	(634)	(183)	(184)	(367)	(656)
Other expenses	(248)	-	(248)	(252)	-	(252)	(515)
Return/(loss) on ordinary activities before tax	<u>(20)</u>	<u>1,123</u>	<u>1,103</u>	<u>543</u>	<u>981</u>	<u>1,524</u>	<u>2,808</u>
Tax on total comprehensive income and ordinary activities	(14)	-	(14)	18	-	18	(151)
Return/(loss) attributable to equity shareholders, being total comprehensive income for the year	<u>(34)</u>	<u>1,123</u>	<u>1,089</u>	<u>561</u>	<u>981</u>	<u>1,542</u>	<u>2,657</u>
Return per DSO B Share	(0.4p)	0.5p	0.1p	0.3p	2.2p	2.5p	3.1p
Return per DSO C Share	-	-	-	-	-	-	-
Return per DSO D Share	0.6p	4.3p	4.9p	0.4p	2.0p	2.4p	5.6p
Return per DP67 Share	0.5p	4.1p	4.6p	1.2p	4.2p	5.4p	9.7p
Return per DP2011 Gen Ordinary Share	0.4p	3.4p	3.8p	1.1p	0.1p	1.2p	2.2p
Return per DP2011 Gen A Share	-	-	-	-	-	-	-
Return per DP2011 Struc Ordinary Share	0.4p	2.7p	3.1p	1.3p	(0.7p)	0.6p	0.7p
Return per DP2011 Struc A Share	-	-	-	-	-	-	-
Return per DP2011 Low Carbon Share	1.1p	(5.0p)	(3.9p)	0.4p	(0.4p)	0.0p	1.4p
Return per Generalist Share	(0.9p)	(0.7p)	(1.6p)	-	-	-	(2.0p)
Return per Healthcare Share	(1.3p)	(1.4p)	(2.7p)	-	-	-	(2.5p)

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement as noted above.

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2017

	Six months ended 30 Sep 2017			Six months ended 30 Sep 2016			Year ended 31 Mar 2017
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
B Share pool							
Income	15	-	15	98	-	98	270
Gains on investments	-	121	121	-	458	458	494
	15	121	136	98	458	556	764
Investment management fees	(26)	(26)	(52)	(19)	(19)	(38)	(54)
Other expenses	(61)	-	(61)	(21)	-	(21)	(55)
Return/(loss) on ordinary activities before taxation	(72)	95	23	58	439	497	655
Taxation	(14)	-	(14)	(7)	-	(7)	(36)
(Loss)/return attributable to equity shareholders	(86)	95	9	51	439	490	619
D Share pool							
Income	96	-	96	91	-	91	174
Gains on investments	-	361	361	-	177	177	431
	96	361	457	91	177	268	605
Investment management fees	(22)	(22)	(44)	(20)	(21)	(41)	(86)
Other expenses	(29)	-	(29)	(37)	-	(37)	(80)
Return on ordinary activities before taxation	45	339	384	34	156	190	439
Taxation	-	-	-	(3)	-	(3)	(2)
Return attributable to equity shareholders	45	339	384	31	156	187	437

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2017

	Six months ended 30 Sep 2017			Six months ended 30 Sep 2016			Year ended 31 Mar 2017
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
DP67 Share pool							
Income	119	-	119	211	-	211	500
Gains on investments	-	482	482	-	503	503	883
	<u>119</u>	<u>482</u>	<u>601</u>	<u>211</u>	<u>503</u>	<u>714</u>	<u>1,383</u>
Investment management fees	(25)	(25)	(50)	(23)	(23)	(46)	(94)
Other expenses	(37)	-	(37)	(36)	-	(36)	(70)
	<u>(62)</u>	<u>(25)</u>	<u>(87)</u>	<u>(59)</u>	<u>(23)</u>	<u>(82)</u>	<u>(164)</u>
Return on ordinary activities before taxation	57	457	514	152	480	632	1,219
Taxation	-	-	-	(15)	-	(15)	(129)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>-</u>	<u>(15)</u>	<u>(129)</u>
Return attributable to equity shareholders	57	457	514	137	480	617	1,090
	<u>57</u>	<u>457</u>	<u>514</u>	<u>137</u>	<u>480</u>	<u>617</u>	<u>1,090</u>
DP2011 General Share pool							
Income	132	-	132	283	-	283	521
Gains on investments	-	573	573	-	64	64	164
	<u>132</u>	<u>573</u>	<u>705</u>	<u>283</u>	<u>64</u>	<u>347</u>	<u>685</u>
Investment management fees	(36)	(36)	(72)	(54)	(54)	(108)	(194)
Other expenses	(40)	-	(40)	(68)	-	(68)	(145)
	<u>(76)</u>	<u>(36)</u>	<u>(112)</u>	<u>(122)</u>	<u>(54)</u>	<u>(176)</u>	<u>(339)</u>
Return on ordinary activities before taxation	56	537	593	161	10	171	346
Taxation	-	-	-	17	-	17	1
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>17</u>	<u>1</u>
Return on ordinary activities before taxation	56	537	593	178	10	188	347
	<u>56</u>	<u>537</u>	<u>593</u>	<u>178</u>	<u>10</u>	<u>188</u>	<u>347</u>

