

Downing FOUR VCT plc

Report & Accounts
for the year ended
31 March 2019



SHAREHOLDER INFORMATION

Selling Shares

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

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

Financial calendar

10 September 2019

Annual General Meeting

December 2019

Announcement of Half-Yearly financial results

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 Link's website (see below).

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.

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. 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".

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COMPANY INFORMATION

Registered number	6789187
Directors	Sir Aubrey Brocklebank Bt. (Chairman) Lord Flight Russell Catley
Secretary and registered office	Grant Whitehouse 6 th Floor, St. Magnus House 3 Lower Thames Street London EC3R 6HD
Investment and Administration Manager	Downing LLP 6 th Floor, St. Magnus House 3 Lower Thames Street London EC3R 6HD www.downing.co.uk
Auditor	BDO LLP 55 Baker Street London W1U 7EU
VCT status advisers	Philip Hare & Associates LLP Suite C – First Floor 4-6 Staple Inn London WC1V 7QH
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0300 (calls cost 12p per minute plus network extras, lines open 9:00am to 5:30pm Monday to Friday) www.linkassetservices.com
Bankers	Bank of Scotland plc 33 Old Broad Street London EC2N 1HZ Royal Bank of Scotland plc London Victoria Branch 119/121 Victoria Street London SW1E 6RA

FINANCIAL HIGHLIGHTS

	31 March 2019 pence	31 March 2018 pence
DSO D Share pool		
Net Asset Value per DSO D Share	27.8	54.4
Cumulative distributions	76.5	52.5
Adjusted for Performance Incentive estimate	(3.9)	(4.4)
Total Return per DSO D Share	<u>100.4</u> ¹	<u>102.5</u>
DP67 Share pool		
Net Asset Value per DP67 Share	48.5	50.0
Cumulative distributions (since original launch)	49.8	49.8
Total Return per DP67 Share	<u>98.3</u>	<u>99.8</u>
DP2011 General Share pool		
Net Asset Value per DP2011 General Ordinary Share	-	-
Net Asset Value per DP2011 General A Share	13.3	20.3
Cumulative distributions (since original launch)	92.0	85.0
Total Return per DP2011 General Ordinary Share and DP2011 General A Share	<u>105.3</u> ²	<u>105.3</u>
DP2011 Structured Share pool		
Net Asset Value per DP2011 Structured Ordinary Share	-	-
Net Asset Value per DP2011 Structured A Share	9.9	15.0
Cumulative distributions (since original launch)	95.0	90.0
Total Return per DP2011 Structured Ordinary Share and DP2011 Structured A Share	<u>104.9</u> ³	<u>105.0</u>
Generalist Share pool		
Net Asset Value and Total Return per Generalist Share	<u>83.5</u>	<u>95.5</u>
Healthcare Share pool		
Net Asset Value and Total Return per Healthcare Share	<u>83.3</u>	<u>94.6</u>

¹ Based on Total Return to Shareholders at 31 March 2019, a Performance Incentive is expected to become due to management. The Performance Incentive has been estimated at 3.9p per DSO D Share.

² The Total Return to Shareholders at 31 March 2019 is shown net of the Performance Incentive due to management. By virtue of the A Share dividends paid to date, members of the management team have received Performance Incentive payments equivalent to 3.1p per DP2011 General Ordinary Share. The remaining Performance Incentive, expected to become payable to management, has been estimated at 2.4p per DP2011 General Ordinary Share.

³ The Total Return to Shareholders at 31 March 2019 is shown net of the Performance Incentive due to management. By virtue of the A Share dividends paid to date, members of the management team have received Performance Incentive payments equivalent to 3.6p per DP2011 Structured Ordinary Share. The remaining Performance Incentive, expected to become payable to management, has been estimated at 1.7p per DP2011 Structured Ordinary Share.

A full explanation of the Performance Incentive arrangements for each Share pool is given on pages 51 to 52 and page 90.

INVESTMENT OBJECTIVES

The Company's principal objectives are to:

- invest in a portfolio of Venture Capital investments and Liquidity investments;
- provide a full exit for planned exit Shareholders within approximately six years at no discount to NAV;
- maintain VCT status; and
- target an annual dividend of at least 4% of the respective Generalist and Healthcare NAVs, from the summer of 2020 onwards.

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 47 to 48.

DIRECTORS

Sir Aubrey Brocklebank Bt. (Chairman) qualified as a chartered accountant prior to working for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before helping to establish a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund and subsequently managed the Avon Enterprise Fund Limited. He is chairman of Hargreave Hale AIM VCT plc and has been chairman of seven other VCTs. He has spent the last twenty years helping companies through periods of change, usually helping them raise money, including a number of AIM-quoted companies.

Lord Flight has worked in the financial services industry for over 40 years and co-founded Guinness Flight Global Asset Management. In 1998, upon Guinness Flight's acquisition by Investec, he became joint chairman of Investec Asset Management Limited. He was MP for Arundel and South Downs from 1997 to 2005 and Shadow Chief Secretary to the Treasury between 2000 and 2004. He was appointed to the House of Lords in January 2011. He is chairman of the EIS Association and CIM Investment Management Limited; and is a director of Investec Asset Management Limited and of a number of other companies in the financial services sector. He is also a Commissioner of the Guernsey Financial Services Commission.

Russell Catley has more than 30 years' experience of financial markets, predominantly in securities trading and fund management. He is founder and Chief Executive Officer of Catley Lakeman May Limited and its asset management subsidiary, Atlantic House Fund Management. These businesses have raised in excess of £10bn in assets over the last 10 years, and are widely seen as the UK market leader for equity Structured Products.

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

CHAIRMAN'S STATEMENT

Introduction

I present the Company's Annual Report for the year ended 31 March 2019.

We have seen further progress in the realisation of the remaining investments in the planned exit share pools, ahead of making final distributions to Shareholders. The Manager has also continued to make good progress in investing the proceeds of the 2016/17 and 2018/19 Generalist and Healthcare fundraisings.

Share pool review

As at 31 March 2019 the Company had six active Share pools, being four planned exit pools, which we expect will have completed the process of returning funds to Shareholders by the end of this calendar year, and two evergreen pools. Brief reviews of the Share pools which were active during the year are given below.

Planned Exit Share pools

DSO D Share pool

During the year the Manager made further progress in exiting from the remaining investments held by the DSO D Share pool. Exit plans are in place for the six investments held at the year end, and we expect the final realisations to take place in the coming months.

The DSO D Share NAV stood at 27.8p at the year end, a decrease of 2.6p per Share or 4.8% over the year after adjusting for the dividend of 24.0p per Share paid in the year. Total Return now stands at 100.4p per Share, after adjusting for the expected Performance Incentive of 3.9p. The cost for Shareholders who invested in the DSO D Share offer was 100.0p, or 70.0p per Share net of income tax relief.

A more detailed review of the DSO D Share pool is included in the Investment Manager's Report on page 7.

DP67 Share pool

During the year the Manager continued to work on exiting from the remaining investments held by the DP67 Share pool. Whilst a limited number of realisations took place during the year, exit plans are in place for all of the investments held at the year end, and we expect the final realisations to take place in the coming months.

The DP67 Share NAV stood at 48.5p at the year end, a decrease of 1.5p per Share or 3.0% over the year. Total Return now stands at 98.3p per Share, compared to the original cost for Shareholders who invested in 2007 of 100.0p, or 70.0p net of income tax relief.

A more detailed review of the DP67 Share pool is included in the Investment Manager's report on page 13.

DP2011 General Share pool

The Manager continued the process of exiting from the remaining investments during the year. All of the investments held at the year-end have a clear path to exit and we expect to be in a position to make a final return of capital to Shareholders during the summer.

The NAV of a combined holding of one DP2011 General Ordinary Share and one DP2011 General A Share stood at 13.3p at 31 March 2019. The combined NAV has therefore remained unchanged from 31 March 2018, after adjusting for dividends paid during the year of 7.0p per combined holding. Total Return now stands at 105.3p per Share, compared to the cost for Shareholders of 100.0p, or 70.0p net of income tax relief.

A more detailed review of the DP2011 General Share pool is presented in the Investment Manager's report on page 18.

DP2011 Structured Share pool

The Manager continued the process of exiting from the remaining investments during the year. All of the investments held at the year-end have a clear path to exit and we expect to be in a position to make a final return of capital to Shareholders during the summer.

The NAV of a combined holding of one DP2011 Structured Ordinary Share and one DP2011 Structured A Share stood at 9.9p at the year end, a decrease of 0.1p or 0.7% for the year after adjusting for the dividends paid during the year of 5.0p per combined holding. Total Return now stands at 104.9p per Share, compared to the cost for Shareholders of 100.0p or 70.0p net of income tax relief.

A more detailed review of the DP2011 Structured Share pool is presented in the Investment Manager's Report on page 23.

Evergreen Share pools

Generalist Share pool

The first Generalist fundraising launched in December 2016 and closed during 2018, having raised £32.2 million. The subsequent Generalist Offer launched on 13 November 2018 and has raised a further £10.7 million to date. The cost for Shareholders who invested under the initial offer was 100.0p or 70.0p net of income tax relief.

The Manager has built a pipeline of suitable investment opportunities and made a number of initial and follow on investments, totalling £10.9 million, into a variety of VCT Qualifying entities during the year.

CHAIRMAN'S STATEMENT (continued)

Generalist Share pool (continued)

The Generalist Share NAV and Total Return stood at 83.5p at the year end, representing a decrease of 12.0p per Share or 12.6% over the year. The decrease in the NAV is attributable to a combination of factors. The most significant is the fall in value of the Liquidity investments, which have been impacted by the adverse global market conditions in the final quarter of 2018. The second factor is the cumulative impact of the provisions required in the Venture Capital portfolio, and in particular Ormsborough Limited and Glownet Limited.

As the Board and Manager anticipated when the Generalist Share pool was launched, there have been some businesses for which valuation reductions have been recognised at what is an early stage in the life of the Share pool. A typical feature of investing in young growth companies is that the weaker businesses in a portfolio tend to become visible before the stronger businesses prove themselves as such. It is therefore no surprise that some investments in the Generalist Share pool have underperformed and provisions have been made accordingly. The Manager continues to work closely with the management teams of all of the Generalist Share pool's unquoted investments and believes that a number of these businesses have the potential to deliver good rewards to investors over time. Additionally, the Share pool held a sizable cash balance during the year, representing funds awaiting investment. As these funds were yet to be deployed into VCT Qualifying investments no income or capital growth could be achieved thereon.

A more detailed review of the Generalist Share pool is included in the Investment Manager's Report on page 28.

Healthcare Share pool

The first Healthcare fundraising launched in December 2016 and closed during 2018, having raised £12.6 million. The subsequent Healthcare Offer launched on 13 November 2018 and has raised a further £4.9 million to date.

The Manager has been working on sourcing investment opportunities and has made good progress in this regard, having invested £4.9 million in six VCT Qualifying entities during the year.

The Healthcare Share NAV and Total Return stood at 83.3p at the year end, representing a decrease of 11.3p per Share or 11.9% over the year. As with the Generalist Share Pool, the decrease in the NAV is attributable to several factors. Valuation adjustments in the Venture Capital portfolio have been the single largest factor, with significant provision required against ADC Biotechnology and a drifting share price for AIM-quoted Destiny Pharma plc. The Share pool has also been impacted by falls in the value of the Liquidity investments and the "cash-drag" of holding uninvested funds.

A more detailed review of the Healthcare Share pool is included in the Investment Manager's Report on page 38.

Share buybacks

In the initial five-year period of each Share class, the Company operates a policy of buying in its own Shares that become available in the market, subject to regulatory and liquidity factors. Any such purchases are undertaken at a price approximately equal to NAV (i.e. at a nil discount).

As the planned exit Share pools have all initiated the process of returning funds to Shareholders, the Company will not undertake any further buybacks in respect of those Share classes.

The policy for buying in Shares is still in operation for the Generalist and Healthcare Shares.

14,400 Generalist Shares were purchased during the year ended 31 March 2019.

Annual General Meeting ("AGM")

The Company's ninth AGM will be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD at 12:30 p.m. on 10 September 2019.

Resolution 9 is a special resolution seeking to renew the authority to allow the Company to make market purchases of its Shares.

Outlook

The remaining planned exit share pools are expected to complete their respective exit processes in the coming months and the Manager will work to ensure that remaining funds are promptly returned to Shareholders thereafter.

The focus of the Manager will also be on further building the Generalist and Healthcare investment portfolios and we expect new investment activity to continue at a similar rate during the year ended 31 March 2020. As many companies in the portfolio are young, we expect it to be some time before the stronger prospects can deliver any rewards for investors. We also expect that some investments may not be able to meet their plans and the Manager may therefore decide not to support them further.

I look forward to reporting on developments in the Half-Yearly Report to 30 September 2019.



Sir Aubrey Brocklebank Bt.
Chairman

25 July 2019

DSO D SHARE POOL SHARE POOL SUMMARY

Financial highlights

	31 March 2019 pence	31 March 2018 pence
Net Asset Value per DSO D Share	27.8	54.4
Cumulative distributions	76.5	52.5
Adjusted for Performance Incentive estimate	(3.9)	(4.4)
Total Return per DSO D Share	<u>100.4</u>	<u>102.5</u>

Dividend history

Period end	Date paid/payable	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>

Share prices

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

	DSO D Shares
TIDM/EPIC codes	DO1D
Latest share price (24 July 2019)	15.5p per share

Structure of shareholdings

The Company's DSO D Share offer for subscription was open between 31 August 2011 and 17 August 2012. For every £1 invested Shareholders received one DSO D Share.

Performance Incentive arrangements

When total proceeds to DSO D Shareholders exceed 100.0p and the IRR on the Shareholders' investment exceeds 7% per annum, a Performance Incentive becomes payable to the management team. The fee is calculated at 3% on the first 100.0p of Shareholder proceeds, plus 20% of the excess above 100.0p. The fee is capped at a maximum of 7.0p per DSO D Share. Should the remaining investments be exited at their carrying value, it is estimated that a Performance Incentive of 3.9p per DSO D Share will be paid to members of the management team.

Target exit date

It is expected that a final distribution of capital will be announced to Shareholders in the coming months.

INVESTMENT MANAGER'S REPORT- DSO D SHARE POOL

Introduction

The five-year anniversary of the DSO D Share pool has passed and the process of realising the investments and returning funds to Shareholders is underway.

Net Asset Value and results

The Net Asset Value ("NAV") per DSO D Share at 31 March 2019 stood at 27.8p, a decrease of 2.6p or 4.8% over the year after adjusting for dividends paid. Total Return stands at 100.4p 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 year was £207,000 (2018: profit of £453,000), comprising a revenue loss of £49,000 (2018: profit of £57,000) and a capital loss of £158,000 (2018: gain of £396,000).

Venture Capital investments

As at 31 March 2019, the DSO D Share Pool held six Venture Capital investments with a total value of £1.3 million.

Portfolio activity

Four investments were fully exited during the year, generating total proceeds of £2.3 million and a gain over opening value of £214,000.

The largest realisation was the sale of Goonhilly Earth Station Limited, the owner of the Goonhilly Satellite Earth Station in Cornwall. The sale generated proceeds of £878,000 for the DSO D Share pool, resulting in a gain over cost and opening value of £163,000.

Merlin Renewables Limited, the owner and operator of an Anaerobic Digestion plant in Doncaster, was also sold during the year. The sale achieved proceeds of £770,000 for the DSO D Share pool, realising a gain over cost of £270,000.

The other substantial exit was from Nightjar Sustainable Power Limited, the owner and operator of a hydroelectric scheme in Scotland. A refinancing generated proceeds of £600,000 and resulted in a gain over cost of £115,000.

The DSO D Share pool also exited in full from Fubar Stirling Limited, a Scottish licensed leisure company. The loan note investment was being repaid over time and the £8,000 received marks the final instalment from the company. The loss over cost of £118,000 is in relation to the equity interest in the company, to which no value ultimately accrued.

Portfolio valuation

During the year, the carrying value of the DSO D portfolio was reduced in value by £355,000.

Apex Energy Limited, the owner of a standby electricity generation plant, has experienced some significant technical problems in respect of its engines which have taken the site out of operation. The DSO D investment has been written down by £360,000 as a result.

Other portfolio valuation movements amounted to a net uplift of £5,000.

Outlook

The focus for the DSO D Share pool is now on realising the remaining investments. We anticipate that the remaining realisations will take place in the coming months and further dividends will be declared once this process has been completed.

