

Downing ONE VCT plc

Half Yearly Report
for the six months ended
30 September 2016



SHAREHOLDER INFORMATION

FINANCIAL SUMMARY

	30 Sep 2016	31 Mar 2016	30 Sep 2015	Nov 2013
	pence	pence	pence	pence
Net asset value per share (“NAV”)	93.1	94.1	98.1	100.4
Cumulative dividends paid since 12 November 2013	15.0	12.0	9.0	0.0
Total return (net asset value plus cumulative dividends paid per share)	108.1	106.1	107.1	100.4

DIVIDEND POLICY

The Company has a stated target of paying a dividend of at least 4% of net assets per annum.

FORTHCOMING DIVIDENDS

	Date payable	Pence per share
Interim dividend	24 February 2017	3.0p

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.capitaassetservices.com). Queries relating to dividends 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 Monday to Friday 8:30am to 5:30pm), or in writing to the address on the back cover of this document.

SHARE SCAM WARNING

We have become aware that a significant number of shareholders of VCTs managed by both Downing and other VCT managers have received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a “Boiler Room Scam”. **Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

Further information can be found on Downing’s website under “Existing Investments”. If you have any concerns, please contact Downing on 020 7416 7780.

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

I am pleased to present the Company's half-yearly report for the six month period ended 30 September 2016.

The build up to, and repercussions of, the EU Referendum produced volatile markets during the period. However, after the initial surprise of the result, markets have recovered. This was reflected in the performance of the Company which showed a modest improvement over the six months.

Net asset value and results

As at 30 September 2016, the Company's NAV stood at 93.1p an increase of 2.0p (or 2.2%) compared to the 31 March 2016 year-end position, after adding back the 3.0p dividend paid during the period.

The return attributable to equity shareholders for the period was £1.8 million, comprising a revenue loss of £43,000 and a capital return of £1.9 million.

Investment activity and performance

As a result of the successful fundraising, the Company had a significant level of funds to invest and was an active investor over the period. The Company was able to invest a significant proportion of these funds at the start of the period, before new VCT regulations came into force on 6 April 2016 which have further restricted the types of investments that VCTs can make in future.

There were 15 realisations during the period although a number were redemptions of loan stock. The largest realisation was that of Kidspac Adventures Holdings Limited, where unfortunately this company was unable to gain planning permission for a new project and ultimately decided to return funds to the VCT. Proceeds were £2.8 million compared to an original cost of £2.6 million.

In total the Company generated £5.5 million of disposal proceeds on investments with a carrying value of £5.1 million, giving rise to a net gain of £491,000.

In respect of the existing portfolio, net unrealised gains over the period were £1.7 million.

Further details of the investment activities of the Company are in the Investment Adviser's Report on page 3.

Dividends

The Company's stated policy is to seek to pay dividends of at least 4% of net asset value each year.

The Company has again achieved a number of realisations and therefore can pay above this level. An interim dividend of 3.0p will be paid on 24 February 2017 to Shareholders on the register at 3 February 2017, in line with the usual February and August payment dates.

This will take the total dividends to 18.0p since the merger in November 2013.

Fundraising

The fundraising which launched on 14 December 2015, closed on 30 September 2016 having raised gross proceeds of £19.3 million. The Board consider this to be a very successful result which has provided the Company with a significant level of additional funds and allows the Company to participate in new investment opportunities.

While these new funds are being employed, the Board is taking a cautious approach to further fundraising. Currently there are no firm plans for a new fundraising for the 2016/17 tax year but the Board will continue to monitor progress and will, of course, notify shareholders of any developments.

CHAIRMAN'S STATEMENT (continued)

Share buybacks

The Company 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 period, the Company purchased 1,116,932 shares at an average price of 87.7p per Ordinary Share, being a 5% discount to the latest announced NAV at the time of purchase.

Board

It is now three years since Downing ONE was formed by the merger of six VCTs. Initially the board comprised five directors which ensured that there was representation from each of the VCTs that merged.

Since then the portfolio has undergone a significant degree of rationalisation and all of the Directors have become familiar with the Company's remaining core investments. For this reason, the Directors have concluded that the Company no longer requires such a large Board and that a Board comprising three members, being a more typical size for a VCT, is now more appropriate.

Accordingly, Helen Sinclair and Andrew Griffiths have agreed to resign and will stand down from the Board on 31 December 2016.

