Downing ONE VCT plc

Report & Accounts
for the year ended
31 March 2017

Downing

SHAREHOLDER INFORMATION

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

Latest share price at 14 July 2017:	85.1p per share

Financial calendar

15 August 2017	Annual General Meeting ("AGM")
18 August 2017	Payment of final dividend
November 2017	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.capitassetservices.com). Queries relating to dividends, shareholdings, and requests for mandate forms should be directed to the Company's registrar, Capita Asset Services, 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 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, took part in the Share Realisation and Reinvestment Programme or purchased Ordinary Shares within the last five years.

The Company is, however, unable to buy back shares direct from Shareholders, so you will need to use a stockbroker to sell your shares. If you are considering selling your shares or wish to buy shares in the secondary market, please contact the Company's Corporate Broker, Panmure Gordon (UK) Limited ("Panmure"). Panmure can be contacted as follows:

Chris Lloyd	Paul Nolan
0207 886 2716	0207 886 2717
chris.lloyd@panmure.com	paul.nolan@panmure.com

Share scam warning
We have become aware that a significant number of shareholders of VCTs managed by both Downing and other VCT managers/advisers 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 Asset Services, 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 ONE VCT plc, please contact the registrar on the above number or visit Capita's website at www.capitaassetservices.com and click on "Share Portal".

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FINANCIAL HIGHLIGHTS

Total Return Increase

Total Return (Net Asset Value plus dividends) increased by 2.3 pence per share (2.2%) from 106.1 pence per share on 31 March 2016 to 108.4 pence per share at this year-end.

Dividend Increase

The proposed final dividend of 4.5 pence per share will result in total dividends for the financial year of 7.5 pence per share (2016: 6.0 pence per share), equivalent to 8.0% based on the opening net asset value.

Significant portfolio activity

The year has seen a continued steady level of portfolio activity with 22 realisations giving rise to total proceeds of £9.6 million and net realised gains of £0.7 million.

FINANCIAL SUMMARY

	31 Mar 2017 pence	31 Mar 2016 pence
Net asset value per share ("NAV")	90.4	94.1
Cumulative dividends paid since 12 November 2013	18.0	12.0
Total return (net asset value plus cumulative dividends paid per share)	108.4	106.1
Dividends in respect of financial year		
Interim dividend per share	3.0	3.0
Proposed final dividend per share	4.5	3.0
	7.5	6.0

DIVIDEND POLICY

The Directors are targeting an annual dividend of at least 4% of net assets per annum, subject to sufficient distributable reserves and capital resources.

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

INVESTMENT OBJECTIVES

The Company's principal investment objectives are:

- To provide private investors with attractive returns for a portfolio of investments focused on unquoted and AIM quoted companies; 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 Strategic Report on pages 18 to 19.

DIRECTORS

Chris Kay (Chairman) has over 30 years' experience in the venture capital industry. He spent nine years with 3i Group plc, where he was an investment director, and a further eight years at Elderstreet Investments Limited, where he headed the VCT team. He is a chief executive of Chrysalis VCT Management Limited. He is a Cambridge University graduate and gained an MBA at Manchester Business School. He was formerly chairman of Downing Absolute Income VCT 1 plc and a non-executive director of Downing Income VCT plc and Downing Income VCT 4 plc.

Barry Dean is a chartered accountant and has over 30 years' experience in the private equity industry including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a non-executive director of Elderstreet VCT plc and ProVen VCT plc. He was formerly a non-executive director of Downing Absolute Income VCT 2 plc.

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 and chief executive of two groups of the financial services companies - Fredericks Place Group, which offered private client investment management and financial planning services and the Britannia Group of Investment Companies, which managed £4bn of funds in London and the USA for institutions and private clients. He has been a non-executive director of a number of companies, including Savoy Asset Management and the Hallwood Group.

All the Directors are non-executive and independent of the Investment Adviser.

CHAIRMAN'S STATEMENT

I am pleased to present the Company's Annual Report for the year ended 31 March 2017.

The year saw a significant level of new funds raised by the Company and a fair amount of investment activity as the task of employing the new funds got underway, along with several realisations from some of the existing investments.

Net asset value and results

As at 31 March 2017, the net asset value per share ("NAV") stood at 90.4p, an increase of 2.3p (2.4%) after adding back dividends of 6.0p per share which were paid during the year.

The Income Statement shows a return attributable to equity shareholders for the year of £2.3 million comprising a revenue loss of £12,000 and a capital return of £2.3 million.

Fundraising

The Company launched an Offer for Subscription in December 2015, which closed on 30 September 2016. The offer raised total gross proceeds of £19.3 million, which provides the Company with a significant level of new funds and allows it to participate in attractive new investment opportunities as they arise.

Investment activity and performance

At the year end, the Company held a portfolio of 90 investments. Of these, 31 are either quoted on AIM or the NEX Exchange Growth Market and have a value of £24.5 million (28% of the portfolio). The 59 unquoted investments have a value of £61.9 million and represent 72% of the portfolio.

Two new quoted investments were made at a total cost of £427,000. There were three quoted investment disposals generating proceeds of £656,000.

In the unquoted portfolio, there were 19 realisations, producing proceeds of £9.0 million and realised gains of £524,000. One follow-on investment was made at a cost of £1.6 million and 14 new investments at £25.8 million.

The quoted portfolio showed net unrealised gains of £840,000 over the year. At the year end, the Board reviewed the valuations of the unquoted investments and made a number of adjustments. Overall the unquoted portfolio showed total unrealised gains of £1.2 million for the year. Net unrealised gains for the full portfolio were therefore £2.1 million.

Further details on the investment activity are included in the Investment Adviser's Report on pages 5 to 7.

Dividends

The Company has a policy of seeking to pay annual dividends of at least 4% of net assets per annum.

In view of the level of realisations achieved in the period, the Board is proposing a final dividend of 4.5p per share to be paid on 18 August 2017, subject to Shareholder approval at the forthcoming AGM, to Shareholders on the register at 21 July 2017. This will bring total dividends in respect of the year ended 31 March 2017 to 7.5p per share, which represents a yield based on opening NAV of 8.0% pa.

Shareholders are reminded that the Company operates a Dividend Reinvestment Scheme for those investors that wish to reinvest their dividends and obtain further income tax relief on the reinvested dividend. A Dividend Reinvestment Form is available on Downing's website or further information can be obtained by contacting Downing.

Share buybacks

The Company continues to operate a policy of buying in its own shares that become available in the market at a 5% discount to NAV (subject to liquidity and any regulatory restrictions).

During the year, the Company purchased 2.8 million shares at an average price of 87.2p per share. Overall, the total cash returned to shareholders via share buybacks and this year's total dividend of 7.5p per share is approximately equal to the level of cash proceeds received during the year.

The Company retains Panmure Gordon as its corporate broker to assist in operating the share buyback process and ensuring that the quoted spread on the Company's shares remains at a reasonable level. Contact details for Panmure Gordon are on page 54.

Directorate

As reported in the Half Yearly Report, two Directors, Helen Sinclair and Andrew Griffiths, resigned during the year. I would like to once again thank Helen and Andrew for their contributions as non-executive directors since the major merger in 2013 which created Downing ONE. My colleagues and I wish them every success in their other ventures.

Now that the original six VCTs that were merged together have been successfully integrated into one Company, the Directors believe that a Board comprising three non-executive directors is appropriate for the Company at the current time and therefore do not propose to make any new appointments for the time being.

Fundraising plans

The Company did not launch a new fundraising for the 2016/17 tax year, partly because it had raised significant funds in the prior tax year which were still in the process of being invested. Progress is now being made in investing those funds and the Board has therefore decided to consider undertaking a new Offer for Subscription for the 2017/18 tax year. If the Board decides to proceed full details will be sent to Shareholders as they become available.

In order to give the Company flexibility to launch this new offer without having to incur the expense of issuing a separate Shareholder circular, resolutions will be proposed at the forthcoming AGM to give the Directors authority to allot and waive pre-exemption rights on up to approximately £35 million worth of new shares.

Annual General Meeting

The Company's next Annual General Meeting ("AGM") will be held at Downing LLP, Fifth Floor, Ergon House, Horseferry Road, London, SW1P 2AL at 10.30 a.m. on 15 August 2017.

Three items of special business are proposed at the AGM:

- two in respect of the allotment of shares as described above; and
- one in respect of the authority to buy back shares as noted above.

Outlook

The new VCT regulations continue to provide challenges for the Investment Adviser in both securing and structuring new investments and in supporting existing portfolio companies. In particular, the new rules heavily restrict opportunities to invest in AIM-quoted companies. The Company does however continue to hold a substantial portfolio of AIM-quoted investments so can continue to benefit from that for the time being.

Since the year end, the Company has made a £5 million non-qualifying investment into the Downing Micro-Cap Strategic Trust plc, a new Investment Trust managed by the same team that advises the Company on its AIM-quoted portfolio. As an Investment Trust, this is one of the few types of non-qualifying investments now permitted under the VCT regulations and will provide the Company with liquidity and the possibilities of some growth on funds that would otherwise be held as cash while awaiting investment in new VCT qualifying opportunities. For the avoidance of doubt, the Board has obtained agreement from the Advisor that there will be no "double charging" of fees.

Over the next year, we expect to see the more recent investments develop businesses that have the potential to drive steady performance of the Company in the future. At the same time, the Adviser will be exploring realisation opportunities for the more mature investments, although, as ever, will only pursue exits if they consider the price and timing to be appropriate.

I look forward to meeting Shareholders at the AGM and to reporting developments in my statement with the Half Year Report to 30 September 2017.

Chris Kay
Chairman

17 July 2017

INVESTMENT ADVISER'S REPORT

Introduction

The following is a review of the performance of both the quoted and unquoted investment portfolios.

At 31 March 2017, the Company held a portfolio of investments in 90 quoted and unquoted companies, valued in total at £86.4 million.

Net asset value and results

The net asset value per Share ("NAV") at 31 March 2017 stood at 90.4p, compared to the NAV at 31 March 2016 of 94.1p. Total Return (NAV plus cumulative dividends paid since the merger in 2013) is 108.4p.

The return on ordinary activities after taxation for the year was £2.3 million, comprising a revenue loss of £12,000 and a capital profit of £2.3 million.

Unquoted Venture Capital investments

Investment activity

At 31 March 2017, the unquoted portfolio was valued at £61.9 million, comprising 59 investments, spread across a number of sectors.

During the period, there were 14 new investments totalling £25.8 million and one follow-on investment totalling £1.6 million. The new investments were as follows:

£2.5 million was invested in Vectis Alpha Limited which is seeking to build and develop infrastructure opportunities.

£700,000 was invested in Avid Technology Group Limited, a manufacturer of electrified ancillaries for internal combustion engines.

Brownfields Trading Limited is seeking to develop small scale waste disposal projects and £2.5 million has been invested in this company.

£2.5 million was invested in Yamuna Renewables Limited, which is seeking investment opportunities in the wood refinery sector.

Jito Trading Limited, Morava Limited and Rhodes Solutions Limited are all exploring opportunities in the wood refinery sector. £2.5 million was invested into each company. After the year end Morava was wound up in order to free up cash for other investments.

£1.5 million was invested into Pantheon Trading Limited which is seeking to develop and operate roof mounted PV systems in Cyprus.

£920,000 was invested into both Ironhide Generation Limited and Indigo Generation Limited. £738,000 was invested in Rockhopper Renewables Limited and £422,000 in SF Renewables (Solar) Limited which are in the process of acquiring land in India to build and operate 15MW ground mounted solar arrays.

One non-qualifying investment of £5 million was made into DoneLoans Limited, an investment company which makes secured loans.

£600,000 was invested into Xupes Limited, a pre-owned luxury e-commerce business based in Bishops Stortford, specialising in watches, handbags, jewellery and antiques.

A further £1.6 million was invested into Pilgrim Trading Limited which will be converting two vacant properties in London into children's day nurseries.

Realisations of investments in the year generated proceeds of £9.0 million and total profits over holding value of £524,000 from 15 full exits, and 4 partial exits. A summary of the most significant realisations is shown below:

A further distribution of £195,000 was received from the refinancing of Quadrate Catering Limited in the prior year, generating an additional profit of £161,000.

Tramps Night Club Limited, the owner of a night club in the West Midlands, has started repaying the loan notes under a refinancing arrangement. A total of £427,000 was received during the year at a profit over carrying value of £221,000.

Gatewales Limited holds rights to profit shares from a development project. The project is performing in line with plans and the profit shares are now being paid out, with £151,000 received in the year.

