

Downing FOUR VCT plc

Half Yearly Report
for the six months ended
30 September 2018



FINANCIAL HIGHLIGHTS

	18 Dec 2018 Pence	30 Sept 2018 Pence	31 March 2018 Pence	30 Sept 2017 Pence
DSO D Share Pool				
Net Asset Value per DSO D Share		30.3	54.4	78.5
Cumulative dividends per DSO D Share		76.5	52.5	27.5
Estimated Performance Incentive *		(4.4)	(4.4)	(4.2)
Total Return per DSO D Share		<u>102.4</u>	<u>102.5</u>	<u>101.8</u>
DP67 Share Pool				
Net Asset Value per DP67 Share		50.5	50.0	68.7
Cumulative dividends per DP67 Share		49.8	49.8	29.8
Total Return per DP67 Share		<u>100.3</u>	<u>99.8</u>	<u>98.5</u>
DP2011 General Share Pool				
Net Asset Value per DP2011 Gen Ord Share		-	-	15.0
Net Asset Value per DP2011 Gen A Share		13.0	20.3	34.4
Cumulative dividends per DP2011 Gen Ord Share and Gen A Share		92.0	85.0	55.0
Total Return per DP2011 Gen Ord Share and Gen A Share		<u>105.0*</u>	<u>105.3*</u>	<u>104.4*</u>
<i>Estimated remaining Performance Incentive (already included above) *</i>		2.3	3.6	5.2
DP2011 Structured Share Pool				
Net Asset Value per DP2011 Struc Ord Share		-	-	5.0
Net Asset Value per DP2011 Struc A Share		9.8	15.0	34.5
Cumulative dividends per DP2011 Struc Ord Share and Struc A Share		95.0	90.0	65.0
Total Return per DP2011 Struc Ord Share and Struc A Share		<u>104.8*</u>	<u>105.0*</u>	<u>104.5*</u>
<i>Estimated remaining Performance Incentive (already included above) *</i>		1.7	2.7	5.2
Generalist Share Pool				
Net Asset Value and Total Return per Generalist Share	<u>87.0</u>	<u>92.7</u>	<u>95.5</u>	<u>98.7</u>
Healthcare Share Pool				
Net Asset Value and Total Return per Healthcare Share	<u>84.0</u>	<u>88.7</u>	<u>94.6</u>	<u>98.6</u>

*A full explanation of the Performance Incentive arrangements for each Share Pool is given on page 34.

SHAREHOLDER INFORMATION

Dividends

Dividends will be paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose.

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

Share scam warning

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

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

Other information for Shareholders

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

www.downing.co.uk

If you have any queries regarding your shareholding in Downing FOUR VCT plc, please contact the registrar on the above number or visit Link's website at www.linkassetservices.com and click on "shareholders".

SHAREHOLDER INFORMATION (continued)

Share prices

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

Shares	TIDM	Share price (pence per share) (at 18 December 2018)
DSO D Shares	DO1D	15.5
DP67 Ordinary Shares	D467	35.0
DP2011 General Ordinary Shares	D400	8.0
DP2011 General A Shares	D40A	10.505
DP2011 Structured Ordinary Shares	D4SO	15.5
DP2011 Structured A Shares	D4SA	10.005
Generalist Shares	D4G	95.0
Healthcare Shares	D4H	100.0

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

Share buyback policy

The Company operates a policy, subject to applicable regulations, market conditions at the time and the Company having both the necessary funds and distributable reserves available for the purpose, of buying Generalist and Healthcare Shares that become available in the market at a price equal to the latest published Net Asset Value (i.e. at a nil discount). As the planned exit pools are in an exit phase the Company does not intend to buy in Shares of any other class.

Selling shares

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

Notification of change of address

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

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Company's Half-Yearly Report for the six months ended 30 September 2018.

Share Pools

The Company now has six active Share Pools, four of which are winding down. This report includes sections covering the individual Share Pools and I will give a brief overview of each.

Planned exit Share Pools

DSO D Share Pool

The DSO D Share Net Asset Value ("NAV") stood at 30.3p at 30 September 2018, a decrease of 0.1p per share or 0.2% over the period, after adjusting for the dividends paid in the period. Total Return now stands at 102.4p per share, compared to the cost for Shareholders who invested in the DSO D Share offer, net of income tax relief, of 70.0p. Based on the current performance it is estimated that a performance fee equivalent to 4.4p per DSO D Share may become payable to the Manager. This has been reflected in the Total Return figure shown above. Further details of the Performance Incentive arrangements are set out on page 34.

Following a number of disposals from the DSO D Share Pool, the second major distribution of 24.0p per DSO D Share was paid on 13 August 2018. Realisation plans are progressing in respect of the remaining investments and we expect to be in a position to make a final distribution to Shareholders during 2019.

DP67 Share Pool

As at 30 September 2018, the NAV of the DP67 Shares stood at 50.5p per share. This represents an increase of 0.5p (1.0%) over the period. Total Return for DP67 shareholders now stands at 100.3p per share, compared to the cost for Shareholders who invested in the original offers, net of income tax relief, of 70.0p.

There are plans in place to exit from all of the remaining investments in the DP67 portfolio and, following the dividend of 20.0p per DP67 Share paid on 16 March 2018, we anticipate that the remaining value will be distributed to Shareholders through the payment of one final dividend, which we anticipate should be paid in the coming months.

DP2011 General Share Pool

The DP2011 General Share Pool is in the process of returning funds to Shareholders. After providing for an estimated Performance Incentive of 2.3p per DP2011 General Ordinary Share, as at 30 September 2018, the NAV of a combined holding of one DP2011 General Ordinary Share and one DP2011 General A Share stood at 13.0p per share. This represents a decrease of 0.3p or 1.5% after adjusting for dividends paid during the period, as well as the Performance Incentive estimate. Further details of the Performance Incentive arrangements are set out on page 34.

Total Return for DP2011 General Shareholders now stands at 105.0p, compared to the cost for Shareholders who invested in the original offer, net of income tax relief, of 70.0p.

On 13 August 2018 a dividend of 7.0p per DP2011 General A Share was paid, bringing total dividends paid to Shareholders to 92.0p for a combined holding. As the portfolio now consists of a small number of investments, all with plans to exit, it is expected that the remaining proceeds will be distributed to Shareholders by way of one closing dividend in the first half of 2019.

DP2011 Structured Share Pool

The DP2011 Structured Share Pool is at a similar stage to the DP2011 General Share Pool. After providing for an estimated Performance Incentive of 1.7p per DP2011 Structured Ordinary Share, as at 30 September 2018, the NAV of a combined holding of one DP2011 Structured Ordinary Share and one DP2011 Structured A Share stood at 9.8p per share. This represents a decrease of 0.2p or 1.3% after adjusting for dividends paid during the period, as well as the Performance Incentive estimate. Further details of the Performance Incentive arrangements are set out on page 34.

Total Return for DP2011 Structured Shareholders now stands at 104.8p, compared to the cost for Shareholders who invested in the original offer, net of income tax relief, of 70.0p.

CHAIRMAN'S STATEMENT (continued)

DP2011 Structured Share Pool (continued)

On 13 August 2018 a dividend of 5.0p per DP2011 Structured A Share was paid, bringing total dividends paid to Shareholders to 95.0p for a combined holding. As the portfolio now consists of a small number of investments, all with plans to exit, it is expected that the remaining proceeds will be distributed to Shareholders by way of one closing dividend in the first half of 2019.

Evergreen Share Pools

Generalist Share Pool

As at 30 September 2018, the Generalist Share NAV and Total Return stood at 92.7p, a decrease of 2.8p per share or 2.9% over the period. This fall is attributable to a combination of the unrealised holding losses on the Venture Capital portfolio and the "cash-drag" of holding uninvested funds. Since the period end, there has been a significant decline in global stock markets. This has impacted the valuation of Public Equity investments. At 18 December 2018, the Generalist NAV stood at 87.0p per share.

