Downing ONE VCT PLC

Report & Accounts
for the year ended
31 March 2014

Downing

SHAREHOLDER INFORMATION

Company name

The Company changed its name to Downing ONE VCT plc on 13 November 2013. Previously the Company's name was Downing Distribution VCT 1 plc.

Share prices

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

Latest share price at 22 July 2014: 92.4p per share

Financial calendar

10 September 2014	Annual General Meeting ("AGM")
19 September 2014	Payment of final dividend
November 2014	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, purchased Ordinary Shares within the last five years, 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
0207 886 2716 chris.lloyd@panmure.com

Paul Nolan
0207 886 2717 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 have recently received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a "Boiler Room Scam". **Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

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

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address, or other amendment, this should be notified to the Company's registrar, Capita Registrars, under the signature of the registered holder.

Other information for Shareholders

Up-to-date Company information (including financial statements, share price, and dividend history) may be obtained from Downing's website at:

www.downing.co.uk

If you have any queries regarding your shareholding in Downing ONE VCT plc, please contact the registrar on the above number or visit Capita's website at www.capitaregistrars.com and click on "Shareholders and employees".

CONTENTS

COMPANY INFORMATION

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Barry Dean
Stuart Goldsmith
Andrew Griffiths
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The Registry
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(calls cost 10p per minute plus network extras
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www.capitaassetservices.com

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33 Old Broad Street
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FINANCIAL SUMMARY

	31 Mar 2014 pence	**12 Nov 2013 (merger) pence**
Net asset value per share ("NAV")	98.2	100.4
Cumulative dividends paid since 12 November 2013	2.0	-
Total return (net asset value plus cumulative dividends paid per share)	100.2	100.4

Dividends in respect of financial year	
Interim dividend per share	2.0
Proposed final dividend per share	2.0
	4.0

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.

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%	64.2	24.5	-11.4%	10.8%	20.6%
AIM Distribution Trust plc - top up	2005	40%	14.4	24.5	-47.2%	-12.0%	5.7%
Pennine AIM VCT 5 plc	2005	40%	36.8	21.3	-41.9%	-3.2%	8.1%
Pennine AIM VCT 6 plc	2006	40%	37.7	28.4	-33.9%	10.1%	25.2%
Downing Distribution VCT 1 plc - top up	2010	30%	18.9	70.0	-15.1%	21.2%	n/a
Downing Distribution VCT 1 plc - top up	2012	30%	8.9	70.0	1.3%	44.8%	n/a
Downing Income VCT 3 plc ("DI3")							
Pennine AIM VCT plc	1996	20%	95.5	31.7	27.2%	59.0%	69.3%
Pennine AIM VCT II plc	1997	20%	57.4	21.1	-21.5%	-1.8%	5.1%
Pennine Downing AIM VCT plc	1998	20%	40.1	27.9	-32.0%	-15.0%	-5.9%
The Ethical AIM VCT plc	1999	20%	24.3	18.0	-57.8%	-47.2%	-41.3%
Pennine Downing AIM VCT 2 plc	2001	20%	33.8	28.4	-37.8%	-22.3%	-13.0%
Pennine AIM VCT plc (C share)	2002	20%	28.6	44.4	-27.0%	-8.8%	5.8%
Pennine AIM VCT plc (D share)	2006	30%	34.0	52.3	-13.7%	23.3%	42.8%
Downing Distribution VCT 2 plc - top up	2010	30%	16.8	90.0	-1.5%	40.7%	n/a
Downing Income VCT 3 plc - top up	2013	30%	4.3	90.0	4.0%	48.6%	n/a
Downing Income VCT 3 plc (E share)	2011	30%	9.2	85.4	-5.3%	35.2%	n/a
Downing Income VCT plc ("DI")							
Framlington AIM VCT 2 plc	2005	40%	28.7	34.7	-36.6%	5.6%	20.6%
Downing Income VCT plc	2013	30%	0.7	34.7	2.4%	46.3%	n/a
Downing Income VCT 4 plc ("DI4")							
Framlington AIM VCT plc	2006	40%	34.3	38.0	-27.7%	20.5%	36.0%
Downing Income VCT 4 plc	2013	30%	0.8	38.0	7.4%	53.5%	n/a
Downing Absolute Income VCT 1 plc ("DAI1")							
Downing Healthcare Protected VCT plc	1996	20%	70.1	82.7	52.8%	91.0%	121.2%
Downing Protected VCT 1 plc - top up	2010	30%	12.7	82.7	4.6%	49.4%	n/a
Downing Absolute Income VCT 1 plc - top up	2010	30%	12.7	82.7	4.3%	49.1%	n/a
Downing Absolute Income VCT 1 plc - top up	2012	30%	6.7	82.7	-3.3%	38.2%	n/a
Downing Absolute Income VCT 1 plc (C share)	2010	30%	13.9	69.2	-16.9%	18.8%	n/a
Downing Absolute Income VCT 2 plc ("DAI2")							
Downing Absolute Income VCT 2 plc	2010	30%	18.9	67.6	-13.6%	23.5%	n/a
Downing Absolute Income VCT 2 plc (A share)	2010	30%	-	0.1	0.2%	43.1%	n/a

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

Note 2
Between April 2012 and 2013, a number of VCTs which subsequently merged to form Downing ONE 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 calculation percentage net gain/loss.

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 19 to 20.

DIRECTORS

Chris Kay (Chairman) has over 25 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 financial services companies - Fredericks Place Group, which offered private client investment management and financial planning services and the Britannia Group of Investment Companies, which managed £4bn of funds in London and USA for institutions and private clients. He has been a non-executive director of a number of companies, including Savoy Asset Management and the Hallwood Group.

Andrew Griffiths is the founder and managing director of Green Star Media Limited and was formerly the managing editor and publisher of The AIM & OFEX Newsletter, which he founded in 1995. The newsletter won the Best Research award at the AIM Awards in 1997 and 2002. Previously, he was a business correspondent of the Daily Telegraph. He was formerly the chairman of Pennine Downing AIM VCT plc, Pennine Downing AIM VCT 2 plc and Downing Income VCT 3 plc.

Helen Sinclair started her career in investment banking and spent nearly eight years at 3i Group plc focusing on MBO and growth capital investments. She later co-founded Matrix Private Equity raising a successful technology fund, Matrix Venture Fund VCT plc. She then became managing director of Matrix Private Equity before moving to take on a portfolio of non-executive director roles in 2005. She is currently chairman of British Smaller Companies VCT plc, a non-executive director of The Income & Growth VCT plc and Mobeus Income & Growth 4 VCT plc and a director of Spark Ventures plc. She has an MA from Cambridge and an MBA from INSEAD Business School. She was formerly a non-executive director of Downing Income VCT 4 plc.

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

CHAIRMAN'S STATEMENT

I am pleased to present the Company's first Annual Report since the merger of six VCTs which took place in November 2013 and which came together to form Downing ONE VCT plc.

Merger

The VCTs whose assets and liabilities were involved in the merger were as follows:

Downing Distribution VCT 1 plc (the acquirer)
Downing Absolute Income VCT 1 plc ("DAI1");
Downing Absolute Income VCT 2 plc ("DAI2");
Downing Income VCT plc ("DI")
(formerly Framlington AIM VCT 2 plc);
Downing Income VCT 3 plc ("DI3"); and
Downing Income VCT 4 plc ("DI4")
(formerly Framlington AIM VCT plc)

The merger was undertaken on a relative net asset value basis using net asset values as at 8 November 2013 and completed on 12 November 2013.

The merger was undertaken by means of five schemes of reconstruction under Section 110 of the Insolvency Act 1986 and was followed by a share consolidation and a name change from Downing Distribution VCT 1 plc to Downing ONE VCT plc.

All Shareholders were sent new share certificates immediately following the merger in the Company's new name for the New Ordinary Shares issued by the Company. Any share certificates in any of the Company's former names, or in the names of the companies who assets were acquired, are no longer valid. If you have any queries regarding your share certificates, please contact Downing, whose details are shown on page 1.

The transaction has created a VCT which has net assets of approximately £75 million, making it one of the largest VCTs in existence. The costs of the merger were unusually low for Shareholders. Downing agreed to make a substantial contribution to the costs of the merger, with only £232,000 ultimately being borne by the participating VCTs. The running cost savings for the larger VCT are estimated to be approximately £450,000 per annum and, in addition, Downing now provides a running cost cap at 2.75% of net assets per annum. With the further benefit of a more diversified portfolio with significant exposure to both AIM-quoted and unquoted investments, the Board is satisfied that the merger has been a positive development for all Shareholders.

Directorate

As discussed in my statement in the Half-Yearly Report, there were some major changes to the Board which took place at the same time as the merger. I would like to reiterate my thanks to the three former directors of Downing Distribution VCT 1 plc who stepped down in November, along with all the other former non-executive directors from the companies listed above, who have not joined the Downing ONE Board.

Four directors joined the Board at the merger date; Barry Dean, Andrew Griffiths, Helen Sinclair and myself as Chairman. Stuart Goldsmith remains on the Board such that there is now a Board comprising 5 non-executive directors, with all of the merger participants being represented by former directors.

Net asset value and results

As at the year end 31 March 2014, the net asset value ("NAV") per New Ordinary Share stood at 98.2p. As part of the merger reorganisation, the NAV was rebased to 100.0p. After adding back the dividend of 2.0p per New Ordinary Share paid in March 2014, the NAV has shown a small increase of 0.2% between the date of the merger and the year end.

The Income Statement shows a return attributable to equity shareholders for the year was £501,000, comprising a revenue return of £285,000 and a capital profit of £216,000.

Dividends

The Company has adopted a policy of seeking to pay annual dividends of at least 4% of net assets per annum. In line with this policy, the Board is proposing to pay a final dividend of 2.0p per New Ordinary Share on 19 September 2014, subject to Shareholder approval at the forthcoming AGM, to Shareholders on the register at 29 August 2014.

Investment activity and performance

At the year end the Company had a portfolio of some 111 investments. Of these, 37 are either quoted on AIM or the ISDX Growth Market and have a value of £24.8 million (36.6% of the portfolio). The 74 unquoted investments have a value of £42.9 million and represent 63.4% of the portfolio.

With most of the merger participants being effectively fully invested at the time of the merger, investment activity since has been quite limited. The Manager has however taken some opportunities to sell down and exit from selected AIM-quoted holdings which it did not consider to be long-term holds. This has been done into a strengthening market and has resulted in realised gains of £231,000 and proceeds totalling £2.5 million between the merger date and the year end.

Investment activity and performance (continued)
There have also been some unquoted realisations since the merger, including a number of loan stock redemptions. Proceeds from unquoted realisations totalled £1.1 million and produced gains of £121,000.

Over the full year, the portfolio showed a net unrealised loss of £93,000. Since the merger date, the AIM-quoted investments have performed strongly producing a total net uplift of £1.8 million, however, some significant provisions have been made amongst the unquoted investments, which showed net unrealised losses of £2.4 million.

Further details on the investment activity are included in the Investment Manager's Report on pages 6 to 8.

Fundraising
In January 2014, the Company launched an offer for subscription seeking to raise new funds. The offer had raised £4.3 million to date and has been extended to the current closing date of 30 September 2014.

The new funds provide the Company with some additional liquid resources to pursue new investment opportunities.