Downing LLP

25 July 2019

REVIEW OF INVESTMENTS - DSO D SHARE POOL

Portfolio of investments

The following investments were held at 31 March 2019:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
Lambridge Solar Limited	500	605	(21)	27.4%
Pearce and Saunders Limited	300	376	76	17.0%
Fresh Green Power Limited	189	210	(21)	9.5%
Green Energy Production UK Limited	100	51	(29)	2.3%
Apex Energy Limited	400	40	(360)	1.8%
Pearce and Saunders DevCo Limited*	20	20	-	0.9%
	<u>1,509</u>	<u>1,302</u>	<u>(355)</u>	<u>58.9%</u>
Cash at bank and in hand		<u>910</u>		<u>41.1%</u>
Total investments		<u>2,212</u>		<u>100.0%</u>

* non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

Investment movements for the year ended 31 March 2019

DISPOSALS

	Cost £'000	Valuation at 01/04/18 £'000	Proceeds £'000	Profit/(loss) vs. cost £'000	Realised gain £'000
Venture Capital investments					
Merlin Renewables Limited	500	719	770	270	51
Goonhilly Earth Station Limited	715	715	878	163	163
Nightjar Renewables Limited	485	600	600	115	-
Fubar Stirling Limited	126	8	8	(118)	-
	<u>1,826</u>	<u>2,042</u>	<u>2,256</u>	<u>430</u>	<u>214</u>

REVIEW OF INVESTMENTS – DSO D SHARE POOL

Further details of the Venture Capital investments held by the DSO D Share pool:

Lambridge Solar Limited



Cost at 31/03/19:	£500,000	Valuation at 31/03/19:	£605,000
Cost at 31/03/18:	£500,000	Valuation at 31/03/18:	£626,000
Date of first investment:	Jul 14	Valuation method:	Discounted cash flow - business

Investment comprises:			
B Ordinary shares:	£500,000	Proportion of B equity held:	6%

Summary financial information from statutory accounts to 31 December:

	2017	2016
Turnover:	£0.9m	£1.1m
Operating profit:	£0.1m	£0.3m
Net assets:	£7.7m	£7.9m

Lambridge Solar Limited owns a 9MW ground mounted photovoltaic system in Burton Pedwardine, Lincolnshire. The system was constructed by Lark Energy and, following some delays, was commissioned in February 2014. The system is managed by Armstrong Energy Limited and qualifies for Renewable Obligations Certificates (ROCs), receiving 1.6 ROCs for every megawatt hour produced.

Pearce & Saunders Limited



Cost at 31/03/19:	£300,000	Valuation at 31/03/19:	£376,000
Cost at 31/03/18:	£300,000	Valuation at 31/03/18:	£300,000
Date of first investment:	Apr 14	Valuation method:	EBITDA Multiple

Investment comprises:			
Ordinary shares:	£216,000	Proportion of equity held:	10%
A loan stock:	£84,000	Proportion of A loan stock held:	10%

Summary financial information from statutory accounts to 31 December:

	2017	2016
Net assets:	£2.4m	£0.8m

Pearce and Saunders Limited is a freehold pub company that is managed by the Antic London team and is funded by the Downing VCTs. It was incorporated to acquire the freehold pubs of three South East London sites; Jam Circus in Brockley, The Old Post Office in Eltham and The John Jackson in Wallington.

Fresh Green Power Limited



Cost at 31/03/19:	£189,000	Valuation at 31/03/19:	£210,000
Cost at 31/03/18:	£189,000	Valuation at 31/03/18:	£231,000
Date of first investment:	Apr 12	Valuation method:	Discounted cash flow - business

Investment comprises:			
A ordinary shares:	£nil	Proportion of A equity held:	20%
Preference C shares:	£140,000	Proportion of C equity held:	20%
A loan stock:	£49,000	Proportion of A loan stock held:	20%

Summary financial information from statutory accounts to 30 September:

	2017	2016
Net assets:	£0.7m	£0.7m

Fresh Green Power Limited owns solar panels on the rooftops of domestic properties in the UK. The households benefit from free electricity whilst Fresh Green Power receives Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

REVIEW OF INVESTMENTS – DSO D SHARE POOL (continued)

Further details of the Venture Capital investments held by the DSO D Share pool:

Green Energy Production UK Limited



Cost at 31/03/19:	£100,000	Valuation at 31/03/19:	£51,000
Cost at 31/03/18:	£100,000	Valuation at 31/03/18:	£80,000
Date of first investment:	Apr 12	Valuation method:	Discounted cash flow - business

Investment comprises:

A ordinary shares:	£nil	Proportion of A equity held:	20%
C preferred shares:	£70,000	Proportion of C equity held:	20%
Loan stock:	£30,000	Proportion of loan stock held:	20%

Summary financial information from statutory accounts to 30 September:

	2017	2016
Turnover:	£0.1m	£nil
Operating profit:	£nil	£nil
Net assets:	£0.3m	£0.3m

Green Energy Production UK Limited has installed a portfolio of commercial solar panels on the roof tops of chicken sheds in Lincolnshire. The companies benefit from free electricity whilst Green Energy receives Feed in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

Apex Energy Limited



Cost at 31/03/19:	£400,000	Valuation at 31/03/19:	£40,000
Cost at 31/03/18:	£400,000	Valuation at 31/03/18:	£400,000
Date of first investment:	Nov 15	Valuation method:	Price of recent investment

Investment comprises:

Ordinary shares:	£400,000	Proportion of equity held:	8%
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Summary financial information from statutory accounts to 30 September:

	2018	2017
Net assets:	£4.5m	£4.8m

Apex Energy Limited is building a standby electricity generation plant up to 20MW in capacity. The diesel plant, once fully operational, will provide electricity to the grid during periods of peak demand under the Capacity Markets Mechanism, a 15-year contract whereby the plant will receive contractual revenue for being available, in addition to payments for the electricity supplied to the grid.

Pearce & Saunders DevCo Limited



Cost at 31/03/19:	£20,000	Valuation at 31/03/19:	£20,000
Cost at 31/03/18:	£20,000	Valuation at 31/03/18:	£20,000
Date of first investment:	Jun 15	Valuation method:	Price of recent investment

Investment comprises:

B ordinary shares:	£19,000	Proportion of B equity held:	10%
A loan stock:	£1,000	Proportion of A loan stock held:	10%

Summary financial information from statutory accounts to 31 August:

	2017	2016
Net assets:	£0.3m	£0.3m

Pearce & Saunders DevCo Limited was established for the purpose of acquiring and developing a piece of land adjacent to The Old Post Office, a Downing-backed public house managed by Antic London and owned by Pearce & Saunders Limited.

Note: the proportion of each equity class held also represents the level of voting rights held by the Company, in respect of that class. Turnover and operating profit figures are stated where this information is publicly available.

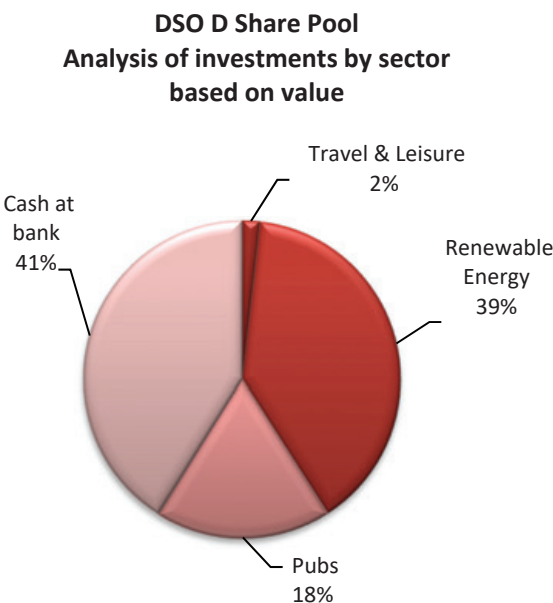
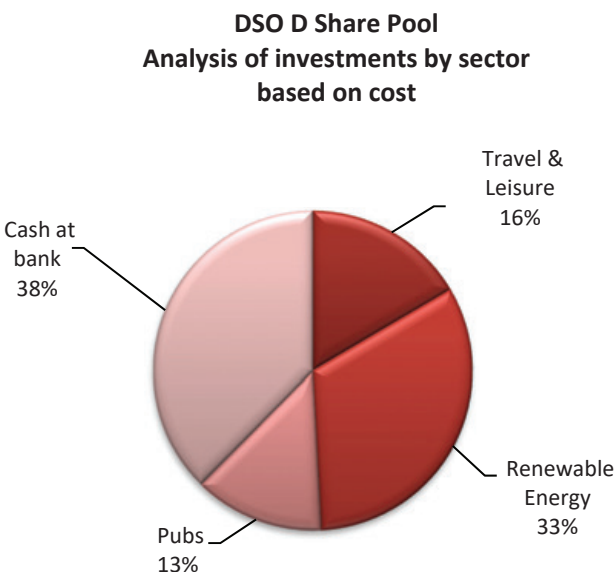
REVIEW OF INVESTMENTS – DSO D SHARE POOL (continued)

Summary of loan stock interest income and interest on advances

	£'000
Loan stock interest and interest on advances receivable in the year	
Fresh Green Power Limited	8
Green Energy Production UK Limited	5
	<u>13</u>

Portfolio by commercial sector

The split of the DSO D Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2019) is as follows:



DP67 SHARE POOL SHARE POOL SUMMARY

Financial highlights

	31 March 2019 pence	31 March 2018 pence
Net Asset Value per DP67 Share	48.5	50.0
Cumulative distributions	49.8	49.8
Total Return per DP67 Share	<u>98.3</u>	<u>99.8</u>

Dividend history

Period end	Date paid/payable	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>

Share prices

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

	DP67 Shares
TIDM/EPIC codes	D467
Latest share price (24 July 2019)	35.0p per share

Structure of shareholdings

The original Share offers under Downing Planned Exit VCT 6 plc and Downing Planned Exit VCT 7 plc launched in July 2007, and were followed by a Share Realisation and Reinvestment Programme ("SRRP") in 2013, under which many investors committed for a further five years. For every £1 invested, Shareholders received one Downing Planned Exit VCT 6 Share or one Downing Planned Exit VCT 7 Share. Each Share was converted to a Downing FOUR DP67 Share as part of the merger in July 2015.

Performance Incentive arrangements

There are no Performance Incentive arrangements in place in respect of this Share pool.

Target exit date

It is expected that a final distribution of capital will be announced to Shareholders in the coming months.

INVESTMENT MANAGER'S REPORT - DP67 SHARE POOL

Introduction

The DP67 Share pool has now passed the five-year anniversary for those investors who took advantage of the Share Realisation and Reinvestment Scheme in 2013. Accordingly, the process of realising the investment portfolio and returning funds to investors is underway.

Net Asset Value and results

The Net Asset Value ("NAV") per DP67 Share at 31 March 2019 stood at 48.5p, a decrease of 1.5p or 3.0% over the year. Total Return stands at 98.3p 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 year was £166,000 (2018: profit of £652,000), comprising a revenue profit of £127,000 (2018: £20,000) and a capital loss of £293,000 (2018: gain of £632,000).

Venture Capital investments

As at 31 March 2019, the DP67 Share pool held a portfolio of six Venture Capital investments, with a total value of £3.6 million.

Portfolio activity

One full and one partial divestment took place during the year, generating proceeds of £689,000 and a total gain over opening value of £41,000.

The largest realisation was the sale of Oak Grove Renewables Limited, the owner of an Anaerobic Digestion Plant in Norfolk. The sale achieved proceeds of £502,000, representing a gain over opening value of £10,000.

£187,000 was also received from Snow Hill Developments LLP. The DP67 Share pool has a membership interest in the business under which a fixed return accrues. The disposal marks the return of some of this fixed value to the Share pool. The investment in Snow Hill Developments LLP was also uplifted by £67,000 as at 31 March 2019, as the effect of discounting the future cash receipts continues to unwind over time.

Portfolio valuation

The DP67 portfolio was reduced in value by a total of £413,000 during the year.

The majority of the total valuation reduction is attributable to Yamuna Energy Limited, the owner and operator of a wood pelleting plant in Austria. The site experienced two fires during the year which halted production and led to a loss of key customers. Downing is working with the management team at present, however, it is unlikely that any value will be recovered and the investment has been fully provided against as a result.

London City Shopping Centre Limited has also been reduced to £nil as the company was unable to secure the finance it required in order to progress with its development plans.

A valuation uplift of £19,000 was also recognised in respect of Fenkle Street LLP, as the impact of discounting the expected future cash flows unwinds over time.

Outlook

The focus for the DP67 Share pool is now on realising the remaining investments. We anticipate that the remaining realisations will take place in the coming months and further dividends will be declared once this process has been completed.

Downing LLP

25 July 2019

REVIEW OF INVESTMENTS – DP67 SHARE POOL

Portfolio of investments

The following investments were held at 31 March 2019:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
Cadbury House Holdings Limited	1,409	1,613	-	33.4%
Snow Hill Developments LLP**	474	741	67	15.4%
Fenkle Street LLP**	405	697	19	14.4%
Gatewales Limited*	343	527	-	10.9%
Yamuna Renewables Limited	400	-	(400)	0.0%
London City Shopping Centre Limited**	99	-	(99)	0.0%
	<u>3,130</u>	<u>3,578</u>	<u>(413)</u>	<u>74.1%</u>
Cash at bank and in hand		<u>1,251</u>		<u>25.9%</u>
Total investments		<u>4,829</u>		<u>100.0%</u>

* partially qualifying investment

** non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

Investment movements for the year ended 31 March 2019

DISPOSALS

	Cost £'000	Valuation at 01/04/18 £'000	Proceeds £'000	(Loss)/ profit vs. cost £'000	Realised gain £'000
Venture Capital investments					
Oak Grove Renewables Limited	820	492	502	(318)	10
Snow Hill Developments LLP**	110	156	187	77	31
	<u>930</u>	<u>648</u>	<u>689</u>	<u>(241)</u>	<u>41</u>

* partially qualifying investment

** non-qualifying investment

REVIEW OF INVESTMENTS – DP67 SHARE POOL (continued)

Further details of the Venture Capital investments held by the DP67 Share pool:

Cadbury House Holdings Limited



Cost at 31/03/19:	£1,409,000	Valuation at 31/03/19:	£1,613,000
Cost at 31/03/18:	£1,409,000	Valuation at 31/03/18:	£1,613,000
Date of first investment:	Oct 06	Valuation method:	EBITDA Multiple

Investment comprises:

Ordinary shares:	£882,000	Proportion of equity held:	28%
A Loan stock:	£527,000	Proportion of A loan stock held:	89%

Summary financial information from consolidated statutory accounts to 31 March:

	2018	2017
Turnover:	£9.2m	£9.1m
Operating profit:	£1.5m	£1.7m
Net assets:	£8.5m	£8.4m

Cadbury House Holdings Limited owns and operates a health club, restaurant and conference centre at Cadbury House, near Bristol. The restaurant trades as a Marco Pierre-White Steakhouse Bar and Grill.

Snow Hill Developments LLP



Cost at 31/03/19:	£474,000	Valuation at 31/03/19:	£741,000
Cost at 31/03/18:	£584,000	Valuation at 31/03/18:	£830,000
Date of first investment:	Oct 11	Valuation method:	Discounted cash flow - investment

Investment comprises:

Partnership equity:	£474,000	Proportion of equity held:	47%
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Summary financial information from statutory accounts to 30 June:

	2018	2017
Turnover:	£nil	£nil
Operating loss:	(£0.1m)	(£0.1m)
Net assets:	£2.0m	£1.5m

Snow Hill Developments LLP has converted an office building in Birmingham into a 224 bedroom Holiday Inn Express. The hotel has been open since June 2013 and profit share is being paid over time, as bank debt is reduced.

Fenkle Street LLP



Cost at 31/03/19:	£405,000	Valuation at 31/03/19:	£697,000
Cost at 31/03/18:	£405,000	Valuation at 31/03/18:	£678,000
Date of first investment:	Jun 10	Valuation method:	Discounted cash flow - investment

Investment comprises:

Secured loan stock:	£405,000	Proportion of loan stock held:	35%
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Summary financial information from statutory accounts to 30 June:

	2018	2017
Turnover:	£nil	£nil
Operating profit/(loss):	£0.1m	£0.1m
Net assets:	£3.6m	£2.7m

Fenkle Street LLP was created to fund the purchase of a property in central Newcastle and carry out its subsequent refurbishment under the Business Premises Renovation Allowance (BPRA) scheme. The refurbishment has now been completed and the property has been sold, with the remaining loan being secured on the car park.

REVIEW OF INVESTMENTS – DP67 SHARE POOL (continued)

Further details of the Venture Capital investments held by the DP67 Share pool:

Gatewales Limited



Cost at 31/03/19:	£343,000	Valuation at 31/03/19:	£527,000
Cost at 31/03/18:	£343,000	Valuation at 31/03/18:	£527,000
Date of first investment:	Mar 07	Valuation method:	Discounted cash flow - investment

Investment comprises:

Ordinary shares:	£nil	Proportion of equity held:	7%
B Loan stock:	£343,000	Proportion of B loan stock held:	85%

Summary financial information from statutory accounts to 31 March:

	2018	2017
Net liabilities:	(£4.2m)	(£3.7m)

Gatewales Limited is a member of Fenkle Street LLP, which undertook a refurbishment contract on a hotel in Newcastle during 2011 and 2012. Payment for this contract depends on the performance of the hotel and is being paid over time as the bank debt is reduced.

Note: the proportion of each equity class held also represents the level of voting rights held by the Company, in respect of that class. Turnover and operating profit figures are stated where this information is publicly available.