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2017

	Six months ended 30 Sep 2017			Six months ended 30 Sep 2016			Year ended 31 Mar 2017
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
DP2011 Structured Share pool							
Income	86	-	86	218	-	218	354
Gains/(losses) on investments	-	309	309	-	(37)	(37)	(57)
	86	309	395	218	(37)	181	297
Investment management fees	(20)	(20)	(40)	(38)	(38)	(76)	(126)
Other expenses	(23)	-	(23)	(53)	-	(53)	(100)
Return/(losses) on ordinary activities before taxation	43	289	332	127	(75)	52	71
Taxation	-	-	-	9	-	9	1
Return/(losses) attributable to equity shareholders	43	289	332	136	(75)	61	72
DP2011 Low Carbon Share pool							
Income	112	-	112	77	-	77	179
Losses on investments	-	(370)	(370)	-	-	-	67
	112	(370)	(258)	77	-	77	246
Investment management fees	(15)	(15)	(30)	(29)	(29)	(58)	(86)
Other expenses	(15)	-	(15)	(31)	-	(31)	(65)
Return/(losses) on ordinary activities before taxation	82	(385)	(303)	17	(29)	(12)	95
Taxation	-	-	-	17	-	17	12
Return/(losses) attributable to equity shareholders	82	(385)	(303)	34	(29)	5	107

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2017

	Six months ended 30 Sep 2017			Six months ended 30 Sep 2016			Year ended 31 Mar 2017
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
Generalist Share pool							
Income	10	-	10	-	-	-	-
Losses on investments	-	(24)	(24)	-	-	-	-
	10	(24)	(14)	-	-	-	-
Investment management fees	(135)	(135)	(270)	-	-	-	(10)
Other expenses	(56)	-	(56)	-	-	-	(1)
Losses on ordinary activities before taxation	(181)	(159)	(340)	-	-	-	(11)
Taxation	-	-	-	-	-	-	-
Losses attributable to equity shareholders	(181)	(159)	(340)	-	-	-	(11)
Healthcare Share pool							
Income	1	-	1	-	-	-	-
Losses on investments	-	(13)	(13)	-	-	-	-
	1	(13)	(12)	-	-	-	-
Investment management fees	(38)	(38)	(76)	-	-	-	(6)
Other expenses	(12)	-	(12)	-	-	-	-
Losses on ordinary activities before taxation	(49)	(51)	(100)	-	-	-	(6)
Taxation	-	-	-	-	-	-	-
Losses attributable to equity shareholders	(49)	(51)	(100)	-	-	-	(6)

UNAUDITED BALANCE SHEET

as at 30 September 2017

	Note	As at 30 September 2017 £'000	As at 30 September 2016 £'000	As at 31 March 2017 £'000
Fixed assets				
Investments	9	31,939	26,760	27,095
Current assets				
Debtors		1,180	1,114	1,709
Cash at bank and in hand		40,931	8,236	31,441
		<u>42,111</u>	<u>9,350</u>	<u>33,150</u>
Creditors: amounts falling due within one year		<u>(340)</u>	<u>(731)</u>	<u>(833)</u>
Net current assets		<u>41,771</u>	<u>8,619</u>	<u>32,317</u>
Net assets		<u>73,710</u>	<u>35,379</u>	<u>59,412</u>
Capital and reserves				
Called up Share capital		180	135	144
Capital redemption reserve	8	31	31	31
Special reserve	8	29,203	33,272	30,620
Share premium account	8	39,846	-	10,074
Funds held in respect of shares not yet allotted	8	1,127	-	16,137
Revaluation reserve	8	(1,198)	(2,412)	(1,980)
Capital reserve – realised	8	4,668	2,621	3,331
Revenue reserve	8	(147)	1,732	1,055
Total equity shareholders' funds		<u>73,710</u>	<u>35,379</u>	<u>59,412</u>
Basic and diluted net asset value per Share:				
DSO B Share		4.444p	20.0p	20.7p
DSO C Share		10.939p	0.1p	0.1p
DSO D Share		78.5p	75.5p	76.1p
DP67 Share		68.7p	63.9p	66.1p
DP2011 General Ordinary Share		15.0p	25.0p	15.0p
DP2011 General A Share		34.4p	30.3p	31.2p
DP2011 Structured Ordinary Share		5.0p	14.9p	4.8p
DP2011 Structured A Share		34.5p	31.8p	31.9p
DP2011 Low Carbon Share		39.1p	41.7p	43.0p
Generalist Share		98.7p	N/A*	99.9p
Healthcare Share		98.6p	N/A*	99.7p

The comparative balance sheet as at 30 September 2016 includes only the Share Pools in existence at that date.