Kidspace Adventures Holdings Limited, which owns three well established children's play areas in Croydon, Romford and Epsom, was sold and generated proceeds of £2.8 million, being £210,000 in excess of original cost.

Two non-qualifying loans were repaid in full in the year, being Hobblers Heath Limited and Kidspace Adventures Limited, which repaid a total of £1.2 million.

Deferred consideration totalling £30,000 was received from Kilmarnock Monkey Bar Limited and Liverpool Nurseries (Holdings) Limited, both of which were sold in prior years.

Loan notes totalling £474,000 were redeemed at par from Gara Rock Resort Limited, Norman Broadbent plc and Future Biogas (SF) Limited.

Unquoted Venture Capital investments

Investment activity (continued)

Cedarville Limited was established with the intention of developing and operating garden centres in the UK. Morava Limited was incorporated to build and develop biomass boilers in the wood refinery sector. Following a lack of suitable investment opportunities for either company, both investments were repaid in full generating total cash of £3.5 million for deployment in other qualifying prospective investments.

Redmed Limited paid final distributions of £36,000, generating a loss of £28,000 compared to holding value.

Portfolio valuation

There have been a number of valuation movements in the unquoted portfolio during the year with an overall value uplift of £1.2 million. The most significant value movements are shown below.

Leytonstone Pub Limited owns and operates The Red Lion pub in Leytonstone and continues to trade well. An independent valuation also demonstrated strong growth in the underlying property value, and these two factors combined to generate a further uplift in value of £750,000.

Pearce & Saunders Limited, is a small pub group with a portfolio of three pubs in the London area. These have similarly benefitted from the continued increase in property prices across the capital, resulting in an uplift in value of £475,000 (now held at cost).

Cadbury House Holdings Limited was uplifted by £200,000 during the year. The company owns and operates a health club, restaurant and conference centre near Bristol which continues to perform well.

Fenkle Street LLP, is a property development company that purchased a building in Newcastle and converted it into a hotel. The hotel is trading well and the valuation has been uplifted by £141,000 to reflect this.

Kimbolton Lodge Limited, the elderly care home in Bedford, was valued up £141,000 and is reflective of sustained levels of good occupancy.

Tramps Night Club Limited the owner of a night club in the West Midlands, has increased in value by £171,000 following a refinancing agreement made during the year and the ongoing repayment of the loan.

Unfortunately significant write downs were also required against three investments in the period.

Oak Grove Renewables Limited, an anaerobic digestion plant in Norfolk has been reduced in value by £284,000, due to continued performance issues at the facility.

Curo Compensation Limited offers a 'software as a service' solution to blue chip companies to manage their annual staff compensation process. The company is seeking further funding in 2017 to support its growth and ongoing development. The share price of this new round has been taken in to consideration when valuing the Downing ONE holding and, as such, the year-end value has been reduced by £235,000.

Mosaic Spa and Health Club Limited continues to progress an exit strategy. The valuation has been adjusted down by £260,000 at the year end to reflect the anticipated final proceeds.

Other smaller valuation adjustments totalled to a net gain of £147,000 over the year.

Quoted investments

Investment activity

As at 31 March 2017, the quoted portfolio was valued at £24.5 million comprising of 31 holdings. Over 13% of the quoted portfolio is accounted for in the top 10 holdings, reflective of the focused investment management approach that the Manager deploys.

Over the year to 31 March 2017, the valuation of the quoted portfolio (taking into account realised and unrealised movements) has risen by over 3%, behind the main AIM indices over the same period which experienced gains of up to 30%. The predominant reason for this underperformance is stock-specific within the underlying portfolio, and also due to the fact that the Company does not invest in mining and extraction companies or mainstream IPOs, both of which experienced a buoyant period for share price rises.

The quoted portfolio saw relatively little change in the year. Two partial and one full disposal were made, realising gains (versus cost) of £79,000. There were two new quoted holdings in the year, the largest being an investment of £377,000 into SysGroup plc.

Portfolio Movements

The main positive contributors to performance were Craneware Plc, the market leader in Value Cycle solutions for the US healthcare market, which contributed £867,000 of unrealised gains. The Company experienced strong trading and exceeded market expectations.

Quoted investments (continued)

Portfolio Movements (continued)

Science in Sport plc, the leading sports nutrition company that develops, manufactures and markets sports nutrition products for professional athletes and sports enthusiasts ("SIS") continued its growth trajectory and booked another solid year of top-line growth, growing turnover by 30% in the year. This, combined with the announcement that they are suppliers of products to the Olympic US Cycling team, helped buoy the share price. SIS contributed £749,000 of unrealised gains to the portfolio.

Amino Technologies plc, the global provider of digital TV entertainment and cloud solutions to network operators, experienced an unrealised gain of £469,000 in the portfolio. This was due to positive trading announcements following a year of difficulty integrating the Entone acquisition. The share price reflected the confidence that the management team now have in the combined business.

Meanwhile, on the negative, Inland Homes plc, a housebuilder with a specialist expertise in the acquisition and regeneration of brownfield sites, has reduced in value by £679,000, reflecting caution on UK housebuilding post Brexit and the fact that 23 legal completions were deferred following financial difficulties with one of their contractors. This meant that earnings would fall into 2017. There have been a number of announcements on planning consents and new builds since then which underpin our estimate of the Net Asset Value of this company.

Tracsis plc, leading provider of software and technology led products and services for the traffic data and transportation industry was also a negative contributor to performance, experiencing £655,000 of losses in the portfolio. This was due to caution that the full year results to the end of June 2017 would be heavily second half weighted; which the stock market viewed as a potential looming profits warning. We engaged with management and believe that although there were some short term and quantifiable challenges in the first half, that the longer term prospects of the company remain intact.

Angle plc, the specialist medtech company focusing on cancer related solutions saw some profit taking in its shares. The company initiated two 200 patient clinical studies in Europe and the US for the Company's first clinical application for detection of ovarian cancer in women. Interim evaluations of the first 50 patients in both studies have been positive. The company is still loss making, however is adequately funded for the medium term.

Generally we are confident of the longer term prospects for the Quoted Portfolio.

Outlook

There has been significant unquoted investment activity in the period in a number of sectors, including several smaller, higher risk and earlier stage investments. The focus is now on supporting these businesses to achieve growth over the next few years whilst also pursuing appropriate exit strategies for the more mature investments.

The portfolio as a whole is well spread across a large number of investments and remains relatively stable however, we believe upside potential remains.

Downing LLP

17 July 2017

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 March 2017:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Total invested by Funds also managed by Downing LLP [1] £'000
Top ten venture capital investments					
Vulcan Renewables Limited	5,030	5,548	-	6.0%	5,839
DoneLoans Limited	5,000	5,000	-	5.4%	-
Downing Care Homes Holdings Limited	3,881	4,250	-	4.6%	-
Tracsis plc *	1,443	3,198	(655)	3.5%	2,845
Cadbury House Holdings Limited	3,081	3,075	200	3.3%	1,613
Baron House Developments LLP	2,695	2,695	-	2.9%	2,055
Leytonstone Pub Limited	1,061	2,650	750	2.9%	-
Pilgrim Trading Limited	2,594	2,594	-	2.8%	3,072
Brownfields Trading Limited	2,500	2,500	-	2.7%	2,500
Jito Trading Limited	2,500	2,500	-	2.7%	2,500
	29,785	34,010	295	36.8%	20,424
Other venture capital investments					
Rhodes Solutions Limited	2,500	2,500	-	2.7%	2,500
Vectis Alpha Limited	2,500	2,500	-	2.7%	2,500
Yamuna Renewables Limited	2,500	2,500	-	2.7%	2,500
Universe Group plc *	1,586	2,349	(212)	2.6%	2,476
Craneware plc*	850	2,201	867	2.4%	2,736
Anpario plc*	1,448	1,886	340	2.1%	3,174
Inland Homes plc*	1,526	1,786	(679)	1.9%	2,357
Science in Sport plc*	1,239	1,734	749	1.9%	4,306
Mosaic Spa and Health Club Limited	2,747	1,570	(260)	1.7%	2,337
Plastics Capital plc*	849	1,528	310	1.7%	2,447
Pantheon Trading Limited	1,500	1,500	-	1.6%	-
Quadrate Catering Limited	1,500	1,500	-	1.6%	2,300
Quadrate Spa Limited	1,872	1,500	-	1.6%	2,300
Harrogate Street LLP	1,400	1,400	-	1.5%	-
Pearce & Saunders Limited	1,320	1,320	475	1.4%	1,680
Nomansland Biogas Limited	1,300	1,300	-	1.4%	4,374
Finsbury Food Group plc*	655	1,165	(100)	1.3%	2,858
Amino Technologies plc*	700	1,061	469	1.2%	4,453
Vianet Group plc*	952	936	(41)	1.0%	-
Indigo Generation Limited	920	920	-	1.0%	5,880
Ironhide Generation Limited	920	920	-	1.0%	3,880
Redhall Group plc*	500	900	225	1.0%	1,620
Pittards plc*	1,350	889	113	1.0%	1,379
Pabulum Pubs Limited	807	844	8	0.9%	915
Cohort plc*	394	822	86	0.9%	-
Oak Grove Renewables Limited	1,365	781	(284)	0.8%	6,774
Data Centre Response Limited	557	764	62	0.8%	-
Fenkle Street LLP	346	764	141	0.8%	1,660
Ludorum plc	3,573	750	-	0.8%	110
Rockhopper Renewables Limited	738	738	-	0.8%	3,819
Avid Technology Group Limited	700	700	-	0.8%	-
Gara Rock Resort Limited	672	672	-	0.7%	4,354
Sprue Aegis plc*	545	637	(292)	0.7%	2,379
Kimbolton Lodge Limited	664	604	141	0.7%	-
Wickham Solar Limited	472	600	50	0.7%	6,637
Xupes Limited	600	600	-	0.7%	200
Tramps Night Club Limited	849	523	171	0.6%	-
Curo Compensation Limited	688	453	(235)	0.5%	430

Continued over the page

REVIEW OF INVESTMENTS (continued)

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Total invested by Funds also managed by Downing LLP [1] £'000
SF Renewables (Solar) Limited	422	422	-	0.5%	6,778
Angle plc*	678	418	(276)	0.5%	-
Fresh Green Power Limited	400	400	-	0.4%	600
Pennant International Group plc*	335	386	248	0.4%	1,638
Sanderson Group plc*	336	381	(25)	0.4%	2,038
Augusta Pub Company Limited	290	349	25	0.4%	5,005
Brooks Macdonald Group plc*	257	340	31	0.4%	1,446
Norman Broadbent plc*	906	301	-	0.3%	752
Dillistone Group plc*	411	298	(3)	0.3%	-
Brady Public Limited Company*	272	296	83	0.3%	-
SysGroup plc*	377	289	(89)	0.3%	588
Hoole Hall Country Club Holdings Limited	2,316	250	-	0.3%	-
City Falkirk Limited	326	236	-	0.3%	1,062
FCT No.1 Limited	228	228	-	0.2%	448
Fubar Stirling Limited	357	225	-	0.2%	1,014
Green Energy Production UK Limited	200	200	-	0.2%	300
Hornby plc*	500	159	(9)	0.2%	1,514
Avacta Group plc*	168	114	(99)	0.1%	-
London City Shopping Centre Limited	110	110	-	0.1%	429
Pressure Technologies plc*	249	103	(3)	0.1%	-
Pro-Global Insurance Solutions plc*	61	100	-	0.1%	-
Gatewales Limited	71	98	2	0.1%	426
Frontier IP Group plc*	30	95	39	0.1%	-
Pearce & Saunders DevCo Limited	88	88	-	0.1%	112
Giving Limited	83	83	-	0.1%	-
Leytonstone Pub No1 Limited	81	81	-	0.1%	-
Flowgroup plc*	385	77	(212)	0.1%	-
MI Downing UK Micro-Cap Growth Fund B*	50	50	-	0.1%	
Mi-Pay Group plc (Aimshell)*	136	41	(26)	0.0%	-
Wheelsure Holdings plc**	48	30	-	0.0%	-
Cheers Dumbarton Limited	64	22	-	0.0%	101
Future Biogas (Reepham Rd) Limited	427	-	-	0.0%	-
Top Ten Holdings plc	399	-	-	0.0%	-
Future Biogas (SF) Limited	320	-	-	0.0%	-
Hoole Hall Spa and Leisure Club Limited	297	-	-	0.0%	-
The Thames Club Limited	175	-	-	0.0%	-
China Food Company plc	149	-	-	0.0%	-
Resource Reserve Recovery Limited	6	-	-	0.0%	
Commercial Street Hotel Limited	-	-	-	0.0%	-
Antelope Pub No 1 Limited	-	-	-	0.0%	-
The 3D Pub Co Limited	-	-	-	0.0%	-
	57,612	52,387	1,790	56.9%	109,586
Total investments	87,397	86,397	2,085	93.7%	130,010
Cash at bank and in hand		5,523		6.3%	
		91,920		100.0%	

REVIEW OF INVESTMENTS (continued)

The Company also invested into Heyford Homes VCT Limited, Imagelinx plc, Invocas Group plc, Lochrise Limited, and Antelope Pub no 1 Limited. These investments were acquired at negligible value and continued to be valued at the same level.