Alternative Investment Fund Manager's Directive ("AIFMD")
Shareholders may be aware of a new tier of regulation being introduced in respect of "Alternative Investment Funds" of which VCTs fall within the scope. As part of the regulations, the Company must appoint an Alternative Investment Fund Manager ("AIFM"). The Board has decided that it is most appropriate for the Company to act as its AIFM and has submitted the relevant application forms to the FCA well ahead of the July deadline. Although the new regulations may have significant impact on much larger funds, it is expected that the impact on your Company will be minimal.

Share buybacks
The Company now operates 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 1.6 million New Ordinary Shares at an average price of 94.4p per share (all buybacks taking place since the merger).

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 the inside back cover of this report.

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 10 September 2014.

One item of special business is proposed at the AGM in respect of the authority to buy back shares as noted above.

Outlook
The last year has been an eventful one for your Company, but with the upheaval of the merger now behind us, the main focus over the coming year will be on the investment portfolio. Within the AIM-quoted holdings, the Manager continues to seek opportunities to rationalise the portfolio by exiting further non-core holdings. Within the unquoted portfolio, there are some investments that are underperforming and will require intensive monitoring and support from the Manager to try to bring them back on track.

The fundraising has brought in some new funds and we expect to see some further realisations from the AIM-quoted portfolio and may see some significant realisations from the unquoted portfolio over the next year. The Board will ensure that sufficient funds are set aside to pay dividends, fund share buybacks and to support existing investee companies, however some funds should be available to undertake new investments. With conditions for investing improving and a steady flow of investment opportunities reported by the Manager, over the next year we hope to see several new investments which will enhance the existing portfolio.

In terms of performance, with such a diverse portfolio, it is unlikely that we will see rapid growth in the NAV over a short period, however the Board believes that a steady growth is a realistic target, particularly with assistance from the improving economy.

Chris Kay
Chairman

22 July 2014

INVESTMENT MANAGER'S REPORT

Introduction

The following is a review of the performance of the combined investment portfolio following the merger as discussed in the Chairman's statement.

At 31 March 2014, the Company held a portfolio of 111 quoted and unquoted companies, valued in total at £67.7 million. Many of the Company's investments are performing well or to plan and we are pleased to report that good uplifts were made within the quoted portfolio which contributed significantly to the NAV performance.

Net asset value and results

The NAV per Share at 31 March 2014 stood at 98.2p, compared to the NAV at the merger date of 100.4p. Total Return (NAV plus cumulative dividends paid since the merger) is 100.2p.

The return on ordinary activities after taxation for the year was £501,000, comprising a revenue return of £285,000 and a capital profit of £216,000.

Unquoted Venture Capital investments

Investment activity

At 31 March 2014, the unquoted portfolio was valued at £42.9 million, comprising 74 investments, spread across a number of sectors.

Since the merger date, the fund made further investments totalling £571,000, which were offset by proceeds received from disposals of £1.1 million.

The fund has made five follow-on investments since the merger date: £203,000 in Kidspace Adventure Holdings Limited, which owns children's play centres; £115,000 in Vulcan Renewables, the biogas plant near Doncaster; £98,000 in Future Biogas (SF) Limited, the biogas plant in Norfolk; £74,000 in Rostima, the software company based in Maidenhead; and £69,000 in electronics company SPC International (by way of capitalisation of interest). No new investments have been made following the merger.

The Company negotiated a full exit of Locale Enterprise Limited and London Italian Restaurants Limited, a restaurant group based in London, which exited at the acquisition value of £379,000. Five loan notes have also been redeemed (partly or in full) at par in the period, the largest of which was Retallack Surfpods which was acquired for £327,000 as part of the merger.

Portfolio valuation

The majority of the investments within the Fund have performed to plan since the merger and there have been several valuation uplifts totalling £987,000. Unfortunately a few investments have experienced significant write downs in value which has resulted in a net valuation decrease of £2.4 million. The largest valuation movements are discussed below.

The Leytonstone Pub Limited owns The Red Lion pub in Leytonstone. Performance at the site has been strong and as such an increase in value of £297,000 was made at the year end.

Domestic solar investment, Residential PV Trading Limited, owns solar panels on the rooftops of over 260 domestic properties in the south of the UK. Performance continues to be good and an increase in value of £180,000 has been recognised.

Kidspace Adventures Holdings Limited is the holding company of Kidspace Adventures Limited which owns three children's play centres. Continued good performance at all three sites has resulted in an increase in value of £136,000.

The 3D Pub Co Limited owns two pubs in Surrey: The Jolly Farmers in Reigate; and The Fox Revived in Horley. Recent performance has been encouraging and the valuation has been increased by £135,000.

An increase in value of £100,000 was made on Bowman Care Homes Limited. The company owns a 20-bed learning disabilities home in south west London and is performing to plan.

An increase in value of £59,000 in Future Biogas (SF) Limited was recognised to reflect that the operational issues that were initially experienced have been resolved and performance has significantly improved.

The positive valuation movements above have been offset by disappointing performances of several large investments. These are described in detail below.

Hoole Hall Country Club Holdings Limited and Hoole Hall Spa and Leisure Limited own and operate the restaurant, conferencing centre, and spa and health club facilities at Hoole Hall alongside a large DoubleTree by Hilton hotel in Chester. Below budget performance in the year has resulted in the valuation of Hoole Hall Spa and Leisure being reduced by £575,000 and Hoole Hall Country Club Holdings by £966,000.

Unquoted Venture Capital investments (continued)

Portfolio valuation (continued)

A decrease in the value of Tramps Nightclub Limited, a night club complex in central Worcester, of £818,000 has been made. The site has underperformed against budget since April 2013.

Cadbury House has fallen slightly behind budget and, as it has a high level of gearing, a provision of £321,000 has been made.

Mosaic Spa and Health Clubs Limited, owns and manages two health clubs: The Shrewsbury Club, in Shrewsbury; and Holmer Park, in Hereford. It also provides gym and spa management services to hotels, universities and corporate clients. Both Holmer Park and The Shrewsbury club have underperformed throughout the period against budget and the value has been reduced by £297,000.

Rostima, the software business based in Maidenhead, Berkshire, has experienced delays in contracts being signed and as a result a reduction in value of £259,000 has been made.

Quoted investments

Investment Activity

As at 31 March 2014, the quoted portfolio was valued at £24.8 million comprising of 37 holdings. As per the investment strategy to concentrate on a more focused portfolio of investments, five investments were fully disposed of in the period. Now, over 75% of the quoted portfolio is accounted for in the top 10 holdings.

Over the period since 12 November 2013, the valuation of the quoted portfolio is up 7.9% (£1.8 million), ahead of the main AIM indices.

Five full realisations were made in companies where we believed the valuations were not reflective of the prospects of the company. These included Photonstar plc, EG Solutions plc, Belgravium Technologies plc, Saville Group plc and Instem plc. These were legacy investments which the Manager inherited. Separately, profits were taken in four portfolio holdings (Avacta, Angle, Accumuli and Pennant). Overall the realised gains on quoted investments, since the merger date, equated to £231,000.

Quoted investments (continued)

Investment Activity(continued)

The renewed interest in the quoted small companies market was reflected in the significant number of new AIM IPOs and secondary fund raisings. Although we welcome this activity, the Fund elected not to invest in these new offerings. It is the Manager's view that the valuations of these fund raisings were not aligned with the quality of many of the companies coming to market. This adversely affects the risk profile of the investment and hence we have elected to focus on those companies that we already know well within the quoted portfolio. In addition, the short time frame given to investors during the IPO fundraising process does not suit the investment philosophy of the fund; where we seek to adhere to a thorough diligence process, often over a period of many months. Post period end a further investment (£212,000) was made into the fire safety products manufacturer Sprue Aegis plc, as it graduated from ISDX to AIM. This was an existing investment in the portfolio and one which had been monitored and held by Downing funds for some time.

Portfolio Movements

The most significant portfolio movement was Tracsis plc which demonstrated a gain of £1.2 million (over 50%). This holding is now valued at £3.5 million and is one of the largest holdings within the Company.

Tracsis plc is a developer and supplier of resource optimisation technologies to the transport industry, supplying a range of products and services to transport operators and infrastructure owners. The company is well known to the Manager having been a holding since 2011.

In the period, Tracsis plc made four positive announcements. This news flow allowed the Manager to revisit the target valuation for the company and the Manager believes that the current valuation underestimates the value of future cash flows that the company can generate. Since the period end, there has been further positive news flow reinforcing this belief and the share price has made further gains.

Plastics Capital plc, the manufacturer and distributor of specialist plastic extrusions saw its value within the portfolio increase by £310,000 reflecting an acquisition made in China and continued strong trading across its main markets.

INVESTMENT MANAGER'S REPORT (continued)

Quoted investments (continued)

Portfolio Movements (continued)

Pressure Technologies plc increased its value by £211,000 in the portfolio, reflecting the fundraising and acquisition of Roota Engineering, a specialist engineer in the oil and gas sector.

The UKs largest manufacturer and distributor of fire protection products, Sprue Aegis plc, saw its value in the portfolio increase by £199,000. The Company raised £8 million for working capital to fund growth when it moved from ISDX to AIM post the end of the period. The Company increased its holding by £212,000 as part of this fundraising.

Science in Sport, the manufacturer of sports nutritional products, saw its value fall by £429,000 in the Fund, reflecting a lack of news flow and small sellers in the market. Post year end, the company has announced positive trading results evidenced by 24% top line growth, ahead of our expectations.

Outlook

The improving economic environment is welcome for our unquoted portfolio after some challenging years. Asset values have started to rise and more opportunities are arising to allow exits from investments. There are some signs that banks and other funding sources are starting to become more active, though not at levels that are expected to impact deal flow significantly.

For the quoted portfolio, the inevitable indigestion stemming from the large number of IPOs and fundraisings in a short time frame is now beginning to be experienced. We remain positive on the key drivers within the quoted portfolio on the basis of the fundamentals and the valuations on which they trade. Since the year end the portfolio has experienced further absolute gains while the wider AIM market has been in decline. Instead of predicting the outlook for the wider AIM index we will focus on the key drivers in the portfolio – and here we hold confidence and optimism for the longer term.

With the recent fundraising and receipts from exits, our overall strategy is to look at a wide range of transactions in both the asset backed arena and growth capital where income and growth can be achieved and risk mitigated.