As detailed in the Investment Manager's Report, the process of building the Generalist portfolio is progressing well, with £5.2 million having been invested in VCT Qualifying Investments during the six months to 30 September 2018. More than 40% of the funds are now invested in VCT Qualifying investments. The Manager has a good pipeline of investment opportunities from which the portfolio will continue to be built over the coming years.

Healthcare Share Pool

As at 30 September 2018, the Healthcare Share NAV and Total Return stood at 88.7p, a decrease of 5.9p per share or 6.2% over the period. This fall is the result of unrealised holding losses in respect of the Venture Capital portfolio, coupled with the "cash-drag" of holding uninvested funds. As with the Generalist Share Pool, the falls in global stock markets have impacted the Public Equity investments and other quoted investments. At 18 December 2018, the Healthcare NAV stood at 84.0p per share.

As outlined in the Investment Manager's Report, the process of building the Healthcare portfolio is ongoing, with £2.7 million invested in VCT Qualifying Investments during the six months to 30 September 2018. As this is a specialist sector, the process of investing Healthcare funds presents more challenges than that of the Generalist Share Pool. However, the Manager has a good pipeline of investment opportunities from which the portfolio will continue to be built over the coming years.

Dividends

Dividends in respect of the planned exit Share Pools will be announced as and when sufficient realisations have taken place.

No dividends have been declared with respect to Generalist and Healthcare Share Pools, due to the effective restriction on paying dividends in the first three years following a share issue.

Share buybacks

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

In respect of the planned exit pools, the Board does not intend to buy in any of those shares as exits for these Shareholders will be facilitated by way of distributions.

During the period the Company repurchased 14,400 Generalist Shares at an average price of 95.7p per Share. The Shares were subsequently cancelled.

Fundraising

The Company has launched further fundraisings in respect of the Generalist and Healthcare Share Pools. The Company plans to raise approximately £20 million of Generalist funds and £10 million of Healthcare funds, with an over-allotment facility which could increase these totals to approximately £40 million and £30 million respectively.

CHAIRMAN'S STATEMENT (continued)

Fundraising (continued)

Downing LLP, the Manager and Promoter, considers there to be a strong pipeline of investment opportunities available to the Company, and the decision to raise additional funds was recommended to Shareholders and the Board as a result.

We look forward to reporting on developments in the Annual Report to 31 March 2019, to be published in July 2019, by which time we expect that the planned exit processes will be substantially complete.

Board composition

The Directors review the composition and effectiveness of the Board at regular intervals to ensure that it continues to comply with the applicable regulations, is consistent with best practice and remains effective for Shareholders.

The new Corporate Governance Code will become effective for the Company at the start of the next financial year and introduces some changes. In order to ensure continued compliance, I will step down as Chairman of the Company on 31 December 2018 but will continue on the Board as a non-executive director. I am pleased to announce that Sir Aubrey Brocklebank has agreed to chair the Company from 1 January 2019 onwards. Sir Aubrey joined the Board at the time of the merger with two other VCTs in 2015 and has extensive experience in the VCT sector. I am confident that that he will be an excellent chairman for the Company.

We believe that the three-person Board has operated effectively and efficiently since it was established in 2015 and continues to do so. With the changing landscape of VCT regulations and the new focus of investment activity, the Board will continue to regularly review the structure and, of course, consider adjustments if it concludes that they would be beneficial.

Outlook

For the remainder of this financial year, there will be a dual focus for the Board and Manager, of working to return funds to investors in the four remaining planned exit Share Pools, whilst also continuing to develop the Generalist and Healthcare portfolios.

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



Lord Flight
Chairman

19 December 2018

INVESTMENT MANAGER'S REPORT

DSO D SHARE POOL

Portfolio valuation

As at 30 September 2018, the DSO D Share Pool had a portfolio of seven investments with a value of £1.5 million.

The most significant valuation adjustment during the period was in respect of Apex Energy Limited, which has been written down by £200,000. Technical issues have impacted on operations of the business and the valuation has been adjusted to reflect the additional work required.

Other valuation movements amount to a net uplift of £24,000.

Portfolio activity

Three full realisations took place during the period, generating proceeds of £2.2 million.

Goonhilly Earth Station Limited, the owner and operator of the afore-named Satellite Earth Station in Cornwall, was sold during the period, generating proceeds of £878,000 and a gain over cost of £163,000. Loan note interest of £49,000 was also recovered on exit.

Merlin Renewables Limited, the owner and operator of an Anaerobic Digestion plant in Norfolk, was also sold during the period, generating proceeds of £770,000 and realising a gain over cost of £270,000.

The final of the three realisations was in respect of Nightjar Sustainable Power Limited, the owner and operator of a run-of-river hydroelectric scheme in Scotland. The DSO D interest in the company was refinanced by existing investors for £600,000, resulting in a gain over cost of £115,000.

Results and Net Asset Value

The Net Asset Value ("NAV") per DSO D Share at 30 September 2018 stood at 30.3p, a decrease of 0.1p or 0.2% over the period after adjusting for dividends paid. Total Return stands at 102.4p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per share.

The loss on ordinary activities after taxation for the period was £7,000, comprising a revenue loss of £29,000 and a capital gain of £22,000.

Dividends

In light of the realisations from the DSO D Share Pool during the period, the second significant distribution, being 24.0p per DSO D Share, was paid on 13 August 2018.

We expect that the remaining NAV will be distributed to Shareholders by way of one closing dividend, and we anticipate that this will be paid during the summer of 2019.

Outlook

Although the portfolio is now reasonably small in value, as it is made up of investments in seven different companies we expect that it will take some months to execute the realisation plans in place.

A further update on the progress of the realisation plans will be provided in the Annual Report to 31 March 2019.

Downing LLP

19 December 2018

SUMMARY OF INVESTMENT PORTFOLIO

DSO D SHARE POOL

as at 30 September 2018

	Cost £000	Valuation £000	Unrealised (loss)/gain in period £000	% of portfolio by value
Venture Capital investments				
Lambridge Solar Limited	500	605	(21)	25.1%
Pearce and Saunders Limited	300	354	54	14.7%
Fresh Green Power Limited	189	231	-	9.6%
Apex Energy Limited	400	200	(200)	8.3%
Green Energy Production UK Limited	100	74	(6)	3.1%
Pearce and Saunders DevCo Limited*	126	20	-	0.8%
Fubar Stirling Limited	20	5	(3)	0.2%
	<u>1,635</u>	<u>1,489</u>	<u>(176)</u>	<u>61.8%</u>
Cash at bank and in hand		921		38.2%
Total investments		<u>2,410</u>		<u>100.0%</u>

* non-qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS

DSO D SHARE POOL

for the period ended 30 September 2018

Disposals	Cost £000	Valuation at 31/03/2018 £000	Disposal proceeds £000	Total gain against cost £000	Realised gain in period £000
Venture Capital investments					
Goonhilly Earth Station Limited	715	715	878	163	163
Merlin Renewables Limited	500	719	770	270	51
Nightjar Sustainable Power Limited	485	600	600	115	-
	<u>1,700</u>	<u>2,034</u>	<u>2,248</u>	<u>548</u>	<u>214</u>

DIVIDEND HISTORY

DSO D SHARE POOL

Period end	Date paid	Pence per share
2012 Final	28 September 2012	2.5
2013 Interim	25 January 2013	2.5
2013 Final	13 September 2013	2.5
2014 Interim	24 January 2014	2.5
2014 Final	30 September 2014	2.5
2015 Interim	30 January 2015	2.5
2015 Second interim	30 September 2015	2.5
2016 Interim	23 December 2015	2.5
2016 Final	30 September 2016	2.5
2017 Interim	6 January 2017	2.5
2017 Final	29 September 2017	2.5
2018 Special	2 November 2017	25.0
2018 Interim	13 August 2018	24.0
		<u>76.5</u>

INVESTMENT MANAGER'S REPORT DP67 SHARE POOL

Portfolio valuation

As at 30 September 2018, the DP67 Share Pool had a portfolio of seven investments with a value of £4.6 million.