All venture capital investments are unquoted unless otherwise stated.

* Quoted on AIM
** Quoted on the NEX Exchange Growth Market

[1] Other funds also managed by Downing LLP as Investment Manager or Adviser as at 31 March 2017:

- Downing TWO VCT plc
- Downing THREE VCT plc
- Downing FOUR VCT plc
- MI Downing UK Micro-Cap Growth Fund
- Downing AIM Estate Planning Service and Downing AIM NISA

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 31 March 2017

Additions

	£'000
Quoted	
SysGroup plc	377
MI Downing UK Micro-Cap Growth Fund B	50
	427
Unquoted	
Doneloans Limited	5,000
Yamuna Renewables Limited	2,500
Vectis Alpha Limited	2,500
Morava Limited	2,500
Jito Trading Limited	2,500
Rhodes Solutions Limited	2,500
Brownfields Trading Limited	2,500
Pantheon Trading Limited	1,500
Pilgrim Trading Limited	1,594
Ironhide Generation Limited	920
Indigo Generation Limited	920
Rockhopper Renewables Limited	738
Avid Technology Group Limited	700
Xupes Limited	600
SF Renewables (Solar) Limited	422
	27,394
	27,821

REVIEW OF INVESTMENTS (continued)

Disposals

	Cost £'000	Value at 01/04/16* £'000	Proceeds £'000	Profit/ (loss) vs cost £'000	Realised gain/ (loss) £'000
Quoted					
Science in Sport plc	446	385	515	69	130
PHSC plc	52	42	56	4	14
Avacta plc	79	101	85	6	(16)
	577	528	656	79	128
Unquoted (including loan note redemptions)					
Tramps Night Club Limited	343	206	427	84	221
Quadrate Catering Limited	34	34	195	161	161
Gatewales Limited	41	55	151	110	96
Future Biogas (Reepham Road) Limited	174	130	174	-	44
Kilmarnock Monkey Bar Limited	-	-	16	16	16
Kidspace Adventures Holdings Limited	2,577	2,773	2,787	210	14
Liverpool Nurseries (Holdings) Limited	-	-	14	14	14
Camandale Limited	75	7	15	(60)	8
Hobblers Heath Limited	912	912	912	-	-
Kidspace Adventures Limited	261	261	261	-	-
Gara Rock Resort Limited (previously Aminghurst)	197	197	197	-	-
Norman Broadbent Limited	146	146	146	-	-
Future Biogas (SF) Limited	131	131	131	-	-
Rostima Holdings Limited	1,043	-	-	(1,043)	-
Southampton Hotel Limited	395	-	-	(395)	-
VCA Capital Limited	-	11	-	-	(11)
Cedarville Trading Limited	1,000	1,000	993	(7)	(7)
Morava Limited	2,500	2,500	2,496	(4)	(4)
Redmed Limited	144	64	36	(108)	(28)
	9,973	8,427	8,951	(1,022)	524
	10,550	8,955	9,607	(943)	652

* Adjusted for purchases in the year where applicable

REVIEW OF INVESTMENTS (continued)

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

Vulcan Renewables Limited
www.futurebiogas.com

Cost at 31/03/2017:		£5,030,000	Valuation at 31/03/2017:	£5,548,000
Cost at 31/03/2016:		£5,030,000	Valuation at 31/03/2016:	£5,548,000
Investment comprises:				
Equity shares:		£1,990,000	Valuation method:	Multiples
Loan note:		£3,040,000		
Audited accounts:	31/05/16*	30/11/14	Dividend income:	£Nil
Turnover:	n/a	£3.6m	Loan note income:	£Nil
Loss before tax:	n/a	(£0.2m)	Proportion of capital held:	18.7%
Net assets:	£3.4m	£3.7m	Diluted equity:	18.7%

Vulcan Renewables Limited is developing a 2.0MW maize fed biogas plant near Doncaster. Through an Anaerobic Digestion process, biogas is produced which is used to generate gas. The company benefits from the receipt of Feed-in Tariffs and payments for gas exported to the National Gas Grid.

* Turnover and operating profit figures not publically available as abbreviated small company accounts filed

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DoneLoans Limited

Cost at 31/03/2017:	£5,000,000	Valuation at 31/03/2017:	£5,000,000
Cost at 31/03/2016:	n/a	Valuation at 31/03/2016:	n/a
Investment comprises:			
Loan note:	£5,000,000	Valuation method:	Price of recent investment
Unaudited accounts:	None Filed	Dividend income:	£Nil
		Loan note income	£54,000
		Proportion of capital held:	100%
		Diluted equity:	100%

DoneLoans Limited is a non-qualifying investment company which makes secured loans.

Downing Care Homes Holdings Limited
www.downingcare.co.uk

Cost at 31/03/2017:		£3,881,000	Valuation at 31/03/2017:	£4,250,000
Cost at 31/03/2016:		£3,881,000	Valuation at 31/03/2016:	£4,250,000
Investment comprises:				
Equity shares:		£1,958,000	Valuation method:	Multiples
Loan note:		£1,923,000		
Audited accounts:	30/06/16	30/06/15	Dividend income:	£Nil
Turnover:	£2.8m	£2.0m	Loan note income	£150,000
Profit/(loss) before tax:	£0.1m	(£0.2m)	Proportion of capital held:	50.0%
Net liabilities:	(£0.4m)	(£0.8m)	Diluted equity:	50.0%

The company operates four residential care homes providing specialist services for adults with learning and physical disabilities. They are located in Hampshire and Surrey and are managed by an experienced team who have many years of experience in the sector. The homes were either developed from scratch or acquired from other operators.

REVIEW OF INVESTMENTS (continued)

Tracsis plc
www.tracsis.com

Cost at 31/03/2017:		£1,443,000	Valuation at 31/03/2017:	£3,198,000
Cost at 31/03/2016:		£1,443,000	Valuation at 31/03/2016:	£3,853,000
Investment comprises:				
Equity shares:		£1,443,000	Valuation method:	Bid price
Audited accounts:	31/07/16	31/07/15	Dividend income:	£9,000
Turnover:	£32.6m	£25.4m	Proportion of capital held:	2.9%
Profit before tax:	£4.0m	£4.5m	Diluted equity:	2.9%
Net assets:	£28.7m	£22.4m		

The Group specialises in solving a variety of data capture, reporting and resource optimisation problems along with the provision of a range of associated professional services. Tracsis' products and services are used to increase efficiency, reduce cost and improve the operational performance and decision making capabilities for clients and customers.

Cadbury House Holdings Limited
www.cadburyhotelbristol.co.uk

Cost at 31/03/2017:		£3,081,000	Valuation at 31/03/2017:	£3,075,000
Cost at 31/03/2016:		£3,081,000	Valuation at 31/03/2016:	£2,875,000
Investment comprises:				
Equity shares:		£847,000	Valuation method:	Multiples
Convertible loan note*:		£2,170,000		
A Loan note:		£64,000		
Audited accounts:	31/03/16	31/03/15	Dividend income:	£Nil
Turnover:	£8.8m	£8.6m	Loan note income:	£26,000
Profit before tax:	£0.4m	£2.3m	Proportion of capital held:	21.5%
Net assets:	£7.6m	£8.1m	Diluted equity*:	48.5%

Cadbury House Holdings Limited owns and operates a health club, restaurant and conference centre at Cadbury House, near Bristol. The restaurant trades as a Marco Pierre-White Steakhouse Bar and Grill.
*Proportion of capital after conversion of loan notes

Baron House Developments LLP

Cost at 31/03/2017:		£2,695,000	Valuation at 31/03/2017:	£2,695,000
Cost at 31/03/2016:		£2,695,000	Valuation at 31/03/2016:	£2,695,000
Investment comprises:				
Loan note:		£2,695,000	Valuation method:	Cost – reviewed for impairment
Unaudited accounts:	31/03/16	31/03/15		
Turnover:	£0.4m	£7.9m	Loan note income:	£Nil
Loss before tax:	(£0.3m)	(£0.5m)	Proportion of capital held:	-%
Net assets:	£4.6m	£4.8m	Diluted equity:	-%

Baron House Developments was created to fund the purchase of a property opposite Newcastle station, which qualifies under the Business Premises Renovation Allowance (BPRA) scheme.

Leytonstone Pub Limited
www.theredlionleytonstone.com

Cost at 31/03/2017:		£1,061,000	Valuation at 31/03/2017:	£2,650,000
Cost at 31/03/2016:		£1,061,000	Valuation at 31/03/2016:	£1,900,000
Investment comprises:				
Equity shares:		£361,000	Valuation method:	Multiples
Loan note:		£700,000		
Abbreviated accounts:*	31/12/15	31/12/14	Dividend income:	£Nil
Turnover:	n/a	n/a	Loan note income:	£84,000
Profit before tax:	n/a	n/a	Proportion of capital held:	50.0%
Net assets:	£0.7m	£0.5m	Diluted equity:	50.0%

Leytonstone Pub owns a 12,000 sq ft pub called The Red Lion located in Leytonstone, London. The downstairs of the pub was refurbished and since reopening has been building trade satisfactorily. The pub provides both a food and beverage offering.
* Turnover and operating profit figures not publicly available as abbreviated small company accounts filed

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Pilgrim Trading Limited
www.bhdaynursery.co.uk

Cost at 31/03/2017:	£2,594,000	Valuation at 31/03/2017:	£2,594,000
Cost at 31/03/2016:	n/a	Valuation at 31/03/2016:	n/a
Investment comprises:			
Equity shares:	£1,816,000	Valuation method:	Price of recent investment
Loan note:	£778,000		
Abbreviated accounts:*	30/04/16	Dividend income:	£Nil
Turnover:	n/a	Loan note income:	£22,000
Profit before tax:	n/a	Proportion of capital held:	50.0%
Net assets:	£1.4m	Diluted equity:	50.0%

Pilgrim Trading Limited acquired two vacant properties in London with plans to convert them into two children's nurseries. One site in Twickenham opened in May 2017 and progress is being made with the second site in Brentford. The business is led by Sarah Steel, an experienced operator in the nursery sector and will provide a high quality childcare offering that focuses on education.
* Turnover and operating profit figures not publicly available as abbreviated small company accounts filed

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Brownfields Trading Limited

Cost at 31/03/2017:	£2,500,000	Valuation at 31/03/2017:	£2,500,000
Cost at 31/03/2016:	n/a	Valuation at 31/03/2016:	n/a
Investment comprises:			
Equity shares:	£2,500,000	Valuation method:	Price of recent investment
Audited accounts:	None filed	Dividend income:	£Nil
		Proportion of capital held:	50.0%
		Diluted equity:	50.0%

The Company invested £2.5 million into Brownfields Trading Limited in April 2016 alongside other Downing VCTs. The company is seeking to build and develop small scale gasification projects for waste disposal.