Downing LLP
22 July 2014

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 March 2014:

	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					
Tracsis plc *	2,052	3,515	1,217	4.6%	-
Accumuli plc *	2,395	2,779	211	3.7%	2,511
Baron House Developments LLP	2,695	2,695	-	3.6%	-
Cadbury House Holdings Limited	3,233	2,457	(321)	3.2%	-
Mosaic Spa and Health Clubs Limited	2,747	2,437	(310)	3.2%	6,017
Vulcan Renewables Limited	2,415	2,415	-	3.2%	5,649
Ludorum plc *	3,443	2,328	(208)	3.1%	3,898
Inland Homes plc *	2,075	2,287	212	3.0%	2,477
Universe Group plc *	1,706	2,114	217	2.8%	2,034
Bowman Care Homes Limited	1,535	1,635	100	2.2%	-
	24,296	24,662	1,118	32.6%	22,586
Other venture capital investments					
Plastics Capital plc *	849	1,615	482	2.1%	1,188
Anpario plc *	1,296	1,465	169	1.9%	1,348
Leytonstone Pub Limited	1,108	1,437	297	1.9%	-
Science in Sport plc *	1,689	1,313	(376)	1.8%	2,211
Kidspace Adventure Holdings Limited	1,165	1,301	136	1.7%	3,651
Blue Cedars Holdings Limited	1,268	1,268	-	1.7%	-
Residential PV Trading Limited	1,060	1,240	180	1.6%	2,060
Future Biogas (Reepham Road) Limited	1,123	1,123	-	1.5%	2,785
Aminghurst Limited	1,106	1,106	-	1.5%	-
Future Biogas (SF) Limited	942	1,023	59	1.4%	2,301
Hoole Hall Country Club Holdings Limited	2,316	1,014	(966)	1.4%	-
Domestic Solar Limited	1,008	1,008	-	1.3%	2,808
Quadrate Spa Limited	1,074	988	(86)	1.3%	2,663
Data Centre Response Limited	983	983	-	1.3%	-
Quadrate Catering Limited	966	966	-	1.3%	2,392
Craneware plc *	849	949	100	1.3%	997
Oak Grove Renewables Limited	945	945	-	1.2%	1,890
Antelope Pub Limited	840	869	29	1.1%	1,890
The 3D Pub Co Limited	710	845	135	1.1%	1,337
Tramps Nightclub Limited	1,582	795	(818)	1.0%	-
Vianet Group plc *	952	794	(71)	1.0%	-
Hoole Hall Spa and Leisure Club Limited	1,467	761	(575)	1.0%	-
Pearce & Saunders Limited	739	739	-	1.0%	1,019
Norman Broadbent plc *	708	691	(17)	0.9%	1,095
Rostima Limited	942	683	(259)	0.9%	-
Downing (Pirbright Road) Limited	675	675	-	0.9%	-
First Care Limited	943	668	-	0.9%	-
Kimbolton Lodge Limited	664	664	-	0.9%	-
Redmed Limited	614	613	-	0.8%	1,528
Alpha Schools (Holdings) Limited	585	585	-	0.8%	1,818
Angle plc *	452	555	103	0.7%	-
Sprue Aegis plc **	333	532	199	0.7%	831
Manroy plc *	343	528	185	0.7%	-
Curo Compensation Limited	525	525	-	0.7%	-
Angel Solar Limited	500	500	-	0.7%	-
Wickham Solar Limited	472	472	-	0.6%	1,417
H&T Group plc *	413	463	50	0.6%	1,020
Subtotal carried forward	*34,206*	*32,701*	*(1,044)*	*43.2%*	*38,249*

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
Subtotal brought forward	*34,206*	*32,701*	*(1,044)*	*43.2%*	*38,249*
Liverpool Nurseries (Holdings) Limited	478	461	(17)	0.6%	1,348
Pressure Technologies plc*	249	460	211	0.6%	276
Pennant International Group plc*	335	422	87	0.6%	-
Downing (Alton) Limited	403	403	-	0.5%	-
Fresh Green Power Limited	400	400	-	0.5%	600
Flowgroup plc (*formerly Energetix Group plc*) *	207	392	185	0.5%	-
Dillistone Group plc *	411	383	(28)	0.5%	-
Slopingtactic Limited	380	380	-	0.5%	760
Fubar Stirling Limited	357	357	-	0.5%	1,429
Fenkle Street LLP	346	346	-	0.5%	558
Sanderson Group plc*	336	326	(10)	0.4%	504
Brady public limited company*	272	326	54	0.4%	-
Avacta Group plc*	247	322	76	0.4%	-
Progressive Energies Limited	320	320	-	0.4%	2,060
Kidspace Adventures Limited	311	311	-	0.4%	1,075
Cohort plc*	393	302	(91)	0.4%	-
Augusta Pub Company Limited	290	290	-	0.4%	-
SPC International Limited	283	283	-	0.4%	-
Brooks Macdonald Group plc*	257	281	24	0.4%	365
City Falkirk Limited	326	275	(51)	0.4%	2,012
Interquest Group plc*	229	271	41	0.4%	-
Hoole Hall Hotel Limited	270	270	-	0.4%	1,470
IDOX plc *	79	260	(82)	0.3%	470
Camandale Limited	258	227	(31)	0.3%	1,259
Green Energy Production UK Limited	200	200	-	0.3%	300
Pabulum Pubs Limited	200	200	-	0.3%	-
Gatewales Limited	172	172	-	0.2%	-
PHSC plc*	156	161	5	0.2%	-
Dominions House Limited	142	142	-	0.2%	320
Ridgeway Pub Company Limited	126	126	-	0.2%	263
Commercial Street Hotel Limited	115	115	-	0.2%	300
Kilmarnock Monkey Bar Limited	113	113	-	0.2%	195
Corac Group plc*	107	112	5	0.1%	-
Hasgrove plc	81	110	9	0.1%	-
Chapel Street Food and Beverage Limited	97	97	-	0.1%	172
Chapel Street Services Limited	97	97	-	0.1%	172
Mi -Pay Group plc* (formerly Aimshell Acquisitions plc)	136	87	6	0.1%	-
Giving Limited	83	83	-	0.1%	-
Wheelsure Holdings plc**	70	83	12	0.1%	-
Frontier IP Group plc*	41	80	39	0.1%	-
China Food Company plc*	149	73	(76)	0.1%	465
Concha plc*	28	64	36	0.1%	-
Pro Global Insurance Solutions plc* (formerly Tawa plc)	61	54	(7)	0.1%	-
Afriag plc*	87	46	(41)	0.1%	-
Bglobal public limited company*	25	23	(2)	-	-
Cheers Dumbarton Limited	64	22	(42)	-	255
Octagonal plc* (formerly Suretrack Monitoring plc)	38	20	(18)	-	-
VSA Capital Group plc	6	6	-	-	-
Subtotal carried forward	*44,037*	*43,055*	*(750)*	*56.9%*	*54,877*

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Total invested by Funds also managed by Downing LLP [1] £'000
Subtotal brought forward	*44,037*	*43,055*	*(750)*	*56.9%*	*54,877*
Chapel Street Hotel Limited	4	4	-	-	7
Keycom plc	817	2	(28)	-	-
EPI Service Limited	33	-	(33)	-	-
Southampton Hotel Developments Limited	400	-	(400)	-	-
The Thames Club Limited	175	-	-	-	-
Top Ten Holdings plc	399	-	-	-	-
	45,865	43,061	(1,211)	56.9%	54,884
	70,161	67,723	(93)	89.5%	77,470
Cash at bank and in hand		7,983		10.5%	
Total investments		75,706		100.0%	

The Company also invested into Global3Digital Ltd, Heyford Homes VCT Limited, Imagelinx plc, Invocas Group plc, Lochrise Limited, London City Shopping Centre Limited, The New Swan Holding Company Limited, Southampton Spa Limited, Rivington Street Holdings (UK) Limited and Travelzest plc. Each of these investments were acquired under the merger 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 ISDX Growth Market

[1] Other funds also managed by Downing LLP as Investment manager as at 31 March 2014:

- Downing Planned Exit VCT 2011 plc
- Downing Structured Opportunities VCT 1 plc
- PFS Downing Active Management Fund
- Downing AIM Estate Planning Service / Downing AIM ISA

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 31 March 2014

Acquired through Mergers

	£'000
From Downing Absolute Income VCT 1 plc	12,185
From Downing Absolute Income VCT 2 plc	13,476
From Downing Income VCT plc	8,819
From Downing Income VCT 3 plc	16,013
From Downing Income VCT 4 plc	7,033
	57,526

Additions

	£'000
Pre Merger- from 1 April 2013 to 11 November 2013	
Inland Homes plc	390
Science in Sport plc	333
Norman Broadbent plc	137
Sprue Aegis plc	50
Other sundry investments	1
	911
Post Merger- from 12 November 2013 to 31 March 2014	
Kidspace Adventures Holdings Limited	203
Vulcan Renewables Limited	115
Future Biogas (SF) Limited	98
Rostima Limited	74
SPC International Limited	69
Retallack Surfpods Limited	4
Other sundry investments	8
	571
Total additions	1,482

REVIEW OF INVESTMENTS (continued)

Disposals

Pre Merger- from 1 April 2013 to 11 November 2013

	Cost £'000	Value at 01/04/13* £'000	Proceeds £'000	(Loss)/ profit vs cost £'000	Realised (loss)/ gain £'000
Market sales					
Accumuli plc	2	2	4	2	2
Animalcare Group plc	219	222	235	16	13
Belgravium Technologies plc	43	34	45	2	11
Craneware plc	293	326	302	9	(24)
Netcall plc	55	187	210	155	23
Travelzest plc	96	17	3	(93)	(14)
Tristel plc	511	193	179	(332)	(14)
	1,219	981	978	(241)	(3)
Unquoted (including loan note redemptions)					
Baron House Developments LLP	115	115	115	-	-
Cadbury House Holdings Limited	149	149	149	-	-
Real Time Logistic Solutions Limited	-	125	125	125	-
	264	389	389	125	-
Takeovers					
Hasgrove plc	95	133	156	61	23
Liquidations/administrations					
FSG Security plc	-	-	1	1	1
Bonds					
Ulster Bank (IRE) 11.75% Subord	558	357	332	(226)	(25)
	2,136	1,860	1,856	(280)	(4)
Post Merger- from 12 November 2013 to 31 March 2014					
Market sales					
Accumuli plc	122	188	321	199	133
Angle plc	225	225	281	56	56
Avacta Group plc	106	106	134	28	28
Belgravium Technologies plc	50	50	56	6	6
China Food Company plc	10	10	7	(3)	(3)
EG Solutions plc	194	194	113	(81)	(81)
H&T Group plc	413	413	449	36	36
Instem plc	283	283	296	13	13
Pennant International Group plc	642	642	688	46	46
Photonstar LED Group	132	132	124	(8)	(8)
Savile Group plc	27	27	32	5	5
	2,204	2,270	2,501	297	231
Unquoted (including loan note redemptions)					
EPI Services Limited	-	-	100	100	100
Kidspace Adventures Limited	95	95	95	-	-
Leytonstone Pub Limited	150	150	150	-	-
Locale Enterprises Limited	379	379	377	(2)	(2)
London Italian Restaurants Limited	-	-	1	1	1
Redmed Limited	45	45	45	-	-
Retallack Surfpods Limited	327	327	327	-	-
SPC International Limited	26	26	26	-	-
	1,022	1,022	1,121	99	99
Liquidations/administrations					
Helcim Limited	-	-	22	22	22
	3,226	3,292	3,644	418	352
Total disposals	**5,362**	**5,152**	**5,500**	**138**	**348**

* Adjusted for purchases in the year where applicable

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

Tracsis plc
www.tracsis.com

Cost at 31/03/2014:		£2,052,000	Valuation at 31/03/14:	£3,515,000
Cost at 31/03/2013:		£82,000	Valuation at 31/03/13:	£327,000
Investment comprises:				
Equity shares:		£2,052,000	Valuation method:	Bid price

Audited accounts:	31/07/13	31/07/12	Dividend income:	£10,000
Turnover:	£10.8m	£8.7m		
Profit before tax:	£2.6m	£3.0m	Proportion of capital held:	4.8%
Net assets:	£13.2m	£10.4m	Diluted equity:	4.8%

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.