UNAUDITED BALANCE SHEET (ANALYSED BY SHARE POOL)

as at 30 September 2017

DSO B Shares

	As at 30 September 2017 £'000	As at 30 September 2016 £'000	As at 31 March 2017 £'000
Fixed assets			
Investments	514	1,743	1,752
Current assets			
Debtors	1	18	74
Cash at bank and in hand	3,717	2,379	2,475
	<u>3,718</u>	<u>2,397</u>	<u>2,549</u>
Creditors: amounts falling due within one year	(72)	(126)	(151)
Net current assets	<u>3,646</u>	<u>2,271</u>	<u>2,398</u>
Net assets	<u>4,160</u>	<u>4,014</u>	<u>4,150</u>
Capital and reserves			
Called up share capital – DSO B Shares	20	20	20
Called up share capital – DSO C Shares	30	30	30
Capital redemption reserve	31	31	31
Special reserve	3,095	3,693	3,186
Share premium reserve	-	-	-
Revaluation reserve	(945)	(1,742)	(1,108)
Capital reserve – realised	1,729	1,711	1,705
Revenue reserve	200	271	286
Total equity shareholders' funds	<u>4,160</u>	<u>4,014</u>	<u>4,150</u>

DSO D Shares

	As at 30 September 2017 £'000	As at 30 September 2016 £'000	As at 31 March 2017 £'000
Fixed assets			
Investments	3,636	4,966	5,365
Current assets			
Debtors	113	185	254
Cash at bank and in hand	2,479	860	435
	<u>2,592</u>	<u>1,045</u>	<u>689</u>
Creditors: amounts falling due within one year	(51)	(75)	(62)
Net current assets	<u>2,541</u>	<u>970</u>	<u>627</u>
Net assets	<u>6,177</u>	<u>5,936</u>	<u>5,992</u>
Capital and reserves			
Called up share capital	8	8	8
Capital redemption reserve	-	-	-
Special reserve	6,205	6,659	6,598
Share premium reserve	-	(263)	-
Revaluation reserve	281	-	(9)
Capital reserve – realised	(266)	(510)	(510)
Revenue reserve	(51)	42	(95)
Total equity shareholders' funds	<u>6,177</u>	<u>5,936</u>	<u>5,992</u>

UNAUDITED BALANCE SHEET (ANALYSED BY SHARE POOL) (continued)

as at 30 September 2017

DP67 Shares

	As at 30 September 2017 £'000	As at 30 September 2016 £'000	As at 31 March 2017 £'000
Fixed assets			
Investments	4,890	5,515	5,047
Current assets			
Debtors	621	3	392
Cash at bank and in hand	2,264	1,775	2,396
	<u>2,885</u>	<u>1,778</u>	<u>2,788</u>
Creditors: amounts falling due within one year	(55)	(112)	(404)
Net current assets	<u>2,830</u>	<u>1,666</u>	<u>2,384</u>
Net assets	<u>7,720</u>	<u>7,181</u>	<u>7,431</u>
Capital and reserves			
Called up share capital	11	11	11
Capital redemption reserve	-	-	-
Special reserve	5,623	5,592	5,836
Share premium reserve	-	-	-
Revaluation reserve	603	993	396
Capital reserve – realised	1,308	355	1,070
Revenue reserve	175	230	118
Total equity shareholders' funds	<u>7,720</u>	<u>7,181</u>	<u>7,431</u>

DP2011 General Shares

	As at 30 September 2017 £'000	As at 30 September 2016 £'000	As at 31 March 2017 £'000
Fixed assets			
Investments	2,884	7,284	7,385
Current assets			
Debtors	205	479	585
Cash at bank and in hand	5,675	1,925	266
	<u>5,880</u>	<u>2,404</u>	<u>851</u>
Creditors: amounts falling due within one year	(76)	(190)	(143)
Net current assets	<u>5,804</u>	<u>2,214</u>	<u>708</u>
Net assets	<u>8,688</u>	<u>9,498</u>	<u>8,093</u>
Capital and reserves			
Called up share capital	16	34	16
Capital redemption reserve	18	-	18
Special reserve	-	9,177	-
Share premium reserve	7,489	-	7,805
Revaluation reserve	(278)	(740)	(641)
Capital reserve – realised	956	466	466
Revenue reserve	487	561	429
Total equity shareholders' funds	<u>8,688</u>	<u>9,498</u>	<u>8,093</u>