REVIEW OF INVESTMENTS (continued)

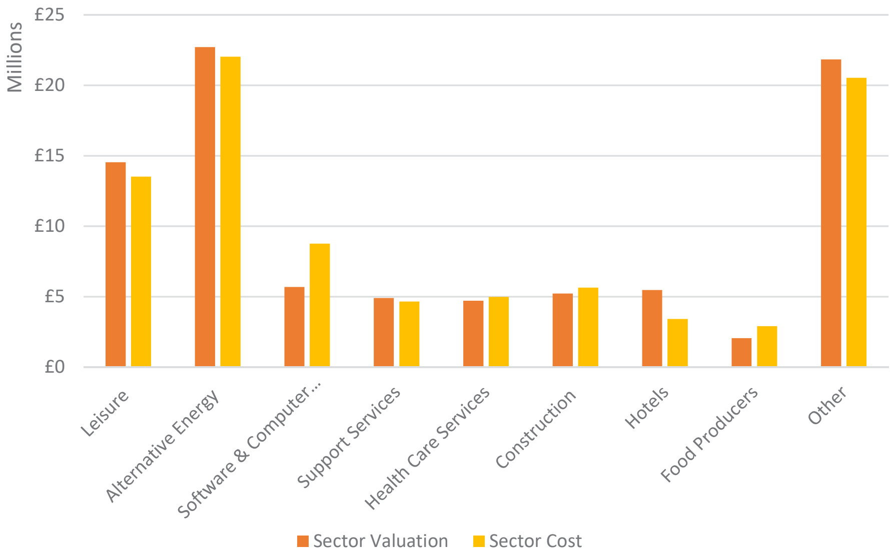
Jito Trading Limited

Cost at 31/03/2017:	£2,500,000	Valuation at 31/03/2017:	£2,500,000
Cost at 31/03/2016:	n/a	Valuation at 31/03/2016:	n/a
Investment comprises:			
Equity shares:	£2,500,000	Valuation method:	Price of recent investment
Audited accounts:	None filed	Dividend income:	£Nil
		Proportion of capital held:	50.0%
		Diluted equity:	50.0%

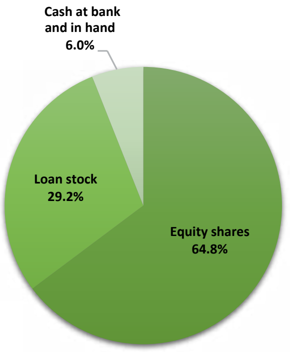
Jito Trading Limited was incorporated with the intention of operating in the wood refinery sector and is currently seeking viable opportunities in the market. The processed wood will be sold as fuel for biomass boilers.

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 2017) 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 2017):



Portfolio balance
At 31 March 2017, 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	79.0%	>70%
Non-qualifying investments (including cash at bank)	21.0%	<30%
Total	100.0%	100%

Investment category (by value)	**Actual**	**Target**
Growth	28%	25% -50%
Income producing	51%	50% -75%
Non-qualifying	21%	max 30%
Total	100%	

STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 31 March 2017. The Board have prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Principal objectives and strategy

The Company is a Venture Capital Trust ("VCT") whose principal investment objectives are to:

- provide private investors with attractive returns from a portfolio of investments focused on unquoted and AIM quoted companies; and

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

As a Venture Capital Trust, Investors are required to hold their shares for a minimum period of five years in order to retain their income tax relief.

Business review and developments

During the year to 31 March 2017, the investments held increased in value by £2.1 million and gains arising on investment realisations totalled £652,000.

Income over expenditure for the year resulted in a net loss, after accounting for capital expenses, of £666,000 (2016: gain £350,000)

The total return for the year was £2.3 million (2016: £2.6 million). Net assets at the year-end were £91.9 million (2016: £92.1 million). Dividends paid during the year totalled £6.1 million (2016: £5.2 million).

The Company's business and developments during the year are reviewed further in the Chairman's Statement, the Investment Adviser's Report and the Review of Investments on pages 3 to 16.

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's level of success in meeting its objectives (as shown on page 2). The Board believes the Company's key performance indicators, for comparison against similar VCTs, are Total Return (NAV plus cumulative dividends paid to date) and dividends per share (as disclosed within the financial summary).

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 16 to the financial statements.

In addition to these risks, the Company, as a fully listed Company on the London Stock Exchange with a premium listing 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 Listing Rules of the Financial Conduct Authority 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. It receives quarterly reports from the Adviser, which monitor the compliance of these risks, and places reliance on the Adviser to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial year.

Viability statement

In accordance with C.2.1 and C.2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have carried out a robust assessment of the principal risks facing the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for a period of three years from the balance sheet date as developments are considered to be reasonably foreseeable over this period.

The three year review considers the principal risks facing the Company which are summarised within note 16 as well as the Company's cash flows, dividend cover and VCT monitoring compliance over the period. The three year review makes assumptions about the normal level of capital recycling likely to occur, expenses, dividends and share buybacks.

The Directors believe that the Company is well placed to manage its business risks successfully. Based on the results, the Board believes that, taking into account the Company's current position, and subject to the principal risks faced by the business, the Company will be able to continue in operation and meet its liabilities as they fall due for a period of at least three years from the balance sheet date.

Business model

The Company operates as a Venture Capital Trust to ensure that its Shareholders can benefit from the tax reliefs available.

The Business of the Company is to act as an investment company, investing in a portfolio which meets the conditions set within its Investment Policy, as shown on the next page.

Investment policy

Quantitative analysis of how the Company has operated in accordance with its investment policy are shown in the Review of Investments on pages 8 to 16 and in the VCT compliance section of this report on page 21.

The Company's investment policy is as follows:

Asset allocation

The Company will seek to maintain a minimum of 70% of its funds invested in VCT qualifying investments, with the balance held in non-qualifying investments. New funds raised will initially be held in non-qualifying investments and cash 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	Target IRR
Growth	25%-50%	100%	15%
Income focused	50%-75%	100%	10%

Growth investments will be in companies with prospects for high capital growth companies and may include companies quoted on AIM or the NEX Exchange Growth market as well as unquoted companies.

Income focused 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 secured loan stock and/or preference shares, subject to the applicable VCT rules.

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

VCT Qualifying investments made after November 2015 will comply with new VCT regulations which introduced new restrictions including that such investments will, in most cases, be in businesses that are less than 7 years old and funds invested will not be used by the business to make an acquisition.

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:

Non qualifying investments invested after 5 April 2016 will only be made in the following categories:

- Shares or units in an AIF (Alternative Investment Fund) e.g. an investment trust or in a UCITS (undertakings for the collective investment in transferable securities) e.g. an OEIC which may be repurchased or redeemed by the investor on no more than 7 days' notice.

- Ordinary shares or securities in a company which are acquired on a European regulated market e.g. in companies with shares listed on the main market of the London Stock Exchange.

The existing non-qualifying portfolio includes investments made before 5 April 2016 within the following categories:

- Non-qualifying listed investments which are in quoted companies where the holdings can be traded and in companies in which the Investment Adviser has detailed knowledge as a result of VCT qualifying investments made previously
- Secured loans which are secured on assets held by the borrower
- Non-qualifying unquoted investments which will generally not exceed 5% of the overall fund

In addition to the above, the Company may hold non-qualifying funds in cash or bank deposits, which fall within the VCT rules.

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 Adviser 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 deposit accounts with UK clearing banks).

Investment policy (continued)

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 VCT Rules.

Borrowing Limits

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 10% of 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 2017, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £9.2 million. There are no plans to utilise this ability at the current time.

Global greenhouse gas emissions

The Company has no greenhouse emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013.

Environmental, social and human rights policy

The Company seeks to conduct its affairs responsibly. Where appropriate, the Board and the Advisers take environmental, social and human rights factors into consideration when making investment decisions.

Directors and senior management

The Company does not have any employees, including senior management, other than the Board of the three non-executive directors, all of whom are male.

Whilst the Board have delegated the day to day operation of the Company to its advisers, details of which are contained within the Report of the Directors, they retain the responsibility of planning, directing and controlling the activities of the Company.

Future prospects

The Company's future prospects are set out in the Chairman's Statement and Investment Adviser's Report.

By order of the Board

Grant Whitehouse
Company Secretary
Ergon House
Horseferry Road
London SW1P 2AL

17 July 2017

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2017.

Share capital
At the beginning of the year, the Company had 93,220,222 Ordinary Shares of 1p each in issue.

The Company allotted 10,746,922 Ordinary shares at an average price of approximately 93.7p per Ordinary Share under the terms of the Offers for Subscription.

A further 447,866 Ordinary Shares at an average price of 89.8p per Ordinary Share were allotted under the terms of the Dividend Reinvestment Scheme ("DRIS").

At the AGM held on 9 August 2016, Shareholders unconditionally authorised the Company to make market purchases of its own Ordinary shares of 1p each up to a maximum of 13,889,813 Ordinary Shares, representing 14.9% of the share capital in issue at the date of the last annual report. At the date of this report authority remains in place for 11,057,914 Ordinary Shares. A resolution to renew the authority to buy back up to approximately 14.9% of the share capital at the date of this report will be put to Shareholders at the AGM taking place on 15 August 2017.

During the year, the Company repurchased 2,831,899 Ordinary Shares of 1p each for average consideration of 87.2p per share, representing 3.0% of shares in issue at the last annual report. These shares were subsequently cancelled.

At the year end, the Company had 101,583,111 Ordinary Shares in issue. There were no other share classes in issue at the year end.

Results and dividends

	£'000	Per Share
Return on ordinary activities after tax for the year ended 31 March 2017	2,280	2.3p
Distributions paid/proposed for the year		
24 February 2017 – 2017 Interim	3,016	3.0p
18 August 2017 – 2017 Final	4,571	4.5p
	7,587	7.5p

The Company has a stated target for annual dividends of at least 4% of net assets per annum. In respect of the year under review this is equivalent to 3.6p. In view of the number of realisations in the year, the Board is proposing a final dividend of 4.5p per share to be paid, subject to Shareholder approval at the AGM, on 18 August 2017 to Shareholders on the register at 21 July 2017, which will result in total dividends for the financial year of 7.5 pence per share (2016: 6.0 pence per share).

Investment adviser and administration manager
Downing LLP was appointed on 1 April 2010, as Investment Adviser, for a fee payable quarterly in advance in respect of each quarter, such quarterly fee being equal to one quarter of 1.8% of the Net Asset Value of the Company as at the opening of business on the first business day of that quarter. The agreement is not for a fixed term, and may be terminated by either side giving not less than 12 months' notice in writing. During the year the investment management fees amounted to £1.8 million (2016: £1.5 million).

Downing LLP also receives arrangement and monitoring (non-executive directorship) fees from the investee companies. During the year, Downing LLP was due arrangement fees of £451,000 (2016 £231,000) and monitoring fees of £863,000 (2016: £765,000). These fees also relate to investments made by other funds managed by Downing LLP.

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

In addition, Downing LLP also provides administration services to the Company for an annual fee which is from 12 November 2013 calculated as follows:

- £40,000 (which is subject to an RPI annual increase, if positive); plus
- 0.125% of the Net Asset Value of the Company in excess of £10 million; plus
- £10,000 per additional share class of the Company (excluding the Ordinary Share class).

During the year fees for administration services amounted to £146,000 (2016: £131,000).

If the Company undertakes any significant corporate actions (including the raising of additional capital) Downing LLP shall be entitled to negotiate an additional fee or increased fee to take account of any significant additional work occasioned for the company secretary and bookkeeper by that corporate action.

Trail commission
The Company has an agreement to pay trail commission, annually, to Downing LLP, in connection with funds raised under original offers for subscription. Trail commission is calculated between 0.15% and 0.50% of the respective net assets attributable to the original shareholdings at each year end.

Annual running costs cap
From 12 November 2013, the annual running costs of the Company are capped at 2.75% (including irrecoverable VAT) of the average net asset value of the Company as at the end of the relevant financial period. Any excess running costs above the cap are met by Downing LLP. The Ongoing Charges ratio was 2.40%.

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 adviser and administrators. Costs incurred on abortive investment proposals are the responsibility of the Investment Adviser. The fees payable by the Company to the Investment Adviser are allocated 50% to revenue and 50% 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 were as follows:

Chris Kay	
Barry Dean	
Stuart Goldsmith	
Andrew Griffiths	Resigned 31/12/16
Helen Sinclair	Resigned 31/12/16

Directors generally retire at every third AGM in accordance with the requirement of the Articles of Association. At the forthcoming AGM Chris Kay and Stuart Goldsmith will retire and offer themselves for re-election. In accordance with corporate governance practice, by virtue of serving on the board for more than nine years, Stuart Goldsmith will retire at each Annual General Meeting and being eligible, offers himself for re-election. Each of the Directors has considerable experience in the VCT sector and has continued to perform well. 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 they are required to devote such time to the affairs of the Company as the Board reasonably requires consistent with their 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.

On 31 December 2016 Helen Sinclair and Andrew Griffiths resigned as directors.

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 reappointed Philip Hare & Associates LLP ("Philip Hare") to advise it on compliance with VCT requirements, reporting directly to the Board. Philip Hare works closely with the Investment Adviser; undertaking reviews of the VCT compliance status of new investment opportunities; providing regular compliance updates on the Company's existing portfolio of investments and providing advice on VCT compliance issues as and when they arise.