Accumuli plc
www.accumuliplc.com

Cost at 31/03/2014:		£2,395,000	Valuation at 31/03/14:	£2,779,000
Cost at 31/03/2013:		£338,000	Valuation at 31/03/13:	£577,000
Investment comprises:				
Equity shares:		£2,395,000	Valuation method:	Bid price

Audited accounts:	31/03/13	31/03/12	Dividend income:	£20,000
Turnover:	£14.1m	£13.0m		
Loss before tax:	(£0.1m)	(£0.1m)	Proportion of capital held:	8.6%
Net assets:	£14.6m	£10.0m	Diluted equity:	8.6%

Accumuli is a UK-based independent specialist in IT Security and Risk Management. Accumuli specialises in helping organisations manage IT risk by ensuring their IT infrastructure is available, visible and performing whilst always being compliant and secure. The Groups global customer base consists of companies of all sizes across an expanding range of industry sectors, including financial services, utilities, telecommunications, manufacturing and government.

Baron House Developments LLP

Cost at 31/03/2014:	£2,695,000	Valuation at 31/03/14:	£2,695,000
Cost at 31/03/2013:	£500,000	Valuation at 31/03/13:	£500,000
Investment comprises:			
Loan note:	£2,695,000	Valuation method:	Price of recent investment

Unaudited accounts:	31/03/13	Dividend income:	£Nil
Turnover:	£-m	Loan note interest:	£Nil
Profit before tax:	£-m	Proportion of capital held:	-%
Net assets:	£4.7m	Diluted equity:	-%

Baron House Developments purchased a building in Newcastle with a view to converting most of the building into a hotel. The full funding package is now in place, and the construction is underway.

Cadbury House Holdings Limited
www.cadburyhotelbristol.com

Cost at 31/03/2014:		£3,233,000	Valuation at 31/03/14:	£2,457,000
Cost at 31/03/2013:		£2,518,000	Valuation at 31/03/13:	£2,063,000
Investment comprises:				
Equity shares:		£957,000	Valuation method:	Multiples
Convertible loan note:		£2,170,000		
A loan note:		£106,000		
Audited accounts:	31/03/13	31/03/12	Dividend income:	£Nil
Turnover:	£7.7m	£6.9m	Loan note interest:	£24,000
Profit before tax:	£0.1m	£0.3m	Proportion of capital held:	20.3%
Net assets:	£6.3m	£5.9m	Diluted equity:	45.3%

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.

Mosaic Spa & Health Clubs Limited
www.mosaicspaandhealth.co.uk

Cost at 31/03/2014:		£2,747,000	Valuation at 31/03/14:	£2,437,000
Cost at 31/03/2013:		£200,000	Valuation at 31/03/13:	£200,000
Investment comprises:				
Equity shares:		£570,000	Valuation method:	Multiples
Loan note:		£2,177,000		
Audited accounts:	31/12/12	31/12/11	Dividend income:	£Nil
Turnover:	£6.3m	£5.1m	Loan note interest:	£88,000
Loss before tax:	(£0.4m)	(£0.1m)	Proportion of capital held:	23.2%
Net assets:	£2.4m	£0.9m	Diluted equity:	23.2%

Mosaic Spa and Health Clubs Limited owns and operates two health clubs in Hereford and Shrewsbury. The business also provides spa and gym management services and currently has 30 management contracts with gym owners, hotels and corporate clients. The Downing funds backed the existing experienced management team who started the business over 20 years ago.

Vulcan Renewables Limited
www.futurebiogas.com

Cost at 31/03/2014:	£2,415,000	Valuation at 31/03/14:	£2,415,000
Cost at 31/03/2013:	£700,000	Valuation at 31/03/13:	£700,000
Investment comprises:			
Equity shares:	£1,725,000	Valuation method:	Price of recent investment
Loan note:	£690,000		
Abbreviated Audited accounts:	30/11/12	Dividend income:	£Nil
Turnover:	n/a	Loan note income:	£Nil
(Loss)/profit before tax:	n/a	Proportion of capital held:	17.7%
Net assets:	£2.6m	Diluted equity:	17.7%

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

Ludorum plc
www.ludorum.com

Cost at 31/03/2014:		£3,443,000	Valuation at 31/03/14:	£2,328,000
Cost at 31/03/2013:		£2,068,000	Valuation at 31/03/13:	£1,161,000
Investment comprises:				
Equity shares:		£1,943,000	Valuation method:	Bid price
Loan note:		£1,500,000		

Audited accounts:	31/03/13	31/03/12	Dividend income:	£Nil
Turnover:	£7.8m	£7.3m	Loan note income:	£74,000
(Loss)/ profit before tax:	(£0.2m)	£0.2m	Proportion of capital held:	8.4%
Net liabilities:	(£0.4m)	(£0.2m)	Diluted equity:	8.4%

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

Inland Homes plc
www.inlandhomes.co.uk

Cost at 31/03/2014:		£2,075,000	Valuation at 31/03/14:	£2,287,000
Cost at 31/03/2013:		Not held	Valuation at 31/03/13:	Not held
Investment comprises:				
Equity shares:		£2,075,000	Valuation method:	Bid price

Audited accounts:	30/06/13	30/06/12	Dividend income:	£13,000
Turnover:	£31.1m	£6.1m		
Profit before tax:	£5.2m	£1.6m	Proportion of capital held:	2.4%
Net assets:	£57.7m	£49.4m	Diluted equity:	2.4%

Inland Homes identifies brownfield land in the South and South-East of England principally for residentially led development schemes. The business then enhances the land value by obtaining planning permission, before building houses for private sale or selling consented land onto other developers.

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

Cost at 31/03/2014:		£1,706,000	Valuation at 31/03/14:	£2,114,000
Cost at 31/03/2013:		£293,000	Valuation at 31/03/13:	£484,000
Investment comprises:				
Equity shares:		£1,506,000	Valuation method:	Bid price
Loan note:		£200,000		

Audited accounts:	31/12/13	31/12/12	Dividend income:	£Nil
Turnover:	£15.9m	£11.8m	Loan note income:	£10,000
Profit before tax:	£1.2m	£1.0m	Proportion of capital held:	13.3%
Net assets:	£16.5m	£14.1m	Diluted equity:	13.3%

Universe Group is a business which operates through its main trading subsidiary HTEC Limited, a developer and supplier of point of sale, payment and loyalty systems.

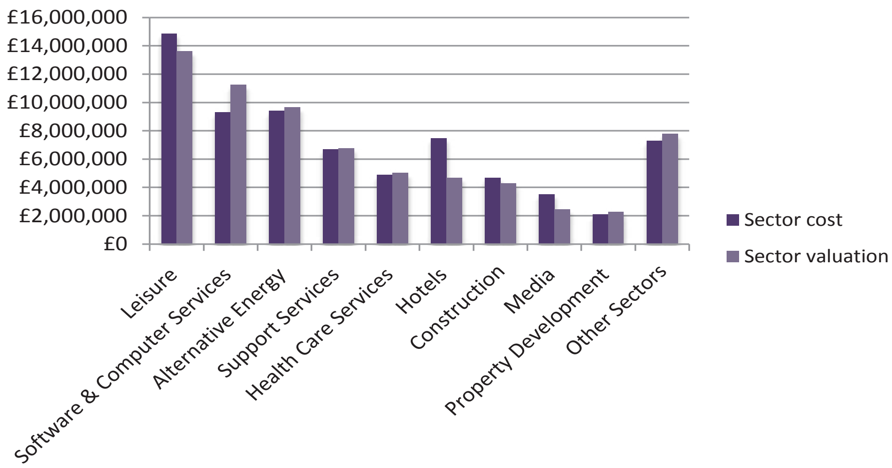
Bowman Care Homes Limited
www.downingcare.co.uk

Cost at 31/03/2014:		£1,535,000	Valuation at 31/03/14:	£1,635,000
Cost at 31/03/2013:		Not held	Valuation at 31/03/13:	Not held
Investment comprises:				
Equity shares:		£900,000	Valuation method:	Multiples
Loan note:		£635,000		
Audited accounts:	30/06/13	30/06/12	Dividend income:	£Nil
Turnover:	£1.3m	£1.2m	Loan note income:	£24,000
Profit before tax:	£0.1m	£-m	Proportion of capital held:	50.0%
Net assets:	£0.5m	£0.4m	Diluted equity:	50.0%

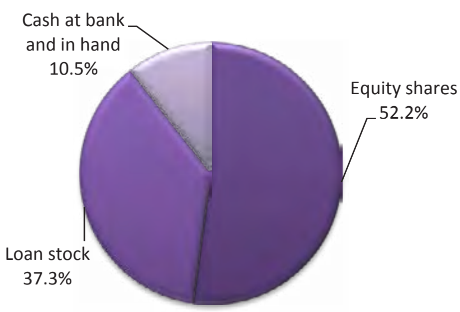
Bowman Care Homes Limited acquired the whole of the issued share capital of Downing (Chertsey Road) Limited, a special needs care home owner/operator in July 2006. The property owned by Downing (Chertsey Road) Limited trades as "The Chestnuts". The home has operated at close to its capacity during the year.

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 2014) 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 2014):



Portfolio balance
At 31 March 2014, 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	86.3%	>70%
Non-qualifying investments (including cash at bank)	13.7%	<30%
Total	100.0%	100%

Investment category (by value)	**Actual**	**Target**
Growth	33%	25% -50%
Income producing	45%	50% -75%
Non-qualifying	22%	max 30%
Total	100.0%	

STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 31 March 2014. 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 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

The Company expanded significantly following the completion of five schemes of reconstruction, under Section 110 of the Insolvency Act 1986 and was followed by a share consolidation on 12 November 2013.

The schemes of reconstruction were undertaken on a relative net asset value basis using net asset values as at 8 November 2013.

The VCTs whose assets and liabilities were acquired by the Company ("DD1") are summarised as follows:

Downing Absolute Income VCT 1 plc ("DAI1");
Downing Absolute Income VCT 2 plc ("DAI2");
Downing Income VCT plc ("DI");
Downing Income VCT 3 plc ("DI3"); and
Downing Income VCT 4 plc ("DI4").

This resulted in New Ordinary Shares being issued to the various groups of shareholders as follows:

Original shares held	Approximate number of New Ordinary Shares issued for each share originally held
DD1	0.713
DI	0.353
DI3: Ordinary	0.916
DI3: E Share	0.870
DI4	0.387
DAI1: Ordinary	0.842
DAI1: C Share	0.705
DAI2: Ordinary	0.688
DAI2: A Share	0.001

The net gain on acquisition of net assets arising on the completion of this transaction was £253,000, with 74,594,798 New Ordinary Shares of 1p each being issued to holders of DD1, DAI1, DAI2, DI, DI3 and DI4 in consideration. Further details of this transaction are shown within note 17.

The Company launched the Offer for Subscription in January 2014 which at the year-end had raised gross proceeds of £3.0 million, of which £2.1 million had been allotted.

During the year to 31 March 2014, the investments held fell in value by £93,000 and gains arising on investment realisations totalled £348,000.

Income over expenditure for the year resulted in a net loss, after accounting for capital expenses, of £7,000.

The total return for the year was £501,000 (2013: Loss £288,000). Net assets at the year-end following the merger were £75 million (2013: £14 million). Dividends paid during the year totalled £2.0 million (2013: £991,000).

Following changes to the Companies Act, the Board will be seeking Shareholders approval of the Directors Remuneration Policy, as set out on page 25 within the remuneration policy report, at the forthcoming AGM. This is a new requirement which binds the Company to its stated remuneration policy for the three year period commencing 10 September 2014, being the AGM date, with shareholders voting on the policy every three years, or sooner should the Company wish to alter the existing remuneration policy. Shareholders should note that the Remuneration Policy remains unchanged from previous year's accounts.