UNAUDITED BALANCE SHEET (ANALYSED BY SHARE POOL) (continued)

as at 30 September 2017

DP2011 Structured Shares

	As at 30 September 2017 £'000	As at 30 September 2016 £'000	As at 31 March 2017 £'000
Fixed assets			
Investments	1,398	4,254	4,233
Current assets			
Debtors	120	321	365
Cash at bank and in hand	3,390	1,155	28
	<u>3,510</u>	<u>1,476</u>	<u>393</u>
Creditors: amounts falling due within one year	(44)	(139)	(94)
Net current assets	<u>3,466</u>	<u>1,337</u>	<u>299</u>
Net assets	<u>4,864</u>	<u>5,591</u>	<u>4,532</u>
Capital and reserves			
Called up share capital – Ordinary Shares	11	11	11
Called up share capital – A Shares	13	13	13
Capital redemption reserve	-	-	-
Special reserve	4,348	5,498	4,565
Share premium reserve	-	-	-
Revaluation reserve	(514)	(660)	(682)
Capital reserve – realised	685	346	346
Revenue reserve	321	383	279
Total equity shareholders' funds	<u>4,864</u>	<u>5,591</u>	<u>4,532</u>

DP2011 Low Carbon Shares

	As at 30 September 2017 £'000	As at 30 September 2016 £'000	As at 31 March 2017 £'000
Fixed assets			
Investments	2,694	2,998	3,065
Current assets			
Debtors	248	108	140
Cash at bank and in hand	45	142	116
	<u>293</u>	<u>250</u>	<u>256</u>
Creditors: amounts falling due within one year	(28)	(89)	(59)
Net current assets	<u>265</u>	<u>161</u>	<u>197</u>
Net assets	<u>2,959</u>	<u>3,159</u>	<u>3,262</u>
Capital and reserves			
Called up share capital	8	8	8
Capital redemption reserve	-	-	-
Special reserve	2,624	2,653	2,639
Share premium reserve	-	-	-
Revaluation reserve	(303)	-	67
Capital reserve – realised	253	253	253
Revenue reserve	377	245	295
Total equity shareholders' funds	<u>2,959</u>	<u>3,159</u>	<u>3,262</u>

UNAUDITED BALANCE SHEET (ANALYSED BY SHARE POOL) (continued)

as at 30 September 2017

Generalist Shares

	As at 30 September 2017 £'000	As at 30 September 2016 £'000	As at 31 March 2017 £'000
Fixed assets			
Investments	12,562	-	225
Current assets			
Debtors	77	-	-
Cash at bank and in hand	17,732	-	21,225
	<u>17,809</u>	<u>-</u>	<u>21,225</u>
Creditors: amounts falling due within one year	<u>(164)</u>	<u>-</u>	<u>(10)</u>
Net current assets	<u>17,645</u>	<u>-</u>	<u>21,215</u>
Net assets	<u>30,207</u>	<u>-</u>	<u>21,440</u>
Capital and reserves			
Called up share capital	38	-	7
Special reserve	(140)	-	(5)
Share premium reserve	31,063	-	7,633
Revaluation reserve	(24)	-	-
Funds held in respect of shares not yet allotted	566	-	14,012
Revenue reserve	(1,296)	-	(207)
Total equity shareholders' funds	<u>30,207</u>	<u>-</u>	<u>21,440</u>

Healthcare Shares

	As at 30 September 2017 £'000	As at 30 September 2016 £'000	As at 31 March 2017 £'000
Fixed assets			
Investments	3,361	-	25
Current assets			
Debtors	-	-	-
Cash at bank and in hand	5,629	-	4,500
	<u>5,629</u>	<u>-</u>	<u>4,500</u>
Creditors: amounts falling due within one year	<u>(46)</u>	<u>-</u>	<u>(7)</u>
Net current assets	<u>5,583</u>	<u>-</u>	<u>4,493</u>
Net assets	<u>8,944</u>	<u>-</u>	<u>4,518</u>
Capital and reserves			
Called up share capital	9	-	2
Special reserve	(41)	-	(3)
Share premium reserve	8,782	-	2,441
Revaluation reserve	(13)	-	-
Funds held in respect of shares not yet allotted	561	-	2,125
Revenue reserve	(354)	-	(47)
Total equity shareholders' funds	<u>8,944</u>	<u>-</u>	<u>4,518</u>