A summary of the VCT Regulations is included in the Company's Investment Policy as shown on page 18. Compliance with the main VCT regulations at 31 March 2017, and for the year then ended is summarised as follows:

1.	70.0% of its investments in qualifying companies (Company as a whole);	79.0%
2.	At least 30.0% of the Company's qualifying investments in "eligible shares" for funds raised before 5 April 2011, and 70% thereafter;	73.5%
3.	At least 10.0% of each investment in a qualifying company held in "eligible shares";	Complied
4.	No investment constitutes more than 15.0% of the Company's portfolio;	Complied
5.	Income for the year ended 31 March 2017 is derived wholly or mainly from shares and securities; and	91.7%
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.	Complied

Substantial interests
As at 31 March 2017, and at the date of this report, the Company was not aware of any beneficial interests exceeding three per cent of the issued share capital.

Auditor
A resolution to re-appoint BDO LLP as the Company's auditor will be proposed at the forthcoming AGM.

Annual General Meeting
The AGM will be held at Ergon House, Horseferry Road, London, SW1P 2AL at 10.30 a.m. on 15 August 2017. The Notice of the AGM and Form of Proxy are at the end of this document.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing 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 the financial statements have been prepared in accordance with applicable UK Accounting Standards, 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.

In addition, each of the Directors considers that the Annual Report, taken as a whole, is fair, balanced and undertakes and provides the information necessary to assess the Company's position, performance, business model and strategy.

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' statement pursuant to the Disclosure and Transparency Rules
Each of the Directors, whose names and functions are listed on page 2, 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 management report, comprising the Chairman's Statement, the Strategic Report, the Investment Adviser's Report, the Review of Investments and the Report of the Directors, 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 Investment Adviser. 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 (www.frc.org.uk), is shown on pages 27 to 30.

Other matters

Information in respect of financial instruments and future developments have been disclosed within the Strategic Report on pages 17 to 19.

Information in respect of greenhouse gas emissions which is normally disclosed within the Report of the Directors has been disclosed within the Strategic Report on page 19.

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
Ergon House
Horseferry Road
London SW1P 2AL

17 July 2017

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of Section 420 and 422 of the Companies Act 2006. A resolution to approve this report will be put to the Shareholders at the Annual General Meeting.

Under the requirements of Section 497, the Company's Auditors are required to audit certain disclosures contained within the Report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditors Report.

Annual statement from the Remuneration Committee
The Committee comprises Chris Kay, Barry Dean and Stuart Goldsmith. The remuneration levels for the year ended 31 March 2017 were part of the proposals that were agreed by the participant companies in preparing for the merger, which is detailed further on page 53 and were adopted on its completion. During the year, the Directors' fees were reviewed by the remuneration committee during its meeting on 24 February 2017, when it was agreed to decrease the total Directors fees to £105,000 per annum with effect from 1 April 2017.

Remuneration policy
Below is the Company's current remuneration policy which is effective for the three years commencing 1 April 2015.

In accordance with regulations, Shareholders must vote on the remuneration policy, for the financial year commencing after the AGM, every three years or sooner if the Company wants to make changes to the policy. Therefore the policy will be put to Shareholders again at the AGM in 2017.

The Company's policy on Directors' remuneration is to seek to remunerate board members at a level appropriate for the time commitment required and degree of responsibility involved for a self-managed Venture Capital Trust, where all investment decisions are made by the Board and where the non-executive Directors are more closely involved with the investee companies than other similar VCTs.

Non-executive Directors are not entitled to any performance related pay or incentive.

Directors' remuneration is guided by the Company's Articles of Association as follows:

(i) The ordinary remuneration of the Directors shall not in aggregate exceed £150,000 per annum (or such higher sum as may from time to time be determined by an Ordinary Resolution) and shall be divided between the Directors as they may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which they held office. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, or in attending and returning from meetings of the Directors or of committees of the Directors or General Meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the discharge of their duties.

(ii) Any Director who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, lump sum, percentage of profits or otherwise as the Directors may determine.

The Company's policy is that fees payable to Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of remuneration, market equivalents are considered in comparison to the overall activities and size of the Company. There is no performance related pay criteria applicable to Directors.

Letters of appointment
Each of the Directors on the current Board has a letter of appointment whereby they are required to devote such time to the affairs of the Company as the Board reasonably requires consistent with their role as a non-executive Director. A three month rolling notice period applies.

Annual report on remuneration (audited)
The following disclosure is required to be audited under the requirements of section 497. The audit opinion thereon is contained within the Auditor's Report on pages 31 to 34.

DIRECTORS' REMUNERATION REPORT (continued)

Annual report on remuneration (audited) (continued)

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

	2017 fee £	2016 fee £
Chris Kay	35,000	35,000
Barry Dean	20,000	20,000
Stuart Goldsmith	20,000	20,000
Andrew Griffiths*	15,000	20,000
Helen Sinclair*	15,000	20,000
	105,000	115,000

* Andrew Griffiths and Helen Sinclair resigned as Directors on 31 December 2016.

In addition to the above, a £5,000 ex gratia payment was made to Andrew Griffiths following his resignation.

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.

Statement of implementation of remuneration policy in the current financial year

The remuneration committee reviewed the levels in light of the reduction in the number of directors and agreed revised levels with effect from 1 April 2017 as follows:

	Annual fee £
Chris Kay	45,000
Barry Dean	30,000
Stuart Goldsmith	30,000
	105,000

The Committee concluded that the revised total Directors remuneration charge of £105,000 for a VCT with net assets of over £90 million is reasonable and in line with other VCTs in the market.

Directors share interests (audited)

The Directors of the Company during the year and their beneficial interest in the issued Ordinary Shares at each year end were as follows:

	31 March 2017	31 March 2016
Chris Kay	83,300	62,270
Barry Dean	7,129	7,129
Stuart Goldsmith	7,881	7,881
Andrew Griffiths	n/a	2,864
Helen Sinclair	n/a	5,398

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

Statement of voting at AGM

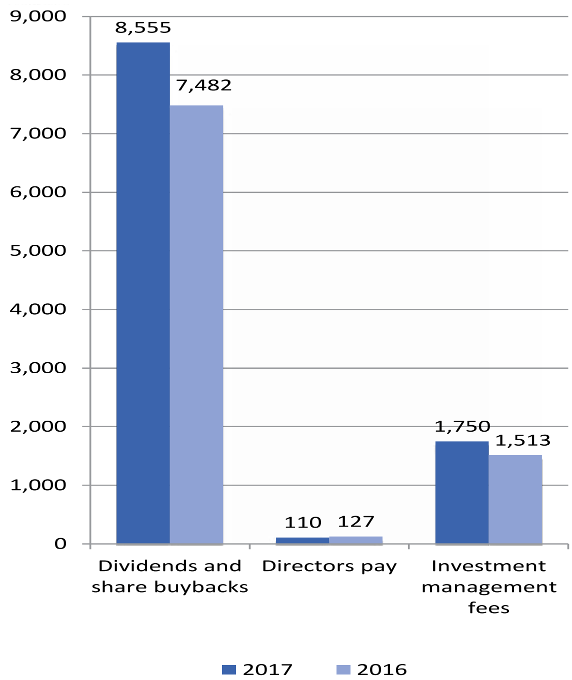
At the AGM on 9 August 2016, the votes in respect of the resolution to approve the Director's Remuneration Report were as follows:

In favour	92.1%
Against	7.8%
Withheld	0.1%

At the 2014, AGM where the remuneration policy was last put to a Shareholder vote, 89.2% voted for the resolution and 10.8% voted against, showing significant Shareholder support.

Relative importance of spend on pay

The difference in actual spend between 31 March 2017 and 31 March 2016 on remuneration for all employees in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the tabular graph below.



Insurance cover

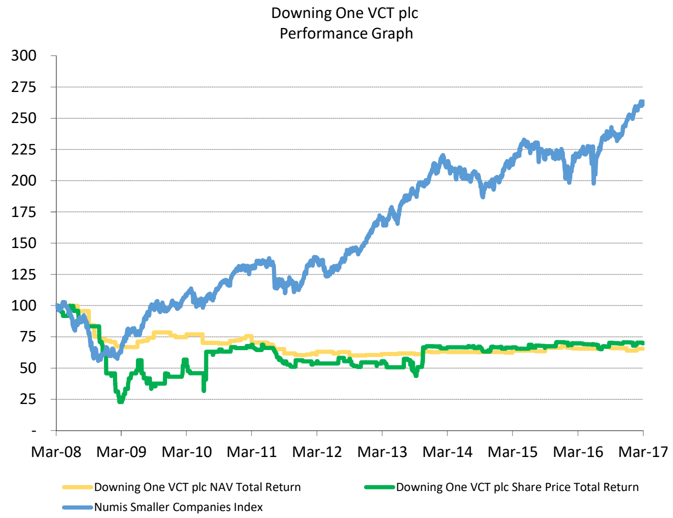
Directors' and Officers' liability insurance cover is held by the Company in respect of the Directors.

Performance graph

The graph below 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 nine years, compared to Numis Smaller Companies Index (Total Return, excluding investment companies), each of which has been rebased to 100 pence. Shareholders should note that the Company has undergone some substantial changes over that period.

Performance graph (continued)

The Board believes that NAV Total Return provides Shareholders with a fairer reflection of the Company's long term value than the Company's share price, due to the long term nature of an investment in Venture Capital Trust shares. Although it is not a benchmark for the Company, the Numis Smaller Companies Index is considered to be an appropriate broad equity market index against which Investors can assess the relative performance of the Company.



By order of the Board

G. Whitehouse

Grant Whitehouse
Company Secretary
Ergon House
Horseferry Road
London SW1P 2AL

17 July 2017

CORPORATE GOVERNANCE STATEMENT

The Directors support the relevant principles of the UK Corporate Governance Code, maintained by the Financial Reporting Council 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 three non-executive Directors. The Chairman is Chris Kay. 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 2.

In accordance with Company policy and corporate best practice Chris Kay and Stuart Goldsmith are offering themselves for re-election at the next AGM.

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

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

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

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

The capital structure of the Company is disclosed on page 20.

Committees to the Board
As the Company has a small Board comprising wholly of non-executive Directors, all Directors sit on the Nomination Committee, Remuneration Committee and Audit Committee.

The Chairman of the Nomination and Remuneration Committees is Barry Dean. The Chairman of the Audit 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	Nom. Comm. meetings attended	Rem. Comm. meetings attended	Audit Comm. meetings attended
Chris Kay	5/5	1/1	1/1	2/2
Barry Dean	5/5	1/1	1/1	2/2
Stuart Goldsmith	5/5	1/1	1/1	2/2
Andrew* Griffiths	4/4	n/a	n/a	2/2
Helen* Sinclair	4/4	n/a	n/a	2/2

*Andrew Griffiths and Helen Sinclair resigned as Directors on 31 December 2016.

The Board also meets as and when required during the year to discuss other matters arising.

Audit Committee
The Audit Committee is responsible for:
- monitoring the Company's financial reporting;
- reviewing internal controls and risk management systems; and
- matters regarding audit and external auditors.

Financial Reporting
The Committee is responsible for reviewing and agreeing the half-yearly and annual accounts (including those figures presented within) before they are presented to the Board for final approval.

In particular, the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Adviser, for presentation within the half-yearly and annual accounts.

The Committee also takes into careful consideration, comments on matters regarding valuation, revenue recognition and disclosures arising from the Auditors Report, to the Audit Committee as part of the finalisation process for the Annual Accounts.

Internal audit and control

The Committee has considered the need for an internal audit function and has concluded that at the present time this would not be appropriate for a company of this size and structure. The Committee seeks to satisfy themselves that there is a proper system and allocation of the responsibilities for the day-to-day monitoring of financial controls by receiving representations and information (either upon request or voluntarily) from the Investment Adviser. This is covered more fully under Risk Management and Internal Control.

Whistleblowing procedures

As the Company has no staff, other than directors, there are no procedures in place in respect of C.3.5 of the UK Corporate Governance Code, relating to whistleblowing. The Audit Committee understands that the Investment Adviser has whistleblowing procedures in place.

External auditor

The Committee reviews and agrees the audit strategy paper, presented by the Auditor in advance of the audit, which sets out the key risk areas to be covered during the audit, confirms their status of independence and includes the proposed audit fee. The Committee confirms that the main area of risk for the year under review is valuation of unquoted investments. The Committee also carefully examines the treatment of quoted investments and loan stock interest revenue recognition.

The Committee, after taking into consideration comments from the Investment Adviser, Downing LLP, regarding the effectiveness of the audit process; immediately before the conclusion of the annual audit, will recommend to the Board either re-appointment or removal of the auditors.

BDO LLP has been appointed as the Auditor to the Company since March 2015.