The Company's business and developments during the year are reviewed further in the Chairman's Statement, the Investment Manager's Report and the Review of Investments on pages 4 to 17.

Key performance indicators

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

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, investment, credit and liquidity risks, are summarised within note 18 to the financial statements.

Principal risks and uncertainties (continued)

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

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

Business model

The Company operates as a Venture Capital Trust to ensure that its Shareholders can benefit from 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 below.

Investment policy

Quantitative analyses of how the Company has operated in accordance with its investment policy are shown in the Review of Investments on pages 9 to 17 and in the VCT compliance section of this report on page 23.

The Company's investment policy is as follows:

Asset allocation

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

VCT qualifying investments

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

Investment type	**Target**	**Maximum**
Growth	25%-50%	100%
Income producing	50%-75%	100%

Growth investments will be in companies with prospects for high capital growth, predominantly focusing on AIM, or the ISDX Growth market but including unquoted companies with reasonable prospects of a flotation or a clear exit strategy.

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

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

Non-qualifying investments

Non-qualifying investments will form between 20% and a maximum of 30% of the Company's holdings and will be invested in a variety of investments which may include:

- Fixed income securities which will consist of bonds issued by the UK Government, major companies and institutions, liquidity funds, fixed deposit or similar securities and will counterpart credit ratings of not less than A minus (Standard & Poor's rated)/A3 (Moody's rated);
- Non-qualifying quoted and unquoted investments which will typically be in quoted companies where the holdings can be traded and in companies in which Downing has detailed knowledge as a result of VCT qualifying investments made previously;
- Pooled funds (typically those invested in equities, bonds and property); and
- Secured loans which will be secured on assets held by the borrower.

Non-qualifying unquoted investments will generally not exceed 5% of the overall fund.

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

Risk diversification

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

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. How the main regulations apply to the Company is summarised as follows:

1. The Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007);
2. In respect of funds raised before 5 April 2011, at least 30% of the Company's qualifying investments (by value) are held in "eligible shares" ("eligible shares" generally being ordinary share capital). For funds raised after 5 April 2011 this is increased to 70%;
3. At least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);
4. No investment constitutes more than 15% of the Company's portfolio (by value at time of investment);
5. The Company's income for each financial year is derived wholly or mainly from shares and securities; and
6. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained.

Listing Rules

In accordance with the Listing Rules:

(i) the Company may not invest more than 10%, in aggregate, of the value of the total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds;

(ii) the Company must not conduct any trading activity which is significant in the context of its group as a whole; and

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

Borrowing policy

It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a sum equal to 10% of the aggregate amount paid up on the issued share capital of the Company and the amounts standing to the credit of the consolidated reserves of the Company as shown in the latest audited Balance Sheet, adjusted where appropriate to take account of movements since that date.

At 31 March 2014, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £7.4 million. There are no plans to utilise this ability at the current time.

Environmental and social and human rights policy

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

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.

Directors and senior management

The Company does not have any employees, including senior management, other than the Board of the five non-executive directors. The Board comprises four male and one female director.

Whilst the Board have delegated the day to day operation of the Company to its advisers, details of which are contained within the Directors' Report, 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 Manager's Report.

By order of the Board

G Whitehouse

Grant Whitehouse
Secretary
Ergon House
Horseferry Road
London SW1P 2AL

22 July 2014

DIRECTORS' REPORT

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2014.

Share capital

At the beginning of the year, the Company had 19,592,490 Ordinary Shares of 1p each in issue.

On 12 November 2013, following completion of the schemes of reconstruction as set out on page 43, 85,028,545 Ordinary Shares of 1p each were issued to Shareholders in Downing Absolute Income VCT 1 plc, Downing Absolute Income VCT 2 plc, Downing Income VCT plc, Downing Income VCT 3 plc and Downing Income VCT 4 plc as consideration for the purchase of the assets and liabilities of these companies.

The resulting shareholding of 104,621,035 Ordinary Shares of 1p each was, on the same day, converted to 74,597,798 Ordinary Shares of 1p each and 30,026,237 deferred shares, with the deferred shares being cancelled immediately. Full details of the transactions are shown within note 12.

The company also allotted 2,043,924 Ordinary shares at a price of approximately 102.9p per Ordinary Share under the terms of the Offer for Subscription launched on 8 January 2014.

At the AGM held on 12 September 2013, Shareholders unconditionally authorised the Company to make market purchases of its own Ordinary shares of 1p each up to a maximum of 2,919,281 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 1,287,644 Ordinary Shares. A resolution to renew the authority at 14.9% of the share capital at the date of this report will be put to Shareholders at the AGM taking place on 10 September 2014.

During the year, the Company repurchased 1,631,617 Ordinary Shares of 1p each for average consideration of 94.4p per share, representing 2.2% of shares in issue at the last annual report. These shares were subsequently cancelled.

At the year end, the Company had 75,007,105 Ordinary Shares in issue. There were no other share classes in issue at the year end.

The Company allotted 1,423,916 shares on 4 April 2014, 530,300 shares on 30 May 2014 and a further 181,423 shares on 11 July 2014. At the date of this report the Company had 77,142,744 shares in issue.

Results and dividends

	£'000	**Per share**
Return on ordinary activities after tax for the year ended 31 March 2014	501	0.7p
Distributions paid in the year		
30 September 2013	490	2.5p
28 March 2014	1,499	2.0p
	1,989	4.5p

The Company has stated that it intends to target an annual dividend yield at 4% of net assets. In respect of the year under review this is equivalent to 4.0p, therefore in line with this intention.

The Board is proposing a final dividend of 2.0p per share to be paid, subject to Shareholder approval at the AGM, on 19 September 2014 to Shareholders on the register at 29 August 2014.

Performance incentive fee

Following the schemes of reconstruction on 12 November 2013, the Company no longer has a performance incentive fee policy in place.

Previously, the Company had the following performance incentive fee arrangement with Downing LLP ("Downing"):

Downing will receive an additional fee equal to 25% of the sum by which annual dividends declared by the Company exceed 3.0p per share.

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

NAV must be greater than 100p less cumulative dividends paid since 1 January 2010 plus 3.0p per share per annum.

The performance incentive fee will be capped at 1.0p per Ordinary Share per annum. No fees will be payable (but can accrue) in the three years following 1 April 2010.

The target was not met at the date of the merger; therefore no fees are due for the year under review.

Investment and administration manager

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

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

In addition, Downing also provides administration services to the Company for 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).

If the Company undertakes any significant corporate actions (including the raising of additional capital) Downing 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.

Prior to 12 November 2013, the administration fee was £70,000 per annum.

Trail commission
The Company has an agreement to pay trail commission, annually, to Downing LLP, in connection to funds raised under original offers for subscription. Trail commission is calculated 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 1 April 2013 until 11 November 2013, the annual running costs of the Company were capped at 3.5% of its NAV (calculated on a semi-annual basis). Thereafter, such costs are capped at 2.75% (including irrecoverable VAT), of its NAV. Any excess running costs above the cap are met by Downing. Since the merger, the Ongoing Charges percentage was 2.73%.

Annual Running Costs are costs incurred by the Company in the ordinary course of its business and include, *inter alia,* Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders, annual trail commission and all the annual fees payable to the Company's investment manager and administrators. Costs incurred on abortive investment proposals are the responsibility of the Investment Manager. It is intended that fees payable by the Company to the Investment Manager will be allocated 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:

Pre -merger (Until 12 November 2013)	*Post- merger (From 12 November 2013)*
Christopher Powell	Chris Kay
Michael Cunningham	Barry Dean
Stuart Goldsmith	Andrew Griffiths
Roger Jeynes	Stuart Goldsmith
	Helen Sinclair

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

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

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

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

VCT compliance (continued)

A summary of the VCT Regulations is included in the Company's Investment Policy as shown on page 20. Compliance with the main VCT regulations at 31 March 2014, and for the year then ended is summarised as follows:

1.	70.0% of its investments in qualifying companies (Company as a whole)	85.5%
2.	At least 30.0% of the Company's qualifying investments in "eligible shares"	69.9%
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 2014 is derived wholly or mainly from shares and securities	95.9%
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 2014, 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 Baker Tilly UK Audit LLP as the Company's auditor will be proposed at the forthcoming AGM.

Annual General Meeting

The AGM will be held at Ergon House, Horseferry Road, London, SW1P 2AL at 10:30 a.m. on 10 September 2014. The Notice of the AGM and Form of Proxy are at the end of this document.

Statement of Directors' responsibilities

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements and the Directors Remuneration Report comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 performance, business model and strategy.

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

DIRECTORS' REPORT (continued)

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names are listed on page 22, 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 Manager's Report, the Review of Investments and the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company, together with the principal risks and uncertainties that it faces.

Electronic publication

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

Corporate governance

The Company's compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code (www.frc.org.uk), is shown on pages 27 to 30.

Other matters

Information in respect of financial instruments and future developments which were previously disclosed within the Directors' Report have been disclosed within the Strategic Report on pages 18 to 20.

Statement as to disclosure of information to Auditor

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

By order of the Board

Grant Whitehouse
Company Secretary
Company Number: 3150868
Registered Office:
Ergon House
Horseferry Road
London SW1P 2AL

22 July 2014

DIRECTORS' REMUNERATION REPORT

Annual statement from the Remuneration Committee
The Committee comprises Chris Kay, Barry Dean, Stuart Goldsmith, Andrew Griffiths and Helen Sinclair. The current remuneration levels were part of the proposals that were agreed by the participant companies in preparing for the merger and were adopted on its completion.

Remuneration policy
Below is the Company's current remuneration policy. Shareholders will be asked to vote on this policy, for the first time, at the AGM on 10 September 2014. In accordance with new 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. Shareholders' approval of the policy will therefore be effective from 1 April 2015.

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 he 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.

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

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 32.

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

	2014 fee £	2013 fee £
Chris Kay	13,448	-
Barry Dean	7,685	-
Stuart Goldsmith	15,099	12,000
Andrew Griffiths	7,685	-
Christopher Powell	9,267	15,000
Helen Sinclair	7,685	-
Michael Cunningham	6,178	10,000
Roger Jeynes	7,414	12,000
	74,461	49,000

In addition, Michael Cunningham, Christopher Powell and Roger Jeynes received ex- gratia redundancy payments of £2,500, £3,750 and £3,000 respectively, equivalent to three months' notice, in respect of their employment being terminated.

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.