The only valuation adjustment during the period was in respect of Fenkle Street LLP. The DP67 Share Pool received profit distributions of £75,000, which have been recorded as income for the Share Pool. In light of the receipt of this income, the valuation of the investment has been reduced by the same amount.

Results and Net Asset Value

The Net Asset Value ("NAV") per DP67 Share at 30 September 2018 stood at 50.5p, an increase of 0.5p (1.0%) over the period. Total Return stands at 100.3p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per share.

The profit on ordinary activities after taxation for the period was £58,000, comprising a revenue gain of £77,000 and a capital loss of £19,000.

Dividends

The first significant distribution of 20.0p per DP67 Share was paid on 16 March 2018.

We expect that the remaining value will be distributed to Shareholders by way of one final dividend which we are optimistic can be paid in the coming months.

Outlook

Our focus for this Share Pool is on delivering the exit plans currently in place for each of its investments and making a final distribution to Shareholders.

Downing LLP

19 December 2018

SUMMARY OF INVESTMENT PORTFOLIO

DP67 SHARE POOL

as at 30 September 2018

	Cost £000	Valuation £000	Unrealised loss in period £000	% of portfolio by value
Venture Capital investments				
Cadbury House Holdings Limited	1,409	1,613	-	31.8%
Snow Hill Developments LLP*	584	830	-	16.4%
Fenkle Street LLP*	405	603	(75)	11.9%
Gatewales Limited*	343	527	-	10.4%
Oak Grove Renewables Limited	820	492	-	9.7%
Yamuna Energy Limited	400	400	-	7.9%
London City Shopping Centre Limited*	99	99	-	2.0%
	<u>4,060</u>	<u>4,564</u>	<u>(75)</u>	<u>90.1%</u>
Cash at bank and in hand		501		9.9%
Total investments		<u>5,065</u>		<u>100.0%</u>

* non-qualifying investment

DIVIDEND HISTORY

DP67 SHARE POOL

Period end	Date paid	Pence per share
Pre-merger dividends		21.8
2016 Interim	23 December 2015	2.0
2016 final	30 September 2016	2.0
2017 Interim	6 January 2017	2.0
2017 Final	29 September 2017	2.0
2018 Special	16 March 2018	20.0
		<u>49.8</u>

INVESTMENT MANAGER'S REPORT DP2011 GENERAL SHARE POOL

Portfolio valuation

As at 30 September 2018, the DP2011 General Share Pool had a portfolio of seven investments with a value of £2.2 million.

The value of the portfolio is materially unchanged from 31 March 2018, with a small overall reduction in value of £19,000 during the period.

Net Asset Value and results

The combined Net Asset Value ("NAV") of one DP2011 General Ordinary Share and one DP2011 General A Share at 30 September 2018 stood at 13.0p, a decrease of 0.3p or 1.5% over the period after adjusting for dividends paid. Total Return stands at 105.0p per share compared to an initial cost to Shareholders, net of income tax relief, of 70.0p per share.

The loss on ordinary activities after taxation for the period was £58,000, comprising a revenue loss of £22,000 and a capital loss of £36,000.

Dividends

The DP2011 General Share Pool commenced the process of returning funds to Shareholders in late 2016. Following the dividend of 7.0p per DP2011 General A Share, paid on 13 August 2018, the Share Pool is awaiting its final exits before announcing a closing dividend. We believe this can be achieved in the first half of 2019.

Outlook

Our focus for this Share Pool is on completing the final investment realisations to allow the payment of a final distribution.

Downing LLP

19 December 2018

SUMMARY OF INVESTMENT PORTFOLIO DP2011 GENERAL SHARE POOL

as at 30 September 2018

	Cost £000	Valuation £000	Unrealised loss in period £000	% of portfolio by value
Venture Capital investments				
Snow Hill Developments LLP*	750	1,178	-	48.4%
Wickham Solar Limited	550	635	(15)	26.1%
Oak Grove Renewables Limited	400	254	-	10.1%
London City Shopping Centre Limited*	88	88	-	3.6%
Mosaic Spa and Health Clubs Limited*	96	64	-	2.6%
Fubar Stirling Limited	133	5	(4)	0.2%
Odysian (Holdings) Limited	233	-	-	0.0%
	<u>2,250</u>	<u>2,224</u>	<u>(19)</u>	<u>91.0%</u>
Cash at bank and in hand		208		9.0%
Total investments		<u>2,432</u>		<u>100.0%</u>

* non-qualifying investment

DIVIDEND HISTORY DP2011 GENERAL SHARE POOL

Period end	Date paid	Pence per share
Pre-merger dividends		20.0
2016 Interim	23 December 2015	2.5
2016 Special	2 September 2016	22.5
2017 Special	14 February 2017	10.0
2018 Special	2 November 2017	30.0
2018 Interim	13 August 2018	7.0
		<u>92.0</u>

INVESTMENT MANAGER'S REPORT DP2011 STRUCTURED SHARE POOL

Portfolio valuation

As at 30 September 2018, the DP2011 Structured Share Pool had a portfolio of five investments with a value of £1.0 million.

The value of the portfolio is materially unchanged from 31 March 2018, with a small overall reduction in value of £17,000 during the period.

Net Asset Value and results

The combined Net Asset Value ("NAV") of one DP2011 Structured Ordinary Share and one DP2011 Structured A Share at 30 September 2018 stood at 9.8p, a decrease of 0.2p or 1.3% over the period after adjusting for dividends paid. Total Return stands at 104.8p per share compared to an initial cost to Shareholders, net of income tax relief, of 70.0p per share.

The loss on ordinary activities after taxation for the period was £33,000 comprising a revenue loss of £7,000 and a capital loss of £26,000.

Dividends

The DP2011 Structured Share Pool commenced the process of returning funds to Shareholders in late 2016. Following the dividend of 5.0p per DP2011 Structured A Share, paid on 13 August 2018, the Share Pool is awaiting its final exits before announcing a closing dividend. We believe this can be achieved in the first half of 2019.

Outlook

Our focus now is on completing the final investment realisations to allow the payment of a final distribution to Shareholders.

Downing LLP

19 December 2018

SUMMARY OF INVESTMENT PORTFOLIO DP2011 STRUCTURED SHARE POOL

as at 30 September 2018

	Cost £000	Valuation £000	Unrealised loss in period £000	% of portfolio by value
Venture Capital investments				
Wickham Solar Limited	550	635	(15)	51.1%
Oak Grove Renewables Limited	545	347	-	27.9%
Mosaic Spa and Health Clubs Limited	64	42	-	3.4%
Fubar Stirling Limited	90	4	(2)	0.3%
Odysian (Holdings) Limited	155	-	-	0.0%
	<u>1,404</u>	<u>1,028</u>	<u>(17)</u>	<u>82.7%</u>
Cash at bank and in hand		215		17.3%
Total investments		<u>1,243</u>		<u>100.0%</u>

DIVIDEND HISTORY DP2011 STRUCTURED SHARE POOL

Period end	Date paid	Pence per share
Pre-merger dividends		20.0
2016 Interim	23 December 2015	2.5
2016 Special	2 September 2016	32.5
2017 Special	14 February 2017	10.0
2018 Special	2 November 2017	25.0
2018 Interim	13 August 2018	5.0
		<u>95.0</u>

INVESTMENT MANAGER'S REPORT GENERALIST SHARE POOL

Portfolio activity

The ongoing process of building the Generalist portfolio has progressed well during the period, with six new and four follow-on investments totalling £5.2 million made since 31 March 2018.

VCT Qualifying Investments

£1.1 million was invested in Lignia Wood Company Limited (formerly Fibre 7 UK Limited), a producer of modified sustainable wood based in Barry, Wales.

A further £991,000 was invested in Live Better With Limited, the developer of a healthcare platform aiming to help people with long-term medical conditions, focusing on non-medical products that make day-to-day life better for patients.

£741,000 was invested in Glownet Limited, the developer of a technology solution for organisers of mass-attendance live events, which allows attendees to make cashless payments at the event.