Following assurances received from the Investment Adviser at the completion of the audit for the year to 31 March 2017, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be re-appointed at the forthcoming AGM.

Non audit services

The Committee will approve the provision of ad-hoc work and maximum expected fee before being undertaken; to ensure the Auditors objectivity and independence are safeguarded.

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.

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. The Committee met once during the year.

Board performance evaluation

The Company has introduced an annual process for the evaluation of the performance of the Board, each of its Committees and of the non-executive Directors. The evaluation is undertaken using a questionnaire which covers a broad range of topics, including how the Board conducts its business and how it discharges its responsibilities. Further questions address the evaluation of the Chairman's performance.

The responses to the questionnaire were summarised by the Company Secretary and passed to the Chair of the Remuneration Committee. Any matters arising were then discussed with the non-executive directors as appropriate.

The outcome of the 2016 Board review was that the Company no longer requires such a large Board and that a Board comprising three members, being a more typical size for a VCT, is now more appropriate.

Accordingly, Helen Sinclair and Andrew Griffiths resigned from the Board on 31 December 2016.

The Directors consider the remaining Board of three and the Committees to be working effectively and to have a good balance of skills and that each non-executive directors continues to perform satisfactorily.

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 Investment Adviser 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 along with the 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 page 22, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 31.

Risk Management and 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. 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 3 to 4, the Investment Adviser's Report on pages 5 to 7 and the Strategic Report on page 17 to 19. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 38 and the Strategic Report on page 19. In addition, notes 13 and 16 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.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of the financial statements. For this reason, they believe the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

Compliance statement
The Listing Rules require the Board to report on compliance with the UK Corporate Governance Code 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 2017 with the provisions set out in the UK Corporate Governance Code.

Compliance statement (continued)

a) New Directors do not receive a full, formal and tailored induction on joining the Board, nor does the Chairman review and agree training and development needs. Such matters are addressed on an individual basis as they arise. Also the Company has no major Shareholders, therefore 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) 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 letters of appointment in place which the Company considers to be sufficient. In the Directors' opinion, this does not make a substantive difference to the circumstances of the Company.

c) A senior independent director has not been appointed. (A.4.1)

By order of the Board

G. Whitehouse

Grant Whitehouse
Company Secretary
Ergon House
Horseferry Road
London SW1P 2AL

17 July 2017

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

Our opinion on the financial statements

In our opinion the Downing ONE VCT plc financial statements for the year ended 31 March 2017, which have been prepared by the directors in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

What our opinion covers

Our audit opinion on the financial statements covers the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes.

Respective responsibilities of directors and auditor

As explained more fully in the report of the directors, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Our approach

Our audit approach was developed by obtaining an understanding of the company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administration Manager and, the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement. Below are those risks which we considered to have the greatest impact on our audit strategy and our audit response.

Risk area	Audit response
Valuation of investments: Valuation of investments is a key accounting estimate which requires the exercise of significant judgement and where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the Company.	The valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines. The investments are held in a diverse range of entities and are valued using various valuation models as appropriate in each circumstance. For a sample of investments held, our audit procedures included: • considering the appropriateness of the valuation methodology ensuring that it is in accordance with the International Private Equity and Venture Capital Valuation Guidelines; • reviewing and challenging the assumptions inherent in the valuation models by comparison to appropriate benchmark data; • carefully examining the Investment Manager's assessment of maintainable earnings with reference to the investee's historic performance and current prospects; • assessing the appropriateness of discount rates and marketability discounts where applied in the model with reference to market data for comparable assets; and • assessing the impact of estimation uncertainty concerning these assumptions and the completeness of associated disclosures in the financial statements. Where such investments were held in loans, we also considered wider economic and commercial factors that, in our judgement, could impact on the recoverability and valuation of those loans. Quoted investments and fixed income securities are valued using published bid prices and a sample of these were verified to market data. Consideration was given to the possible impact on realisable values arising from low trading volumes or any other restrictions on sale. Where appropriate we developed our own point estimate using alternative assumptions that could reasonably be applied. We considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.
Revenue recognition: Revenue consists largely of loan stock interest, dividends receivable from investee companies and interest earned on cash balances. Revenue recognition is considered to be a significant audit risk as it is the key driver of dividend returns to investors and there is judgement required in determining whether accrued income should be regarded as recoverable.	• We assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid; • We considered whether the accounting policy had been applied correctly by management in determining provisions against income where recovery is considered doubtful, considering management information relevant to the ability of the investee company to service the loan and the reasons for any arrears of loan interest; • We also reviewed the recognition and classification of any accrued income, considering the appropriateness of the classification of income between revenue and capital in the income Statement; and • We also tested dividends receivable to cash received, as well as to supporting documentation and management accounts of the investee companies.

The Audit Committee's consideration of these key issues is set out on pages 27 to 28.

Materiality in context

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	• 1.5-2% of the value of investment portfolio • The level of judgement inherent in the valuations • The range of reasonable alternative valuations	1,500,000
Specific materiality – classes of transactions and balances which impact on net realised returns	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	• 5% of the level of gross expenditure	120,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £30,000, as well as any differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters we identified when assessing the overall presentation of the financial statements.

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.

In our opinion, based on the work undertaken on the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements: and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Statement regarding the directors' assessment of principal risks, going concern and longer term viability of the Company

We have nothing material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept by the company, 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 29, in relation to going concern and set out on page 17 in relation to longer-term viability; and
- the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the auditor in accordance with Listing Rule 9.8.10 R(2).

We have nothing to report in respect of these matters.

BDO LLP

Stuart Collins (senior statutory auditor)
For and on behalf of BDO LLP
Statutory auditor
London, UK
17 July 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

INCOME STATEMENT
for the year ended 31 March 2017

		Year ended 31 March 2017			Year ended 31 March 2016		
	Note	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Income	**3**	1,736	209	1,945	2,790	-	2,790
Gains on investments	**10**	-	2,737	2,737	-	2,242	2,242
		1,736	2,946	4,682	2,790	2,242	5,032
Investment management fees	**4**	(875)	(875)	(1,750)	(756)	(756)	(1,512)
Other expenses	**5**	(652)	-	(652)	(928)	-	(928)
Return on ordinary activities before tax		209	2,071	2,280	1,106	1,486	2,592
Tax on total comprehensive income and ordinary activities	**7**	(221)	221	-	(227)	227	-
Return attributable to equity shareholders	**9**	(12)	2,292	2,280	879	1,713	2,592
Basic and diluted return per share	**9**	-	2.3p	2.3p	1.0p	2.0p	3.0p

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS 102"). There are no other items of comprehensive income. The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 by the Association of Investment Companies ("AIC SORP").

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2017

	Called up Share Capital £'000	Capital redemption reserve £'000	Share premium account £'000	Funds held in respect of shares not yet allotted £'000	Special reserve £'000	Capital reserve -realised £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2017									
At 1 April 2016	932	1,525	2,792	4,423	86,483	-	(4,680)	633	92,108
Total comprehensive income	-	-	-	-	-	207	2,085	(12)	2,280
Realisation of revaluations from previous years*	-	-	-	-	-	(1,593)	1,593	-	-
Transfer between reserves*	-	-	-	-	(6,716)	6,716	-	-	-
Transactions with owners									
Dividends paid	-	-	-	-	-	(5,330)	-	(754)	(6,084)
Utilised in share issue	-	-	-	(4,423)	-	-	-	-	(4,423)
Issue of new shares	112	-	10,595	-	-	-	-	-	10,707
Share issue costs	-	-	-	-	(234)	-	-	-	(234)
Purchase of own shares	(28)	28	-	-	(2,484)	-	-	-	(2,484)
At 31 March 2017	1,016	1,553	13,387	-	77,049	-	(1,002)	(133)	91,870
For the year ended 31 March 2016									
At 1 April 2015	798	1,500	69,714	2,593	7,523	-	(2,805)	594	79,917
Total comprehensive income	-	-	-	-	-	2,809	(1,096)	879	2,592
Cancellation of Share Premium account	-	-	(82,321)	-	82,321	-	-	-	-
Realisation of revaluations from previous years*	-	-	-	-	-	779	(779)	-	-
Transfer between reserves*	-	-	-	-	(803)	803	-	-	-
Transactions with owners									
Dividends paid	-	-	-	-	-	(4,391)	-	(840)	(5,231)
Utilised in share issue	-	-	-	(2,593)	-	-	-	-	(2,593)
Unallotted shares	-	-	-	4,423	-	-	-	-	4,423
Issue of new shares	159	-	15,399	-	-	-	-	-	15,558
Share issue costs	-	-	-	-	(296)	-	-	-	(296)
Purchase of own shares	(25)	25	-	-	(2,262)	-	-	-	(2,262)
At 31 March 2016	932	1,525	2,792	4,423	86,483	-	(4,680)	633	92,108

* A transfer of £1,593,000 representing previously recognised unrealised losses on disposal of investments during the year ended 31 March 2017 (2016: gains £779,000) has been made from the Capital Reserve realised to the Revaluation reserve. A transfer of £5.1 million representing realised gains on disposal of investments, less capital expenses and capital dividends in the year (2016: £1.6 million) has been made from Capital Reserves – realised to Special reserve.

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

BALANCE SHEET
as at 31 March 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments	**10**	86,397	65,445
Current assets			
Debtors	**11**	448	292
Cash at bank and in hand		5,523	26,713
		5,971	27,005
Creditors: amounts falling due within one year	**12**	(498)	(342)
Net current assets		5,473	26,663
Net assets		91,870	92,108
Capital and reserves			
Called up share capital	**13**	1,016	932
Capital redemption reserve	**14**	1,553	1,525
Share premium account	**14**	13,387	2,792
Funds held in respect of shares not yet allotted	**14**	-	4,423
Special reserve	**14**	77,049	86,483
Capital reserve – realised	**14**	-	-
Revaluation reserve	**14**	(1,002)	(4,680)
Revenue reserve	**14**	(133)	633
Total equity shareholders' funds	**15**	91,870	92,108
Basic and diluted net asset value per share	**15**	90.4p	94.1p

The financial statements on pages 35 to 52 were approved and authorised for issue by the Board of Directors on 17 July 2017 and were signed on its behalf by

Chris Kay
Chairman
Company number: 3150868

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

CASH FLOW STATEMENT
for the year ended 31 March 2017

	2017 £'000	2016 £'000
Cash flow from operating activities		
Profit on ordinary activities before taxation	2,280	2,592
Gains on investments	(2,737)	(2,242)
(Increase)/decrease in debtors	(156)	300
(Decrease) in creditors	(14)	(385)
Cash from operations		
Corporation tax paid	-	-
Net cash generated from operating activities	(627)	265
Cash flow from investing activities		
Purchase of investments	(27,821)	(21,456)
Proceeds from disposal of investments	9,607	27,448
Net cash (outflow)/inflow from investing activities	(18,214)	5,992
Cash flows from financing activities		
Proceeds from share issue	10,707	15,352
Funds held in respect of shares not yet allotted	(4,423)	1,831
Share issue costs	(234)	(296)
Purchase of own shares	(2,315)	(2,262)
Equity dividends paid	(6,084)	(5,026)
Net cash (outflow)/inflow from financing activities	(2,349)	9,599
(Decrease)/increase in cash	(21,190)	15,856

Net movement in cash

	2017 £'000	2016 £'000
Beginning of year	26,713	10,857
Net cash (outflow)/inflow	(21,190)	15,856
End of year	5,523	26,713

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

1. General information

Downing ONE 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, and its registered office is Ergon House, Horseferry Road, London SW1P 2AL.

2. Accounting policies

Basis of accounting

The Company has prepared its financial statements 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").

The Company implements new Financial Reporting Standards issued by the Financial Reporting Council 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

Of the Company's assets measured at fair value, it is possible to determine their fair values within a reasonable range of estimates. The fair value of an investment upon acquisition is deemed to be cost. Thereafter, investments are measured at fair value in accordance with FRS 102 sections 11 and 12 together with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV").

Investments quoted on recognised stock markets are measured using bid prices.

The valuation methodologies for unlisted instruments (comprising equity and loan notes), 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 as explained in the investment accounting policy above and addressed further in note 10.

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 significant influence or joint control over investee companies. Therefore the results of these companies are not incorporated into the Income Statement except to the extent of any income accrued. This is in accordance with the SORP and FRS 102 sections 14 and 15 that do not require portfolio investments to be accounted for using the equity method of accounting.

2. Accounting policies (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' right to receive payment has been established, normally the ex-dividend date.

Loan stock interest 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.