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2017

	Called up Share capital £'000	Capital Redempt- ion reserve £'000	Special reserve £'000	Share premium account £'000	Funds held in respect of shares not yet allotted £'000	Revaluati- on Reserve £'000	Capital reserve -realised £'000	Revenue reserve £'000	Total £'000
At 31 March 2016	161	5	44,441	-	-	(2,645)	1,949	1,171	45,082
Total comprehensive income	-	-	-	-	-	599	1,321	737	2,657
Transfer between reserves*	-	-	(13,772)	-	-	66	13,706	-	-
Unallotted shares	-	-	-	-	16,137	-	-	-	16,137
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	-	-	(13,645)	(608)	(14,253)
Cancellation of shares	(26)	26	-	-	-	-	-	-	-
Purchase of own shares	-	-	(49)	-	-	-	-	-	(49)
Issue of shares	9	-	-	10,074	-	-	-	-	10,083
Share issue costs	-	-	-	-	-	-	-	(245)	(245)
At 31 March 2017	144	31	30,620	10,074	16,137	(1,980)	3,331	1,055	59,412
Total comprehensive income	-	-	-	-	-	137	986	(34)	1,089
Transfer between reserves*	-	-	(1,417)	-	-	645	772	-	-
Unallotted shares	-	-	-	-	14,798	-	-	-	14,798
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	-	-	(421)	-	(421)
Cancellation of shares	-	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-	-
Issue of shares	36	-	-	29,772	(29,808)	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	(1,168)	(1,168)
At 30 September 2017	180	31	29,203	39,846	1,127	(1,198)	4,668	(147)	73,710

*A transfer of £645,000 (31 March 2017: £66,000) representing previously recognised realised gains on disposal of investments during the period has been made from the Revaluation Reserve to the Capital reserve-realised. A transfer of £1.4 million (31 March 2017: £13.8 million) representing realised gains on disposal of investments, less capital expenses and capital dividends in the period was made from Capital Reserve – realised to Special reserve.

UNAUDITED STATEMENT OF CASH FLOWS

Six months ended 30 September 2017

Note	DSO B Share pool £'000	DSO D Share pool £'000	DP67 Share pool £'000	DP2011 Gen Share pool £'000	DP2011 Struc Share pool £'000	DP2011 LC Share pool £'000	Generalist Share Pool £'000	Health- care Share Pool £'000	Total £'000
Cash flows from operating activities									
Return on ordinary activities before taxation	23	384	514	593	332	(303)	(340)	(100)	1,103
(Gains)/losses on investments	(121)	(361)	(482)	(573)	(309)	370	24	13	(1,440)
Decrease/(increase) in debtors	35	141	(24)	380	244	(108)	(77)	-	591
Increase/(decrease) in creditors	5	(24)	(50)	(48)	(41)	(24)	155	41	14
Net cash (outflow)/inflow from operating activities	(58)	140	(42)	352	226	(65)	(238)	(46)	268
Corporation tax paid	(58)	10	(505)	(16)	(7)	(6)	-	-	(582)
New cash generated from operating activities	(116)	150	(547)	336	219	(71)	(238)	(46)	(314)
Cash flow from investing activities									
Purchase of investments	-	-	-	-	-	-	(12,361)	(3,350)	(15,711)
Proceeds from disposal of investments	1,358	2,091	640	5,073	3,143	-	-	-	12,305
Net cash inflow/(outflow) from investing activities	1,358	2,091	640	5,073	3,143	-	(12,361)	(3,350)	(3,406)
Net cash inflow/(outflow) before financing	1,242	2,241	93	5,409	3,362	(71)	(12,599)	(3,396)	(3,720)
Cash flows from financing activities									
Repurchase of shares	-	-	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	22,552	6,089	28,641
Unallotted shares	-	-	-	-	-	-	(13,446)	(1,564)	(15,010)
Equity dividends paid 7	-	(197)	(225)	-	-	-	-	-	(422)
Net cash (outflow)/inflow from financing activities	-	(197)	(225)	-	-	-	9,106	4,525	13,209
Net movement in cash	1,242	2,044	(132)	5,409	3,362	(71)	(3,493)	1,129	9,490
Cash and cash equivalents at start of year	2,475	435	2,396	266	28	116	21,225	4,500	31,441
Cash and cash equivalents at end of year	3,717	2,479	2,264	5,675	3,390	45	17,732	5,629	40,931
Cash and cash equivalents comprise									
Cash at bank and in hand	3,717	2,479	2,264	5,675	3,390	45	17,732	5,629	40,931
Total cash and cash equivalents	3,717	2,479	2,264	5,675	3,390	45	17,732	5,629	40,931