A further £639,000 was invested in E Fundamentals (Group) Limited, via two fundraising tranches. The company provides a data analytics service that helps brand owners improve their online revenues.

£525,000 was invested in Virtual Class Limited, trading as Third Space Learning. The Company has developed an online educational platform that provides mathematics tuition to pupils studying for their Key Stage 2 exams.

A further £417,000 was invested in BridgeU Corporation, the developer of a platform providing intelligent university and course matching which is tailored to the individual student.

£250,000 was invested in ADC Biotechnology Limited, a company creating innovative new technology which aims to speed up, simplify and lower the costs of the processes involved in the production of new Antibody Drug Conjugates (ADCs). This investment was made alongside £892,000 from the Healthcare Share Pool.

£240,000 was invested in Arecor Limited, the developer of biopharmaceuticals and proprietary diabetes-related products, including ultra-fast acting insulin to treat type 1 and 2 diabetes. This investment was made alongside £880,000 from the Healthcare Share Pool.

£167,000 was invested in Masters of Pie Limited, an early-stage technology firm specialising in virtual and augmented reality software for manufacturing and wider enterprise solutions.

A further £150,000 was invested in Xupes Limited, an online retailer of pre-owned luxury goods including designer watches, handbags, jewellery and antiques.

Portfolio valuation

The carrying values of the Public Equity investments have been adjusted to reflect their quoted prices as at 30 September 2018, resulting in a net reduction of £5,000.

Ormsborough Limited has been reduced in value by £279,000 as a result of the delays and cost overruns on the company's pub developments. We have now put in place a plan for the completion of these developments.

Both Virtual Class Limited and ADC Biotechnology Limited are currently behind on their respective plans and the carrying values of these investments have been reduced by £243,000 and £146,000 respectively. However, both investments are still in an early stage and we continue to work closely with the management teams.

Destiny Pharma plc has been revalued to reflect the quoted share price as at 30 September 2018, resulting in a downward revaluation of £89,000 for the period. The business is progressing well, with the reduction in the share price being attributable to limited trading volumes during the period.

Live Better With Limited has been increased in value by £73,000 to reflect the share price at which the Generalist Share Pool most recently invested, alongside third parties.

INVESTMENT MANAGER'S REPORT GENERALIST SHARE POOL (continued)

Net Asset Value and results

At 30 September 2018, the Net Asset Value ("NAV") of a Generalist share stood at 92.7p, a decrease of 2.8p (2.9%) for the period. This fall is attributable to a combination of the unrealised holding losses on the Venture Capital portfolio and the "cash-drag" of holding uninvested funds.

The loss on ordinary activities after taxation for the period was £896,000, comprising a revenue loss of £130,000 and a capital loss of £766,000.

Outlook

The process of building the Generalist portfolio is progressing well and the Share Pool is on target to meet the 80% VCT Qualifying threshold by the required date of 1 April 2020.

There is a strong pipeline of investment opportunities available to the Share Pool, so Shareholders should expect further investment activity over the remainder of the financial year.

In addition, as the new Generalist Offer is now open, Shareholders should expect the average deal size to increase proportionately with the size of the Generalist Share Pool.

Shareholders will be provided with a further update on the progress made in investing the Generalist funds in the Annual Report to 31 March 2019, to be published in July 2019.

Downing LLP

19 December 2018

SUMMARY OF INVESTMENT ADDITIONS GENERALIST SHARE POOL

for the period ended 30 September 2018

	Cost £'000
Venture Capital investments	
Lignia Wood Company Limited (formerly Fibre 7 UK Limited)	1,111
Live Better With Limited	991
Glownet Limited	741
E Fundamentals (Group) Limited	639
Virtual Class Limited	525
BridgeU Corporation	417
ADC Biotechnology Limited	250
Arecor Limited	240
Masters of Pie Limited	167
Xupes Limited	150
Total	<u><u>5,231</u></u>

All VCT Qualifying Investments are incorporated in England and Wales.

SUMMARY OF INVESTMENT PORTFOLIO GENERALIST SHARE POOL

as at 30 September 2018

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio
Venture Capital investments				
Live Better With Limited	1,211	1,284	73	4.4%
Lignia Wood Company Limited (formerly Fibre 7 UK Limited)	1,111	1,111	-	3.8%
Maverick Pubs (Holdings) Limited	1,000	1,000	-	3.5%
E Fundamentals (Group) Limited	917	917	-	3.2%
BridgeU Corporation	811	811	-	2.8%
Empiribox Limited	750	750	-	2.6%
Xupes Limited	750	750	-	2.6%
Glownet Limited	741	741	-	2.6%
Ormsborough Limited	900	621	(279)	2.1%
Volo Commerce Limited	567	567	-	2.0%
Fenkle Street LLP*	321	321	-	1.1%
Virtual Class Limited	525	282	(243)	1.0%
Destiny Pharma plc^^	500	274	(89)	0.9%
Arecor Limited	240	240	-	0.8%
Limitless Technology Limited	173	173	-	0.6%
Masters of Pie Limited	167	167	-	0.6%
ADC Biotechnology Limited	250	104	(146)	0.4%
Snow Hill Developments LLP*	86	92	-	0.3%
Mosaic Spa and Health Clubs Limited*	37	37	-	0.1%
London City Shopping Centre Limited*	30	30	-	0.1%
	11,087	10,272	(684)	35.5%
Public Equity investments				
MI Downing Monthly Income Fund*	3,950	3,995	172	13.8%
MI Downing UK Micro-Cap Growth Fund*	4,025	3,832	(28)	13.2%
Downing Strategic Micro-Cap Investment Trust plc*^	4,100	3,608	(164)	12.5%
MI Downing Diversified Global Managers Fund*	1,800	1,848	15	6.4%
	13,875	13,283	(5)	45.9%
Total	24,962	23,555	(689)	81.4%
Cash at bank and in hand		5,396		18.6%
Total investments		28,951		100.0%

* non-qualifying investment

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

^^ listed and traded on AIM

INVESTMENT MANAGER'S REPORT HEALTHCARE SHARE POOL

Portfolio activity

The building of the Healthcare portfolio has progressed further during the six months to 30 September 2018, with one follow-on investment and two new investments totalling £2.7 million made during the period.

We have also added further resource to our Healthcare team during the period, with the recruitment of Dr Will Brooks. Will has 12 years of experience in medical research and development, academia and business in the UK and Germany. He led Healthcare investments for 15 years at Quest Management, a large European fund, where he was responsible for direct investments in Europe and the US, as well as investments in quoted companies. Will strengthens our Healthcare team significantly and, we believe, will be an invaluable asset as we continue to invest the Share Pool's funds.

VCT Qualifying Investments

£892,000 was invested in ADC Biotechnology Limited, a company creating innovative new technology which aims to speed up, simplify and lower the costs of the processes involved in the production of new Antibody Drug Conjugates (ADCs). The company has also been provided with an investment of £250,000 from the Generalist Share Pool.

A further £886,000 was invested in Live Better With Limited, the developer of a healthcare platform aiming to help people with long-term medical conditions, focusing on non-medical products that make day-to-day life better for patients. To date, the Generalist Share Pool has also invested £1.2 million in the company, alongside the Healthcare Share Pool.

£880,000 was invested in Arecor Limited, the developer of biopharmaceuticals and proprietary diabetes-related products, including ultra-fast acting insulin to treat type 1 and 2 diabetes. This investment was made alongside £240,000 from the Generalist Share Pool.

Portfolio valuation

The carrying values of the Public Equity investments have been adjusted to reflect their quoted prices as at 30 September 2018, resulting in a net uplift of £20,000.

ADC Biotechnology Limited is currently behind on its plans and the carrying value of this investment has been reduced by £520,000 as a result. However, this investment is still in an early stage and we continue to work closely with the management team.

Destiny Pharma plc has been revalued to reflect the quoted share price as at 30 September 2018, resulting in a downward revaluation of £134,000 during the period. The business is progressing well, with the reduction in the share price being attributable to limited trading volumes during the period. We remain confident that the business can deliver its potential.