I would personally like to thank Helen and Andrew for their valuable contributions since their original appointment and the parts they have played in ensuring that the merger has been a success. It has been a pleasure working with both of them over the last three years and I wish them every success in their other ventures.

Outlook

It is clear that the new VCT regulations which have taken effect over the last year will create new challenges for your Company and, indeed, all VCTs. There currently appears to be some uncertainty on the interpretation and application of some of the new regulations and, in some cases, this is resulting in delays in finalising new investments. We believe this is a temporary situation while the new rules become more established. The Investment Adviser, along with most of the VCT industry, is working with its trade bodies and HMRC to try to address issues that arise and smooth the transition to the new regulations.

Over the remainder of the year, we expect to see a lower level of new investment activity, although the Investment Adviser will be committing significant resources to recent investments made, as those companies develop their businesses.

Although it is possible that some businesses could be negatively impacted by developments associated with Brexit over the coming years, the Board is of the opinion that any effect on our investee companies should be small. We believe that the portfolio remains in reasonably good shape and can continue to make steady progress. I look forward to reporting developments to Shareholders in the Annual Report.



Chris Kay
Chairman

6 December 2016

INVESTMENT ADVISER'S REPORT

Introduction

At 30 September 2016, the Company held a portfolio of 93 investments, valued in total at £87.6 million.

Performance over the portfolio has been mixed, however overall there has been a steady rise in value, in particular for the quoted investments.

Unquoted portfolio

Investment activity

At 30 September 2016 the unquoted portfolio was valued at £62.8 million comprising 64 investments, spread across a number of sectors.

Twelve new qualifying investments were made during the last six months as follows: -

£2.5 million was invested in Vectis Alpha Limited which is seeking to build and develop renewable energy plants.

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

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

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

Jito Trading Limited, Morova Limited and Rhodes Solutions Limited are all exploring opportunities in the wood refinery sector. £2.5 million was invested into each company.

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

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

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

Portfolio valuation

A number of adjustments to carrying values have been made at the period end, the most significant of which are summarised below.

Leytonstone Pub Limited which owns and operates The Red Lion pub in Leytonstone has been uplifted in value by £225,000 to reflect continued strong performance of the pub.

Cadbury House Holdings Limited owns a DoubleTree by Hilton conference centre near Bristol. Trading performance has continued to strengthen and the investment has been further uplifted by £200,000.

Fenkle Street LLP is a property development company that purchased a building in Newcastle and converted it into a hotel. The hotel continues to trade well and a further uplift of £141,000 has been included to reflect this.

Kimbolton Lodge Limited which operates a care home for the elderly in Bedford was uplifted by £140,000 following an independent valuation of the business.

Mosaic Spa and Health Clubs was reduced by £260,000 in the period, reflecting continued performance issues at the Shrewsbury site.

Oak Grove Renewables Limited, an anaerobic digestion plant in Norfolk has been reduced in value by a further £142,000 due to continued ongoing issues at the facility.

INVESTMENT ADVISER'S REPORT (continued)

Unquoted investments

Portfolio valuation (continued)

The overall movement on the unquoted portfolio was a gain of £394,000.

Quoted investments

Investment activity

At 30 September 2016 the quoted portfolio was valued at £24.8 million comprising 31 investments.

Disposals generated total proceeds of £656,000 across three holdings, realising a gain of £128,000. These disposals were made to reduce fund exposure to specific shareholdings.

Portfolio valuation

The most notable movements in the portfolio over the period were;

Craneware plc, the provider of billing software solutions in the US healthcare market, saw earnings progress along with forward order book. Given the confidence in future earnings the company experienced a re-rating in the period resulting in an increase in value of £950,000.

Science in Sport plc, the manufacturer and distributor of nutritional sports products, also saw its share price appreciate in the period, providing an unrealised gain of £394,000. The positive share price movement was a result of continued growth in turnover, up 24% at the interim stage, alongside news that the company is now supplier of nutritional products to USA Cycling.

Pittards plc, the manufacturer and distributor of speciality leathers, delivered an unrealised gain of £236,000 to the Company as the share price appreciated on the back of broadly positive interim results and the potential positive currency tailwinds.

Meanwhile, on the negative side, Sprue Aegis plc, the manufacturer of smoke and carbon monoxide alarms experienced further share price malaise following a recall of some of its smoke alarms after a non-critical battery problem in some of its products. The effect on the portfolio was a reduction in value of £315,000. Since the period end the company has announced that the battery issue has been resolved and it has recommenced product shipment into its key German market. We continue to believe in the longer term opportunity for Sprue Aegis with regulatory influences likely to provide opportunity for earnings progression.