UNAUDITED STATEMENT OF CASH FLOWS

Six months ended 30 September 2016

	DSO B Share pool £'000	DSO D Share pool £'000	DP67 Share pool £'000	DP2011 Gen Share pool £'000	DP2011 Struc Share pool £'000	DP2011 LC Share pool £'000	Total £'000	Year ended 31 March 2017 £'000
Note								
Cash flows from operating activities								
Return on ordinary activities before taxation	491	190	632	171	52	(12)	1,524	2,808
Losses/(gains) on investments	(458)	(177)	(503)	(64)	37	-	(1,165)	(1,980)
Decrease/(increase) in debtors	33	(22)	196	(87)	(92)	(63)	(35)	(325)
(Decrease)/increase in creditors	(66)	19	4	24	15	7	3	(92)
Net cash inflow from operating activities	-	10	329	44	12	(68)	327	406
Corporation tax paid	(80)	(13)	(7)	(12)	(8)	(14)	(134)	(408)
New cash generated from operating activities	(80)	(3)	322	32	4	(82)	193	(2)
Cash flow from investing activities								
Purchase of investments	-	-	(700)	-	-	-	(700)	(1,095)
Proceeds from disposal of investments	1,749	900	1,515	3,226	3,065	-	10,455	11,332
Net cash inflow from investing activities	1,749	900	815	3,226	3,065	-	9,755	10,237
Net cash inflow/(outflow) before financing	1,669	897	1,137	3,258	3,069	(82)	9,948	10,235
Cash flows from financing activities								
Repurchase of shares	-	-	(49)	-	-	-	(49)	(49)
Issue of share capital	-	-	-	-	-	-	-	9,838
Unallotted shares	-	-	-	-	-	-	-	16,137
Equity dividends paid	7	(196)	(224)	(3,519)	(3,470)	(3,787)	(11,196)	(14,253)
Net cash (outflow)/inflow from financing activities	-	(196)	(273)	(3,519)	(3,470)	(3,787)	(11,245)	11,673
Net increase/(decrease) in cash	1,669	701	864	(261)	(401)	(3,869)	(1,297)	21,908
Cash and cash equivalents at start of year	710	159	911	2,186	1,556	4,011	9,533	9,533
Cash and cash equivalents at end of year	2,379	860	1,775	1,925	1,155	142	8,236	31,441
Cash and cash equivalents comprise								
Cash at bank and in hand	2,379	860	1,775	1,925	1,155	142	8,236	31,441
Total cash and cash equivalents	2,379	860	1,775	1,925	1,155	142	8,236	31,441

Comparative cash flows include only the DSO Share Pools in existence at those dates.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. General Information

Downing FOUR VCT plc (“the Company”) is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales.

2. Basis of accounting

The unaudited half-yearly financial results cover the six months to 30 September 2017 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 March 2017, which were prepared in accordance with the Financial Reporting Standard 102 (“FRS 102”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” revised November 2014 (“SORP”).

3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
4. The comparative figures are in respect of the six months ended 30 September 2016 and the year ended 31 March 2017 respectively.
5. Net asset value per share at the period end has been calculated on the number of shares in issue at the period end as follows:

DSO B Shares	19,911,070	DP2011 Structured Shares	10,678,725
DSO C Shares	29,926,070	DP2011 Structured A Shares	12,572,817
DSO D Shares	7,867,247	DP2011 Low Carbon Shares	7,575,419
DP67 Shares	11,239,785	Generalist Shares	37,504,899
DP2011 General Shares	15,644,066	Healthcare Shares	8,506,813
DP2011 General A Shares	18,418,614		

6. Return per share for the period has been calculated on the average number of shares in issue in the period as follows:

DSO B Shares	19,911,070	DP2011 Structured Shares	10,678,725
DSO C Shares	29,926,070	DP2011 Structured A Shares	12,572,817
DSO D Shares	7,867,247	DP2011 Low Carbon Shares	7,575,419
DP67 Shares	11,239,785	Generalist Shares	21,210,366
DP2011 General Shares	15,644,066	Healthcare Shares	3,637,092
DP2011 General A Shares	18,418,614		

7. Dividends

	Six months ended 30 September 2017		
	Revenue £000	Capital £000	Total £000
Paid in period			
DSO D Shares	-	197	197
DP67 Shares	-	225	225

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

8. Reserves

	30 Sep 2017 £'000	30 Sep 2016 £'000	31 Mar 2017 £'000
Capital redemption reserve	31	31	31
Special reserve	29,203	33,272	30,620
Share premium account	39,846	-	10,074
Funds held in respect of shares not yet allotted	1,127	-	16,137
Capital reserve – realised	(1,198)	(2,412)	(1,980)
Revaluation reserve	4,668	2,621	3,331
Revenue reserve	(147)	1,732	1,055
Total reserves	<u>73,530</u>	<u>35,244</u>	<u>59,268</u>

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves and are reduced by revaluation losses of £3.3 million. Distributable reserves at 30 September 2017 were £32.5 million.