DIRECTORS' REMUNERATION REPORT (continued)

Statement of implementation of remuneration policy in the current financial year

The remuneration levels for the forthcoming year have been agreed, at the following levels:

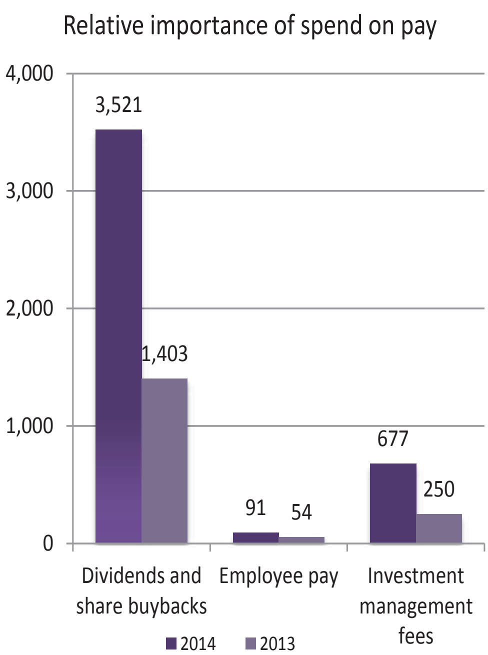
	Annual fee £
Chris Kay	35,000
Barry Dean	20,000
Stuart Goldsmith	20,000
Andrew Griffiths	20,000
Helen Sinclair	20,000
	115,000

Directors share interests

The beneficial interests of the Directors in the issued Ordinary Shares in the Company at each year end (if appointed at that date) were as follows:

	31 March 2014	31 March 2013
Current Board		
Chris Kay	24,338	n/a
Barry Dean	7,129	n/a
Stuart Goldsmith	7,881	11,056
Andrew Griffiths	2,864	n/a
Helen Sinclair	5,398	n/a
Retired Board		
Christopher Powell	n/a	4,115
Michael Cunningham	n/a	9,322
Roger Jeynes	n/a	38,472

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



Statement of voting at AGM

At the AGM on 12 September 2013, the votes in respect of the resolution to approve the Director's Remuneration Report were as follows:

In favour	96.1%
Against	3.9%
Withheld	5,201 votes

Relative importance of spend on pay

The difference in actual spend between 31 March 2014 and 31 March 2013 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.

Performance graph

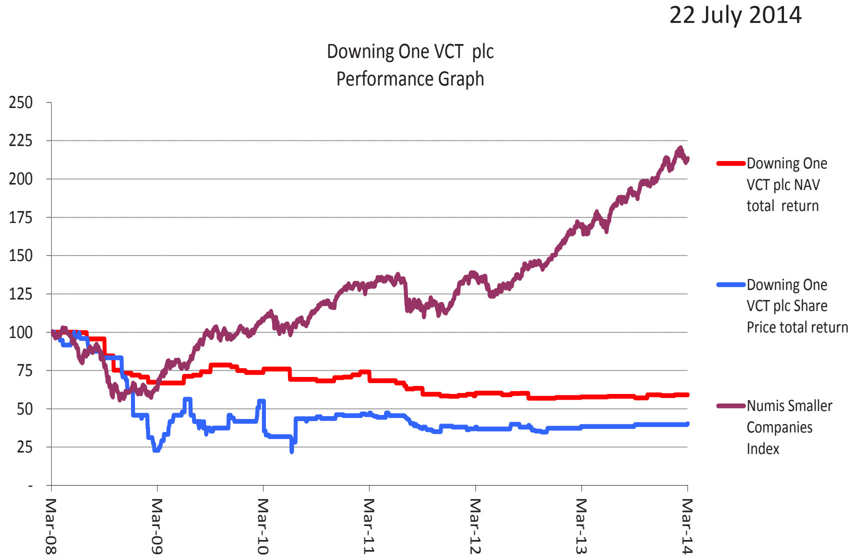
The graph below charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) ("NAV Total Return") and total return of the Company's Share Price ("Share Price Total Return") over the past six years, compared to Numis Smaller Companies Index (Total Return, excluding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

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. The Numis Smaller Companies Index is considered to be the most appropriate broad equity market against which Investors can measure the relative performance of the Company.

By order of the Board

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

22 July 2014



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 five 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 3.

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

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

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 21.

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 Committee is Andrew Griffiths. The Chairman of the Remuneration Committee is Helen Sinclair and 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
There were two Board meetings and one Audit Committee meeting before the merger. There were also two Board meetings and one Audit Committee meeting after the merger. The Directors' attendance is therefore reflected accordingly in the following table.

	Board meetings attended	Audit Committee meetings attended
Pre-merger	**(2 held)**	**(1 held)**
Christopher Powell	1	-
Michael Cunningham	1	n/a
Stuart Goldsmith	2	1
Roger Jeynes	2	1
Post-merger	**(2 held)**	**(1 held)**
Chris Kay	2	1
Barry Dean	1	-
Stuart Goldsmith	2	1
Andrew Griffiths	2	1
Helen Sinclair	2	1

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

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 Manager, for presentation within the half-yearly and annual accounts.

Financial Reporting (continued)

The Committee also takes into careful consideration, comments on matters regarding valuation, revenue recognition and disclosures arising from the 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 Manager. 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 Manager 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, after taking into consideration comments from the Manager, 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.

Baker Tilly UK Audit LLP has been appointed as the Auditor to the Company since March 2005.

Following assurances received from the Managers at the completion of the audit for the year to 31 March 2014, and taking discussions held with the engagement Partner at Baker Tilly UK Audit 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 Auditor objectivity and independence are safeguarded. Baker Tilly Corporate Finance LLP undertook corporate finance services during the year as part of the work for the scheme of reconstruction. As the incumbent Auditor, the Audit Committee believed they were best placed to undertake necessary work involved.

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. The composition of the new Board was considered during detailed merger discussions.

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. Although the Committee did not meet during the year, the remuneration levels for the new Board were considered during detailed merger discussions.

Anti-bribery policy

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

Relations with Shareholders

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

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

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

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

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

Financial reporting

The Directors' Statement of Responsibilities for preparing the accounts is set out in the Directors' Report on page 23, 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 4 to 5, the Investment Manager's Report on pages 6 to 8 and the Strategic Report on page 18. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 36 and the Strategic Report on page 20. In addition, notes 12 and 18 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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.

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

Compliance statement

The Listing Rules require the Board to report on compliance with the 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 2014 with the provisions set out in the UK Corporate Governance Code.

a) New Directors do not receive a full, formal and tailored induction on joining the Board, nor does the Chairman review and agree training and development needs. Such matters are addressed on an individual basis as they arise. Also the Company has no major Shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the AGM. (B.4.1, B.4.2, E.1.1)

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

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

By order of the Board

GWhitehouse

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

22 July 2014

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

We have audited the financial statements on pages 33 to 51. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its return for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 27 to 30 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 29, in relation to going concern; and
- the part of the Corporate Governance Statement set out on pages 30 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Our assessment of risks of material misstatement
We identified the following risk which had the most significant impact on our audit strategy and set out below how this was addressed by the scope of our audit:

Valuation of unquoted investments
Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines. This has been identified as an area of significant risk and is the key area that our audit has focussed on, given that the measurement of unquoted investments includes significant assumptions and judgements about the appropriate valuation method, the valuation inputs and the performance of the investee company.

Our procedures included:

- understanding and challenging the key assumptions and judgements affecting investee company valuations prepared by the investment manager based on observable data, prior period valuations and the provisions of the International Private Equity and Venture Capital Valuation Guidelines;
- challenging the appropriateness of the valuation basis by comparison with observed industry practice, valuation methods applied in prior periods and for similar entities and the provisions of the International Private Equity and Venture Capital Valuation Guidelines;
- understanding and challenging the appropriateness of the valuation methods used for the fair values of unquoted investments acquired from other Venture Capital Trusts in the year and investigating explanations for valuation movements since the date of acquisition;
- considering whether events that occurred subsequent to the year end up until the date of this audit report affected the underlying assumptions of the valuations at 31 March 2014; and
- consideration of the appropriateness of the disclosures in the financial statements in respect of unquoted investments.

Our application of materiality
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £790,000 and this figure was not amended during the course of our audit. This has been calculated based on a percentage of gross assets which is the key element influencing net asset value which is considered to be one of the principal considerations for members of the company in assessing financial performance.

We agreed with the Audit Committee that we would report to the Committee all adjusted and unadjusted misstatements in excess of £15,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
The company is a single entity, subject to local statutory audit, and our audit work was designed to address the risks of material misstatements identified to the level of materiality indicated above.

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

22 July 2014

INCOME STATEMENT
for the year ended 31 March 2014

	Note	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Income	2						
-continuing		272	-	272	329	-	329
-acquisition		886	-	886	-	-	-
		1,158	-	1,158	329	-	329
Gains/(losses) on investments	9						
-continuing		-	(522)	(522)	-	(128)	(128)
-acquisition		-	777	777	-	-	-
		-	255	255	-	(128)	(128)
Net gain on acquisition of net assets		-	253	253	-	-	-
		1,158	508	1,666	329	(128)	201
Investment management fees	3	(298)	(379)	(677)	(63)	(187)	(250)
Other expenses	4	(488)	-	(488)	(239)	-	(239)
Return/(loss) on ordinary activities before tax		372	129	501	27	(315)	(288)
Tax on ordinary activities	6	(87)	87	-	-	-	-
Return/(loss) attributable to equity shareholders	8	285	216	501	27	(315)	(288)
					Restated	*Restated*	*Restated*
Basic and diluted return per share	8	0.4p	0.3p	0.7p	0.2p	(2.2p)	(2.0p)

The total column within the Income Statement represents the profit and loss account of the Company.

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

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

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Opening Shareholders' funds		14,005	15,812
Issue of share capital on acquisition	**17**	60,625	-
Issue of new shares	**12**	2,102	393
Unallotted shares		921	(382)
Issue of shares under Share Realisation and Reinvestment Programme		-	5,850
Share issue costs	**12**	(57)	(97)
Purchase of own shares	**12**	(1,531)	(413)
Purchase of own shares under Share Realisation and Reinvestment Programme		-	(5,879)
Total recognised gains/(losses) for the year		501	(288)
Dividends paid	**7**	(1,989)	(991)
Closing Shareholders' funds		74,577	14,005

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

BALANCE SHEET
as at 31 March 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments	**9**	67,723	13,960
Current assets			
Debtors	**10**	509	111
Cash at bank and in hand		7,983	123
		8,492	234
Creditors: amounts falling due within one year	**11**	(1,638)	(189)
Net current assets		6,854	45
Net assets		74,577	14,005
Capital and reserves			
Called up share capital	**12**	750	196
Capital redemption reserve	**13**	1,470	1,153
Share premium account	**13**	62,114	315
Share capital to be issued	**13**	921	-
Special reserve	**13**	11,458	13,743
Capital reserve – realised	**13**	-	1,136
Capital reserve – unrealised	**13**	(2,438)	(2,555)
Revenue reserve	**13**	302	17
Total equity shareholders' funds	**14**	74,577	14,005
			Restated
Basic and diluted net asset value per share	**14**	98.2p	100.3p

The financial statements on pages 33 to 51 were approved and authorised for issue by the Board of Directors on 22 July 2014 and were signed on its behalf by

Chris Kay
Chairman

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

CASH FLOW STATEMENT
for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Net cash outflow from operating activities	**15**	(128)	(119)
Taxation			
Corporation tax paid		(169)	-
Capital expenditure			
Purchase of investments		(1,482)	(2,188)
Disposal of investments		5,397	2,719
Net cash inflow from capital expenditure		3,915	531
Acquisitions			
Cash acquired	**17**	4,627	-
Acquisition costs		(238)	-
Net cash inflow from acquisitions		4,389	-
Equity dividends paid		(1,984)	(989)
Net cash inflow/(outflow) before financing		6,023	(577)
Financing			
Proceeds from share issue		2,102	393
Proceeds from new share issue under Share Realisation and Reinvestment Programme		-	5,850
Unallotted share issue proceeds		921	(382)
Share issue costs		(57)	(99)
Purchase of own shares		(1,129)	(467)
Purchase of own shares under Share Realisation and Reinvestment Programme		-	(5,879)
Net cash inflow/(outflow) from financing		1,837	(584)
Increase/(decrease) in cash	**16**	7,860	(1,161)

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

NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

1. Accounting policies

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

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

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

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

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

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

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

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

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

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

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

It is not the Company's policy to exercise either significant or controlling influence over investee companies. Consistent with FRS 9 and the SORP all portfolio investments are stated at fair value and not using the equity method of accounting. Therefore, the results of these companies are not incorporated into the revenue account except to the extent of any income accrued.