Summary of loan stock interest income and interest on advances

£'000

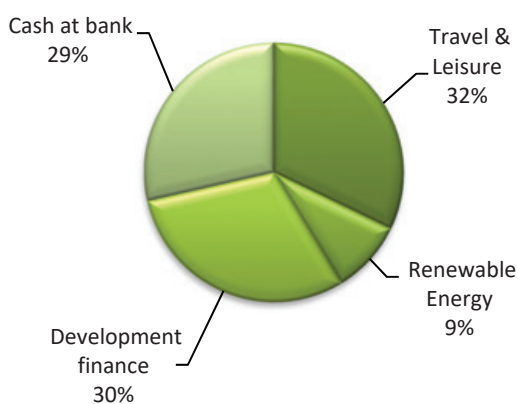
Loan stock interest and interest on advances receivable in the year

Cadbury House Holdings Limited	194
Fenkle Street LLP	19
	<u>213</u>

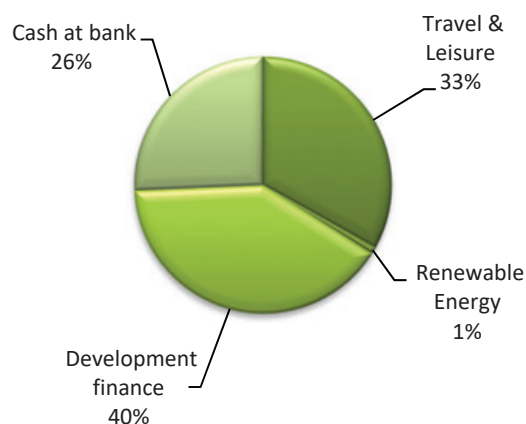
Portfolio by commercial sector

The split of the DP67 Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2019) is as follows:

DP67 Share Pool
Analysis of investments by sector based on cost



DP67 Share Pool
Analysis of investments by sector based on value



DP2011 GENERAL SHARE POOL SHARE POOL SUMMARY

Financial highlights

	31 March 2019 pence	31 March 2018 pence
Net Asset Value per DP2011 General Ordinary Share	-	-
Net Asset Value per DP2011 General A Share	13.3	20.3
Cumulative distributions	92.0	85.0
Total Return per DP2011 General Ordinary Share and DP2011 General A Share	<u>105.3</u>	<u>105.3</u>

Dividend history

Period end	Date paid/payable	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>

Share prices

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

	DP2011 Gen A Shares	DP2011 Gen Ord Shares
TIDM/EPIC codes	D40A	D400
Latest share price (24 July 2019)	25.0p per share	2.505p per share

Structure of shareholdings

The original Share offer under Downing Planned Exit VCT 2011 plc was launched in March 2011. For every £1 invested, Shareholders received one Downing Planned Exit 2011 General Share and one Downing Planned Exit 2011 General A Share (together a "Combined Share"). These were converted to one Downing FOUR DP2011 General Ordinary share and one Downing FOUR DP2011 General A share as part of the merger in July 2015.

Performance Incentive arrangements

The DP2011 General A Shares are designed to facilitate the payment of a Performance Incentive to the management team. The DP2011 General A Shares were initially issued at a price of 6.5p per share and the management team subscribed for 15% of the DP2011 General A Shares issued. Any Performance Incentives are paid by virtue of dividends being declared on the DP2011 General A Shares.

As total Shareholder proceeds have now exceeded 70.0p per Combined Share, the management team will now receive 15% of the surplus by virtue of their DP2011 General A Shareholdings. When total Shareholder proceeds exceed 120.0p per Combined Share, no further incentive will be paid.

Target exit date

It is expected that a final distribution of capital will be announced to Shareholders in the coming months.

INVESTMENT MANAGER'S REPORT - DP2011 GENERAL SHARE POOL

Introduction

The DP2011 General Share pool has made good progress in realising investments, with two full and two partial exits completed during the year.

Net Asset Value and results

The combined Net Asset Value ("NAV") of one DP2011 General Ordinary Share and one DP2011 General A Share at 31 March 2019 stood at 13.3p, which has remained unchanged from 31 March 2018, after adjusting for dividends paid. Total Return stands at 105.3p per share compared to an initial cost to Shareholders, net of income tax relief, of 70.0p per Share.

The profit on ordinary activities after taxation for the year was £4,000 (2018: £760,000) comprising a revenue loss of £47,000 (2018: of £112,000) and a capital gain of £51,000 (2018: £872,000).

Venture Capital investments

The DP2011 General Share pool began the year with £2.2 million of investments and ended with £1.9 million spread across a portfolio of five Venture Capital investments.

Investment activity

The process of exiting investments in the portfolio is underway. Two full and two partial exits occurred during the year, generating proceeds of £419,000 and a gain over opening value of £38,000.

The largest realisation was the sale of Oak Grove Renewables Limited, the owner of an Anaerobic Digestion Plant in Norfolk. The sale achieved proceeds of £259,000, representing a gain over opening value of £5,000.

£141,000 was also received from Snow Hill Developments LLP. The DP2011 General Share pool has a membership interest in the business under which a fixed return accrues. The disposal marks the return of some of this fixed value to the Share pool. The investment in Snow Hill Developments LLP was also uplifted by £138,000 as at 31 March 2019, as the effect of discounting the future cash receipts continues to unwind over time.

The residual investment in Fubar Stirling Limited was also exited in full during the year. The loan notes were being repaid over time and the amounts received during the year constitute the final settlements. The loss over cost in respect of Fubar Stirling Limited relates to the equity interest in the company, to which no value ultimately accrued.

The loan notes issued to Mosaic Spa and Health Clubs Limited are also being repaid over time, with a further £10,000 having been received during the year.

Portfolio valuation

During the year, the carrying value of the DP2011 General portfolio was increased in value by £33,000.

Wickham Solar Limited owns a portfolio of ground mounted solar panels in Lincolnshire. The company is performing to budget and an uplift of £10,000 was recognised in the year as a result.

London City Shopping Centre Limited has been reduced to £nil, as the company was unable to secure the finance it required in order to progress with its plans.

The DP2011 General Share pool's interest in Mosaic Spa and Health Clubs Limited has also been reduced in value, by £27,000, as the business is behind on its loan repayments.

Outlook

The focus for the Share pool is on realising the remaining investments at sensible valuations. We hope to be in a position to announce a final distribution to Shareholders during the summer.

Downing LLP

25 July 2019

REVIEW OF INVESTMENTS – DP2011 GENERAL SHARE POOL

Portfolio of investments

The following investments were held at 31 March 2019:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
Snow Hill Developments LLP**	680	1,206	138	48.5%
Wickham Solar Limited	550	660	10	26.5%
Mosaic Spa and Health Clubs Limited*	86	29	(27)	1.2%
Odysian (Holdings) Limited	233	-	-	0.0%
London City Shopping Centre Limited**	88	-	(88)	0.0%
	<u>1,637</u>	<u>1,895</u>	<u>33</u>	<u>76.2%</u>
Cash at bank and in hand		<u>594</u>		<u>23.8%</u>
Total investments		<u>2,489</u>		<u>100.0%</u>

* partially qualifying investment

** non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

Investment movements for the year ended 31 March 2019

DISPOSALS

	Cost £'000	Valuation at 01/04/18 £'000	Proceeds £'000	(Loss)/profit vs. cost £'000	Realised gain £'000
Venture Capital investments					
Oak Grove Renewables Limited	400	254	259	(141)	5
Snow Hill Developments LLP	70	110	141	71	31
Fubar Stirling Limited	133	9	9	(124)	-
Mosaic Spa and Health Clubs Limited*	10	8	10	-	2
	<u>613</u>	<u>381</u>	<u>419</u>	<u>(194)</u>	<u>38</u>

* partially qualifying investment

REVIEW OF INVESTMENTS – DP2011 GENERAL SHARE POOL (continued)

Further details of the Venture Capital investments held by the DP2011 General Share pool:

Snow Hill Developments LLP



Cost at 31/03/19:	£680,000	Valuation at 31/03/19:	£1,206,000
Cost at 31/03/18:	£750,000	Valuation at 31/03/18:	£1,178,000
Date of first investment:	Oct 11	Valuation method:	Discounted cash flow - investment

Investment comprises:

Partnership equity:	£680,000	Proportion of equity held:	35%
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Summary financial information from statutory accounts to 30 June:

	2018	2017
Turnover:	£nil	£nil
Operating loss:	(£0.1m)	(£0.1m)
Net assets:	£2.0m	£1.5m

Snow Hill Developments LLP has converted an office building in Birmingham into a 224 bedroom Holiday Inn Express. The hotel has been open since June 2013 and profit share is due to be paid over time as bank debt is reduced.

Wickham Solar Limited



Cost at 31/03/19:	£550,000	Valuation at 31/03/19:	£660,000
Cost at 31/03/18:	£550,000	Valuation at 31/03/18:	£650,000
Date of first investment:	Mar 13	Valuation method:	Discounted cash flow - business

Investment comprises:

B Ordinary shares:	£550,000	Proportion of B equity held:	10%
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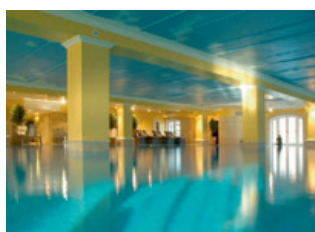
Summary financial information from statutory accounts to 30 September:

	2017	2016
Turnover:	£0.8m	£0.8m
Operating profit:	£0.2m	£0.3m
Net assets:	£4.8m	£4.7m

Wickham Solar Limited owns a 5.6MW ground-mounted solar farm in Bourne, Lincolnshire. The project was developed by Lark Energy and Armstrong Energy, with Lark Energy undertaking the installation of the system under an EPC Agreement.

Mosaic Spa and Health Clubs Limited

www.mosaicspaandhealth.co.uk



Cost at 31/03/19:	£86,000	Valuation at 31/03/19:	£29,000
Cost at 31/03/18:	£96,000	Valuation at 31/03/18:	£64,000
Date of first investment:	Feb 11	Valuation method:	Discounted cash flow - investment

Investment comprises:

Ordinary A shares:	£19,000	Proportion of A equity held:	12%
B Loan stock:	£67,000	Proportion of B loan stock held:	19%

Summary financial information from statutory accounts to 31 December:

	2017	2016
Turnover:	£7.7m	£8.6m
Operating loss:	(£1.8m)	(£2.1m)
Net assets:	£0.8m	£0.7m

Mosaic Spa and Health Clubs Limited is a spa and health club management company. The company currently has c.30 management contracts to provide gyms and spa services to hotels, educational establishments, university and corporate clients.

Note: the proportion of each equity class held also represents the level of voting rights held by the Company, in respect of that class. Turnover and operating profit figures are stated where this information is publicly available.

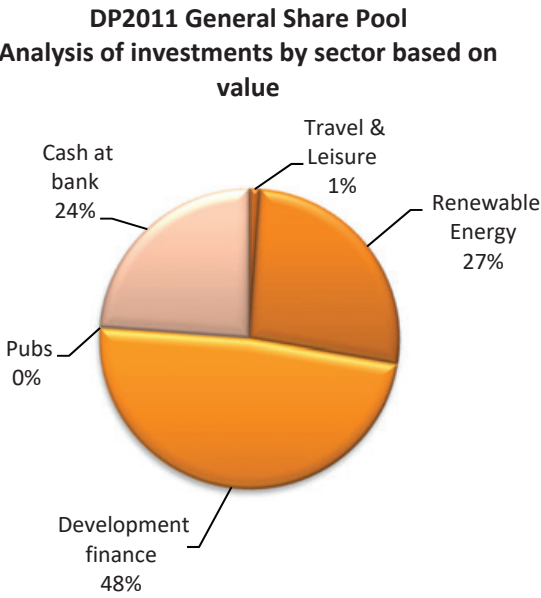
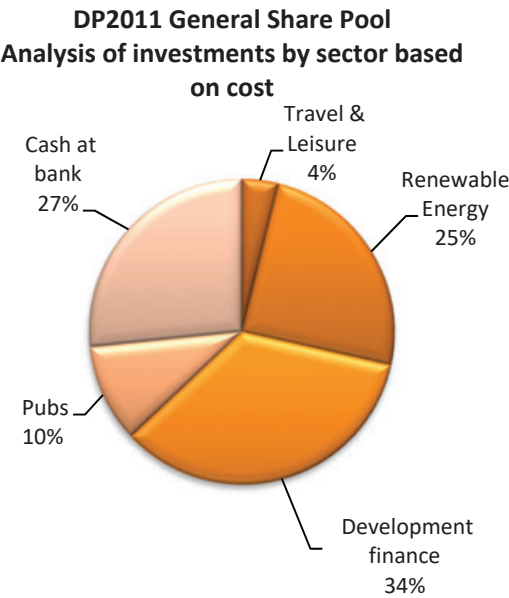
REVIEW OF INVESTMENTS – DP2011 GENERAL SHARE POOL (continued)

Summary of loan stock interest income and interest on advances

	£'000
Loan stock interest and interest on advances receivable in the year	
Mosaic Spa and Health Clubs Limited	4
	4

Portfolio by commercial sector

The split of the DP2011 General Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2019) is as follows:



DP2011 STRUCTURED SHARE POOL SHARE POOL SUMMARY

Financial highlights

	31 March 2019 pence	31 March 2018 pence
Net Asset Value per DP2011 Structured Ordinary Share	-	-
Net Asset Value per DP2011 Structured A Share	9.9	15.0
Cumulative distributions	95.0	90.0
Total Return per DP2011 Structured Ordinary Share and DP2011 Structured A Share	<u>104.9</u>	<u>105.0</u>

Dividend history

Period end	Date paid/payable	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>

Share prices

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

	DP2011 Struc A Shares	DP2011 Struc Ord Shares
TIDM/EPIC codes	D4SA	D4SO
Latest share price (24 July 2019)	10.05p per share	5.005p per share

Structure of shareholdings

The original Share offer under Downing Planned Exit VCT 2011 plc was launched in March 2011. For every £1 invested, Shareholders received one Downing Planned Exit 2011 Structured Share and one Downing Planned Exit 2011 Structured A Share (together a "Combined Share"). These were converted to one Downing FOUR DP2011 Structured Ordinary share and one Downing FOUR DP2011 Structured A share as part of the merger in July 2015.

Performance Incentive arrangements

The DP2011 Structured A Shares are designed to facilitate the payment of a Performance Incentive to the management team. The DP2011 Structured A Shares were initially issued at a price of 6.5p per Share and the management team subscribed for 15% of the DP2011 Structured A Shares issued. Any Performance Incentive due will be paid by virtue of dividends being declared on the DP2011 Structured A Shares.

As total Shareholder proceeds have now exceeded 70.0p per Combined Share, the management team will receive 15% of the surplus by virtue of their DP2011 Structured A Shareholdings. When total Shareholder proceeds exceed 120.0p per Combined Share, no further incentive will be paid.

Target exit date

It is expected that a final distribution of capital will be announced to Shareholders in the coming months.

INVESTMENT MANAGER'S REPORT- DP2011 STRUCTURED SHARE POOL

Introduction

The DP2011 Structured Share pool has made good progress during the year in realising investments, with two full exits and one partial exit having been completed.

As at 31 March 2019 the DP2011 Structured Share pool held a portfolio of three Venture Capital investments, with a total value of £0.7 million.

Net Asset Value and results

The Net Asset Value ("NAV") of a combined holding of one DP2011 Structured Ordinary Share and one DP2011 Structured A Share at 31 March 2019 stood at 9.9p, a decrease of 0.1p or 0.7% over the year after adjusting for dividends paid. Total Return stands at 104.9p 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 year was £26,000 (2018: profit of £405,000), comprising a revenue loss of £19,000 (2018: profit of £91,000) and a capital loss of £7,000 (2018: gain of £496,000).

Venture Capital investments

Investment activity

The DP2011 Structured Share pool began the year with £1.0 million of investments and ended the year with £0.7 million spread across a portfolio of three Venture Capital investments.

One partial and two full disposals were made during the year, generating total proceeds of £366,000 and a total realised gain of £8,000.

The largest realisation was the sale of Oak Grove Renewables Limited, the owner of an Anaerobic Digestion Plant in Norfolk. The sale achieved proceeds of £353,000, representing a gain over opening value of £6,000.

The residual investment in Fubar Stirling Limited was also exited in full during the year. The loan notes were being repaid over time and the amounts received during the year constitute the final settlements. The loss over cost in respect of Fubar Stirling Limited relates to the equity interest in the company, to which no value ultimately accrued.

The loan notes issued to Mosaic Spa and Health Clubs Limited are also being repaid over time, with a further £7,000 having been received during the year.

Portfolio valuation

Valuation movements in the year resulted in a net reduction of £8,000.

Wickham Solar Limited owns a portfolio of ground mounted solar panels in Lincolnshire. The company is performing to budget and an uplift of £10,000 was recognised in the year as a result.

The DP2011 Structured Share pool's interest in Mosaic Spa and Health Clubs Limited has also been reduced in value, by £18,000, as the business is behind on its loan repayments.

Outlook

The focus for the Share pool is on realising the remaining investments at values which maximise returns for Shareholders. We hope to be in a position to announce a final distribution to Shareholders during the summer.

Downing LLP

25 July 2019

REVIEW OF INVESTMENTS – DP2011 STRUCTURED SHARE POOL

Portfolio of investments

The following investments were held at 31 March 2019:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
Wickham Solar Limited	550	660	10	53.0%
Mosaic Spa and Health Clubs Limited*	58	19	(18)	1.5%
Odysian (Holdings) Limited	155	-	-	0.0%
	<u>763</u>	<u>679</u>	<u>(8)</u>	<u>54.5%</u>
Cash at bank and in hand		<u>566</u>		<u>45.5%</u>
Total investments		<u>1,245</u>		<u>100.0%</u>

* partially qualifying investment

All Venture Capital investments are incorporated in England and Wales.