Inland Homes experienced the largest fall in the portfolio of £527,000 on the back of post Brexit property concerns which affected the housing sector. We feel that these fears have been overdone given the nature of land portfolio and housing demand that Inland has.

Overall the quoted portfolio produced unrealised gains of £1.3 million and realised gains of £128,000 over the six months.

Outlook

We remain satisfied with the state of the portfolios. The unquoted portfolio now comprises a number of investments which are in the process of commencing new businesses which potentially increases the risk profile. However, it is the nature of VCTs that they support young businesses and we believe the Company is well placed to continue producing a steady return for investors.

Downing LLP

6 December 2016

UNAUDITED BALANCE SHEET

as at 30 September 2016

	Note	30 Sep 2016 £'000	30 Sep 2015 £'000	31 Mar 2016 £'000
Fixed assets				
Investments		<u>87,644</u>	<u>63,931</u>	<u>65,445</u>
Current assets				
Debtors		248	867	292
Cash at bank and in hand		<u>8,118</u>	<u>18,118</u>	<u>26,713</u>
		8,366	18,985	27,005
Creditors: amounts falling due within one year		(239)	(308)	(342)
Net current assets		<u>8,127</u>	<u>18,677</u>	<u>26,663</u>
Net assets		<u><u>95,771</u></u>	<u><u>82,608</u></u>	<u><u>92,108</u></u>
Capital and reserves				
Called up share capital	8	1,014	839	932
Capital redemption reserve	9	1,536	1,517	1,525
Share premium	9	11,624	75,226	2,792
Share capital to be issued	9	1,353	271	4,423
Special reserve	9	81,704	5,702	86,483
Capital reserve – unrealised	9	(2,050)	(1,520)	(4,680)
Revenue reserve	9	590	573	633
		<u>95,771</u>	<u>82,608</u>	<u>92,108</u>
Equity shareholders' funds		<u><u>95,771</u></u>	<u><u>82,608</u></u>	<u><u>92,108</u></u>
Basic and diluted net asset value per share	7	93.1p	98.1p	94.1p

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2016

	Six months ended 30 September 2016			Six months ended 30 September 2015			Year ended 31 March 2016	
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
Income		859	-	859	1,658	-	1,658	2,790
Gains/(losses) on investments								
- realised		-	491	491	-	1,329	1,329	3,339
- unrealised		-	1,681	1,681	-	1,705	1,705	(1,097)
		859	2,172	3,031	1,658	3,034	4,692	5,032
Investment management fees		(439)	(439)	(878)	(378)	(378)	(756)	(1,512)
Other expenses		(331)	-	(331)	(342)	-	(342)	(928)
Return on ordinary activities before tax		89	1,733	1,822	938	2,656	3,594	2,592
Tax on total comprehensive income and ordinary activities		(132)	132	-	(119)	119	-	-
(Loss)/return attributable to equity shareholders	5	(43)	1,865	1,822	819	2,775	3,594	2,592
Basic and diluted return per share		0.0p	1.9p	1.9p	1.0p	3.3p	4.3p	3.0p

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS102"). There are no other items of comprehensive income. The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 by the Association of Investment Companies ("AIC SORP").

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2016

	Share Capital £'000	Capital redemption reserve £'000	Share premium account £'000	Funds held in respect of shares not yet allotted £'000	Special reserve £'000	Capital reserve -realised £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
For the six months ended 30 September 2016									
At 1 April 2016	932	1,525	2,792	4,423	86,483	-	(4,680)	633	92,108
Total comprehensive income	-	-	-	-	-	184	1,681	(43)	1,822
Realisation of revaluations from previous years*	-	-	-	-	-	(949)	949	-	-
Transfer between reserves**	-	-	-	-	(3,592)	3,592	-	-	-
<i>Transactions with owners</i>									
Dividends paid	-	-	-	-	-	(2,827)	-	-	(2,827)
Unallotted shares	-	-	-	1,353	-	-	-	-	1,353
Issue of new shares	93	-	8,832	(4,423)	(202)	-	-	-	4,300
Share issue costs	-	-	-	-	-	-	-	-	-
Purchase of own shares	(11)	11	-	-	(985)	-	-	-	(985)
At 30 September 2016	1,014	1,536	11,624	1,353	81,704	-	(2,050)	590	95,771

* A transfer of £949,000 representing previously recognised unrealised gains on disposal of investments during the period ended 30 September 2016 (year ended 31 March 2016: £779,000) has been made from the Capital Reserve realised to the Special reserve.