9. The fair value of investments is determined using the detailed accounting policy as shown in the audited financial statements for the year ended 31 March 2017. The Company has categorised its financial instruments using the fair value hierarchy as follows:

Level a	Reflects financial instruments quoted in an active market (quoted companies, investment funds and fixed interest bonds);
Level b	Reflects financial instruments that have prices that are observable either directly or indirectly; and
Level c	i) Reflects financial instruments that use valuation techniques that are based on observable market data. ii) Reflects financial instruments that use valuation techniques that are not based on observable market data (investments in unquoted shares and loan note investments).

	Level a £000	Level b £000	Level c (ii) £000	30 Sep 2017 £000	Level a £000	Level b £000	Level c (ii) £000	31 Mar 2017 £000
Structured Products	-	-	-	-	598	-	-	598
Quoted equity	1,234	-	-	1,234	-	-	-	-
Liquidity Investments	13,029	-	-	13,029	-	-	-	-
Unquoted loan notes	-	-	7,432	7,432	-	-	12,781	12,781
Unquoted equity	-	-	10,244	10,244	-	-	13,716	13,716
	<u>14,263</u>	<u>-</u>	<u>17,676</u>	<u>31,939</u>	<u>598</u>	<u>-</u>	<u>26,497</u>	<u>27,095</u>

10. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

11. Risk and uncertainties

Under the Disclosure and Transparency Directive, the Board is required in the Company's half-year results to report on the principal risks and uncertainties facing the Company over the remainder of the financial year.

The Board has concluded that the key risks facing the Company over the remainder of the financial period are as follows:

- (i) compliance risk of failure to maintain approval as a VCT;
- (ii) market, liquidity and counterparty risk associated with Liquidity Investments; and
- (iii) investment risk associated with investing in small and immature businesses.

The Company's compliance with the VCT regulations is continually monitored by the Manager, who reports regularly to the Board on the current position. The Company also retains Phillip Hare & Associates LLP ("Phillip Hare") to provide regular reviews and advice in this area. Phillip Hare have confirmed that all relevant tests have been complied with for the period under review. The Board considers that this approach reduces the risk of a breach of the VCT regulations.

With this approach, the Board believes that these risks are reduced.

In order to make VCT qualifying investments, the Company has to invest in small businesses which are often immature. In addition, funds invested under the new VCT regulations in force from November 2015 provide greater restriction on, amongst other things, the age of the investments. It also has a limited period in which it must invest the majority of its funds. The Manager follows a rigorous process in vetting and careful structuring of new investments, including taking a charge over the assets of the business wherever possible and, after an investment is made, closely monitoring the business. The Board is satisfied that this approach reduces the investment risk described in (iii) above as far as is reasonably possible.

12. Going concern

The Directors have reviewed the Company's financial resources at the period end and conclude that the Company is well placed to manage its business risks.

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the Board believes that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

13. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the "Statement: Half-Yearly Financial Reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:

- a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

14. Copies of the Half-Yearly Report will be sent to Shareholders shortly. Further copies can be obtained from the Company's registered office or can be downloaded from www.downing.co.uk.

PERFORMANCE INCENTIVE ARRANGEMENTS

Performance incentive arrangements are in place for the each share pool except the DP67 pool. The various schemes are summarised as follows:

DSO B Shares

The performance incentive in respect of the DSO B Shares is facilitated by holdings of DSO C Shares that are held by members of the management team (who subscribed for C Shares at 0.1p per share). An incentive is due to management when the hurdle is met as follows:

- (i) Shareholders receive total proceeds of at least 100p per DSO B Share/DSO C Share (excluding income tax relief); and
- (ii) Shareholders achieve a tax-free compound return of at least 7% per annum (after allowing for income tax relief on investment).

After the above hurdle is met, management receive 3% of the proceeds on the first 100p of distributions and 20% thereafter. This is paid by dividends by virtue of the shareholdings of C Shares held by the management team.

The maximum performance incentive is limited to an amount equivalent to 1.25% of Net Assets attributable to DSO B Shares per annum. With a lower than usual ongoing management fee of 1.5%, the maximum management fees (including performance incentive) borne by investors is 2.75% of net assets per annum.

As at 30 September 2017, the estimated performance fee is 5.5p per DSO B Share.

DSO D Shares

The Performance Incentive in respect of the DSO D Shares is structured as a simple fee when the hurdle is met. A fee is payable when:

- (i) Shareholders receive total proceeds of at least 100p per DSO D Share (excluding income tax relief); and
- (ii) Shareholders achieve a tax-free compound return of at least 7% per annum (after allowing for income tax relief on investment).