Distributions from investments in limited liability partnerships ("LLPs") are recognised as they are paid to the Company. Where such items are considered capital in nature they are recognised as capital profits.

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. Investment management fees are allocated 50% to revenue and 50% 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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with an original maturity of three months or less.

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 special reserve account.

Funds held in respect of shares not yet allotted

Cash received in respect of applications for new shares that have not yet been allotted is shown as "Funds held in respect of shares not yet allotted" and recorded on the Balance Sheet.

Segmental reporting

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2017

3. Income

	Revenue £'000	Capital £'000	2017 Total £'000	2016 Total £'000
Income from investments				
Loan stock interest	1,165	-	1,165	2,125
Dividend income	427	-	427	495
LLP income	-	209	209	-
	1,592	209	1,801	2,620
Other income				
Other income	126	-	126	53
Deposit interest	18	-	18	117
	1,736	209	1,945	2,790

4. Investment management fees

	2017 £'000	2016 £'000
Investment management fees	1,750	1,512

The annual running costs of the Company for the year were subject to a cap of 2.75% of the Company's net assets. The expense cap has not been breached for the year under review (2016: £nil). Downing LLP also provides administration services. Fees in relation to these services are shown within note 5 below.

5. Other expenses

	2017 £'000	2016 £'000
Administration services	146	131
Directors' remuneration	110	115
Social security costs	5	12
Trail commission	159	159
Auditor's remuneration for statutory audit	33	30
Auditor's remuneration for non-audit services (taxation)	4	3
Legal and professional fees	3	14
Custodian charges	27	113
Registrars fees	54	56
Provision for doubtful income	-	208
Other expenses	111	87
	652	928

6. Directors' remuneration

Key management are the Directors. Details of remuneration (excluding VAT and employer's NIC) are given in the Directors' Remuneration Report on page 25. The Company had no employees (other than Directors) during the year (2016: none). No other emoluments and pension contributions were paid by the Company to, or on behalf of, any Directors. There were no amounts outstanding at the year end.

7. Tax on ordinary activities

	2017 £'000	2016 £'000
a) Tax charge for the year		
Current year:		
UK Corporation tax (charged to the Revenue Account)	221	227
Tax credited to Capital Account	(221)	(227)
	-	-
b) Factors affecting tax charge for the year		
Profit on ordinary activities before taxation	2,280	2,592
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 20.0% (2016: 20.0%)	456	518
Effects of:		
Gains on investments	(547)	(448)
UK dividend income	(85)	(99)
Disallowable expenses	1	3
Excess management fees carried forward on which deferred tax asset is not recognised	175	26
	-	-

c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £5.3 million (2016: £4.4 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.

8. Dividends

		Year ended 31 March 2017			Year ended 31 March 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividends paid in year							
2017 Interim:	3.0p	-	3,068	3,068	-	-	-
2016 Final:	3.0p	754	2,262	3,016	-	-	-
2016 Interim:	3.0p	-	-	-	-	2,711	2,711
2015 Final:	3.0p	-	-	-	840	1,680	2,520
		754	5,330	6,084	840	4,391	5,231
Dividends proposed							
2017 Final:	4.5p (2016: 3.0p)	761	3,810	4,571	932	1,865	2,797

9. Basic and diluted return per share

Return per share based on:	**2017 £'000**	**2016 £'000**
Net revenue return for the financial year	(12)	879
Net capital gain for the financial year	2,292	1,713
Total return for the financial year	2,280	2,592
Weighted average number of shares in issue	101,137,288	85,175,415

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 the basic and diluted return per share.

10. Investments

	Unquoted investments £'000	**Quoted on NEX Growth Market £'000**	**Quoted on AIM £'000**	**Total £'000**
Opening cost at 1 April 2016	50,819	48	19,259	70,126
Unrealised (losses)/gains at 1 April 2016	(9,125)	(18)	4,462	(4,681)
Opening fair value at 1 April 2016	41,694	30	23,721	65,445
Movement in the year:				
Purchased at cost	27,394	-	427	27,821
Disposal proceeds	(8,951)	-	(656)	(9,607)
Realised gains in the income statement	524	-	128	652
Unrealised gains in the income statement	1,248	-	838	2,086
Closing fair value at 31 March 2017	61,909	30	24,458	86,397
Closing cost at 31 March 2017	68,241	48	19,108	87,397
Unrealised (losses)/gains at 31 March 2017	(6,332)	(18)	5,350	(1,000)
Closing fair value at 31 March 2017	61,909	30	24,458	86,397

A schedule disclosing the additions and disposals during the year and other information on investments can be found within the Review of Investments on pages 11 to 12.

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 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).

10. Investments (continued)

	Level a £'000	Level b £'000	Level c(ii) £'000	2017 £'000	Level a £'000	Level b £'000	Level c(ii) £'000	2016 £'000
Quoted on AIM	24,458	-	-	24,458	23,721	-	-	23,721
Quoted on NEX	30	-	-	30	30	-	-	30
Loan notes	-	-	26,858	26,858	-	-	24,489	24,489
Unquoted	-	-	35,051	35,051	-	-	17,205	17,205
	24,488	-	61,909	86,397	23,751	-	41,694	65,445

Reconciliation of fair value for Level c(ii) financial instruments held at the year-end:

	Unquoted shares £'000	Loan notes £'000	Total £'000
Balance at 31 March 2016	17,205	24,489	41,694
Movements in the income statement:			
Unrealised gains in the income statement	1,194	54	1,248
Realised gains in the income statement	(7)	531	524
	1,187	585	1,772
Purchases at cost	21,466	5,928	27,394
Disposal proceeds	(4,807)	(4,144)	(8,951)
Balance at 31 March 2017	35,051	26,858	61,909

Changing one or more of the inputs to reasonable possible alternative valuation assumptions could result in a significant change in the fair value of the Level c(ii) investments. There is an element of judgement 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 Board and the Investment Manager believe that the valuations as at 31 March 2017 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 16.

11. Debtors

	2017 £'000	2016 £'000
Other debtors	-	14
Income tax recoverable	3	3
Prepayments and accrued income	445	275
	448	292

12. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Taxation and social security	11	17
Trade creditors	-	-
Other creditors	241	69
Accruals and deferred income	246	256
	498	342

13. Called up share capital

	2017 £'000	2016 £'000
Issued, allotted, called up and fully paid:		
101,583,111 (2016: 93,220,222) Ordinary Shares of 1p each	1,016	932

The Company allotted 10,746,922 Ordinary Shares of 1p each at an average price of 93.7p per Ordinary Share under the terms of the offers up for subscription dated 14 December 2015. The aggregate consideration of the shares was £10.7 million which excludes costs of £234,000.

Under the terms of the Company's Dividend Reinvestment option, the Company allotted 447,866 Ordinary Shares of 1p each at an average price of 89.8p, to subscribing shareholders in respect of the dividends paid on the 12 August 2016 and 24 February 2017 respectively.

During the year, the Company repurchased 2,831,899 Ordinary Shares of 1p each for average consideration of 87.2p per share, representing 3.0% of those shares in issue at the last annual report. These shares were subsequently cancelled.

Management of capital
The Company's capital is managed in accordance with its investment policy, as shown in the Strategic Report on pages 18 to 19, in pursuit of its principal investment objectives as stated on page 2. The Company has the authority to buy back shares as described in the Corporate Governance Statement on page 27.

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

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

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

There is a single class of Ordinary Shares. There are no restrictions on the distribution of dividends and the repayment of capital.

14. Reserves

	2017 £'000	2016 £'000
Capital redemption reserve	1,553	1,525
Share premium account	13,387	2,792
Funds held in respect of shares not yet allotted	-	4,423
Special reserve	77,049	86,483
Capital reserve – realised	-	-
Revaluation reserve	(1,002)	(4,680)
Revenue reserve	(133)	633
	90,854	91,176

Distributable reserves are calculated as follows:

	2017 £'000	2016 £'000
Special reserve	77,049	86,483
Revenue reserve	(133)	633
Unrealised losses (excluding unrealised unquoted gains)	(4,354)	(7,214)
	72,562	79,902

Capital redemption reserve
This reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the Company's own shares.

Share premium account
This reserve accounts for the difference between the price paid for shares and the nominal value of the shares, less issue costs and transfers to the other distributable reserves.

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

Capital reserve - realised
The following are disclosed in this reserve:
• gains and losses compared to cost on the realisation of investments;
• expenses, together with the related taxation effect, charged in accordance with the above accounting policies; and
• dividends paid to equity holders.

Revaluation reserve
Increases and decreases in the valuation of investments held at the year-end against cost are included in this reserve.

Revenue reserve
This reserve accounts for movements from the revenue column of the Income statement, the payment of dividends and other non-capital realised movements.

15. Basic and diluted net asset value per share

	Shares in issue	Net assets £'000	NAV per share pence
As at 31 March 2017			
Ordinary Shares	101,583,111	91,870	90.4
		91,870	
As at 31 March 2016			
Ordinary Shares	93,220,222	87,685	94.1
Funds held in respect of shares not yet allotted		4,423	
		92,108	

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

16. 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 cashflows, 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 2. The composition of the investments is set out in note 10. 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:

16. Financial instruments (continued)

Market 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 Investment Adviser and overseen by the Board. The Investment Adviser 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 Investment Adviser 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 fixed interest bonds, is summarised below. A 25% movement in the share price in each of the quoted stocks held by the Company which is considered to be a reasonable maximum movement in a year would have an effect as follows:

Sensitivity			**2017** 25% movement			**2016** 25% movement
	Risk exposure £'000	**Impact on net assets/ return £'000**	**Impact on NAV per share Pence**	**Risk exposure £'000**	**Impact on net assets/ return £'000**	**Impact on NAV per share Pence**
Quoted shares	24,488	6,122	6.0	23,751	5,938	6.4

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 investments held in the unquoted portfolio. As unquoted investments are typically structured as partly equity and partly loan notes, investment price risk of the unquoted investments is considered as a whole. A 10% movement in the price of these investments is considered to be a reasonable maximum level in a year and would have an effect as shown on the next page:

16. Financial instruments (continued)

Investment price risk (continued)

Sensitivity			**2017** 10% movement			**2016** 10% movement
	Risk exposure £'000	**Impact on net assets/ return £'000**	**Impact on NAV per share Pence**	**Risk exposure £'000**	**Impact on net assets/ return £'000**	**Impact on NAV per share Pence**
Unquoted investments	61,909	6,190	6.1	41,694	4,169	4.5

The sensitivity analysis for unquoted valuations above assumes that each of the sub-categories of financial instruments (ordinary shares and loan stocks) held by the Company produces an overall movement of 10%. Shareholders should note that equal correlation between these sub-categories is unlikely to be the case in reality, particularly in the case of loan stock instruments. Where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to investment price risk in isolation.

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

Interest rate profile of financial assets and financial liabilities
There are three levels of interest which are attributable to the financial instruments as follows:

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

Interest rate risk profile of financial assets and financial liabilities

	Weighted average interest rate	**Weighted average period until maturity**	**2017 £'000**	**2016 £'000**
Fixed rate	4.4%	705 days	24,792	21,822
Floating rate	0.17%		5,524	26,713
No interest rate		307 days*	61,554	43,573
			91,870	92,108

* In respect of non-interest bearing loan notes only

16. Financial instruments (continued)

Interest risk (continued)

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.

As the Bank of England base rate fell for the first time in seven years by 0.25% to 0.25% per annum it is not believed that a further reduction from this level is likely. 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 the counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company is exposed to credit risk through its holdings of loan stock in investee companies, investments in fixed interest securities, cash deposits and debtors.

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

	2017 £'000	**2016 £'000**
Fair value through profit or loss assets:		
Investments in loan stocks	26,858	24,489
Loans and receivables:		
Cash and cash equivalents	5,523	26,713
Interest, dividends and other receivables	448	275
	32,829	51,477

16. Financial instruments (continued)

Credit risk (continued)
The Investment Adviser manages credit risk in respect of loan notes with a similar approach as described under investment risks above. In addition the credit risk is mitigated by registering floating charges, covering the full par value of the loan stock in the form of fixed and floating charges over the assets of the investee companies. The strength of this security in each case is dependent on the nature of the investee company's business and its identifiable assets. The level of security is a key means of managing credit risk. Similarly, the management of credit risk associated with interest, dividends and other receivables is covered within the investment management procedures referred to on page 47.