Live Better With Limited has been increased in value by £73,000 to reflect the share price at which the Healthcare Share Pool most recently invested, alongside third parties.

Net Asset Value and results

At 30 September 2018, the Net Asset Value ("NAV") of a Healthcare share stood at 88.7p, a decrease of 5.9p (6.2%) for the period. This fall is attributable to a combination of the unrealised holding losses on the Venture Capital portfolio and the "cash-drag" of holding uninvested funds.

The loss on ordinary activities after taxation for the period was £719,000 comprising a revenue loss of £93,000 and a capital loss of £626,000.

Outlook

The task of building the Healthcare portfolio is underway, with a total of £3.6 million invested into VCT Qualifying investments to date. Shareholders should expect to see further investment activity over the remainder of the financial year, as the growing pipeline of investment opportunities continues to result in completed deals.

In addition, as the new Healthcare Offer is now open, Shareholders should expect the average deal size to increase proportionately with the size of the Healthcare Share Pool.

Shareholders will be provided with a further update on the progress made in investing the Healthcare funds in the Annual Report to 31 March 2019, to be published in July 2019.

Downing LLP

19 December 2018

SUMMARY OF INVESTMENT ADDITIONS HEALTHCARE SHARE POOL

for the period ended 30 September 2018

	Cost £'000
Venture Capital investments	
ADC Biotechnology Limited	892
Live Better With Limited	886
Arecor Limited	880
Total	<u>2,658</u>

All VCT Qualifying Investments are incorporated in England and Wales.

SUMMARY OF INVESTMENT PORTFOLIO HEALTHCARE SHARE POOL

as at 30 September 2018

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio
Venture Capital investments				
Live Better With Limited	1,106	1,179	73	10.8%
Arecor Limited	880	880	-	8.1%
Destiny Pharma plc^^	750	411	(134)	3.7%
ADC Biotechnology Limited	892	372	(520)	3.4%
	<u>3,628</u>	<u>2,842</u>	<u>(581)</u>	<u>26.0%</u>
Public Equity investments				
MI Downing UK Micro-Cap Growth Fund*	1,125	1,067	(8)	10.2%
Downing Strategic Micro-Cap Investment Trust plc*^	700	616	(28)	9.8%
MI Downing Diversified Global Managers Fund*	950	970	8	8.9%
MI Downing Monthly Income Fund*	1,100	1,115	48	5.6%
	<u>3,875</u>	<u>3,768</u>	<u>20</u>	<u>34.5%</u>
Total	<u><u>7,503</u></u>	<u><u>6,610</u></u>	<u><u>(561)</u></u>	<u><u>60.5%</u></u>
Cash at bank and in hand		<u>4,313</u>		<u>39.5%</u>
Total investments		<u><u>10,923</u></u>		<u><u>100.0%</u></u>

* non-qualifying investment

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

^^ listed and traded on AIM

All VCT Qualifying Investments are incorporated in England and Wales.

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2018

Company Total	Six months ended 30 Sep 2018			Six months ended 30 Sep 2017			Year ended 31 Mar 2018
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
Income	215	115	330	545	-	545	765
Net (losses)/gains on investments	-	(1,363)	(1,363)	-	1,440	1,440	1,425
	215	(1,248)	(1,033)	545	1,440	1,985	2,190
Investment management fees	(203)	(203)	(406)	(317)	(317)	(634)	(1,192)
Other expenses	(197)	-	(197)	(248)	-	(248)	(1,214)
(Loss)/return on ordinary activities before tax	(185)	(1,451)	(1,636)	(20)	1,123	1,103	(216)
Tax on total comprehensive income and ordinary activities	(19)	-	(19)	(14)	-	(14)	(160)
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the period	(204)	(1,451)	(1,655)	(34)	1,123	1,089	(376)
Return per DSO B Share	-	-	-	(0.4p)	0.5p	0.1p	-
Return per DSO C Share	-	-	-	-	-	-	-
Return per DSO D Share	(0.4p)	0.3p	(0.1p)	0.6p	4.3p	4.9p	5.8p
Return per DP67 Share	0.7p	(0.2p)	0.5p	0.5p	4.1p	4.6p	5.9p
Return per DP2011 Gen Ordinary Share	-	-	-	0.4p	3.4p	3.8p	-
Return per DP2011 Gen A Share	(0.1p)	(0.2p)	(0.3p)	-	-	-	4.1p
Return per DP2011 Struc Ordinary Share	-	-	-	0.4p	2.7p	3.1p	-
Return per DP2011 Struc A Share	-	(0.2p)	(0.2p)	-	-	-	3.4p
Return per DP2011 Low Carbon Share	-	-	-	1.1p	(5.0p)	(3.9p)	(9.7p)
Return per Generalist Share	(0.5p)	(2.9p)	(3.4p)	(0.9p)	(0.7p)	(1.6p)	(6.2p)
Return per Healthcare Share	(1.2p)	(8.5p)	(9.7p)	(1.3p)	(1.4p)	(2.7p)	(9.4p)

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

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2018

	Six months ended 30 Sep 2018			Six months ended 30 Sep 2017			Year ended 31 Mar 2018
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
B Share Pool							
Income	-	-	-	15	-	15	30
Gains on investments	-	-	-	-	121	121	120
	-	-	-	15	121	136	150
Investment management fees	-	-	-	(26)	(26)	(52)	(52)
Other expenses	-	-	-	(61)	-	(61)	(55)
(Loss)/return on ordinary activities before taxation	-	-	-	(72)	95	23	43
Taxation	-	-	-	(14)	-	(14)	(34)
(Loss)/return attributable to equity Shareholders	-	-	-	(86)	95	9	9
D Share Pool							
Income	2	-	2	96	-	96	166
Gains on investments	-	38	38	-	361	361	442
	2	38	40	96	361	457	608
Investment management fees	(16)	(16)	(32)	(22)	(22)	(44)	(92)
Other expenses	(15)	-	(15)	(29)	-	(29)	(53)
(Loss)/return on ordinary activities before taxation	(29)	22	(7)	45	339	384	463
Taxation	-	-	-	-	-	-	(10)
(Loss)/return attributable to equity Shareholders	(29)	22	(7)	45	339	384	453

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2018

	Six months ended 30 Sep 2018			Six months ended 30 Sep 2017			Year ended 31 Mar 2018
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
DP67 Share Pool							
Income	117	75	192	119	-	119	247
(Losses)/gains on investments	-	(75)	(75)	-	482	482	683
	117	-	117	119	482	601	930
Investment management fees	(19)	(19)	(38)	(25)	(25)	(50)	(102)
Other expenses	(2)	-	(2)	(37)	-	(37)	(62)
Return/(loss) on ordinary activities before taxation	96	(19)	77	57	457	514	766
Taxation	(19)	-	(19)	-	-	-	(114)
Return/(loss) attributable to equity Shareholders	77	(19)	58	57	457	514	652
DP2011 General Share Pool							
Income	9	-	9	132	-	132	160
(Losses)/gains on investments	-	(19)	(19)	-	573	573	947
	9	(19)	(10)	132	573	705	1,107
Investment management fees	(17)	(17)	(34)	(36)	(36)	(72)	(150)
Other expenses	(14)	-	(14)	(40)	-	(40)	(196)
(Loss)/return on ordinary activities before taxation	(22)	(36)	(58)	56	537	593	761
Taxation	-	-	-	-	-	-	(1)
(Loss)/return attributable to equity Shareholders	(22)	(36)	(58)	56	537	593	760