Investment movements for the year ended 31 March 2019


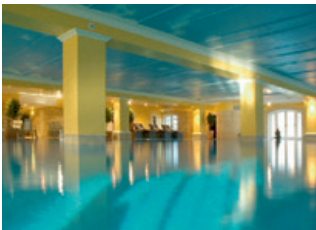
DISPOSALS

	Cost £'000	Valuation at 01/04/18 £'000	Proceeds £'000	(Loss)/profit vs. cost £'000	Realised gain £'000
Venture Capital investments					
Oak Grove Renewables Limited	545	347	353	(192)	6
Fubar Stirling Limited	90	6	6	(84)	-
Mosaic Spa and Health Clubs Limited*	6	5	7	1	2
	<u>641</u>	<u>358</u>	<u>366</u>	<u>(275)</u>	<u>8</u>

* partially qualifying investment

REVIEW OF INVESTMENTS – DP2011 STRUCTURED SHARE POOL (continued)

Further details of the Venture Capital investments held by the DP2011 Structured Share pool:

<div>Wickham Solar Limited</div> 	Cost at 31/03/19:	£550,000	Valuation at 31/03/19:	£660,000
	Cost at 31/03/18:	£550,000	Valuation at 31/03/18:	£650,000
	Date of first investment:	Mar 13	Valuation method:	Discounted cash flow - business
	Investment comprises:			
	B ordinary shares:	£550,000	Proportion of B equity held:	10%
	Summary financial information from statutory accounts to 30 September:			
			2017	2016
	Turnover:		£0.8m	£0.8m
	Operating profit:		£0.2m	£0.3m
	Net assets:		£4.8m	£4.7m
Wickham Solar Limited owns a 5.6MW ground-mounted solar farm in Bourne, Lincolnshire. The project was developed by Lark Energy and Armstrong Energy, with Lark Energy undertaking the installation of the system under an EPC Agreement.				
<div>Mosaic Spa and Health Clubs Limited</div> <div>www.mosaicspaandhealth.co.uk</div> 	Cost at 31/03/19:	£58,000	Valuation at 31/03/19:	£19,000
	Cost at 31/03/18:	£64,000	Valuation at 31/03/18:	£42,000
	Date of first investment:	Feb 11	Valuation method:	Discounted cash flow - investment
	Investment comprises:			
	Ordinary A shares:	£12,000	Proportion of A equity held:	8%
	B Loan stock:	£46,000	Proportion of B loan stock held:	13%
	Summary financial information from statutory accounts to 31 December:			
			2017	2016
	Turnover:		£7.7m	£8.6m
	Operating loss:		(£1.8m)	(£2.1m)
	Net assets:		£0.8m	£0.7m
Mosaic Spa and Health Clubs Limited is a spa and health club management company. The company currently has c.30 management contracts to provide gyms and spa services to hotels, educational establishments, university and corporate clients.				

Note: the proportion of each equity class held also represents the level of voting rights held by the Company, in respect of that class. Turnover and operating profit figures are stated where this information is publicly available.

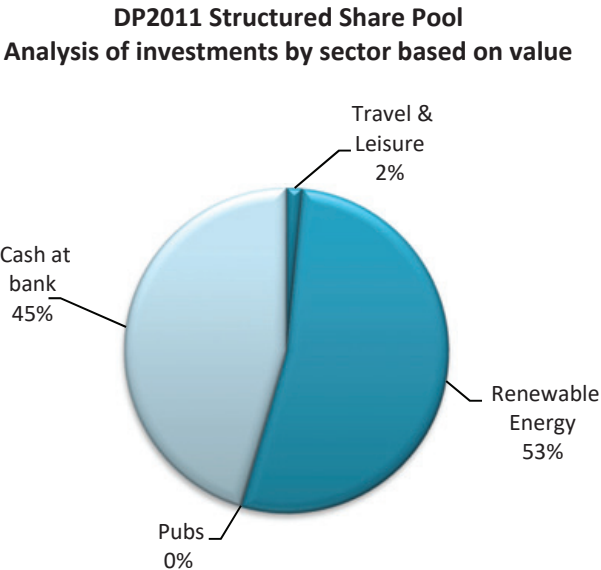
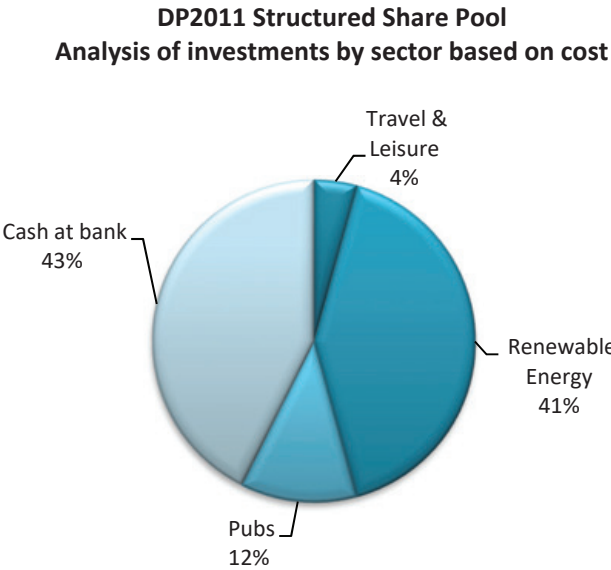
REVIEW OF INVESTMENTS – DP2011 STRUCTURED SHARE POOL (continued)

Summary of loan stock interest income and interest on advances

	£'000
Loan stock interest and interest on advances receivable in the year	
Mosaic Spa and Health Clubs Limited	3
	3

Analysis of investments by type

The split of the DP2011 Structured Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2019) is as follows:



GENERALIST SHARE POOL SHARE POOL SUMMARY

Financial highlights

	31 March 2019 pence	31 March 2018 pence
Net Asset Value and Total Return per Generalist Share	83.5	95.5

Share prices

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

	Generalist Shares
TIDM/EPIC codes	D4G
Latest share price (24 July 2019)	87.5p per share

Performance Incentive arrangements

Members of the management team have committed to subscribe for a number of Generalist Shares equal to 20% of the total number of Generalist Shares in issue. The members of the management team have agreed to waive any dividends on these Shares until the performance hurdles are met.

For the years ending on or before 31 March 2020, the hurdle is met when Total Return (based on audited year end results) is in excess of £1 per Generalist Share. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2021 the Total Return hurdle will be £1.03, for the year ended 31 March 2022 the hurdle will be £1.06, etc. If the hurdle is met in any year, then members of the management team will receive 20% of the dividends paid.

INVESTMENT MANAGER'S REPORT - GENERALIST SHARE POOL

Introduction

As at 31 March 2019, the Generalist Share Pool held a portfolio of 26 Venture Capital investments and three Liquidity investments, with a combined value of £24.6 million.

Net Asset Value and results

As at 31 March 2019, the NAV of a Generalist share stood at 83.5p, a decrease of 12.0p over the year. The fall in value arises from several areas. 5.4p of the decrease is attributable to the Liquidity investments which have been negatively impacted by the falls in global markets towards the end of 2018. 5.5p of the fall arises from net losses in the Venture Capital portfolio, where two investments in particular have had significant provisions made against them. The remaining 1.1p of the decrease has arisen from the surplus of running costs over income.

The loss on ordinary activities for the Generalist Share pool for the year was £3.9 million (2018: £1.3 million), comprising a revenue loss of £283,000 (2018: £381,000) and a capital loss of £3.6 million (2018: £953,000).

Investment activity

During the year we made good progress in building the VCT Qualifying portfolio of the Generalist Share pool, having invested a total of £10.9 million in 17 companies.

New Venture Capital investments

A description of each of the new VCT Qualifying investments made during the year is shown below.

£1.3 million was invested in Rated People Limited, an online home services marketplace that aims to connect homeowners with high quality local tradespeople.

£1.1 million was invested in Lignia Wood Company Limited (formerly Fibre 7 UK Limited). The company's product, LIGNIA®, is produced by impregnating sustainably-sourced softwood with resin such that it has an appearance resembling a tropical hardwood with a better appearance, durability, stability and fire resistance than many high value hardwoods such as oak and teak.

£1.0 million was invested in Firefly Learning Limited, the developer of a suite of school learning tools which allow teachers to share lesson plans, assign and review homework and communicate with students and parents online.

£1.0 million was invested in Imagen Limited, the developer of a SaaS video management platform which holds both current and archive footage for major sporting organisations and news outlets, including Premier League, World Tennis Association and the BBC.

£803,000 was invested in Virtual Class Limited, trading as Third Space Learning, via two fundraising tranches. The Company has developed an online educational platform that provides mathematics tuition to pupils studying for their Key Stage 2 exams.

£784,000 was invested in Hackajob Limited, the developer of an online recruitment platform that allows companies to hire tech talent directly through a combination of domain-specific challenges, data and human intelligence.

£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.

£500,000 was invested in Exonar Limited, a developer of software solutions which help ensure compliance with data-centric regulations and imperatives, including GDPR.

£412,000 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 £1.1 million from the Healthcare Share Pool.

£300,000 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 £1.1 million from the Healthcare Share Pool.

£200,000 was invested in Channel Mum Limited, the developer of a community-based online platform for parents.

£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.

Follow-on Venture Capital investments

A description of each of the existing VCT Qualifying businesses to which the Generalist Share pool provided further funding during the year is shown below.

£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. The Generalist Share pool has now invested a total of £1.2 million in the business, alongside £1.1 million from the Healthcare Share pool.

INVESTMENT MANAGER'S REPORT - GENERALIST SHARE POOL (continued)

Investment activity (continued)

Follow-on Venture Capital investments (continued)

£639,000 was invested in E Fundamentals (Group) Limited, via two fundraising tranches, bringing the total invested to £917,000. The company provides a data analytics service which provides online merchandising insights to brand owners, to enable them to improve their online revenues.

£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. £811,000 has been invested by the Generalist Share pool to date.

A further £278,000 was invested in Empiribox Holdings Limited, bringing the total invested to £1.0 million. The company provides equipment, lesson plans and CPD-accredited support for teachers to deliver engaging and practical science lessons to UK primary school children.

A further £218,000 was invested in Xupes Limited, bringing the total investment to £818,000. Xupes is an online retailer of pre-owned luxury goods including designer watches, handbags, jewellery and antiques.

Liquidity Investments

As Shareholders will be aware, where the Generalist Share pool invests in other Downing-managed funds, Downing provides fee rebates to the Generalist Share pool such that its investors are not "double-charged". As MI Downing Diversified Global Managers Fund moved away from being under Downing's management during the year, the decision was taken to exit from this investment, as the fee economies which the Generalist Share pool could previously take advantage of fell away. The exit generated proceeds of £1.8 million and resulted in a loss against cost of £23,000.

Portfolio valuation

Venture Capital portfolio

During the year the Venture Capital portfolio of the Generalist Share pool was reduced in value by a total of £1.7 million.

The largest valuation decrease was in respect of Ormsborough Limited. The company has experienced some significant challenges in respect of its pub developments, which have set the company back considerably. As a result, the Generalist Share pool's investment in the company was been written down by £706,000 during the year. Downing continues to work with the company to make improvements to its operations.

The Share pool's investment in Glownet Limited was also written down during the year. The carrying value of the investment was reduced by £556,000, as a result of the company performing substantially behind budget and the impact this has had on its working capital.

Virtual Class Limited (Third Space Learning), the developer of an online educational platform was reduced in value by £259,000 during the year, as a result of the company being behind budget. Steps are being taken to rationalise the business and we hope to see improvement in this regard.

The investment in ADC Biotechnology Limited was reduced in value by £146,000 during the year, in line with a new funding round, which was undertaken at a lower price to the first round under which the Share pool invested. The company is running behind plan as a result of delayed approvals on its production site. However, production is expected to commence shortly and we continue to work closely with the management team.

Empiribox Holdings Limited was reduced in value by £131,000 during the year, in view of the fact that the business has not met its sales targets and has therefore missed its budget.

Destiny Pharma plc ("Destiny Pharma"), which is listed on London's Alternative Investment Market (AIM), was also revalued downwards as at 31 March 2019, by £102,000 in line with the prevailing quoted price at that date. AIM prices typically fluctuate considerably in a given year and the reduction in the share price of the Destiny Pharma is symptomatic of this, as the business is progressing well.

Other valuation movements in the Venture Capital portfolio amounted to a net valuation uplift of £157,000.

Liquidity investments

The carrying values of the liquidity investments have been adjusted to reflect their quoted prices as at 31 March 2019. This resulted in a valuation reduction of £1.7 million for the year. This decrease is largely due to adverse conditions in global markets during the end of 2018, which have impacted quoted prices.

MI Downing UK Micro-Cap Growth Fund and Downing Strategic Micro-Cap Investment Trust plc, in particular, have a strategic approach to the underlying business in which they invest. Given this, we feel that there continues to be the potential for growth in these underlying businesses.

Outlook

The building of the Venture Capital portfolio of the Generalist Share pool progressed well during the year and we expect to see a similar level of investment activity over the coming year, as we work to deploy the proceeds from the 2018 Offer, in addition to the residual proceeds from the 2016 Offer.

Downing LLP

25 July 2019

REVIEW OF INVESTMENTS – GENERALIST SHARE POOL

Portfolio of investments

The following investments were held at 31 March 2019:

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
Live Better With Limited	1,211	1,284	73	3.9%
Rated People Limited	1,282	1,282	-	3.9%
Lignia Wood Company Limited	1,111	1,200	89	3.6%
Firefly Learning Limited	1,047	1,047	-	3.2%
Imagen Limited	1,000	1,000	-	3.0%
E-Fundamentals (Group) Limited	917	917	-	2.7%
Maverick Pubs (Holdings) Limited	1,000	900	(100)	2.7%
Empiribox Holdings Limited	1,028	897	(131)	2.7%
Xupes Limited	818	818	-	2.5%
BridgeU Limited	811	811	-	2.4%
Hackajob Limited	784	784	-	2.4%
Volo Commerce Limited	567	567	-	1.7%
Virtual Class Limited	803	544	(259)	1.6%
Exonar Limited	500	500	-	1.5%
Fenkle Street LLP*	301	372	71	1.1%
Arecor Limited	300	300	-	0.9%
ADC Biotechnology Limited	412	266	(146)	0.8%
Destiny Pharma plc^	500	261	(102)	0.8%
Limitless Technology Limited	173	219	46	0.7%
Channel Mum Limited	200	200	-	0.6%
Ormsborough Limited	900	194	(706)	0.6%
Glownet Limited	741	185	(556)	0.6%
Masters of Pie Limited	167	167	-	0.5%
Snow Hill Developments LLP*	64	92	23	0.3%
Mosaic Spa and Health Clubs Limited*	32	17	(15)	0.1%
London City Shopping Centre Limited*	30	-	(30)	0.0%
	16,699	14,824	(1,743)	44.8%
Liquidity investments				
MI Downing Monthly Income Fund*	3,950	3,503	(319)	10.5%
MI Downing UK Micro-Cap Growth Fund*	4,025	3,327	(534)	10.0%
Downing Strategic Micro-Cap Investment Trust plc*^	4,100	2,911	(861)	8.7%
	12,075	9,741	(1,714)	29.2%
	<u>28,774</u>	<u>24,565</u>	<u>(3,457)</u>	74.0%
Cash at bank and in hand		<u>8,661</u>		26.0%
Total investments		<u>33,226</u>		100.0%

All Venture Capital investments are incorporated in England and Wales.

*non-qualifying investment

^listed and traded on the London Stock Exchange

REVIEW OF INVESTMENTS – GENERALIST SHARE POOL (continued)

Investment movements for the year ended 31 March 2019

ADDITIONS

	Cost £'000
Venture Capital investments	
Rated People Limited	1,282
Lignia Wood Company Limited	1,111
Firefly Learning Limited	1,047
Imagen Limited	1,000
Live Better With Limited	991
Virtual Class Limited	803
Hackajob Limited	784
Gloynet Limited	741
E-Fundamentals (Group) Limited	639
Exonar Limited	500
BridgeU Limited	417
ADC Biotechnology Limited	412
Arecor Limited	300
Empiribox Holdings Limited	278
Xupes Limited	218
Channel Mum Limited	200
Masters of Pie Limited	167
	<u>10,890</u>

DISPOSALS

	Cost £'000	Valuation at 01/04/18 £'000	Proceeds £'000	(Loss)/profit vs. cost £'000	Realised (loss)/gain £'000
Venture Capital investments					
Fenkle Street LLP	60	60	-	(60)	(60)
Snow Hill Developments LLP	22	23	23	1	-
Mosaic Spa and Health Clubs Limited*	6	5	6	1	1
	<u>87</u>	<u>88</u>	<u>29</u>	<u>(58)</u>	<u>(59)</u>
Liquidity investments					
MI Downing Diversified Global Managers Fund	1,800	1,833	1,777	(23)	(56)
	<u>1,800</u>	<u>1,833</u>	<u>1,777</u>	<u>(23)</u>	<u>(56)</u>
	<u>1,887</u>	<u>1,921</u>	<u>1,806</u>	<u>(81)</u>	<u>(115)</u>

*partially qualifying investment

REVIEW OF INVESTMENTS – GENERALIST SHARE POOL (continued)

Further details of the ten largest Venture Capital investments held by the Generalist Share pool:

Live Better With Limited
www.livebetterwith.com



Cost at 31/03/19:	£1,211,000	Valuation at 31/03/19:	£1,284,000
Cost at 31/03/18:	£220,000	Valuation at 31/03/18:	£220,000
Date of first investment:	Jan 18	Valuation method:	Price of recent investment
Investment comprises:			
A ordinary shares:	£220,000	Proportion of A equity held:	34%
B ordinary shares	£991,000	Proportion of B equity held:	18%
Summary financial information from statutory accounts to 31 August:			
		2018	2017
Net assets:		£4.7m	£0.4m

Live Better With is 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. The company launched in the UK and the US, with offices based in London and New York. Downing-managed funds have invested a total of £5.0 million to date. This capital injection will enable the business to continue extending its reach to people living with cancer around the world.