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

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

As at 31 March 2017, of the loan stock classified as "past due" below, £9,848,000 relates to the principal of loan notes where, although the principal remains within the term, the investee company is not fully servicing the interest obligations under the loan note and is in arrears. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

As at 31 March 2017, of the loan stock classified as "past due" below, £2,101,000 relates to the principal of loan notes where the principal has passed its maturity date. As at the balance sheet date, the extent to which the principal is past its maturity date, £1.4 million falls within the banding of nil to 2 years past due and £0.7 million is 3 to 5 years past due. Notwithstanding this information, the Directors do not consider the loan notes to be impaired at the current time or that maturity dates of the principal have altered.

As at 31 March 2016, of the loan stock classified as "past due" below, £7,585,000 relates to the principal of loan notes where, although the principal remains within term, the investee company is not fully servicing the interest obligations under the loan note and is in arrears. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

As at 31 March 2016, of the loan stock classified as "past due" below, £2,605,000 relates to the principal of loan notes where the principal has passed its maturity date. As at the balance sheet date, the extent to which the principal is past its maturity date, £2.1 million falls within the banding of nil to 2 years past due and £0.5 million is 3 to 4 years past due. Notwithstanding this information, the Directors do not consider the loan notes to be impaired at the current time or that the maturity dates of the principals have altered.

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 normally has a relatively low level of creditors (2017: £498,000, 2016: £342,000) and has no borrowings. Also most quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons the Board believes that the Company's exposure to liquidity risk is minimal.

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

16. Financial instruments (continued)

Liquidity risk (continued)

The carrying value of loan stock investments held at fair value through the profit and loss account at 31 March 2017, as analysed by expected maturity date, is as follows:

As at 31 March 2017	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Over 5 Years £'000	Passed maturity date £'000	Total £'000
Fully performing loan stock	2,044	989	607	3,178	5,000	5,192	17,010
Past due loan stock	4,682	370	2,695	-	-	2,101	9,848
	6,726	1,359	3,302	3,178	5,000	7,293	26,858

As at 31 March 2016	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Over 5 Years £'000	Passed maturity date £'000	Total £'000
Fully performing loan stock	961	5,229	40	4,090	1,400	5,184	16,904
Past due loan stock	880	1,035	370	2,695	-	2,605	7,585
	1,841	6,264	410	6,785	1,400	7,789	24,489

17. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year-end (2016: nil).

18. Controlling party

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

UNAUDITED PERFORMANCE SUMMARY FOR VARIOUS INVESTOR GROUPS

The Company undertook a merger with five other VCTs followed by a share reorganisation on 12 November 2013. Full details, including share conversion ratios, can be found on Downing's website, www.downing.co.uk.

The figures in the table below show the performance of the various groups of investors who make up the Company's current shareholder base and grouped by the VCTs that participated in the merger in November 2013.

Share issue	Year of launch	Initial income tax relief	Equivalent dividends received	Equivalent NAV	(Loss)/gain (ignoring income tax relief)	Gain/(loss) (after initial income tax relief) (note 1)	Gain/(loss) (after initial and SRRP tax relief) (note 2)
	(pence)	(%)	(pence)	(pence)	(%)	(%)	(%)
Downing ONE VCT plc ("DDV1")							
AIM Distribution Trust plc	1996	20%	68.15p	22.5p	-9.3%	13.4%	23.1%
AIM Distribution Trust plc - top up	2005	40%	18.35p	22.5p	-44.4%	-7.4%	10.3%
Pennine AIM VCT 5 plc	2005	40%	40.24p	19.6p	-40.1%	-0.2%	11.1%
Pennine AIM VCT 6 plc	2006	40%	42.30p	26.1p	-31.5%	14.1%	29.2%
Downing Distribution VCT 1 plc - top up	2010	30%	30.33p	64.5p	-9.6%	29.1%	n/a
Downing Distribution VCT 1 plc - top up	2012	30%	20.33p	64.5p	8.8%	55.6%	n/a
Downing ONE VCT plc	Feb 2014	30%	18.00p	90.4p	7.9%	54.0%	n/a
Downing ONE VCT plc	Mar-Jul 2014	30%	16.00p	90.4p	8.0%	54.2%	n/a
Downing ONE VCT plc	Sep 2014	30%	14.00p	90.4p	7.3%	53.3%	n/a
Downing ONE VCT plc	Jan 2015	30%	14.00p	90.4p	8.2%	54.4%	n/a
Downing ONE VCT plc	Mar-May 2015	30%	14.00p	90.4p	10.5%	57.7%	n/a
Downing ONE VCT plc	Jul-2015	30%	14.00p	90.4p	7.7%	54.0%	n/a
Downing ONE VCT plc	Sep-Nov-2015	30%	12.00p	90.4p	9.1%	55.9%	n/a
Downing ONE VCT plc	Feb-2016	30%	9.00p	90.4p	1.3%	44.7%	n/a
Downing ONE VCT plc	Mar-Apr 2016	30%	6.00p	90.4p	1.4%	44.7%	n/a
Downing ONE VCT plc	Jul 2016	30%	6.00p	90.4p	4.8%	49.7%	n/a
Downing ONE VCT plc	Sep 2016	30%	6.00p	90.4p	8.3%	54.7%	n/a
Downing ONE VCT plc	Oct 2016	30%	6.00p	90.4p	4.2%	48.8%	n/a
Downing Income VCT 3 plc ("DI3")							
Pennine AIM VCT plc	1996	20%	100.68p	29.1p	29.8%	62.3%	72.5%
Pennine AIM VCT II plc	1997	20%	60.88p	19.4p	-19.7%	0.4%	7.2%
Pennine Downing AIM VCT plc	1998	20%	44.66p	25.7p	-29.7%	-12.1%	-3.1%
The Ethical AIM VCT plc	1999	20%	27.19p	16.5p	-56.3%	-45.3%	-39.5%
Pennine Downing AIM VCT 2 plc	2001	20%	38.44p	26.1p	-35.4%	-19.3%	-10.1%
Pennine AIM VCT plc (C share)	2002	20%	35.84p	40.9p	-23.3%	-4.1%	10.3%
Pennine AIM VCT plc (D share)	2006	30%	42.50p	48.2p	-9.3%	29.5%	48.9%
Downing Distribution VCT 2 plc - top up	2010	30%	31.49p	82.8p	5.4%	50.6%	n/a
Downing Income VCT 3 plc - top up	2013	30%	18.99p	82.8p	12.3%	60.5%	n/a
Downing Income VCT 3 plc (E share)	2011	30%	23.16p	78.6p	1.8%	45.4%	n/a
Downing Income VCT plc ("DI")							
Framlington AIM VCT 2 plc	2006	40%	34.35p	31.9p	-33.7%	10.4%	25.3%
Downing Income VCT plc	2013	30%	6.35p	31.9p	10.8%	58.3%	n/a
Downing Income VCT 4 plc ("DI4")							
Framlington AIM VCT plc	2005	40%	40.47p	35.0p	-24.5%	25.8%	41.2%
Downing Income VCT 4 plc	2013	30%	6.97p	35.0p	16.2%	66.0%	n/a
Downing Absolute Income VCT 1 plc ("DAI1")							
Downing Healthcare Protected VCT plc	1996	20%	83.56p	76.1p	59.7%	99.6%	129.6%
Downing Protected VCT 1 plc - top up	2010	30%	26.16p	76.1p	12.1%	60.2%	n/a
Downing Absolute Income VCT 1 plc - top up	2010	30%	26.16p	76.1p	11.9%	59.9%	n/a
Downing Absolute Income VCT 1 plc - top up	2012	30%	20.16p	76.1p	4.2%	48.8%	n/a
Downing Absolute Income VCT 1 plc (C share)	2010	30%	25.19p	63.7p	-11.1%	27.0%	n/a
Downing Absolute Income VCT 2 plc ("DAI2")							
Downing Absolute Income VCT 2 plc	2010	30%	29.88p	62.2p	-7.9%	31.5%	n/a

Note 1
Initial income tax relief has been netted off against original cost for the purpose of calculating the percentage net gain/(loss).

Note 2
Between April 2012 and 2013, a number of VCTs which subsequently merged to form Downing ONE VCT plc offered a Share Realisation and Reinvestment Programme ("SRRP"), which allowed Shareholders who had held their shares for more than five years to sell their shares and reinvest the proceeds, receiving additional income tax relief at the rate of 30% on the new issue. The income tax relief obtained on the SRRPs has been treated as additional income for the purpose of calculating the percentage net gain/(loss).

COMPANY INFORMATION

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NOTICE OF ANNUAL GENERAL MEETING OF DOWNING ONE VCT PLC

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Downing ONE VCT plc will be held at **Ergon House, Horseferry Road, London SW1P 2AL** at 10:30 a.m. on 15 August 2017 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 2017 together with the Independent Auditors' Report thereon.

2. To approve the Directors' Remuneration Report.

3. To approve the Directors' Remuneration policy.

4. To approve a final dividend of 4.5p per Ordinary Share.

5. To re-appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the accounts of the Company are presented and to authorise the Directors to determine their remuneration.

6. To re-elect as Director, Chris Kay, who retires and, being eligible, offers himself for re-election.

7. To re-elect as Director, Stuart Goldsmith, who retires and, being eligible, offers himself for re-election.

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

Ordinary Resolution

8. That, in addition to existing authorities, the Directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("CA 2006") to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £410,000 (representing approximately 40% of the share capital in issue at today's date, provided that the authority conferred by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked 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 after such expiry.

Special Resolutions

9. That, the Directors of the Company be and hereby are empowered pursuant to Sections 570(1) of the CA 2006 to allot or make offers to or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the CA 2006) for cash pursuant to the authority given pursuant to resolution 8 above, as if Section 561(1) of the CA 2006 (pre-emption rights) did not apply to such allotment, provided that the power provided by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked by the Company in 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 equity securities to be allotted after such expiry.

NOTICE OF ANNUAL GENERAL MEETING OF DOWNING ONE VCT PLC (continued)

Special resolutions (continued)

10. That, the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the CA2006 to make one or more market purchases (as defined in section 693(4) of the Act) of shares provided that:
    (a) the maximum number of shares hereby authorised to be purchased is 15,135,884 representing approximately 14.9% of the present issued share capital of the Company;
    (b) the minimum price (exclusive of expenses) which may be paid for such shares is 1p the nominal amount thereof;
    (c) the maximum price (exclusive of expenses) which may be paid for such shares shall be an amount equal to 5 per cent. above the average of the middle market quotations for such class of the Company's shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days immediately preceding the day on which the purchase was made;
    (d) the Company may make a contract to purchase its own shares under this authority prior to the expiry of this authority, and such contract will or may be executed wholly or partly after the expiry of this authority, and the Company may make a purchase of its own 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
Ergon House
Horseferry Road
London SW1P 2AL

17 July 2017

Note:
Information regarding the Annual General Meeting, including the information required by section 311A of the CA2006, is available from www.downing.co.uk.

NOTICE OF THE ANNUAL GENERAL MEETING OF DOWNING ONE VCT 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 CA2006, 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, Ergon House, Horseferry Road, London SW1P 2AL 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, Ergon House, Horseferry Road, London SW1P 2AL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- by sending an e-mail to proxy@downing.co.uk.

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

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

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

(f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 10:30 a.m. on 15 August 2017 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 10:30 a.m. on 11 August 2017 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 17 July 2017, the Company's issued share capital comprised 101,583,111 Ordinary Shares and the total number of voting rights in the Company was 101,583,111. The Company website, www.downing.co.uk 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 CA2006 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 ONE VCT PLC
FORM OF PROXY

For use at the Annual General Meeting of the above named Company to be held on 15 August 2017 at Ergon House, Horseferry Road, London SW1P 2AL at 10:30 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 Ergon House, Horseferry Road, London SW1P 2AL on 15 August 2017 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 Report of the Directors and Accounts.			
2. To approve the Directors' Remuneration Report.			
3. To approve the Directors' Remuneration policy.			
4. To approve the payment of a final dividend of 4.5p per Ordinary Share.			
5. To re-appoint the Auditor and authorise the Directors to determine their remuneration.			
6. To re-elect Chris Kay as a Director.			
7. To re-elect Stuart Goldsmith as a Director.			
SPECIAL BUSINESS			
8. To authorise the Directors to allot shares.			
9. To authorise the Directors to disapply pre-emption rights.			
10. To authorise the Company to make market purchases of its shares.			

Signature(s)*.. Date...2017
* Delete as appropriate

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

NOTES AND INSTRUCTIONS:

1. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointer. A member entitled to attend and vote at the Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.

2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.

3. Any alterations to the Form of Proxy should be initialled.

4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL 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.

Ergon House
Horseferry Road
London SW1P 2AL

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