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2018

	Six months ended 30 Sep 2018			Six months ended 30 Sep 2017			Year ended 31 Mar 2018
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
DP2011 Structured Share Pool							
Income	9	-	9	86	-	86	75
(Losses)/gains on investments	-	(17)	(17)	-	309	309	535
	9	(17)	(8)	86	309	395	610
Investment management fees	(9)	(9)	(18)	(20)	(20)	(40)	(78)
Other expenses	(7)	-	(7)	(23)	-	(23)	(126)
(Loss)/return on ordinary activities before taxation	(7)	(26)	(33)	43	289	332	406
Taxation	-	-	-	-	-	-	(1)
(Loss)/return attributable to equity Shareholders	(7)	(26)	(33)	43	289	332	405
DP2011 Low Carbon Share Pool							
Income	-	-	-	112	-	112	16
Losses on investments	-	-	-	-	(370)	(370)	(252)
	-	-	-	112	(370)	(258)	(236)
Investment management fees	-	-	-	(15)	(15)	(30)	(54)
Other expenses	-	-	-	(15)	-	(15)	(442)
Return/(loss) on ordinary activities before taxation	-	-	-	82	(385)	(303)	(732)
Taxation	-	-	-	-	-	-	-
Return/(loss) attributable to equity Shareholders	-	-	-	82	(385)	(303)	(732)

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2018

	Six months ended 30 Sep 2018			Six months ended 30 Sep 2017			Year ended 31 Mar 2018
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
Generalist Share Pool							
Income	61	40	101	10	-	10	62
Losses on investments	-	(729)	(729)	-	(24)	(24)	(718)
	61	(689)	(628)	10	(24)	(14)	(656)
Investment management fees	(77)	(77)	(154)	(135)	(135)	(270)	(470)
Other expenses	(114)	-	(114)	(56)	-	(56)	(208)
Losses on ordinary activities before taxation	(130)	(766)	(896)	(181)	(159)	(340)	(1,334)
Taxation	-	-	-	-	-	-	-
Losses attributable to equity Shareholders	(130)	(766)	(896)	(181)	(159)	(340)	(1,334)
Healthcare Share Pool							
Income	17	-	17	1	-	1	9
Losses on investments	-	(561)	(561)	-	(13)	(13)	(332)
	17	(561)	(544)	1	(13)	(12)	(323)
Investment management fees	(65)	(65)	(130)	(38)	(38)	(76)	(194)
Other expenses	(45)	-	(45)	(12)	-	(12)	(72)
Losses on ordinary activities before taxation	(93)	(626)	(719)	(49)	(51)	(100)	(589)
Taxation	-	-	-	-	-	-	-
Losses attributable to equity Shareholders	(93)	(626)	(719)	(49)	(51)	(100)	(589)

UNAUDITED BALANCE SHEET

as at 30 September 2018

	Note	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 31 March 2018 £'000
Fixed assets				
Investments	9	39,470	31,939	35,192
Current assets				
Debtors		572	1,180	695
Cash at bank and in hand		11,554	40,931	21,063
		<u>12,126</u>	<u>42,111</u>	<u>21,758</u>
Creditors: amounts falling due within one year		<u>(211)</u>	<u>(340)</u>	<u>(615)</u>
Net current assets		<u>11,915</u>	<u>41,771</u>	<u>21,143</u>
Net assets		<u>51,385</u>	<u>73,710</u>	<u>56,335</u>
Capital and reserves				
Called up Share capital		130	180	188
Capital redemption reserve	8	31	31	31
Special reserve	8	4,463	29,203	8,021
Share premium account	8	44,621	39,846	43,904
Funds held in respect of shares not yet allotted	8	234	1,127	420
Revaluation reserve	8	(1,637)	(1,198)	234
Capital reserve – realised	8	4,855	4,668	4,641
Revenue reserve	8	<u>(1,312)</u>	<u>(147)</u>	<u>(1,104)</u>
Total equity Shareholders' funds		<u>51,385</u>	<u>73,710</u>	<u>56,335</u>
Basic and diluted Net Asset Value per Share:				
DSO B Share		-	4.444p	-
DSO C Share		-	10.939p	-
DSO D Share		30.3p	78.5p	54.4p
DP67 Share		50.5p	68.7p	50.0p
DP2011 General Ordinary Share		-	15.0p	-
DP2011 General A Share		13.0p	34.4p	20.3p
DP2011 Structured Ordinary Share		-	5.0p	-
DP2011 Structured A Share		9.8p	34.5p	15.0p
DP2011 Low Carbon Share		-	39.1p	-
Generalist Share		92.7p	98.7p	95.5p
Healthcare Share		88.7p	98.6p	94.6p

The comparative balance sheet as at 30 September 2017 includes the Share Pools in existence at that date.

UNAUDITED BALANCE SHEET (ANALYSED BY SHARE POOL)

as at 30 September 2018

DSO D Share Pool

	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 31 March 2018 £'000
Fixed assets			
Investments	1,489	3,636	3,699
Current assets			
Debtors	4	113	66
Cash at bank and in hand	921	2,479	582
	<u>925</u>	<u>2,592</u>	<u>648</u>
Creditors: amounts falling due within one year	(31)	(51)	(67)
Net current assets	<u>894</u>	<u>2,541</u>	<u>581</u>
Net assets	<u>2,383</u>	<u>6,177</u>	<u>4,280</u>
Capital and reserves			
Called up share capital	8	8	8
Special reserve	2,629	6,205	4,201
Revaluation reserve	(39)	281	471
Capital reserve – realised	(148)	(266)	(362)
Revenue reserve	(67)	(51)	(38)
Total equity Shareholders' funds	<u>2,383</u>	<u>6,177</u>	<u>4,280</u>

DP67 Share Pool

	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 31 March 2018 £'000
Fixed assets			
Investments	4,564	4,890	4,639
Current assets			
Debtors	627	621	552
Cash at bank and in hand	501	2,264	519
	<u>1,128</u>	<u>2,885</u>	<u>1,071</u>
Creditors: amounts falling due within one year	(40)	(55)	(116)
Net current assets	<u>1,088</u>	<u>2,830</u>	<u>955</u>
Net assets	<u>5,652</u>	<u>7,720</u>	<u>5,594</u>
Capital and reserves			
Called up share capital	11	11	11
Capital redemption reserve	31	-	31
Special reserve	861	5,623	805
Revaluation reserve	504	603	579
Capital reserve – realised	3,581	1,308	3,581
Revenue reserve	664	175	587
Total equity Shareholders' funds	<u>5,652</u>	<u>7,720</u>	<u>5,594</u>

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

as at 30 September 2018

DP2011 General Share Pool

	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 31 March 2018 £'000
Fixed assets			
Investments	2,224	2,884	2,243
Current assets			
Debtors	1	205	-
Cash at bank and in hand	208	5,675	1,569
	<u>209</u>	<u>5,880</u>	<u>1,569</u>
Creditors: amounts falling due within one year	(36)	(76)	(68)
Net current assets	<u>173</u>	<u>5,804</u>	<u>1,501</u>
Net assets	<u>2,397</u>	<u>8,688</u>	<u>3,744</u>
Capital and reserves			
Called up share capital – Ordinary Shares	16	16	16
Called up share capital – A Shares	18	18	18
Special reserve	903	7,489	2,209
Revaluation reserve	334	(278)	353
Capital reserve – realised	831	956	831
Revenue reserve	295	487	317
Total equity Shareholders' funds	<u>2,397</u>	<u>8,688</u>	<u>3,744</u>

DP2011 Structured Share Pool

	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 31 March 2018 £'000
Fixed assets			
Investments	1,028	1,398	1,045
Current assets			
Debtors	3	120	3
Cash at bank and in hand	215	3,390	877
	<u>218</u>	<u>3,510</u>	<u>880</u>
Creditors: amounts falling due within one year	(20)	(44)	(37)
Net current assets	<u>198</u>	<u>3,466</u>	<u>843</u>
Net assets	<u>1,226</u>	<u>4,864</u>	<u>1,888</u>
Capital and reserves			
Called up share capital – Ordinary Shares	11	11	11
Called up share capital – A Shares	13	13	13
Special reserve	566	4,348	1,204
Revaluation reserve	(136)	(514)	(119)
Capital reserve – realised	591	685	591
Revenue reserve	181	321	188
Total equity Shareholders' funds	<u>1,226</u>	<u>4,864</u>	<u>1,888</u>