** A transfer of £3.6 million representing realised gains on disposal of investments, less capital expenses and capital dividends in the year (year ended 31 March 2016: £1.6 million) has been made from Capital Reserves – realised to Special reserve.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Share Capital £'000	Capital redemption reserve £'000	Share premium account £'000	Funds held in respect of shares not yet allotted £'000	Special reserve £'000	Capital reserve -realised £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2016									
At 1 April 2015	798	1,500	69,714	2,593	7,523	-	(2,805)	594	79,917
Total comprehensive income	-	-	-	-	-	2,809	(1,096)	879	2,592
Cancellation of Share Premium account	-	-	(82,321)	-	82,321	-	-	-	-
Realisation of revaluations from previous years	-	-	-	-	-	779	(779)	-	-
Transfer between reserves	-	-	-	-	(803)	803	-	-	-
<i>Transactions with owners</i>									
Dividends paid	-	-	-	-	-	(4,391)	-	(840)	(5,231)
Unallotted shares	-	-	-	4,423	-	-	-	-	4,423
Issue of new shares	159	-	15,399	(2,593)	-	-	-	-	12,965
Share issue costs	-	-	-	-	(296)	-	-	-	(296)
Purchase of own shares	(25)	25	-	-	(2,262)	-	-	-	(2,262)
At 31 March 2016	932	1,525	2,792	4,423	86,483	-	(4,680)	633	92,108

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 September 2016

	30 Sep 2016 £'000	30 Sep 2015 £'000	31 Mar 2016 £'000
Cash flow from operating activities			
Profit on ordinary activities before taxation	1,822	3,594	2,592
Gains on investments	(2,172)	(3,034)	(2,242)
Decrease/(Increase) in debtors	44	(363)	300
Decrease in creditors	(102)	(419)	(385)
Cash from operations			
Corporation tax paid	-	-	-
Net cash (utilised)/generated from operating activities	<u>(408)</u>	<u>(222)</u>	<u>265</u>
Cash flow from investing activities			
Purchase of investments	(25,577)	(8,180)	(21,456)
Proceeds from disposal of investments	5,549	16,567	27,448
Net cash (utilised)/generated from investing activities	<u>(20,028)</u>	<u>8,387</u>	<u>5,992</u>
Cash flows from financing activities			
Proceeds from share issue	8,925	5,570	15,352
Funds held in respect of shares not yet allotted	(3,070)	(2,321)	1,831
Share issue costs	(202)	(116)	(296)
Purchase of own shares	(985)	(1,517)	(2,262)
Equity dividends paid	(2,827)	(2,520)	(5,026)
Net cash generated/(utilised) from financing activities	<u>1,841</u>	<u>(904)</u>	<u>9,599</u>
(Decrease)/increase in cash	<u>(18,595)</u>	<u>7,261</u>	<u>15,856</u>
Net increase in cash			
Beginning of year	26,713	10,857	10,857
Net cash (outflow)/inflow	<u>(18,595)</u>	<u>7,261</u>	<u>15,856</u>
End of year	<u>8,118</u>	<u>18,118</u>	<u>26,713</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 30 September 2016

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio by value
Top ten venture capital investments (by value)				
Vulcan Renewables Limited	5,030	5,548	-	5.8%
DoneLoans Limited	5,000	5,000	-	5.2%
Downing Care Homes Holdings Limited	3,880	4,250	-	4.4%
Tracsis plc*	1,443	3,969	116	4.1%
Cadbury House Holdings Limited	3,082	3,075	200	3.2%
Baron House Developments LLP	2,695	2,695	-	2.8%
Universe Group plc*	1,506	2,561	-	2.7%
Brownfields Trading Limited	2,500	2,500	-	2.6%
Jito Trading Limited	2,500	2,500	-	2.6%
Morova Limited	2,500	2,500	-	2.6%
	<u>30,136</u>	<u>34,598</u>	<u>316</u>	<u>36.0%</u>
Other venture capital investments	<u>60,333</u>	<u>53,046</u>	<u>1,365</u>	<u>55.4%</u>
	<u>90,469</u>	<u>87,644</u>	<u>1,681</u>	<u>91.4%</u>
Cash at bank and in hand		<u>8,118</u>		<u>8.6%</u>
Total investments		<u>95,762</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