Rated People
www.ratedpeople.com



Cost at 31/03/19:	£1,282,000	Valuation at 31/03/19:	£1,282,000
Date of first investment:	Nov 18	Valuation method:	Price of recent investment
Investment comprises:			
C ordinary shares:	£1,282,000	Proportion of C equity held:	2%
Summary financial information from statutory accounts to 31 December:			
		2017	2016
Turnover:		£12.1m	£11.5m
Operating loss:		(£4.1m)	(£3.5m)
Net liabilities:		(£5.2m)	(£1.5m)

Rated People is an online home services marketplace that aims to connect homeowners with high quality local tradespeople. The company offers access to more than 50,000 tradespeople, representing over 30 trades, and covering the whole of the UK. Downing-managed funds have invested a total of £4.2 million to date, to help the company accelerate growth by investing in marketing and sales and continue driving innovation in its product offering.

Lignia Wood Company
www.lignia.com



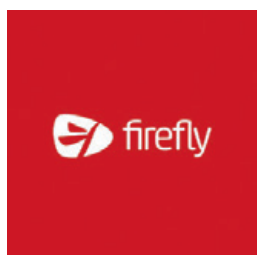
Cost at 31/03/19:	£1,111,000	Valuation at 31/03/19:	£1,200,000
Date of first investment:	Jul 18	Valuation method:	Price of recent investment
Investment comprises:			
A ordinary shares:	£1,111,000	Proportion of A equity held:	13%
Summary financial information from statutory accounts to 31 December:			
		2018	2017
Net assets:		£6.9m	£1.6m

Lignia is a producer of sustainable modified wood based in Barry, Wales. The company is helping tackle issues relating to lack of supply of legal and sustainable hardwoods. It is doing this by modifying the properties of sustainably-sourced, plantation-grown softwoods under the brand name LIGNIA®. LIGNIA is produced by impregnating wood with resin which, once cured, has an appearance resembling a tropical hardwood that has a better appearance, durability, stability and fire resistance than many high value hardwoods such as oak and teak. Downing managed funds invested a total of £3 million in the Company to date, which will help support the development of LIGNIA's first commercial scale production plant, based in Barry's Vale of Glamorgan. The plant will be able to produce up to 15,000m³ of LIGNIA wood annually.

REVIEW OF INVESTMENTS – GENERALIST SHARE POOL (continued)

Further details of the ten largest Venture Capital investments held by the Generalist Share pool:

Firefly Learning Limited
www.fireflylearning.com



Cost at 31/03/19:	£1,047,000	Valuation at 31/03/19:	£1,047,000
Date of first investment:	Jan 19	Valuation method:	Price of recent investment

Investment comprises:
A ordinary shares: £1,047,000 Proportion of A equity held: 18%

Summary financial information from statutory accounts to 30 April:

	2018	2017
Net assets:	£0.4m	£3.5m

Firefly is an online education platform which allows teachers to share lesson plans, assign and review homework and communicate with students and parents online, leaving an audit trail of assignments submitted and marks received. Firefly is now planning to extend its global expansion while further developing its strong presence in UK Independent and State schools. Downing-managed funds have invested a total of £3.3 million to date, alongside other established funds.

Imagen Limited
www.imagenevp.com



Cost at 31/03/19:	£1,000,000	Valuation at 31/03/19:	£1,000,000
Date of first investment:	Dec 18	Valuation method:	Price of recent investment

Investment comprises:
B ordinary shares: £1,000,000 Proportion of B equity held: 14%

Summary financial information from statutory accounts to 31 May:

	2018	2017
Net assets:	£2.1m	£3.3m

Imagen is a SaaS video management platform which holds both current and archive footage for major sporting organisations and news outlets, including Premier League, World Tennis Association and the BBC. The platform helps sports, media and enterprise businesses to manage their expanding video and content libraries on its cloud-based technology. Downing-managed funds led a round of £6.5 million, which will support Imagen's plans to expand its global operations, in particular the US and Europe.

E Fundamentals (Group)
Limited
www.ef.uk.com



Cost at 31/03/19:	£917,000	Valuation at 31/03/19:	£917,000
Cost at 31/03/18:	£278,000	Valuation at 31/03/18:	£278,000
Date of first investment:	Dec 17	Valuation method:	Price of recent investment

Investment comprises:
A ordinary shares: £917,000 Proportion of A equity held: 19%

Summary financial information from statutory accounts to:

	31 December	28 February
	2017	2017
Net assets/(liabilities):	£4.0m	(£0.5m)

E Fundamentals has developed a proprietary SaaS analytics platform that helps brands to replicate the successes of traditional retail sales through online shopping channels. Downing-managed funds have invested a total of £2.4 million to date. The capital will be used to support the expansion of the company's sales function, as well as ongoing product development.

REVIEW OF INVESTMENTS – GENERALIST SHARE POOL (continued)

Further details of the ten largest Venture Capital investments held by the Generalist Share pool:

Maverick Pubs (Holdings) Limited



Cost at 31/03/19:	£1,000,000	Valuation at 31/03/19:	£900,000
Cost at 31/03/18:	£1,000,000	Valuation at 31/03/18:	£1,000,000
Date of first investment:	Jan 18	Valuation method:	Price of recent investment

Investment comprises:

A ordinary shares:	£1,000,000	Proportion of A equity held:	20%
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Summary financial information from statutory accounts to 31 March:

	2018	
Net liabilities:		(£0.3m)

Maverick Pubs (Holdings) Limited is a newly-established company seeking to build an estate of high-quality freehold pubs in and around London. The company is headed by industry veteran David Bruce, who has a 50-year entrepreneurial career in both brewing and building pub groups. Downing-managed funds have invested a total of £5 million to date.

Empiribox Holdings Limited
www.empiribox.com



Cost at 31/03/19:	£1,028,000	Valuation at 31/03/19:	£897,000
Cost at 31/03/18:	£750,000	Valuation at 31/03/18:	£750,000
Date of first investment:	Aug 17	Valuation method:	Price of recent investment

Investment comprises:

C ordinary shares:	£11,000	Proportion of C equity held:	36%
D ordinary shares:	£867,000	Proportion of D equity held:	38%
A Loan stock	£150,000	Proportion of A Loan stock held:	50%

Summary financial information from statutory accounts to 31 March:

	2018	2017
Net assets/(liabilities):	£1.1m	(£0.2m)

Empiribox was founded in 2014 by former science teacher Dan Sullivan, to help improve the standard of science teaching in primary schools and encourage more students to take the subject at A-Level. Empiribox provides equipment, lesson plans and CPD-accredited support for teachers to deliver engaging and practical science lessons to UK primary school children. Downing-managed funds have invested a total of £2.3 million to date.

Xupes Limited
www.xupes.com



Cost at 31/03/19:	£818,000	Valuation at 31/03/19:	£818,000
Cost at 31/03/18:	£600,000	Valuation at 31/03/18:	£600,000
Date of first investment:	Feb 17	Valuation method:	Price of recent investment

Investment comprises:

A ordinary shares:	£1,000	Proportion of A equity held:	25%
B ordinary shares:	£374,000	Proportion of B equity held:	25%
C ordinary shares:	£68,000	Proportion of C equity held:	4%
A Loan stock	£75,000	Proportion of A Loan stock held:	25%
B Loan stock	£300,000	Proportion of B Loan stock held:	25%

Summary financial information from statutory accounts to 30 September:

	2018	2017
Turnover:	£8.9m	£6.4m
Operating (loss)/profit:	(£0.2m)	£0.1m
Net assets:	£2.4m	£2.6m

Xupes is an online retailer of pre-owned luxury goods including designer watches, handbags, jewellery and antiques. Over the last few years, Xupes has grown from its roots as a family business to one of the leading retailers of pre-owned luxury goods, employing approximately 25 members of staff. The management team has built a profitable business with a strong brand selling high-quality products, centred on exceptional customer service.

REVIEW OF INVESTMENTS – GENERALIST SHARE POOL (continued)

Further details of the ten largest Venture Capital investments held by the Generalist Share pool:

BridgeU Corporation
www.bridge-u.com



Cost at 31/03/19:	£811,000	Valuation at 31/03/19:	£811,000
Cost at 31/03/18:	£394,000	Valuation at 31/03/18:	£394,000
Date of first investment:	Aug 17	Valuation method:	Price of recent investment

Investment comprises:			
Class C Common Stock:	£811,000	Proportion of C Common Stock held:	4%

Summary financial information from statutory accounts to 31 December:

	2017	2016
Turnover:	\$nil	\$nil
Operating loss:	(\$0.1m)	(\$0.1m)
Net assets:	\$7.2m	\$2.9m

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

Note: the proportion of each equity class held also represents the level of voting rights held by the Company, in respect of that class. Turnover and operating profit figures are stated where this information is publicly available.

Summary of loan stock interest income and interest on advances

£'000

Loan stock interest and interest on advances receivable in the year

Xupes Limited	35
Empiribox Holdings Limited	34
Fenkle Street LLP	10
Mosaic Spa and Health Clubs Limited	2
	<u>81</u>

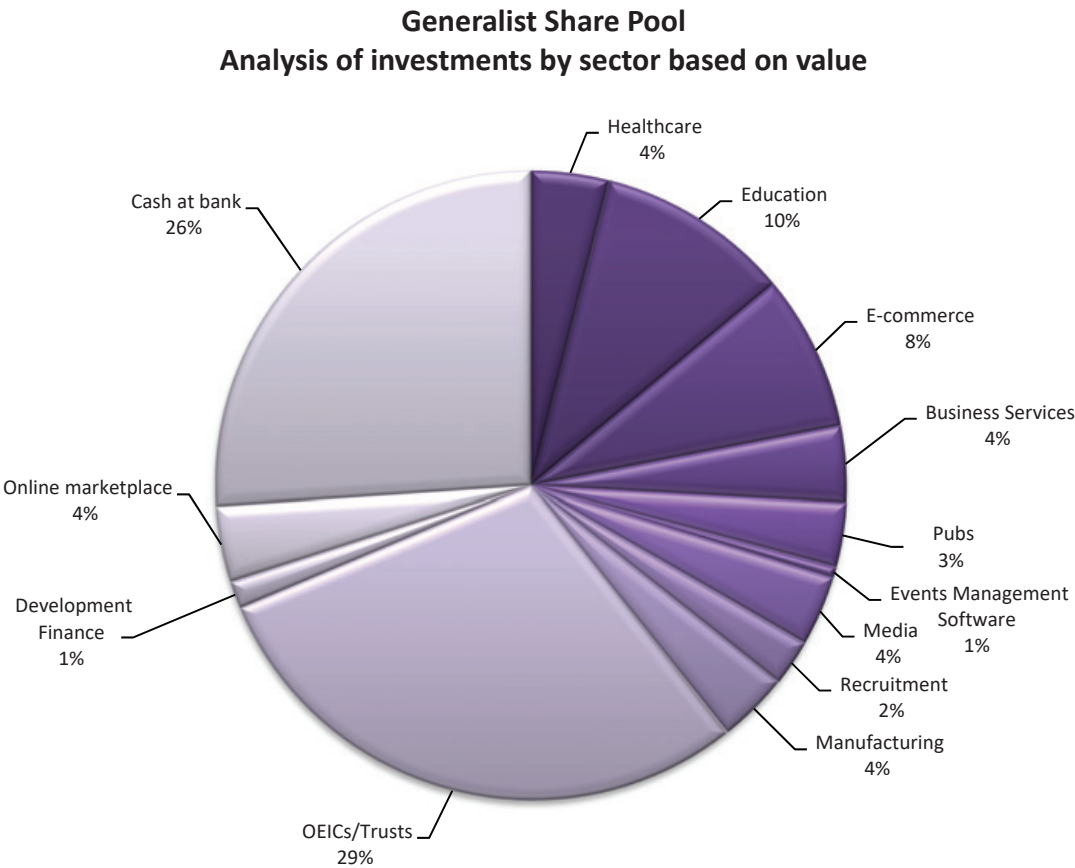
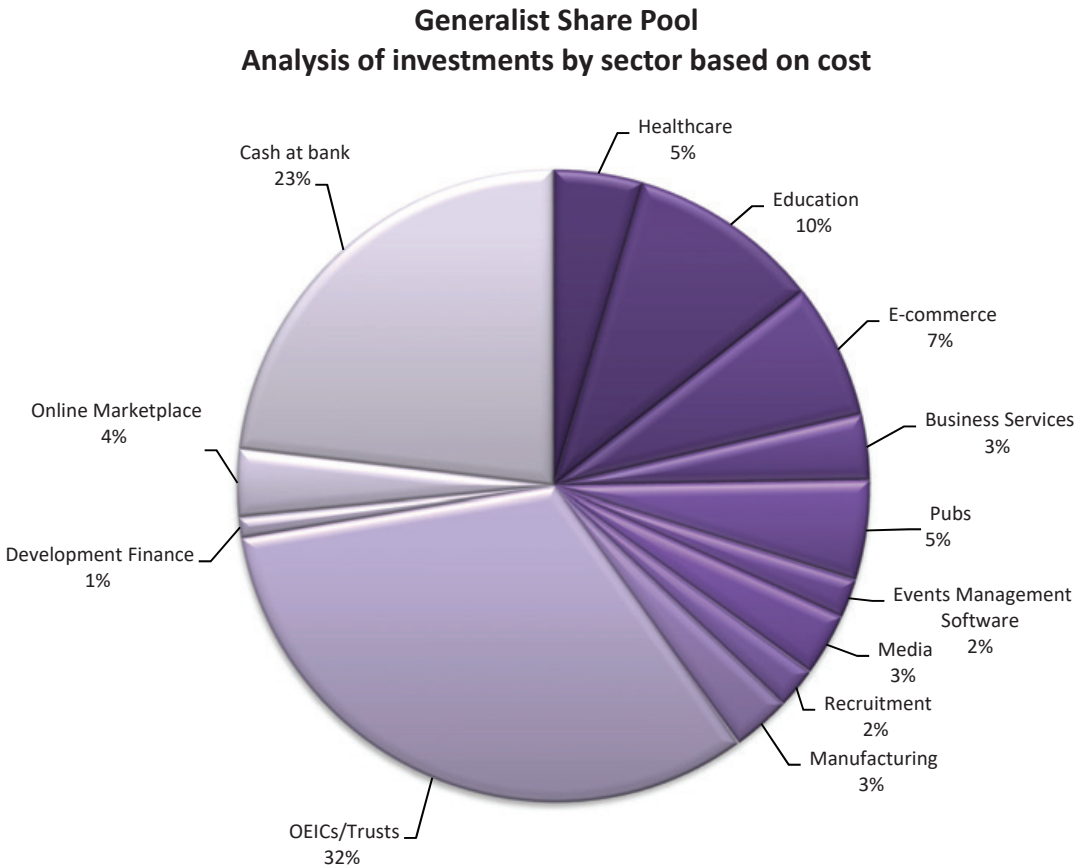
Analysis of investments by type

The allocation of the Generalist Share funds compared to the target split is summarised as follows:

	Actual portfolio split at 31 March 2019	Target portfolio split at 31 March 2020*
VCT Qualifying Investments		
Qualifying loan stock	1%	25%
Ordinary shares	43%	60%
Total	<u>44%</u>	<u>85%</u>
Non-Qualifying Investments		
Liquidity investments and Non-Qualifying loan stock	33%	5%
Total	<u>33%</u>	<u>5%</u>
Cash	23%	10%
	<u>100%</u>	<u>100%</u>

With effect from 1 April 2020, the majority of Generalist funds are subject to the 80% VCT Qualification test. The Manager aims to maintain a VCT Qualifying percentage comfortably in excess of the minimum required.

The split of the Generalist Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2019) are shown on the next page.



HEALTHCARE SHARE POOL SHARE POOL SUMMARY

Financial highlights

	31 March 2019 pence	31 March 2018 pence
Net Asset Value and Total Return per Healthcare Share	83.3	94.6

Share prices

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

	Healthcare Shares
TIDM/EPIC codes	D4H
Latest share price (24 July 2019)	90.0p per share

Performance Incentive arrangements

Members of the management team have committed to subscribe for a number of Healthcare Shares equal to 20% of the total number of Healthcare Shares in issue. The members of the management team have agreed to waive any dividends on these Shares until the performance hurdles are met.

For the years ending on or before 31 March 2020, the hurdle is met when Total Return (based on audited year end results) is in excess of £1 per Healthcare Share. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2021 the Total Return hurdle will be £1.03, for the year ended 31 March 2022 the hurdle will be £1.06, etc. If the hurdle is met in any year, then members of the management team will receive 20% of the dividends paid.

INVESTMENT MANAGER'S REPORT- HEALTHCARE SHARE POOL

Introduction

As at 31 March 2019, the Healthcare Share pool held a portfolio of seven Venture Capital investments and three Liquidity investments, with a combined value of £7.4 million.