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

as at 30 September 2018

Generalist Share Pool

	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 31 March 2018 £'000
Fixed assets			
Investments	23,555	12,562	19,053
Current assets			
Debtors	94	77	73
Cash at bank and in hand	5,396	17,732	10,563
	<u>5,490</u>	<u>17,809</u>	<u>10,636</u>
Creditors: amounts falling due within one year	(129)	(164)	(215)
Net current assets	<u>5,361</u>	<u>17,645</u>	<u>10,421</u>
Net assets	<u>28,916</u>	<u>30,207</u>	<u>29,474</u>
Capital and reserves			
Called up share capital	38	38	38
Special reserve	(331)	(140)	(240)
Share premium account	32,058	31,063	31,508
Revaluation reserve	(1,407)	(24)	(718)
Funds held in respect of shares not yet allotted	199	566	398
Revenue reserve	(1,641)	(1,296)	(1,512)
Total equity Shareholders' funds	<u>28,916</u>	<u>30,207</u>	<u>29,474</u>

Healthcare Share Pool

	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 31 March 2018 £'000
Fixed assets			
Investments	6,610	3,361	4,513
Current assets			
Debtors	3	-	1
Cash at bank and in hand	4,313	5,629	6,953
	<u>4,316</u>	<u>5,629</u>	<u>6,954</u>
Creditors: amounts falling due within one year	(115)	(46)	(112)
Net current assets	<u>4,201</u>	<u>5,583</u>	<u>6,842</u>
Net assets	<u>10,811</u>	<u>8,944</u>	<u>11,355</u>
Capital and reserves			
Called up share capital	15	9	15
Special reserve	(165)	(41)	(100)
Share premium account	12,563	8,782	12,396
Revaluation reserve	(893)	(13)	(332)
Funds held in respect of shares not yet allotted	35	561	22
Revenue reserve	(744)	(354)	(646)
Total equity Shareholders' funds	<u>10,811</u>	<u>8,944</u>	<u>11,355</u>

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2018

	Called up Share capital £'000	Capital Redempt- ion reserve £'000	Special reserve £'000	Share premium account £'000	Funds held in respect of shares not yet allotted £'000	Revaluati- on Reserve £'000	Capital reserve -realised £'000	Revenue reserve £'000	Total £'000
At 31 March 2017	144	31	30,620	10,074	16,137	(1,980)	3,331	1,055	59,412
Total	-	-	-	-	-	(225)	645	(796)	(376)
comprehensive income									
Transfer between reserves*	-	-	(22,576)	-	-	2,439	19,548	589	-
Unallotted shares	-	-	-	-	420	-	-	-	420
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	-	-	(18,883)	(589)	(19,472)
Purchase of own shares	-	-	(23)	-	-	-	-	-	(23)
Issue of shares	44	-	-	33,830	(16,137)	-	-	-	17,737
Share issue costs	-	-	-	-	-	-	-	(1,363)	(1,363)
At 31 March 2018	188	31	8,021	43,904	420	234	4,641	(1,104)	56,335
Total	-	-	-	-	-	(1,537)	86	(204)	(1,655)
comprehensive income									
Transfer between reserves*	-	-	(3,602)	-	-	(334)	3,934	-	(2)
Unallotted shares	-	-	-	-	(186)	-	-	-	(186)
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	-	-	(3,806)	-	(3,806)
Cancellation of shares	(58)	-	58	-	-	-	-	-	-
Purchase of own shares	-	-	(14)	-	-	-	-	-	(14)
Issue of shares	-	-	-	717	-	-	-	-	717
Share issue costs	-	-	-	-	-	-	-	(4)	(4)
At 30 September 2018	130	31	4,463	44,621	234	(1,637)	4,855	(1,312)	51,385

*A transfer of £334,000 (31 March 2018: £2.4 million) representing previously recognised realised gains and losses on disposal of investments during the period has been made from the Revaluation Reserve to the Capital reserve-realised. A transfer of £3.9 million (31 March 2018: £19.5 million) representing realised gains on disposal of investments, less capital expenses and capital dividends in the period was made from Capital Reserve – realised to Special reserve.

UNAUDITED STATEMENT OF CASH FLOWS

Six months ended 30 September 2018

Note	DSO D Share pool £'000	DP67 Share pool £'000	DP2011 General Share Pool £'000	DP2011 Structured Share Pool £'000	Generalist Share Pool £'000	Healthcare Share Pool £'000	Total £'000
Cash flows from operating activities							
Return on ordinary activities before taxation	(7)	77	(58)	(33)	(896)	(719)	(1,636)
(Gains)/losses on investments	(38)	75	19	17	689	561	1,323
Decrease/(increase) in debtors	62	(94)	(1)	-	(21)	(2)	(56)
(Decrease)/increase in creditors	(38)	(76)	(32)	(17)	(87)	4	(246)
Net cash outflow from operating activities	(21)	(18)	(72)	(33)	(315)	(156)	(615)
Corporation tax paid	-	-	-	-	-	-	-
New cash generated from operating activities	(21)	(18)	(72)	(33)	(315)	(156)	(615)
Cash flow from investing activities							
Purchase of investments	-	-	-	-	(5,191)	(2,658)	(7,849)
Proceeds from disposal of investments	2,248	-	-	-	-	-	2,248
Net cash inflow/(outflow) from investing activities	2,248	-	-	-	(5,191)	(2,658)	(5,601)
Net cash inflow/(outflow) before financing	2,227	(18)	(72)	(33)	(5,506)	(2,814)	(6,216)
Cash flows from financing activities							
Repurchase of shares	-	-	-	-	(14)	-	(14)
Issue of share capital	-	-	-	-	551	162	713
Unallotted shares	-	-	-	-	(198)	12	(186)
Equity dividends paid 7	(1,888)	-	(1,289)	(629)	-	-	(3,806)
Net cash (outflow)/inflow from financing activities	(1,888)	-	(1,289)	(629)	339	174	(3,293)
Net movement in cash	339	(18)	(1,361)	(662)	(5,167)	(2,640)	(9,509)
Cash and cash equivalents at start of period	582	519	1,569	877	10,563	6,953	21,063
Cash and cash equivalents at end of period	921	501	208	215	5,396	4,313	11,554
Cash and cash equivalents comprise							
Cash at bank and in hand	921	501	208	215	5,396	4,313	11,554
Total cash and cash equivalents	921	501	208	215	5,396	4,313	11,554

UNAUDITED STATEMENT OF CASH FLOWS

Six months ended 30 September 2017

	DSO B Share Pool £'000	DSO D Share Pool £'000	DP67 Share Pool £'000	DP2011 Gen Share Pool £'000	DP2011 Struc Share Pool £'000	DP2011 LC Share Pool £'000	Generalist Share Pool £'000	Healthcare Share Pool £'000	Total £'000	Year ended 31 March 2018 £'000
Cash flows from operating activities										
Return on ordinary activities before taxation	23	384	514	593	332	(303)	(340)	(100)	1,103	(216)
(Gains)/losses on investments	(121)	(361)	(482)	(573)	(309)	370	24	13	(1,439)	(1,425)
Decrease/(increase) in debtors	35	141	(24)	380	244	(108)	(77)	-	590	1,244
Increase/(decrease) in creditors	5	(24)	(50)	(48)	(41)	(24)	155	41	14	28
Net cash (outflow)/ inflow from operating activities	(58)	140	(42)	352	226	(65)	(238)	(46)	268	(369)
Corporation tax paid	(58)	10	(505)	(16)	(7)	(6)	-	-	(582)	(637)
New cash generated from operating activities	(116)	150	(547)	336	219	(71)	(238)	(46)	(314)	(1,006)
Cash flow from investing activities										
Purchase of investments	-	-	-	-	-	-	(12,361)	(3,350)	(15,711)	(24,366)
Proceeds from disposal of investments	1,358	2,091	640	5,073	3,143	-	-	-	12,305	17,696
Net cash inflow/(outflow) from investing activities	1,358	2,091	640	5,073	3,143	-	(12,361)	(3,350)	(3,406)	(6,670)
Net cash inflow/(outflow) before financing	1,242	2,241	93	5,409	3,362	(71)	(12,599)	(3,396)	(3,720)	(7,676)
Cash flows from financing activities										
Repurchase of shares	-	-	-	-	-	-	-	-	-	(23)
Issue of share capital	-	-	-	-	-	-	22,552	6,089	28,641	16,793
Unallotted shares	-	-	-	-	-	-	(13,446)	(1,564)	(15,010)	-
Equity dividends paid	-	(197)	(225)	-	-	-	-	-	(422)	(19,472)
Net cash (outflow)/inflow from financing activities	-	(197)	(225)	-	-	-	9,106	4,525	13,209	(2,702)
Net movement in cash	1,242	2,044	(132)	5,409	3,362	(71)	(3,493)	1,129	9,490	(10,378)
Cash and cash equivalents at start of year	2,475	435	2,396	266	28	116	21,225	4,500	31,441	31,441
Cash and cash equivalents at end of year	3,717	2,479	2,264	5,675	3,390	45	17,732	5,629	40,931	21,063
Cash and cash equivalents comprise										
Cash at bank and in hand	3,717	2,479	2,264	5,675	3,390	45	17,732	5,629	40,931	21,063
Total cash and cash equivalents	3,717	2,479	2,264	5,675	3,390	45	17,732	5,629	40,931	21,063