* quoted on AIM

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 30 September 2016

Additions

£'000

Quoted

SysGroup plc

377

377

Unquoted

DoneLoans Limited

5,000

Brownfields Trading Limited

2,500

Yamuna Renewables Limited

2,500

Vectis Alpha Limited

2,500

Morova Limited

2,500

Jito Trading Limited

2,500

Rhodes Solutions Limited

2,500

Pantheon Trading Limited

1,500

Ironhide Generation Limited

1,500

Indigo Generation Limited

920

Rockhopper Renewables Limited

920

Avid Technologies Group Limited

738

SF Renewables (Solar) Limited

700

422

25,200

Total additions

25,577

SUMMARY OF INVESTMENT MOVEMENTS (continued)

for the six months ended 30 September 2016

Disposals

	Cost £'000	Value at 31/03/16* £'000	Disposal Proceeds £'000	Gain/(loss) against cost £'000	Realised gain/(loss) in period £'000
Quoted					
Market sales					
Science in Sport plc	447	385	515	68	130
Avacta plc	79	101	85	6	(16)
PHSC plc	52	42	56	4	14
	<u>578</u>	<u>528</u>	<u>656</u>	<u>78</u>	<u>128</u>
Unquoted					
<i>Including loan note redemptions</i>					
Kidspace Adventures Holdings Limited	2,577	2,773	2,787	210	14
Hobblers Heath Limited	912	912	912	-	-
Kidspace Adventures Limited	261	261	261	-	-
Tramps Nightclub Limited	170	102	200	30	98
Quadrate Catering Limited	35	35	195	160	160
Future Biogas (Reepham Road) Limited	174	130	174	-	44
Aminghurst Limited	166	166	166	-	-
Future Biogas (SF) Limited	131	131	131	-	-
Redmed Limited	62	20	22	(40)	2
Kilmarnock Monkey Bar Limited	-	-	16	16	16
Camandale Limited	-	-	15	15	15
Liverpool Nurseries (Holdings) Limited	-	-	14	14	14
Rostima Holdings Limited	1,042	-	-	(1,042)	-
	<u>5,530</u>	<u>4,530</u>	<u>4,893</u>	<u>(637)</u>	<u>363</u>
	<u>6,108</u>	<u>5,058</u>	<u>5,549</u>	<u>(559)</u>	<u>491</u>

* adjusted for purchases in the period

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2016

1. General Information

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

2. Basis of accounting

The unaudited half-yearly financial results cover the six months to 30 September 2016 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 March 2016, which were prepared in accordance with the Financial Reporting Standard 102 ("FRS102") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised November 2014 ("SORP").

3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.

4. The comparative figures were in respect of the six months ended 30 September 2015 and the year ended 31 March 2016 respectively.

5. Return per share

	Weighted average number of shares in issue	Revenue (loss)/return £'000	Capital Gain £'000
Period ended 30 September 2016	99,896,761	(43)	1,865
Period ended 30 September 2015	83,951,159	819	2,775
Year ended 31 March 2016	85,175,415	879	1,713

6. Dividends paid in the period

Date paid	Six months ended 30 September 2016			Year ended 31 March 2016	
	Revenue £'000	Capital £'000	Total £'000	Total £'000	
2016 Final	12 August 2016: 3.0p	-	2,827	2,827	-
2016 Interim	26 February 2016: 3.0p	-	-	-	2,711
2015 Final	7 August 2015: 3.0p	-	-	-	2,520
		-	2,827	2,827	5,231

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2016 (continued)

7. Basic and diluted net asset value per share

	Shares in issue	Net assets £'000	NAV per share pence
Period ended 30 September 2016	101,392,582	<u>95,771</u>	93.1
Period ended 30 September 2015	83,896,034	<u>82,608</u>	98.1
Year ended 31 March 2016	93,220,222	<u>92,108</u>	94.1

8. Called up share capital

	Shares in issue	£'000
Period ended 30 September 2016	101,392,582	<u>1,014</u>
Period ended 30 September 2015	83,896,034	<u>839</u>
Year ended 31 March 2016	93,220,222	<u>932</u>

9. Reserves

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.