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.

1. Accounting policies (continued)

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

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

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

- Expenses which are incidental to the acquisition of an investment are deducted from the Capital Account.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. Since the merger on 12 November 2013, 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. Prior to the merger, such fees were allocated 25% to revenue and 75% to capital.

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

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

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

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

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

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

Acquisitions
Acquisitions made during the year are accounted for using the acquisition method. The purchase consideration is measured at the fair value of equity issued compared to the fair value of the assets and liabilities acquired. The excess of fair value of net assets acquired compared to the purchase consideration is recognised in the Income Statement, after deduction of acquisition costs, and described as "Net gain on acquisition of net assets".

2. Income

	2014 £'000	2013 £'000
Income from investments		
Loan stock interest	932	195
Dividend income	166	84
Listed fixed income security interest	13	41
	1,111	320
Other income		
Other income	30	-
Deposit interest	17	9
	1,158	329

3. Investment management fees

	2014 £'000	2013 £'000
Investment management fees	677	250

The annual running costs of the Company for the year were subject to a cap of 3.5% of the Company's net assets until 11 November 2013; thereafter the annual running costs are capped at 2.75% of the Company's net assets. The expense cap has not been breached for the year under review (2013: capped by £21,000).

4. Other expenses

	2014 £'000	2013 £'000
Administration services	89	70
Directors' remuneration	84	49
Social security costs	4	1
Trail commission	82	25
Auditor's remuneration for statutory audit	33	18
Legal and professional fees	7	2
Provision for doubtful income	32	-
Custodian charges	60	12
Other expenses	97	62
	488	239

Included within the costs arising on the Scheme of Reconstruction during the year (as shown within note 17) were non-audit services comprising £18,000 of advisory costs paid to Baker Tilly Corporate Finance LLP.

5. Directors' remuneration

Details of remuneration (excluding VAT and employer's NIC) are given in the Directors' Remuneration Report on page 25. The Company had no employees (other than Directors) during the year (2013: none).

6. Tax on ordinary activities

	2014 £'000	2013 £'000
a) Tax charge for year		
Current year:		
UK Corporation tax (charged to the Revenue Account)	87	-
Tax credited to Capital Account	(87)	-
	-	-
b) Factors affecting tax charge for the year		
Profit/(loss) on ordinary activities before taxation	501	(288)
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 23.0% (2013: 20.0%)	115	(58)
Effects of:		
(Gains)/losses on investments	(58)	26
Gain on acquisition of net assets	(58)	-
UK dividend income	(38)	(17)
Disallowable expenses	20	5
Excess management fees carried forward	19	44
	-	-

c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £4.3 million (2013: £4.2 million). The associated deferred tax asset has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future.

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

7. Dividends

		2014			2013		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividends paid in year							
2014 Interim:	2.0p	-	1,499	1,499	-	-	-
2013 Final:	2.5p	-	490	490	-	-	-
2013 Interim:	2.5p	-	-	-	-	492	492
2012 Final:	2.5p	-	-	-	-	499	499
		-	1,989	1,989	-	991	991
Dividends proposed							
Final:	2.0p (2013: 2.5p)	375	1,125	1,500	-	490	490

8. Basic and diluted return per share

	2014	2013
Return per share based on:		
Net revenue return for the financial year (£'000)	285	27
Capital return per share based on:		
Net capital gain/(loss) for the financial year (£'000)	216	(315)
		Restated
Weighted average number of shares in issue	74,326,968	14,230,452

On 12 November 2013, each 1p Ordinary Share was converted into 0.713 1p Ordinary Shares and 0.287 deferred shares. The weighted average number of Ordinary Shares in issue as at 31 March 2013 has been restated accordingly.

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

9. Investments

	Unquoted investments £'000	Quoted on ISDX Growth Market £'000	Quoted on AIM £'000	Quoted on Main Market £'000	Total £'000
Cost at 1 April 2013	11,069	815	4,073	558	16,515
Unrealised losses at 1 April 2013	(1,563)	(787)	(4)	(201)	(2,555)
Opening fair value at 1 April 2013	9,506	28	4,069	357	13,960
Movement in the year:					
Change in status	205	-	(205)	-	-
Acquisitions (note 17)	37,179	355	19,992	-	57,526
Purchased at cost	562	50	870	-	1,482
Disposal proceeds	(1,689)	-	(3,479)	(332)	(5,500)
Realised gains/(losses) in the income statement	145	-	228	(25)	348
Unrealised (losses)/gains in the income statement	(2,963)	184	2,686	-	(93)
Closing fair value at 31 March 2014	42,945	617	24,161	-	67,723
Closing cost at 31 March 2014	47,576	1,220	21,365	-	70,161
Unrealised (losses)/gains at 31 March 2014	(4,631)	(603)	2,796	-	(2,438)
Closing fair value at 31 March 2014	42,945	617	24,161	-	67,723

Costs incidental to the acquisitions of investments incurred during the year were minimal (2013: minimal) and costs were incurred on the disposal of investments totalling £2,300 (2013: £2,500). 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 12 to 13.

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

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

9. Investments (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2014 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2013 £'000
Quoted on Main Market	-	-	-	-	357	-	-	357
Quoted on AIM	24,161	-	-	24,161	4,069	-	-	4,069
Quoted on ISDX	617	-	-	617	28	-	-	28
Loan notes	-	-	28,214	28,214	-	-	7,228	7,228
Unquoted	-	-	14,731	14,731	-	-	2,278	2,278
	24,778	-	42,945	67,723	4,454	-	9,506	13,960

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

	Unquoted shares £'000	Loan notes £'000	Total £'000
Balance at 31 March 2013	2,278	7,228	9,506
Change in status	205	-	205
Movements in the income statement:			
Unrealised losses in the income statement	(686)	(2,277)	(2,963)
Realised gains in the income statement	22	123	145
	(664)	(2,154)	(2,818)
Acquisition (note 17)	13,395	23,784	37,179
Purchases at cost	176	386	562
Disposal proceeds	(659)	(1,030)	(1,689)
Balance at 31 March 2014	14,731	28,214	42,945

FRS 29 requires disclosure to be made of the possible effect of changing one or more of the inputs to reasonable possible alternative valuation assumptions where this would result in a significant change in the fair value of the Level 3 investments. There is an element of judgment in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments. The Board and the Investment Manager believe that the valuations as at 31 March 2014 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 18.

10. Debtors

	2014 £'000	2013 £'000
Trades awaiting settlement	102	-
Other debtors	104	7
Income tax recoverable	7	33
Prepayments and accrued income	296	71
	509	111

11. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Taxation and social security	19	2
Trade creditors	441	39
Other creditors	511	-
Accruals and deferred income	667	148
	1,638	189

12. Called up share capital

	Shares	£'000
Issued, allotted, called up and fully paid:		
As at 1 April 2013: Original Ordinary Shares of 1p each	19,592,490	196
Conversion into Ordinary Shares of 1p each	(5,623,045)	(56)
Restated holding at 12 November 2013: Ordinary Shares of 1p each	13,969,445	140
Shares issued to Ordinary Shareholders of DAI1 plc under the Scheme	6,710,673	67
Shares issued to 'C' Shareholders of DAI1 plc under the Scheme	6,321,422	63
Shares issued to Ordinary Shareholders of DAI2 plc under the Scheme	13,653,193	136
Shares issued to 'A' Shareholders of DAI2 plc under the Scheme	29,847	3
Shares issued to Shareholders of DIV plc under the Scheme	9,693,818	96
Shares issued to Ordinary Shareholders of DIV3 plc under the Scheme	11,344,062	113
Shares issued to 'E' Shareholders of DIV3 plc under the Scheme	5,012,523	50
Shares issued to Shareholders of DIV4 plc under the Scheme	7,859,815	78
Holding following the scheme of reconstruction	74,594,798	746
New shares issued in period under prospectus	2,043,924	20
Shares bought back and cancelled	(1,631,617)	(16)
As at 31 March 2014: Ordinary Shares of 1p each	75,007,105	750

On 12 November 2013, Ordinary Shares of 1p each were issued to Shareholders in Downing Absolute Income VCT 1 plc, Downing Absolute Income VCT 2 plc, Downing Income VCT plc, Downing Income VCT 3 plc and Downing Income VCT 4 plc in consideration for the purchase of the assets and liabilities of the companies.

The resulting shareholding of 104,621,035 Original Ordinary Shares of 1p each was, on the same day, converted to 74,594,798 Ordinary Shares of 1p each and 30,026,237 deferred shares, with the deferred shares being cancelled immediately. The numbers in the table above reflect the shareholding immediately following the conversion.

The company also allotted 2,043,924 Ordinary Shares at a price of approximately 102.9p per Ordinary Share under the terms of the Offer for Subscription launched on 8 January 2014.

During the year, the Company repurchased 1,631,617 Ordinary Shares of 1p each for average consideration of 94.4p per share, representing 2.2% of those shares authorised to be repurchased. 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 19 to 20, in pursuit of its principal investment objectives as stated on page 18. 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.

12. Called up share capital (continued)

Management of capital (continued)

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.

13. Reserves

	Capital redemption reserve £'000	Share premium account £'000	Share capital to be issued £'000	Special reserve £'000	Capital reserve -realised £'000	Capital reserve -unrealised £'000	Revenue reserve £'000
At 1 April 2013	1,153	315	-	13,743	1,136	(2,555)	17
Unallotted shares	-	-	921	-	-	-	-
Issue of new shares on acquisition	-	59,775	-	-	-	-	-
Issue of new shares	-	2,081	-	-	-	-	-
Cancellation of deferred shares	300	-	-	-	-	-	-
Share issue costs	-	(57)	-	-	-	-	-
Purchase of own shares	17	-	-	(1,531)	-	-	-
Net gain on acquisition of net assets	-	-	-	-	253	-	-
Capital expenses	-	-	-	-	(379)	-	-
Corporation tax	-	-	-	-	87	-	-
Gains/(losses) on investments	-	-	-	-	348	(93)	-
Realisation of revaluations from previous years	-	-	-	-	(210)	210	-
Transfer between reserves	-	-	-	(754)	754	-	-
Dividends paid	-	-	-	-	(1,989)	-	-
Retained net revenue	-	-	-	-	-	-	285
At 31 March 2014	1,470	62,114	921	11,458	-	(2,438)	302

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

Distributable reserves are calculated as follows:

	2014 £'000	2013 £'000
Special reserve	11,458	13,743
Capital reserve – realised	-	1,136
Revenue reserve	302	17
Unrealised losses (excluding unrealised unquoted gains)	(3,457)	(2,765)
	8,303	12,131

14. Basic and diluted net asset value per share

		Shares in issue	Net assets £'000	NAV per share pence
As at 31 March 2014	Ordinary Shares	75,007,105	73,656	98.2
	Share capital to be issued		921	
			74,577	
				Restated
As at 31 March 2013	Ordinary Shares	13,969,445	14,005	100.3

On 12 November 2013 the 19,592,490 Ordinary Shares were converted into 13,969,445 Ordinary Shares. The net asset value per share as at 31 March 2013 has been restated accordingly.