Net Asset Value and results

As at 31 March 2019, the NAV of a Healthcare share stood at 83.3p, a decrease of 11.3p over the year. 3.3p of the decrease relates to investment revaluations in the Venture Capital portfolio, where, as is to be expected, some of the early stage companies have fallen a little behind plan. 5.4p relates to a reduction in value of the Liquidity Investments which have been negatively impacted by the falls in global markets towards the end of 2018. The remaining 2.6p of the NAV decrease is attributable to the surplus of running costs over income.

The return on ordinary activities for the Healthcare Share pool for the year was a loss of £1.4 million (2018: £589,000), being a revenue loss of £198,000 (2018: £160,000) and a capital loss of £1.2 million (2018: £429,000).

Investment activity

During the year a total of £4.9 million was invested in six venture capital investments.

New Venture Capital investments

A description of each of the new VCT Qualifying investments made during the year is shown below.

£1.1 million 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 £300,000 from the Generalist Share Pool.

£1.1 million 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 £412,000 from the Generalist Share Pool.

£1.0 million was invested in Open Bionics Limited, the designer and manufacturer of affordable bionic prosthetic hands by using 3D scanning and printing. The company's current focus is on becoming the market leader for bionic hands, before entering the new higher-growth prosthetic/orthotic markets.

£556,000 was invested in Adaptix Limited, the developer of a new flatpanel x-ray source which will improve the accuracy and mobility of 3D imaging. The company's technology will make portable, low radiation-dose 3D imaging more accessible and lower-cost than systems currently available on the market. The technology will also allow hospitals to provide faster and more definitive diagnoses.

£278,000 was invested in Future Health Works Limited, the developer of myrecovery, a mobile app that informs and empowers patients through every step of their orthopedic treatment journey, customised to their procedure and hospital. The app improves efficiency across the healthcare value chain and delivers actionable insight through data analytics. In the long term, myrecovery's product is designed to save money and time to both practitioners and patients.

Follow-on Venture Capital investments

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. The Healthcare Share pool has invested a total of £1.1 million to date, alongside £1.2 million from the Generalist Share pool.

Liquidity Investments

As Shareholders will be aware, where the Healthcare Share pool invests in other Downing-managed funds, Downing provides fee rebates to the Healthcare Share pool such that its investors are not "double-charged". As MI Downing Diversified Global Managers Fund moved away from being under Downing's management during the year, the decision was taken to exit from this investment, as the fee economies which the Healthcare Share pool could previously take advantage of fell away. The exit generated proceeds of £935,000 and resulted in a loss against cost of £15,000.

Portfolio valuation

Venture Capital portfolio

During the year the Venture Capital portfolio of the Healthcare Share pool was reduced in value by £1.0 million.

The largest valuation reduction was in respect of ADC Biotechnology Limited, with the Healthcare Share pool's investment having been reduced in value by £520,000 during the year. This was to bring the valuation in line with a new funding round, which was undertaken at a lower price to the first round under which the Share pool invested. The company is running behind plan as a result of delayed approvals on its production site. However, production is expected to commence shortly and we continue to work closely with the management team.

INVESTMENT MANAGER'S REPORT- HEALTHCARE SHARE POOL (continued)

Portfolio valuation (continued)

Venture Capital portfolio (continued)

Destiny Pharma plc ("Destiny Pharma"), which is listed on London's Alternative Investment Market (AIM), was also revalued downwards as at 31 March 2019, by £153,000 in line with the prevailing quoted price at that date. AIM prices typically fluctuate considerably in a given year and the reduction in the share price of the Destiny Pharma is symptomatic of this, as the business is progressing well.

Other movements in the Venture Capital portfolio amounted to a net uplift of £8,000.

Liquidity investments

The carrying values of the liquidity investments have been adjusted to reflect their quoted prices as at 31 March 2019. This resulted in a valuation reduction of £385,000 for the year. This decrease is largely due to adverse conditions in global markets, which have reduced quoted prices.

MI Downing UK Micro-Cap Growth Fund and Downing Strategic Micro-Cap Investment Trust plc, in particular, have a strategic approach to the underlying business in which they invest. Given this, we feel that there continues to be the potential for growth in these underlying businesses.

Outlook

The building of the Venture Capital portfolio of the Healthcare Share pool progressed well during the year and we expect to see a similar level of investment activity over the coming year, as we work to deploy the proceeds from the 2018 Offer, in addition to the residual proceeds from the 2016 Offer.

Downing LLP

25 July 2019

REVIEW OF INVESTMENTS – HEALTHCARE SHARE POOL

Portfolio of investments

The following investments were held at 31 March 2019:

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
Live Better With Limited	1,106	1,179	73	8.5%
Arecor Limited	1,100	1,100	-	8.0%
Open Bionics Limited	1,000	1,000	-	7.2%
ADC Biotechnology Limited	1,054	534	(520)	3.9%
Adaptix Limited	556	491	(65)	3.5%
Destiny Pharma plc^	750	392	(153)	2.8%
Future Health Works Limited	278	278	-	2.0%
	<u>5,844</u>	<u>4,974</u>	<u>(665)</u>	<u>35.9%</u>
Liquidity Investments				
MI Downing Monthly Income Fund*	1,100	978	(89)	7.1%
MI Downing UK Micro-Cap Growth Fund*	1,125	926	(149)	6.7%
Downing Strategic Micro-Cap Investment Trust plc*^	700	497	(147)	3.6%
	<u>2,925</u>	<u>2,401</u>	<u>(385)</u>	<u>17.4%</u>
	<u>8,769</u>	<u>7,375</u>	<u>(1,050)</u>	<u>53.3%</u>
Cash at bank and in hand		<u>6,461</u>		<u>46.7%</u>
Total investments		<u>13,836</u>		<u>100.0%</u>

*non-qualifying investment

^listed and traded on the London Stock Exchange

Investment movements for the year ended 31 March 2019

ADDITIONS

	Cost £'000
Venture Capital investments	
Arecor Limited	1,100
ADC Biotechnology Limited	1,054
Open Bionics Limited	1,000
Live Better With Limited	886
Adaptix Limited	556
Future Health Works Limited	278
	<u>4,874</u>

DISPOSALS

	Cost £'000	Valuation at 01/04/18 £'000	Proceeds £'000	Loss vs. cost £'000	Realised loss £'000
Liquidity investments					
MI Downing Diversified Global Managers Fund	950	962	935	(15)	(27)
	<u>950</u>	<u>962</u>	<u>935</u>	<u>(15)</u>	<u>(27)</u>

REVIEW OF INVESTMENTS – HEALTHCARE SHARE POOL (continued)

Further details of the Venture Capital investments held by the Generalist Share pool:

Live Better With Limited
www.livebetterwith.com



Cost at 31/03/19:	£1,106,000	Valuation at 31/03/19:	£1,179,000
Cost at 31/03/18:	£220,000	Valuation at 31/03/18:	£220,000
Date of first investment:	Jan 18	Valuation method:	Price of recent investment

Investment comprises:

A ordinary shares:	£220,000	Proportion of A equity held:	34%
B ordinary shares	£886,000	Proportion of B equity held:	16%

Summary financial information from statutory accounts to 31 August:

	2018	2017
Net assets:	£4.7m	£0.4m

Live Better With is 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. The company launched in the UK and the US, with offices based in London and New York. Downing-managed funds have invested a total of £5.0 million to date. This capital injection will enable the business to continue extending its reach to people living with cancer around the world.

Arecor Limited
www.arecor.com



Cost at 31/03/19:	£1,100,000	Valuation at 31/03/19:	£1,100,000
Date of first investment:	Sep 18	Valuation method:	Price of recent investment

Investment comprises:

A ordinary shares:	£880,000	Proportion of A equity held:	9%
C ordinary shares:	£220,000	Proportion of C equity held:	4%

Summary financial information from statutory accounts to 31 May:

	2018	2017
Net assets:	£0.7m	£1.2m

Arecor is a leader in developing superior biopharmaceuticals through the application of its innovative formulation technology platform. The company also provides the use of its platform as a service to drug development customers. Downing FOUR has invested a total of £1.4 million to date, with £300,000 having been invested by the Generalist Share Pool.

Open Bionics Limited
www.openbionics.com



Cost at 31/03/19:	£1,000,000	Valuation at 31/03/19:	£1,000,000
Date of first investment:	Dec 18	Valuation method:	Price of recent investment

Investment comprises:

A ordinary shares:	£1,000,000	Proportion of A equity held:	13%
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Summary financial information from statutory accounts to 30 September:

	2018	2017
Net assets:	£0.7m	£0.8m

Open Bionics is a Bristol-based engineering start-up that designs and manufactures affordable bionic prosthetic hands by using 3D scanning and printing. Founded in 2014, their current focus is on becoming the market leader for bionic hands, before entering new higher-growth prosthetic/orthotic markets. Downing-managed funds have invested a total of £1.7 million to date.


REVIEW OF INVESTMENTS – HEALTHCARE SHARE POOL (continued)

Further details of the Venture Capital investments held by the Healthcare Share pool:

ADC Biotechnology Limited <small>www.adcbio.com</small>	Cost at 31/03/19:	£1,054,000	Valuation at 31/03/19:	£534,000
	Date of first investment:	Apr 18	Valuation method:	Price of recent investment
 ADCBIO	Investment comprises:			
	A ordinary shares:	£1,054,000	Proportion of A equity held:	22%
	Summary financial information from statutory accounts to 31 August:			
			2018	2017
	Net assets:		£5.4m	£0.9m
<p>ADC Biotechnology is creating innovative new technology, which aims to speed up, simplify and significantly lower the costs of the processes involved in the production of new antibody drug conjugates (ADCs). ADCs are antibodies that are attached to cancer-killing drugs using chemical 'linkers', allowing for targeted treatment of cancerous tissue. Downing-managed funds have invested a total of £1.8 million to date.</p>				
Adaptix Limited <small>www.adaptiximaging.com</small>	Cost at 31/03/19:	£556,000	Valuation at 31/03/19:	£491,000
	Date of first investment:	Mar 19	Valuation method:	Price of recent investment
 Adaptix	Investment comprises:			
	A ordinary shares:	£556,000	Proportion of equity held:	19%
	Summary financial information from statutory accounts to 31 December:			
			2017	2016
	Turnover:		£0.1m	£0.1m
	Operating loss:		(£2.2m)	(£1.2m)
	Net assets:		£1.4m	£0.1m
<p>Adaptix has designed a flatpanel x-ray source to improve the accuracy and mobility of 3D imaging. The company's technology will make portable, low radiation-dose 3D imaging more accessible and lower-cost than systems currently available on the market. The technology will also allow hospitals to provide faster and more definitive diagnoses. Downing-managed funds have invested a total of £2.6 million to date.</p>				
Destiny Pharma plc <small>www.destinypharma.com</small>	Cost at 31/03/19:	£750,000	Valuation at 31/03/19:	£392,000
	Cost at 31/03/18:	£750,000	Valuation at 31/03/18:	£545,000
	Date of first investment:	Sep 17	Valuation method:	Quoted price
 Destiny Pharma	Investment comprises:			
	Ordinary shares:	£750,000	Proportion of equity held:	1%
	Summary financial information from statutory accounts to 31 December:			
			2018	2017
	Turnover:		£nil	£nil
	Operating loss:		(£6.1m)	(£3.2m)
	Net assets:		£13.1m	£17.1m
<p>Destiny Pharma plc is an innovative biotech company developing treatments for antibiotic-resistant bacteria (also known as superbugs). On 4 September 2017, Destiny Pharma floated on the Alternative Investment Market, where it raised more than £10 million. The capital will primarily be used to progress the development of Destiny Pharma's 'XF-73' drug, which has shown a capability of killing bacteria rapidly and before it can develop any resistance. Downing FOUR has invested a total of £1.25 million in the company, with £500,000 having been invested by the Generalist Share Pool.</p>				

REVIEW OF INVESTMENTS – HEALTHCARE SHARE POOL (continued)

Further details of the Venture Capital investments held by the Healthcare Share pool:

Future Health Works Limited www.myrecovery.ai	Cost at 31/03/19: £278,000	Valuation at 31/03/19: £278,000	
	Date of first investment: Nov 18	Valuation method:	Price of recent investment
	Investment comprises:		
	A ordinary shares: £278,000	Proportion of A equity held:	6%
	Summary financial information from statutory accounts to 31 August:		
		2018	2017
	Net assets:	£0.9m	£0.3m
Future Health Works has developed a mobile app called myrecovery, which informs and empowers patients through every step of their orthopaedic treatment journey, customised to their procedure and hospital. The app improves efficiency across the healthcare value chain and delivers actionable insight through data analytics. In the long term, the product is designed to save money and time for both practitioners and patients. Downing-managed funds have invested a total of £1.7 million to date.			

Note: the proportion of each equity class held also represents the level of voting rights held by the Company, in respect of that class. Turnover and operating profit figures are stated where this information is publicly available.

Analysis of investments by type

The allocation of the Healthcare Share funds compared to the target split is summarised as follows:

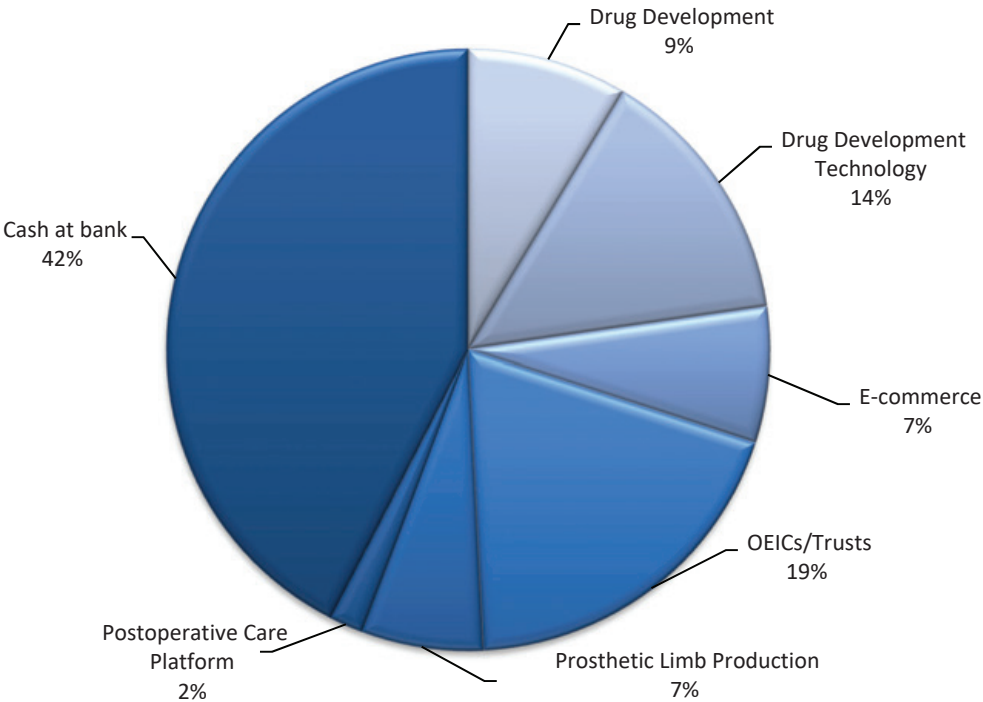
	Actual portfolio split at 31 March 2019	Target portfolio split at 31 March 2020*
VCT Qualifying Investments		
Qualifying loan stock	0%	25%
Ordinary shares	39%	60%
Total	39%	85%
Non-Qualifying Investments		
Liquidity investments	19%	5%
Total	19%	5%
Cash	42%	10%
	100%	100%

* With effect from 1 April 2020, the majority of Healthcare funds are subject to the 80% VCT Qualification test, and the Manager aims to maintain a VCT Qualifying percentage comfortably in excess of the minimum required.

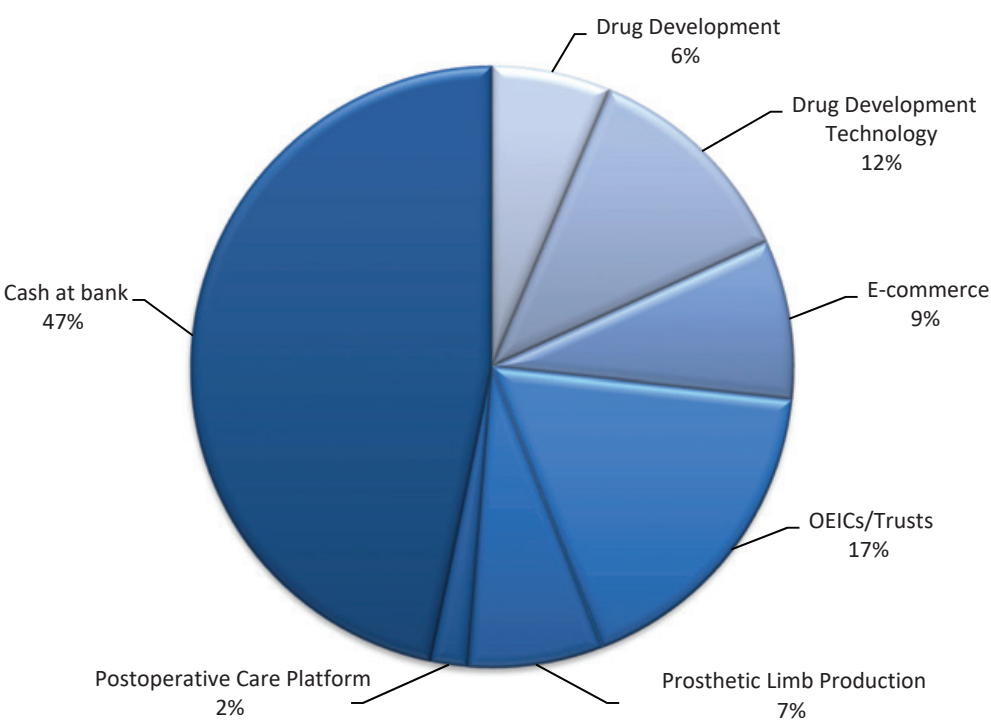
The split of the Healthcare Share pool investment portfolio by commercial sector (by cost at 31 March 2019) is shown on the next page.