	30 Sep 2016 £'000	30 Sep 2015 £'000	31 Mar 2016 £'000
Capital redemption reserve	1,536	1,517	1,525
Share premium account	11,624	75,226	2,792
Funds held in respect of shares not yet allotted	1,353	271	4,423
Special reserve	81,704	5,702	86,483
Revaluation reserve	(2,050)	(1,520)	(4,680)
Revenue reserve	590	573	633
Total reserves	<u>94,757</u>	<u>81,769</u>	<u>91,176</u>

Distributable reserves are calculated as follows:

	30 Sep 2016 £'000	30 Sep 2015 £'000	31 Mar 2016 £'000
Special reserve	81,704	5,702	86,483
Revenue reserve	590	573	633
Unrealised losses (excluding unrealised unquoted gains)	(10,567)	(4,208)	(7,214)
	<u>71,727</u>	<u>2,067</u>	<u>79,902</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2016 (continued)

10. Investments

The fair value of investments is determined using the detailed accounting policy as shown in the audited financial statements for the year ended 31 March 2016. The Company has categorised its financial instruments using the fair value hierarchy as follows:

Level a Reflects financial instruments quoted in an active market (quoted companies and fixed interest bonds);

Level b Reflects financial instruments that have prices that are observable either directly or indirectly; and

Level c i) Reflects financial instruments that use valuation techniques that are based on observable market data.

ii) Reflects financial instruments that use valuation techniques that are not based on observable market data (investments in unquoted shares and loan note investments).

	30 Sep				31 Mar			
	Level a	Level b	Level c	2016	Level a	Level b	Level c	2016
			(ii)				(ii)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Quoted on AIM	24,857	-	-	24,857	23,721	-	-	23,721
Quoted on ISDX	30	-	-	30	30	-	-	30
Unquoted loan notes	-	-	26,841	26,841	-	-	24,489	24,489
Unquoted equity	-	-	35,916	35,916	-	-	17,205	17,205
	<u>24,887</u>	<u>-</u>	<u>62,757</u>	<u>87,644</u>	<u>23,751</u>	<u>-</u>	<u>41,694</u>	<u>65,445</u>

11. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 March 2016 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Auditor's report on those financial statements was unqualified.

12. Going concern

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

The Directors confirm that they are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, the Directors believe that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2016 (continued)

13. Risks and uncertainties

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

The Board has concluded that the key risks are:

- (i) compliance risk of failure to maintain approval as a VCT; and
- (ii) investment risk associated with investing in small and immature businesses.

The Company's compliance with the VCT regulations is continually monitored by the Adviser, who regularly reports to the Board on the current position. The Company also retains Philip Hare & Associates LLP to provide regular reviews and advice in this area.

In order to make VCT qualifying investments, the Company has to invest in small businesses which are often immature. It also has a limited period in which it must invest the majority of its funds into VCT qualifying investments. The Adviser follows a rigorous process in vetting and careful structuring of new investments, including taking a charge over the assets of the business wherever possible and, after an investment is made, closely monitoring the business.

The Board is satisfied that these approaches provide satisfactory management of the key risks.

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

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

15. Copies of the unaudited half-yearly financial results will be sent to Shareholders shortly. Further copies can be obtained from the Company's Registered Office and will be available for download from www.downing.co.uk

SHAREHOLDER INFORMATION (continued from inside front cover)

Share price

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

TIDM/EPIC codes	New Ordinary Shares
Latest share price (5 December 2016):	DDV1 87.25p per share

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 capital gains in respect of shares acquired prior to 6 April 2004, took part in the Share Realisation and Reinvestment Programme or purchased Ordinary Shares within the last five years.

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

Chris Lloyd
020 7886 2716
chris.lloyd@panmure.com

Paul Nolan
020 7886 2717
paul.nolan@panmure.com

Notification of change of address

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

Other information for Shareholders

Up-to-date Company information (including company announcements, 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 number shown on the back cover or visit Capita's website at www.capitaassetservices.com and click on "Shareholders and employees".

Directors

Chris Kay (Chairman)
Barry Dean
Stuart Goldsmith
Andrew Griffiths
Helen Sinclair

Company Secretary and Registered Office

Grant Whitehouse
Ergon House
Horseferry Road
London SW1P 2AL

Registered No. 3150868

Investment Adviser and Administration Manager

Downing LLP
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Tel: 020 7416 7780

Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

www.capitaassetservices.com
Tel: 0871 664 0324

(calls cost 10p per minute plus network extras,
lines open Monday to Friday 8:30am to 5:30pm)



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