If the hurdle is met, the fee will be 3p per DSO D Share plus 20% of shareholder proceeds above 100p per D Share. The maximum performance fee is limited to 7p per D Share.

As at 30 September 2017, the estimated performance fee is 4.2p per DSO D Share.

DP2011 General Shares/ DP2011 Structured Shares

The performance incentive arrangements in respect of the DP2011 General and DP2011 Structured pools enable payments, by way of distributions of income, to members of the management team who subscribed for 15% of the DP2011 General A Shares and DP2011 Structured A Shares at 6.5p per share.

Once proceeds to Shareholders exceeds 70p per DP2011 General Ordinary Share/DP2011 Structured Ordinary Share a performance incentive of 15% becomes due to members of the management team. No further incentive is paid to management once Shareholder proceeds exceed 120p per DP2011 General Ordinary Share/DP2011 Structured Ordinary Share.

As at 30 September 2017, it has been estimated that a performance incentive due to management in respect of the DP2011 General and Structured Share pools will be approximately 5.2p per DP2011 General Ordinary Share and 5.2p per DP2011 Structured Ordinary Share.

PERFORMANCE INCENTIVE ARRANGEMENTS (continued)

DP2011 Low Carbon Shares

As no A Shares were issued in connection with the DP2011 Low Carbon Share pool, the performance incentive takes the form of an incentive fee payable to Downing LLP.

A fee will become payable equal to 15% of shareholder proceeds in excess of 76.5p per share. No further fees accrue after shareholder proceeds exceed 120p per share.

As at 30 September 2017, it has been estimated that a performance incentive fee due in respect of the DP2011 Low Carbon Pool will be approximately equivalent to 5.5p per DP2011 Low Carbon Shares.

Generalist and Healthcare Share pools

A performance incentive scheme is in place in respect of the Generalist and Healthcare Management Shares, which will represent 20% of the total number of Generalist and Healthcare Shares in issue. As part of the arrangement, in order to prevent dilution to the shareholders of the Generalist and Healthcare Shares, the management team will waive their voting rights granted by these Management Shares at any general meeting of the Company and income or capital distributions otherwise payable on these Management Shares will be waived unless the share class has achieved a Total Return (based on audited year end results) in excess of £1 per share for the years ended 31 March 2018, 31 March 2019 and 31 March 2020. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2021 the hurdle is £1.03, and for the year ended 31 March 2022 the hurdle is £1.06.

SHAREHOLDER INFORMATION (continued from front cover)

Share prices

The Company's share prices can be found on various financial websites with the following TIDM codes:

	DSO B Shares	DSO D Shares	DP67 Shares
TIDM codes	DO1B	DO1D	D467
Latest share price (21 December 2017):	12.505p per share	30.0p per share	45.0p per share

	DSO C Shares
TIDM codes	DO1C
Latest share price (21 December 2017):	5.005p per share

	DP2011 General Shares	DP2011 Structured Shares	DP2011 Low Carbon Shares
TIDM codes	D400	D4SO	D4LC
Latest share price (21 December 2017):	15.5p per share	10.55p per share	17.5p per share

	DP2011 Gen A Shares	DP2011 Structured A Shares
TIDM codes	D4OA	D4SA
Latest share price (21 December 2017):	15.005p per share	15.005p per share

	Generalist Shares	Healthcare Shares
TIDM codes	D400	D4SO
Latest share price (21 December 2017):	100.0p per share	100.0p per share

The share prices are also available on Downing's website at www.downing.co.uk.

Selling shares

The Company's shares can be bought and sold in the same way as any other company listed on the London Stock Exchange, using a stockbroker. Disposing of shares may have tax implications, so Shareholders are urged to contact their independent financial adviser before making a decision.

The Company has stated that it will, from time to time, consider making market purchases of its own shares, in accordance with the policy set out in the Chairman's Statement. Shareholders who wish to sell should contact Downing LLP who will be able to provide up-to-date details. Downing LLP can be contacted on 020 7416 7780. The Company is only purchasing Generalist and Healthcare Shares at present as the other classes have commenced the process of returning funds to Shareholders through dividends.

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 amendments this should be notified to the Company's registrar, Link Asset Services under the signature of the registered holder.

Directors

Lord Flight (Chairman)
Sir Aubrey Brocklebank (Senior Independent Director)
Russell Catley

Company Secretary and Registered Office

Grant Whitehouse
6th Floor, St Magnus House
3 Lower Thames Street
London EC3R 6HD

Registered No. 6789187

Investment and Administration Manager

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London EC3R 6HD

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

Registrar

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The Registry
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Beckenham
Kent BR3 4TU

Tel: 0871 664 0300
(calls cost 12p per minute plus network extras,
lines open Monday to Friday 9:00am to 5:30pm)
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