REVIEW OF INVESTMENTS – HEALTHCARE SHARE POOL (continued)

Healthcare Share Pool
Analysis of investments by sector based on cost



Healthcare Share Pool
Analysis of investments by sector based on value



STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 31 March 2019. The Board has prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Principal objectives and strategy

The Company's principal investment objective is to provide Shareholders with an attractive level of tax-free capital gains and income generated from a portfolio of investments in a range of different sectors.

The Company's strategy for achieving its principal investment objective is to:

- invest in a portfolio of Venture Capital investments across a range of differing sectors, primarily in the UK and EU; and
- comply with the VCT regulations to enable Shareholders to retain the initial income tax relief and ongoing tax reliefs.

Business review and developments

DSO D Share pool

The DSO D Share pool began the year with £3.7 million of investments and ended the year with £1.3 million spread across a portfolio of six Venture Capital investments, having returned £1.9 million by way of dividends to Shareholders during the year.

The loss on ordinary activities after taxation for the year was £207,000, comprising a revenue loss of £49,000 and a capital loss of £158,000.

DP67 Share pool

The DP67 Share pool began the year with £4.6 million of investments and ended the year with £3.6 million spread across a portfolio of six Venture Capital investments.

The loss on ordinary activities after taxation for the year was £166,000, comprising a revenue profit of £127,000 and a capital loss of £293,000.

DP2011 General Share pool

The DP2011 General Share pool began the year with £2.2 million of investments and ended the year with £1.9 million spread across a portfolio of five Venture Capital investments, having paid dividends totalling £1.3 million during the year.

The gain on ordinary activities after taxation for the year was £4,000, comprising a revenue loss of £47,000 and a capital gain of £51,000.

DP2011 Structured Share pool

The DP2011 Structured Share pool began the year with £1.0 million of investments and ended the year with £679,000 spread across a portfolio of three Venture Capital investments, having paid dividends totalling £629,000 during the year.

The loss on ordinary activities after taxation for the year was £26,000, comprising a revenue loss of £19,000 and a capital loss of £7,000.

Generalist Share pool

The Generalist Share pool began the year with £19.1 million of investments and ended the year with £24.6 million spread across a portfolio of 26 Venture Capital investments and three liquidity investments.

The loss on ordinary activities after taxation for the year was £3.9 million, comprising a revenue loss of £283,000 and a capital loss of £3.6 million.

Healthcare Share pool

The Healthcare Share pool began the year with £4.5 million of investments and ended the year with £7.4 million spread across a portfolio of seven Venture Capital investments and three liquidity investments.

The loss on ordinary activities after taxation for the year was £1.4 million, comprising a revenue loss of £198,000 and a capital loss of £1.2 million.

The Company's business and developments during the year are reviewed further within the Chairman's Statement, Investment Manager's reports and the Review of Investments for each Share pool.

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its objectives. The Board believes the Company's key performance indicators are Net Asset Value, dividends per share (see Financial Highlights on page 2) and Total Return (NAV plus cumulative dividends paid to date). In addition, the Board considers the Company's performance in relation to other VCTs.

The performance of the VCT's Share pools, measured by historic Share Price Total Return, is shown in the graphs on pages 56 to 58.

The Chairman's Statement and Investment Manager's Reports include further commentary on the Company's activities and future prospects.

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Board has ensured that there are policies in place for managing each of these risks. The principal financial risks faced by the Company, which include interest rate, investment price, credit and liquidity risks, are summarised within note 15 of the financial statements. Note 15 also includes an analysis of the sensitivity of the NAV to changes in investment valuations.

Other principal risks faced by the Company have been assessed by the Board and grouped into the key categories outlined below:

- Investment performance;
- Regulatory;
- Operational; and
- Economic, political and other external factors.

Investment performance

The Company holds investments in unquoted and quoted companies. Poor investment decisions or a lack of effective monitoring and management of investments could result in a reduction in the carrying values of the Company's investments.

The Investment Manager has significant experience in investing in unquoted UK companies and engages reputable and experienced advisers at each stage of the investment process. Furthermore, the Board regularly reviews the performance of the portfolio.

Regulatory

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

The Board receives quarterly reports from the Manager and places reliance on the Manager to provide updates in the intervening periods. These policies have remained unchanged since the beginning of the financial year. Philip Hare & Associates provides regular independent reviews of the Company's VCT status, as well as advice on VCT compliance issues as and when they arise.

In order to further mitigate this risk, the Board monitors regulatory and legislative developments.

The Company also has a strong compliance culture and systems in place to ensure that the Company complies with all of its regulatory requirements.

Further detail on VCT Status is provided on page 50.

Operational

The Company relies on the Investment Manager, Administration Manager and other third parties to fulfil many of its operational requirements and duties. A provision of inferior services by one or more of these parties could lead to inadequate systems and controls or inefficient management of the Company, its assets and its reporting requirements.

The Company, the Investment Manager and the Administration Manager engage experienced and reputable service providers, the performance of which is reviewed on an annual basis by the Board. In addition, the Audit Committee reviews the Internal Control and Corporate Governance Manual on an annual basis.

Economic, political and other external factors

Fluctuations in the stock market due to Brexit uncertainty, economic recession or monetary policy could affect the valuations of quoted investments, even if such companies are performing to plan. With respect to the Liquidity investments, the impact of this is mitigated by the active management and diversification of the underlying portfolios.

Wider political and economic events also have the potential to impact the performance, and therefore valuations of, the unquoted companies in the portfolio as a result of a deterioration in business and consumer confidence. This is mitigated by holding a diversified portfolio of investments across a wide range of sectors and subsectors.

Viability statement

In accordance with Corporate Governance best practice, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for the period covering the expected remaining life of each of the planned exit Share pools, and the minimum expected holding period in respect of the two evergreen Share pools, encompassing all Generalist and Healthcare Shareholders. The longer of these two time horizons is six years from the balance sheet date.

The six-year review considers the principal risks facing the Company, which are summarised within note 15, as well as the Company's cash flows, dividend cover and VCT monitoring compliance over the period. The six-year review makes assumptions about the normal level of capital recycling likely to occur, expenses, dividends and share buybacks.

STRATEGIC REPORT (continued)

Viability statement (continued)

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

Business model

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

The business of the Company is to act as an investment company, investing in a portfolio which meets the conditions set out within its investment policy, as outlined below.

Investment policy

Asset allocation

It is intended that at least 70% (80% from 1 April 2020) of each Share pools' funds are invested in VCT Qualifying Investments, within three years of the close of the relevant Offer. The remainder of the funds will be held in Non-Qualifying Investments, as described in the next column.

For the "planned exit" Share pools, the Company is progressing with exits from the remaining investments, such that funds can be returned to Shareholders.

Venture Capital investments

New Venture Capital investments will normally comprise investments in businesses that are less than 7 years old and require funding to support the growth of the business. Investments may be in a range of sectors which are allowable under the VCT Regulations.

The Company will focus on development and expansion funding for unquoted businesses and will not usually undertake very early stage or start up investments.

Specific share pools may have a generalist focus or may focus on certain sectors according to the strategy of that specific Share pool.

Venture Capital Investments made in 2015 and earlier were made under previous VCT Regulations and focused on investments in UK businesses that own substantial assets (over which a charge could be taken by the Company) or have predictable revenue streams from financially sound customers.

Non-Qualifying Investments

The funds not employed in VCT Qualifying investments will be invested in Non-Qualifying investments, as allowed by the VCT Regulations. These will typically be cash deposits and investments in quoted securities, investment trusts or OEICS.

Liquidity investments will be made with the aim of producing capital appreciation or income. The profit arising from the disposal or maturity of liquidity investments typically gives rise to capital gains, which are tax-free for the Company and can be distributed tax-free to Shareholders.

Risk Diversification

The Directors control the overall risk of the Company. The Manager ensures that the Company has exposure to a diversified range of VCT Qualifying Investments from different sectors and adheres to the holding limit that no investment in a company may represent more than 15% by value of the Company's total investments at the time of investment.

Changes to the VCT Regulations in recent years have sought to strengthen the availability of capital for innovative growth businesses in the UK. This inherently increases the risk profile of the new investments made by the evergreen Share pools, which stand in contrast to those in which the Company's planned exit Share pools have historically invested. However, whilst new investments will generally be in businesses which are not asset-backed, and are therefore higher risk, these new investments will have the potential to offer greater rewards. The principal risks faced by the Company are considered in more detail on page 46.

Pursuant to the introduction of the 80% VCT Qualification test on 1 April 2020, the target allocation of the Company's funds is summarised as follows:

VCT Qualifying Investments	85%
Non-Qualifying Investments	15%
	<hr/> 100%

As four of the six active Share pools are in an exit stage, the focus for VCT Qualification will gradually come to rest on the combined VCT Qualification status of the Generalist and Healthcare Share pools. As such, when building the Generalist and Healthcare Share pools, the Manager is working towards a long term VCT Qualification target of 85% for these pools, as outlined in the respective Reviews of Investments.

STRATEGIC REPORT (continued)

Listing rules

In accordance with the listing rules:

- (i) the Company may not invest more than 10% in aggregate, of the value of total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other closed-ended investment funds;
- (ii) the Company must not conduct any trading activity which is significant in the context of the Company; and
- (iii) the Company must, at all times, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy set out in this document. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 of the Income Tax Act 2007.

Venture Capital Trust Regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Tax Act 2007.

An analysis of the compliance with the applicable VCT regulations for the year ended 31 March 2019 is set out on page 50.

Borrowings

Under its Articles, the Company has the ability to borrow a maximum amount equal to 15% of the aggregate amount paid on any Shares issued by the Company (together with any share premium thereon), currently equal to £8.7 million.

Although the Board does not intend to borrow, it has the flexibility to do so. In particular, because the Board intends to minimise cash balances, the Company may borrow on a short-term basis for cash flow purposes.

Environmental and social policy

As a VCT, with all executive and administrative activities delegated to third parties, the Company does not have a policy on either environmental or social and community issues.

Global greenhouse gas emissions

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

Directors and senior management

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

Future prospects

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

By order of the Board



Grant Whitehouse

Secretary of Downing FOUR VCT plc
Company number: 06789187
Registered office:
6th Floor, St. Magnus House
3 Lower Thames Street
London, EC3R 6HD

25 July 2019

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2019.

Share capital

At the year end, the Company had in issue 7,867,247 DSO D Shares, 11,192,136 DP67 Shares, 15,644,066 DP2011 General Ordinary Shares, 18,418,614 DP2011 General A Shares, 10,678,725 DP2011 Structured Ordinary Shares, 12,572,817 DP2011 Structured A Shares, 43,109,472 Generalist Shares (including Management Shares) and 17,815,135 Healthcare Shares (including Management Shares).

On 10 April 2018, the 19,911,070 DSO B Shares, 29,926,070 DSO C Shares and 7,575,419 DP2011 Low Carbon Shares were converted into Deferred Shares and were cancelled. The Shares were removed from the Official List on 18 April 2018.

Every Shareholder is entitled to receive notice of, to attend, speak and vote at any general meeting. Shareholders who are present in person or by proxy can vote on a show of hands and will have one vote each. On a poll, every Shareholder present in person or by proxy is entitled to the number of votes per Share as set out in the table below:

Class of share	Number of votes per share
DSO D Share	463
DP67 Share	750
DP2011 General Ordinary Share	213
DP2011 General A Share	113
DP2011 Structured Ordinary Share	219
DP2011 Structured A Share	113
Generalist Share	1,146
Healthcare Share	1,146

If the Net Asset Value of the Share class moves by more than 25%, the number of votes per share shall correspondingly increase or decrease, as set out in the Articles of the Company.

Shareholders who invested in the Company's DP2011 General Ordinary Share or DP2011 Structured Ordinary Share offers received equal numbers of DP2011 General A Shares and DP2011 Structured A Shares respectively. The DP2011 General A Shares and DP2011 Structured A Shares were structured to be part of the Company's Performance Incentive scheme. As both pools are expected to exceed their performance hurdles, the values of the respective A Shares have been uplifted accordingly.

The Company operates a policy, subject to certain restrictions, of buying Generalist and Healthcare Shares that become available in the market at a price equal to the latest published NAV (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.

During the year, the Company repurchased 14,400 Generalist Shares for an aggregate consideration of £13,780, being an average price of 95.7p per Share. The Generalist Shares repurchased represented 0.04% of the Company's issued Generalist Share capital. All of the Shares repurchased were subsequently cancelled.

At the AGM that took place on 4 September 2018, the Company was authorised to make market purchases of its Shares up to a limit of 1,172,220 DSO D Shares, 1,667,628 DP67 Shares, 2,330,966 DP2011 General Ordinary Shares, 2,744,373 DP2011 General A Shares, 1,591,130 DP2011 Structured Ordinary Shares, 1,873,350 DP2011 Structured A Shares, 5,735,331 Generalist Shares and 2,255,571 Healthcare Shares, which represented approximately 14.9% of the issued DSO D Share capital, DP67 Share capital, DP2011 General Ordinary Share capital, DP2011 General A Share capital, DP2011 Structured Ordinary Share capital, DP2011 Structured A Share capital, Generalist Share capital and Healthcare Share capital, as at the date of the AGM.

At the current date, authority remains for 1,172,220 DSO D Shares, 1,667,628 DP67 Shares, 2,330,966 DP2011 General Ordinary Shares, 2,744,373 DP2011 General A Shares, 1,591,130 DP2011 Structured Ordinary Shares, 1,873,350 DP2011 Structured A Shares, 5,720,931 Generalist Shares and 2,255,571 Healthcare Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 10 September 2019.

The minimum price which may be paid for a DSO D Share, DP67 Share, DP2011 General Ordinary Share, DP2011 General A Share, DP2011 Structured Ordinary Share, DP2011 Structured A Share, a Generalist Share or a Healthcare Share is 0.1p, exclusive of all expenses, and the maximum price which may be paid for a DSO D Share, DP67 Share, DP2011 General Ordinary Share, DP2011 General A Share, DP2011 Structured Ordinary Share, DP2011 Structured A Share, a Generalist Share or a Healthcare Share, is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations.

Results and dividends

Profit/(loss) for the year:

	£'000	Pence per share
DSO D Share	(207)	(2.6p)
DP67 Share	(166)	(1.5p)
DP2011 General A Share	4	0.0p
DP2011 Structured A Share	(26)	(0.3p)
Generalist Share	(3,917)	(12.0p)
Healthcare Share	(1,404)	(11.3p)

REPORT OF THE DIRECTORS (continued)

Results and dividends (continued)

Dividends paid during the current period:

	£'000	Pence per share
DSO D Share	1,888	24.0p
DP2011 General A Share	1,289	7.0p
DP2011 Structured A Share	629	5.0p

As the planned exit Share pools are in an exit phase, further dividends will be declared as and when realisations are completed.

Directors

The Directors of the Company during the year and their beneficial interests (including connected persons) in the issued Shares of the Company at 31 March 2019, and at the date of this report, are as follows:

Share class	No. of Shares at 31/03/19 (audited)		
	Lord Flight	Sir Aubrey Brocklebank	Russell Catley
DSO D	20,800	-	-
DP67	-	-	-
DP2011 Gen Ord	-	-	-
DP2011 Gen A	-	-	-
DP2011 Struc Ord	-	-	10,200
DP2011 Struc A	-	-	10,200
Generalist	-	-	-
Healthcare	-	5,000	-

On 10 April 2018, the DSO B, DSO C and DP2011 Low Carbon Shares were converted into Deferred Shares with no value and were cancelled. There have been no other movements in Directors' shareholdings during the year.

In accordance with the Company's Director tenure policy and corporate governance best practice, Directors are subject to re-election at the AGM immediately following their appointment, and every three years thereafter. As a result, Sir Aubrey Brocklebank and Russell Catley will retire at the forthcoming AGM and will, being eligible, offer themselves for re-election.

Also in accordance with the Director tenure policy and corporate governance best practice, any Director who has served on the Board of the Company for in excess of nine years will be subject to annual re-election. As a result, Lord Flight will retire at the forthcoming AGM and will, being eligible, offer himself for re-election.

The Board recommends that Shareholders take into consideration each Director's considerable experience in VCTs and other areas, as shown in their respective biographies on page 3, together with the results for the period to date, in order to support the resolutions to re-appoint Directors.