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. General Information

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

2. Basis of accounting

The unaudited half-yearly financial results cover the six months to 30 September 2018 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 March 2018, which were prepared in accordance with the Financial Reporting Standard 102 (“FRS 102”) and the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” issued in November 2014 (revised in February 2018) (“SORP”).

3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
4. The comparative figures are in respect of the six months ended 30 September 2017 and the year ended 31 March 2018 respectively.
5. Net Asset Value per share at the period end has been calculated on the number of shares in issue at the period end as follows:

DSO D Shares	7,867,247	DP2011 Structured Shares	10,678,725
DP67 Shares	11,192,136	DP2011 Structured A Shares	12,572,817
DP2011 General Shares	15,644,066	Generalist Shares	38,477,754
DP2011 General A Shares	18,418,614	Healthcare Shares	15,138,059

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

DSO D Shares	7,867,247	DP2011 Structured Shares	10,678,725
DP67 Shares	11,229,211	DP2011 Structured A Shares	12,572,817
DP2011 General Shares	15,644,066	Generalist Shares	26,206,561
DP2011 General A Shares	18,418,614	Healthcare Shares	7,372,573

7. Dividends

	Six months ended 30 September 2018		
	Revenue £000	Capital £000	Total £000
Paid in period			
DSO D Shares	-	1,888	1,888
DP2011 General A Shares	-	1,289	1,289
DP2011 Structured A Shares	-	629	629

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

8. Reserves

	30 Sep 2018 £'000	30 Sep 2017 £'000	31 Mar 2018 £'000
Capital redemption reserve	31	31	31
Special reserve	4,463	29,203	8,021
Share premium account	44,621	39,846	43,904
Funds held in respect of shares not yet allotted	234	1,127	420
Capital reserve – realised	4,855	4,668	4,641
Revaluation reserve	(1,637)	(1,198)	234
Revenue reserve	(1,312)	(147)	(1,104)
Total reserves	<u>51,255</u>	<u>73,530</u>	<u>56,147</u>

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves and are reduced by revaluation losses of £3.5 million. Distributable reserves at 30 September 2018 were £4.5 million.

In October 2018, the balances on the Share Premium account and the capital redemption reserve were cancelled and added to the special reserve, contributing an additional £44.7 million to distributable reserves. Whilst the distributable reserves of the Company have increased significantly, the VCT regulations prevent the Company from paying dividends in respect of the Generalist and Healthcare Share classes during the first three years of their lives.

9. The fair value of investments is determined using the detailed accounting policy as shown in the audited financial statements for the year ended 31 March 2018. 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, investment funds and fixed interest bonds);
Level 2	Reflects financial instruments that have prices that are observable either directly or indirectly; and
Level 3	Reflects financial instruments that use valuation techniques that are not based on observable market data (investments in unquoted shares and loan note investments).

	Level 1 £000	Level 2 £000	Level 3 £000	30 Sep 2018 £000	Level 1 £000	Level 2 £000	Level 3 £000	31 Mar 2018 £000
Quoted equity	685	-	-	685	908	-	-	908
Public Equity Investments	17,051	-	-	17,051	17,036	-	-	17,036
Unquoted loan notes	-	-	3,135	3,135	-	-	3,323	3,323
Unquoted equity	-	-	18,599	18,599	-	-	13,925	13,925
	<u>17,736</u>	<u>-</u>	<u>21,734</u>	<u>39,470</u>	<u>17,944</u>	<u>-</u>	<u>17,248</u>	<u>35,192</u>

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

11. Risk and uncertainties

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

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

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

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

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

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

12. Going concern

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

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

13. The Directors confirm that, to the best of their knowledge, the Half-Yearly Report has been prepared in accordance with the "Statement: Half-Yearly Financial Reports" issued by the UK Accounting Standards Board as well as in accordance with FRS 104 Interim Financial Reporting and the half-yearly financial report includes a fair review of the information required by:

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

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

PERFORMANCE INCENTIVE ARRANGEMENTS

Performance Incentive arrangements are in place for each Share Pool except the DP67 pool. The various schemes are summarised as follows:

DSO D Shares

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

- (i) Shareholders receive total proceeds of at least 100.0p per DSO D Share (excluding income tax relief); and
- (ii) Shareholders achieve a tax-free compound return of at least 7% per annum (after allowing for income tax relief on investment).

If the hurdle is met, the fee will be 3.0p per DSO D Share plus 20% of shareholder proceeds above 100.0p per DSO D Share. The Performance Incentive is restricted to a maximum of 7.0p per DSO D Share.

As at 30 September 2018, the estimated performance fee is 4.4p per DSO D Share.

DP2011 General Shares/ DP2011 Structured Shares

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

As the proceeds paid to Shareholders have now exceeded 70.0p per DP2011 General Ordinary/A Share and DP2011 Structured Ordinary/A Share, a Performance Incentive equal to 15% of the dividends paid in respect of the A Shares becomes due to members of the management team. No further incentive is paid to management once Shareholder proceeds exceed 120.0p per DP2011 General Ordinary/A Share and DP2011 Structured Ordinary/A Share.

By virtue of the dividends paid in respect of the DP2011 General A Shares and DP2011 Structured A Shares to date, of 22.0p and 25.0p respectively, members of the management team have received Performance Incentive payments, to date, of 3.1p per DP2011 General Ordinary Share and 3.6p per DP2011 Structured Ordinary Share.

As at 30 September 2018, the estimated remaining Performance Incentive due to management in respect of the DP2011 General and DP2011 Structured Share Pools is equivalent to approximately 2.3p per DP2011 General Ordinary Share and 1.7p per DP2011 Structured Ordinary Share. This brings the total Performance Incentive to approximately 5.4p per DP2011 General Ordinary Share and 5.3p per DP2011 Structured Ordinary Share.

Generalist and Healthcare Share Pools

A Performance Incentive scheme is in place in respect of the Generalist and Healthcare Management Shares, which will represent 20% of the total number of Generalist and Healthcare Shares in issue. As part of the arrangement, in order to prevent dilution to the Shareholders of the Generalist and Healthcare Shares, the management team will waive their voting rights granted by these Management Shares at any general meeting of the Company and income or capital distributions otherwise payable on these Management Shares will be waived unless the share class has achieved a Total Return (based on audited year end results) in excess of £1 per share for the years ended 31 March 2018, 31 March 2019 and 31 March 2020. For subsequent years, the Total Return hurdle increases by 3.0p per annum such that for the year ended 31 March 2021 the hurdle is £1.03, and for the year ended 31 March 2022 the hurdle is £1.06.

The existing Performance Incentive scheme in respect of the Generalist and Healthcare Share Pools, will also apply to the Shares issued under the new Offers.

Directors

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

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