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

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

	2014 £'000	2013 £'000
Profit/(loss) on ordinary activities before taxation	501	(288)
(Gains)/losses on investments	(255)	128
Net gains on acquisition of net assets	(253)	-
Decrease in debtors	130	60
Decrease in creditors	(251)	(19)
Net cash outflow from operating activities	(128)	(119)

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

	2014 £'000	2013 £'000
Beginning of year	123	1,284
Net cash inflow/(outflow)	7,860	(1,161)
End of year	7,983	123

17. Acquisitions

On 12 November 2013, the Company acquired the assets and liabilities of Downing Absolute Income VCT 1 plc ("DAI1"), Downing Absolute Income VCT 2 plc ("DAI2"), Downing Income VCT plc ("DIV"), Downing Income VCT 3 plc ("DIV3") and Downing Income VCT 4 plc ("DIV4"). The proposals for the merger of the six companies were approved by the Company's Shareholders on 31 October 2013. The mechanism by which the merger was effected was one under which DAI1, DAI2, DIV, DIV3 and DIV4 were placed into members' voluntary liquidation pursuant to Schemes of Reconstruction under Section 110 of the Insolvency Act 1986 ("the Schemes"). Under the Schemes, the assets and liabilities of DAI1, DAI2, DIV, DIV3 and DIV4 were transferred to the Company in exchange for New Ordinary Shares issued to DAI1, DAI2, DIV, DIV3 and DIV4 Shareholders. The number of New Ordinary Shares issued was on the basis of the relative net assets of the companies as at 8 November 2013. Under the Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004, the transaction was possible without prejudicing the tax relief obtained by Shareholders of DAI1, DAI2, DIV, DIV3 and DIV4 on their original investment.

Immediately prior to the share conversion, as discussed in note 12, a total of 18,277,833 Original Ordinary Shares were issued in consideration for the purchase of DAI1 with a fair value of £13,032,000, a total of 19,190,799 Original Ordinary Shares were issued in consideration for the purchase of DAI2 with a fair value of £13,683,000, a total of 13,595,818 Original Ordinary Shares were issued in consideration for the purchase of DIV with a fair value of £9,694,000, a total of 22,940,512 Original Ordinary Shares were issued in consideration for the purchase of DIV3 with a fair value of £16,356,000, and a total of 11,023,583 Original Ordinary Shares were issued in consideration for the purchase of DIV4 with a fair value of £7,860,000 thereon. Transaction costs borne by the Company of £482,000 (see note below), have been set against the net gain on acquisition arising on the issue of the new shares.

	Downing Absolute Income VCT 1 plc £'000	Downing Absolute Income VCT 2 plc £'000	Downing Income VCT plc £'000	Downing Income VCT 3 plc £'000	Downing Income VCT 4 plc £'000	Total £'000
Investments	12,185	13,476	8,819	16,013	7,033	57,526
Debtors	134	196	9	79	5	423
Cash at bank and in hand	1,413	535	1,123	511	1,045	4,627
Creditors	(607)	(373)	(75)	(110)	(50)	(1,215)
Book value and fair value of net assets acquired	13,125	13,834	9,876	16,493	8,033	61,361
Net gain on acquisition of net assets						(253)
Merger costs						(482)
Consideration						60,626
Consideration satisfied by:						
Fair value of Ordinary Shares issued on date of acquisition						60,626

The book and fair value of assets and liabilities, shown above, have been taken from the respective management accounts at 12 November 2013. The market value of the shares issued is based on the fair value of the assets and liabilities acquired as at the date of acquisition. The number of consideration shares issued under the Schemes of Reconstruction was determined by the relative net asset value of the companies. A gain on acquisition of net assets of £253,000 has arisen because of the movement of fair value of AIM- quoted investments acquired between 8 and 12 November 2013.

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

17. Acquisitions (continued)

The total costs of the merger were £606,000. For four of the merger participants, Downing agreed to pay 50% of the merger costs and, in respect of the remaining two VCTs, Downing waived management fees prior to the merger totalling 100% of the merger costs. As a result, total net costs of the merger borne by the various VCTs were £232,000, although as a result of the management fees waived previously, the costs borne by the VCTs at the time of the merger, as stated above, were £482,000.

18. 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 1. The composition of the investments is set out in note 9. The fair value of cash deposits and short-term debtors and creditors equates to their carrying value in the balance sheet.

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

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

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

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

Investment risks

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

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.

18. Financial instruments (continued)

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% (2013: 50%) movement in the share price in each of the quoted stocks held by the Company would have an effect as follows:

Sensitivity			**2014** 25% mvmt			**2013** 50% mvmt
	Risk exposure £'000	**Impact on net assets £'000**	**Impact on NAV per share Pence**	**Risk exposure £'000**	**Impact on net assets £'000**	**Impact on NAV per share Pence**
Quoted shares	24,778	6,194	8.3	4,097	2,048	10.5

Unquoted investments

As many of the Company's unquoted investments are valued using revenue or earnings multiples of comparable companies or sectors, a change in the relevant market sectors could impact on the valuation of the equity shares held in the unquoted portfolio by up to 10% (2013: 25%). Loan notes held in the Company would not immediately be impacted and would therefore retain their value. The impact on the unquoted shares held by the Company of a 10% (2013: 25%) movement in share price would therefore be as follows:

Sensitivity			**2014** 10% mvmt			**2013** 25% mvmt
	Risk exposure £'000	**Impact on net assets £'000**	**Impact on NAV per share Pence**	**Risk exposure £'000**	**Impact on net assets £'000**	**Impact on NAV per share Pence**
Unquoted shares	14,567	1,457	1.9	2,278	570	2.9

Fixed interest securities

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

Sensitivity			**2014** 5% mvmt			**2013** 5% mvmt
	Risk exposure £'000	**Impact on net assets £'000**	**Impact on NAV per share Pence**	**Risk exposure £'000**	**Impact on net assets £'000**	**Impact on NAV per share Pence**
Fixed interest securities	-	-	-	357	18	0.1

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

18. Financial instruments (continued)

Interest rate risk

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

Interest rate profile of financial assets and financial liabilities

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

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

Interest rate risk profile of financial assets and financial liabilities

	Weighted average interest rate	Weighted average period until maturity	2014 £'000	2013 £'000
Fixed rate	6.2%	829 days	26,149	6,132
Floating rate	0.8%		7,983	123
No interest rate		869 days *	40,445	7,750
			74,577	14,005

* In respect of non-interest bearing loan notes only

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

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

Credit risk

Credit risk is the risk that 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:

	2014 £'000	2013 £'000
Fair value through profit or loss assets:		
Investments in fixed interest securities	-	357
Investments in loan stocks	28,214	7,228
Loans and receivables:		
Cash and cash equivalents	7,983	123
Trades awaiting settlement	102	-
Interest, dividends and other receivables	404	111
	36,703	7,819

18. Financial instruments (continued)

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

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

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. The Company only normally ever has a relatively low level of creditors (2014: £1,638,000, 2013: £189,000) and has no borrowings. Also most quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons the Board believes that the Company's exposure to liquidity risk is minimal.

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

The carrying value of loan stock investments held at fair value through the profit and loss account at 31 March 2014, as analysed by expected maturity date, is as follows:

As at 31 March 2014	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Passed maturity date £'000	Total £'000
Fully performing loan stock	3,441	7,882	4,602	6,840	-	22,765
Past due loan stock	1,774	122	-	1,218	2,335	5,449
	5,215	8,004	4,602	8,058	2,335	28,214

Of the loan stock classified as "past due" above, £3,114,000 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. As at the balance sheet date, the extent to which the interest giving rise to the classification of the loan notes as past due comprised loan notes of £1,774,000, falling within the banding of less than 1 year, £122,000, falling within the banding of 1 to 2 years; and £1,218,000 falling within the banding of 3 to 5 years. 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.

Of the loan stock classified as "past due" above, £2,335,000 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, falls within the banding of nil to 2 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 principals have altered.

18. Financial instruments (continued)

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

Financial liabilities
The Company has no financial liabilities or guarantees, other than the creditors disclosed within the balance sheet (2013: none).

Currency exposure
As at 31 March 2014, the Company had no foreign investments (2013: none).

Borrowing facilities
The Company had no committed borrowing facilities as at 31 March 2014 (2013: none).

19. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2013: none).

20. Controlling party

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

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 10 September 2014 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 2014 together with the Report of the Auditor thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the Directors' Remuneration Policy.
4. To approve a final dividend of 2.0p per Ordinary Share.
5. To re-appoint Baker Tilly UK Audit LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and to authorise the Directors to determine their remuneration.
6. To re-elect as Director, Chris Kay, who retires and, being eligible, offers himself for re-election.
7. To re-elect as Director, Barry Dean, who retires and, being eligible, offers himself for re-election.
8. To re-elect as Director, Stuart Goldsmith, who retires and, being eligible, offers himself for re-election.
9. To re-elect as Director, Andrew Griffiths, who retires and, being eligible, offers himself for re-election.
10. To re-elect as Director, Helen Sinclair, who retires and, being eligible, offers herself for re-election.

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

11. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of its own Ordinary Shares of 1p each ("Ordinary Shares") in the capital of the Company provided that:

    (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 11,176,059, being 14.9% of the present issued Ordinary Share capital of the Company;
    (ii) the minimum price which may be paid for an Ordinary Share is 1p exclusive of all expenses;
    (iii) the maximum price which may be paid for an Ordinary Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the Ordinary Shares are contracted to be purchased;
    (iv) the Company may validly make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Ordinary Shares in pursuance of any such contract;

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

By order of the Board

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

22 July 2014

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

NOTICE OF THE ANNUAL GENERAL MEETING OF DOWNING 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 Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

(b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 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 8 September 2014 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 10 a.m. on 8 September 2014 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 10 a.m. on 22 July 2014, the Company's issued share capital comprised 77,142,744 Ordinary Shares and the total number of voting rights in the Company was 77,142,744. The website referred to above will include information on the number of shares and voting rights.

(h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

(i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

(j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

(k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.

(l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

DOWNING ONE VCT PLC
FORM OF PROXY

For use at the Annual General Meeting of the above named Company to be held on 10 September 2014 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 10 September 2014 or at any adjournment thereof.

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

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

ORDINARY BUSINESS	FOR	AGAINST	WITHHELD
1. To receive and adopt the Directors' Report and Accounts.	☐	☐	☐
2. To approve the Directors' Remuneration Report.	☐	☐	☐
3. To approve the Directors' Remuneration Policy.	☐	☐	☐
4. To approve the payment of a final dividend of 2.0p per 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 Barry Dean as a Director.	☐	☐	☐
8. To re-elect Stuart Goldsmith as a Director.	☐	☐	☐
9. To re-elect Andrew Griffiths as a Director.	☐	☐	☐
10. To re-elect Helen Sinclair as a Director.	☐	☐	☐
SPECIAL BUSINESS			
11. To authorise the Company to make market purchases of its shares.	☐	☐	☐

Signature(s)*... Date..2014

* 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.

Downing

Ergon House
Horseferry Road
London SW1P 2AL

Tel: 020 7416 7780
Email: vct@downing.co.uk
Web: www.downing.co.uk