Lord Flight entered into a letter of appointment with the Company dated 27 January 2009. Sir Aubrey Brocklebank and Russell Catley entered into letters of appointment in July 2016. These agreements were for a period of three years and thereafter were terminable on three months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

VCT status

The Company has retained Philip Hare & Associates LLP to advise it on compliance with VCT requirements, including evaluation of investment opportunities as appropriate and regular review of the portfolio. Although Philip Hare & Associates LLP work closely with the Investment Manager, they report directly to the Board.

Compliance with the main VCT regulations (as described in the Investment policy) as at 31 March 2019, and for the year then ended, is summarised as follows:

- | | | |
|-----|---|----------|
| 1. | 70% of its investments held in qualifying companies; | 83.7% |
| 2. | At least 30% of the Company's qualifying investments are held in "eligible shares" for funds raised before 6 April 2011; | 91.4% |
| 2a. | At least 70% of the Company's qualifying investments are held in "eligible shares" for funds raised on or after 6 April 2011; | 96.1% |
| 3. | At least 10% of each investment in a qualifying company is held in eligible shares; | Complied |
| 4. | No investment constitutes more than 15% of the Company's portfolio; | Complied |
| 5. | Income for the year is derived wholly or mainly from shares and securities; and | 82.3% |
| 6. | The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained. | Complied |

The most recent changes to the VCT Regulations sought to strengthen the availability of capital for innovative growth businesses in the UK. The Board has assessed the impact of such changes and considers the following are of the greatest significance to the Company:

- With effect from 1 April 2020 the proportion of VCT funds that must be held in qualifying holdings will increase from 70% to 80%; and
- At least 30% of the of the proceeds of Shares issued after 1 April 2019 must be invested in VCT Qualifying companies within 12 months of the next year end.

The Investment Manager is confident that the strong pipeline of investment opportunities available to the evergreen Share pools mean that the Company is well placed to comfortably meet the above criteria.

REPORT OF THE DIRECTORS (continued)

Investment management and administration fees

Downing LLP ("Downing") provides investment management services to the Company. Downing is paid a fee equivalent to 1.5% of the DSO D Share net assets per annum, 1.35% of DP67 Share net assets per annum, 1.8% of each of the DP2011 General Share and DP2011 Structured Share net assets per annum, 2.0% of Generalist Share net assets per annum and 2.5% of Healthcare Share net assets per annum.

The Board is satisfied with Downing's strategy, approach and procedures in providing investment management services to the Company. The Directors have therefore concluded that the continuing appointment of Downing as Investment Manager remains in the best interests of Shareholders.

Additionally, Downing continues to provide administration services to the Company for a fee calculated as follows: (i) a basic fee of £40,000; (ii) A fee of 0.1% of NAV per annum on funds in excess of £10 million; (iii) £5,000 per additional Share pool.

The agreement is dated 20 July 2015 and may be terminated by either side giving not less than 12 months' notice in writing.

During the year a total of £885,000 (2018: £1.3 million) was payable to Downing for investment management and administration fees.

During the year the Generalist Share pool received arrangement fee rebates of £58,000 from Downing. These amounts were paid to ensure that, where applicable, a fee of no more than 0.5% of the original investment amount has been charged by Downing, on each of the investments made by the Generalist and Healthcare Share pools during the year.

Downing also receives arrangement and monitoring (non-executive directorship) fees from the investee companies. During the year, Downing received arrangement fees of £909,000 (2018: £619,000) and monitoring fees of £866,000 (2018: £761,000). These fees also relate to investments made by other funds managed by Downing.

The annual running costs of the Company, for the year, are also subject to a cap of 3.0% of net assets of the Company for all Share pools, with the exception of the DP67 and Healthcare Share pools, which are subject to caps of 2.9% and 3.5% respectively. Any excess costs over each of the relevant caps are met by Downing through a reduction in fees.

The Ongoing Charges value for the Company as a whole for the year (calculated in accordance with the AIC guidance) was 2.2%.

Performance Incentives

DSO D Share pool

The DSO D Shares enable a payment, by way of a fee, of the Performance Incentive to the management team.

No Performance Incentive will be payable until Shareholders:

- i) receive proceeds, by way of dividends/distributions/share buybacks ("Total Proceeds"), of at least 100.0p per £1 invested; and
- ii) achieve a tax-free compound return of at least 7% per annum (after allowing for income tax relief on investment).

Subject to these conditions ("the Hurdles") being met, the Performance Incentive will be 3.0p per DSO D Share plus 20% above 100.0p per DSO D Share, of the funds available for distribution to DSO D Shareholders.

The Performance Incentive will only be paid to the extent that the Hurdles continue to be met and will be subject to a maximum amount, over the life of the Company, equivalent to 7.0p per DSO D Share (based on the number of DSO D Shares in issue at the close of the Offers). After the Hurdles have been met, the Performance Incentive will be deducted from the Total Return figure.

As at 31 March 2019, it is estimated that a Performance Incentive of 3.9p will become payable to members of the management team.

DP2011 General Share pool and DP2011 Structured Share pool

The structure of DP2011 General A Shares and DP2011 Structured A Shares ("DP2011 A Shares") enables a payment, by way of a distribution of income, of the Performance Incentive to Management (Downing LLP, as defined in the prospectus).

Total Proceeds will be distributed as follows (measured separately for the DP2011 General and DP2011 Structured Share pools):

Approximate split of Total Proceeds

Total Proceeds per DP2011			
Ordinary Share (Gen or Struc)	Shareholder Proceeds	Management	Shareholders
Up to 70p	DP2011 Ordinary Shareholders	0%	100%
Above 70p and below 120p	DP2011 A Shareholders	15%	85%
120p and above	DP2011 Ordinary Shareholders	0%	100%

REPORT OF THE DIRECTORS (continued)

Performance Incentives (continued)

DP2011 General Share pool and DP2011 Structured Share pool (continued)

Partners and staff of the Investment Manager have subscribed for 15% of the total DP2011 General A Shares and DP2011 Structured A Shares, at a price of 6.5p per A Share, the same price paid by investors. As Management holds 15% of the total A Shares for these two Share pools, this cost of 6.5p per A Share is equivalent to 1.15p per DP2011 General Ordinary Share and DP2011 Structured Ordinary Share in issue. The maximum Performance Incentive (at total proceeds of 120.0p) is effectively limited to 7.5p per DP2011 General Ordinary Share and DP2011 Structured Ordinary Share in issue.

The remaining Performance Incentives due to management are estimated to be 2.4p per DP2011 General Ordinary Share and 1.7p per DP2011 Structured Ordinary Share. The Performance Incentive estimates are reflected in the NAV per DP2011 General Ordinary Share and DP2011 General A Share of 13.3p, and the NAV per Structured Ordinary Share and DP2011 Structured A Share of 9.9p.

Generalist Share pool and Healthcare Share pool

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.

Further details of the Performance Incentive arrangements are set out on page 90.

Trail commission

The Company has an agreement to pay trail commission annually to Downing in connection to the funds raised under the offers for subscription. This is calculated at between 0.25% and 0.5% of the net assets of each share class at each period end.

Substantial interests

As at 31 March 2019, and the date of this report, the Company had not been notified of any beneficial interest exceeding 3 per cent. of the issued share capital.

Auditor

A resolution proposing the reappointment of BDO LLP as the Company's Auditor will be submitted at the Annual General Meeting.

Annual General Meeting

The Company's ninth Annual General Meeting ("AGM") will be held at Downing LLP, at 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD at 12:30 p.m. on 10 September 2019. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Directors' responsibilities

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

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

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- carry out a robust assessment of the principal risks facing the Company, as set out in the Strategic report on page 46.

REPORT OF THE DIRECTORS (continued)

Directors' responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Directors' statement pursuant to the Disclosure Guidance and Transparency Rules

Each of the Directors, whose names and functions are listed on page 3, confirms that, to the best of each person's knowledge:

- the financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report included within the Report of the Directors, Strategic report, Chairman's Statement, Investment Manager's Report, and Review of Investments includes a fair review of the development and performance of the business and the position of the company, together with a robust assessment of the principal risks and uncertainties that it faces.

Website publication

The directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the website of the Investment and Administration Manager (www.downing.co.uk) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Corporate governance

The Company's compliance with, and departures from, the AIC Code of Corporate Governance (www.theaic.co.uk) is shown on page 62.

Insurance cover

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

Other matters

Information in respect of financial instruments, principal risks, future developments and greenhouse gas emissions which were previously disclosed within the Directors Report has been disclosed within the Strategic Report on pages 45 to 48.

Statement as to disclosure of information to Auditors

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

By order of the Board



Grant Whitehouse

Secretary of Downing FOUR VCT plc
Company number: 06789187
Registered office:
6th Floor, St. Magnus House
3 Lower Thames Street
London, EC3R 6HD

25 July 2019

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of Sections 420 to 422 of the Companies Act 2006. A resolution to approve this report will be put to the Shareholders at the AGM to be held on 10 September 2019.

Under the requirements of Section 497, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on pages 63 to 68.

Directors' remuneration policy

Below is the Company's current remuneration policy, which was last put to a Shareholder vote at the AGM in 2017.

In accordance with regulations, Shareholders must vote on the remuneration policy every three years or sooner if the Company wants to make changes to the policy. Therefore, the policy will be next be put to Shareholders at the AGM in 2020.

Directors' remuneration is calculated in accordance with the Company's Articles of Association as follows:

- (i) The Directors shall be paid out of the funds of the Company, by way of fees for their services, an aggregate sum not exceeding £150,000 per annum. The Directors shall also receive by way of additional fees such further sums (if any) as the Company in General Meeting may from time to time determine. Such fees shall be divided among the Directors in such proportion and manner as they may determine and, in default of the determination, equally.
- (ii) The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors. This includes any expenses incurred in attending meetings of the Board, Committees of the Board or General Meetings. If, in the opinion of the Directors, it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, the Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

No payment for loss of office will be made to a current or former Director except in exceptional circumstances, and the Directors will consider any such position on an ad-hoc basis.

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

Service contracts

Each of the Directors has entered into a consultancy agreement for the fixed term of three years from the date of their appointment and thereafter on a three-month rolling notice.

Directors' remuneration (audited)

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

	Current Annual fee (excl. VAT)	Year ended 31/03/19	Year ended 31/03/18
	£	£	£
Aubrey Brocklebank	20,000	20,000	20,000
Lord Flight	20,000	23,000	23,000
Russell Catley	18,000	18,000	18,000
	<u>58,000</u>	<u>61,000</u>	<u>61,000</u>

No other emoluments, pension contributions or life assurance contributions were paid by the Company to, or on behalf of, any Director. The Company does not have any share options in place.

Statement of voting at AGM

Shareholders' views in respect of Directors' remuneration communicated at the Company's AGM are taken into account in formulating the Directors' remuneration policy.

At the last AGM on 4 September 2018, the votes in respect of the resolution to approve the Directors' Remuneration Report were as follows:

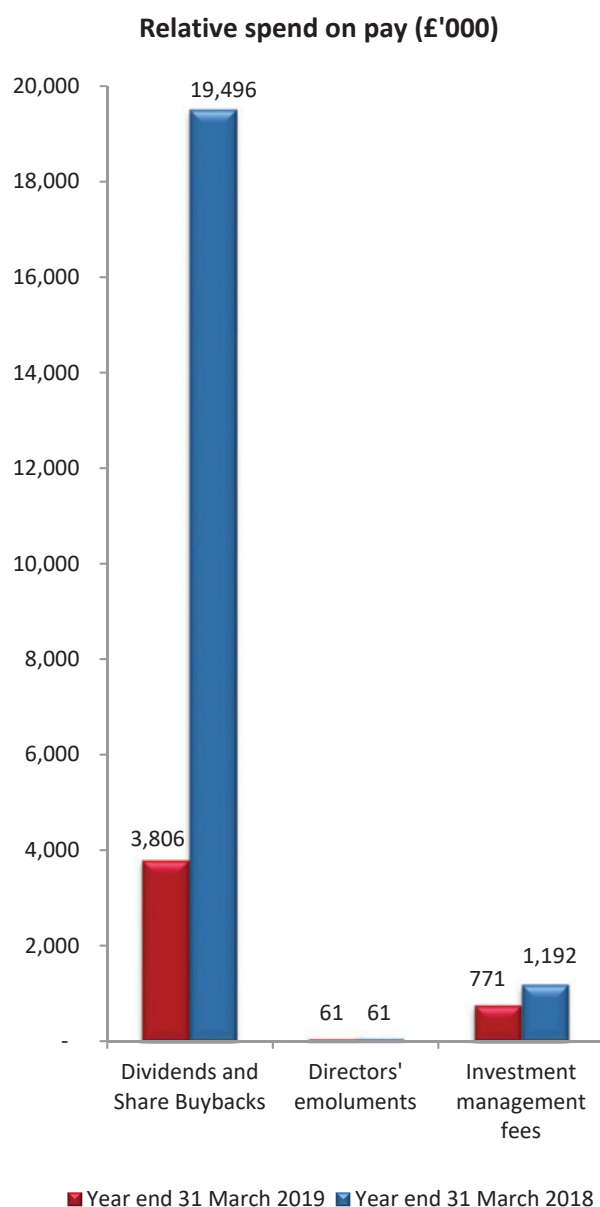
In favour	94.8%
Against	5.2%
Withheld	-

At the 2017 AGM, when the remuneration policy was last put to a Shareholder vote, 96.2% voted for the resolution and 3.8% against, showing significant Shareholder support.

DIRECTORS' REMUNERATION REPORT (continued)

Relative importance of spend on pay

The difference in actual spend between the year ended 31 March 2018 and the year ended 31 March 2019 on remunerations for all employees, in comparison to distributions (dividends and share buybacks) and other significant spend, are set out in the graph below:



Performance graphs

The charts on the following pages represent the performance of the DSO D, DP67, DP2011 General, DP2011 Structured, Generalist and Healthcare Share pools over the period since the Shares were first listed on the London Stock Exchange, and compare the Total Return of the Company (Net Asset Value plus dividends) to a rebased Numis Smaller Companies Index, including dividends reinvested. The index has been rebased to 100p at the launch date of each respective pool.

As there is no publicly available VCT index, we have selected the Numis Smaller Companies Index as a comparison as it is a publicly available broad equity index which focuses on smaller companies, and is more relevant than most other publicly available indices.

Statement by the Chairman of the Remuneration Committee: Lord Flight

The Remuneration Committee comprises Sir Aubrey Brocklebank, Russell Catley and myself. The current fee structure has been in effect since the date of the merger, being 21 July 2015.

The committee reviews the fee structure as and when required, to ensure that the levels in place are commensurate with the size of the Company and the time commitments required of each of the Directors.

By order of the Board

Grant Whitehouse

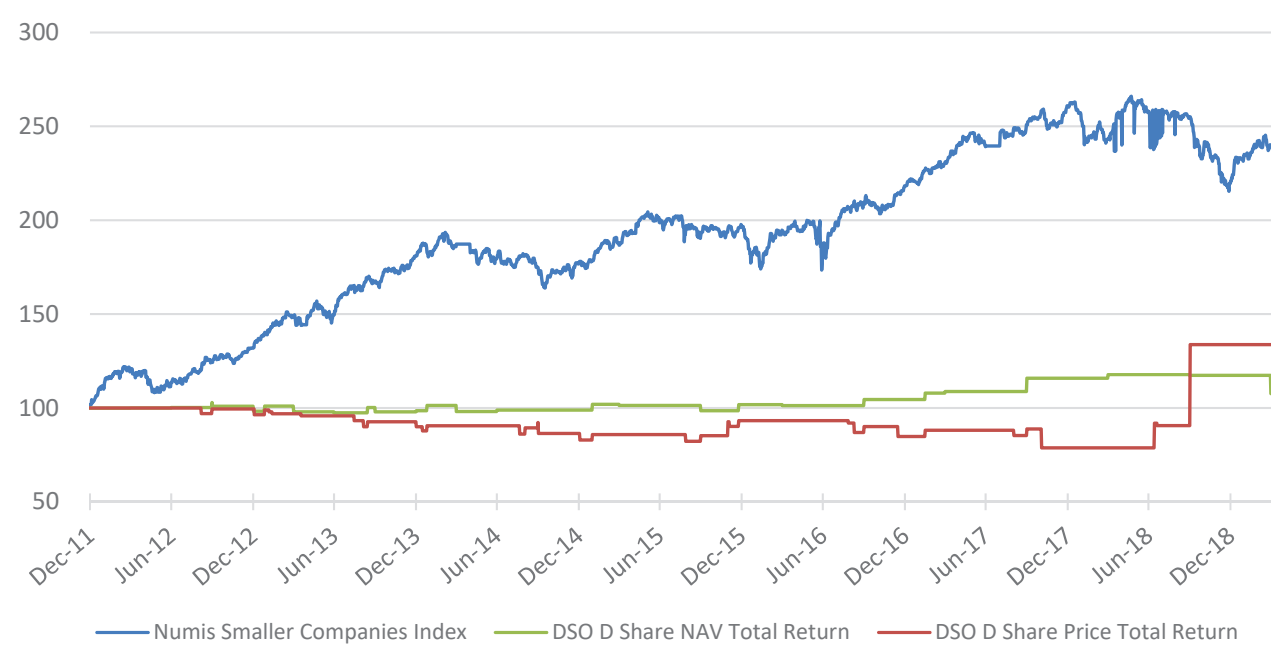
Company Secretary
6th Floor, St. Magnus House
3 Lower Thames Street
London, EC3R 6HD

25 July 2019

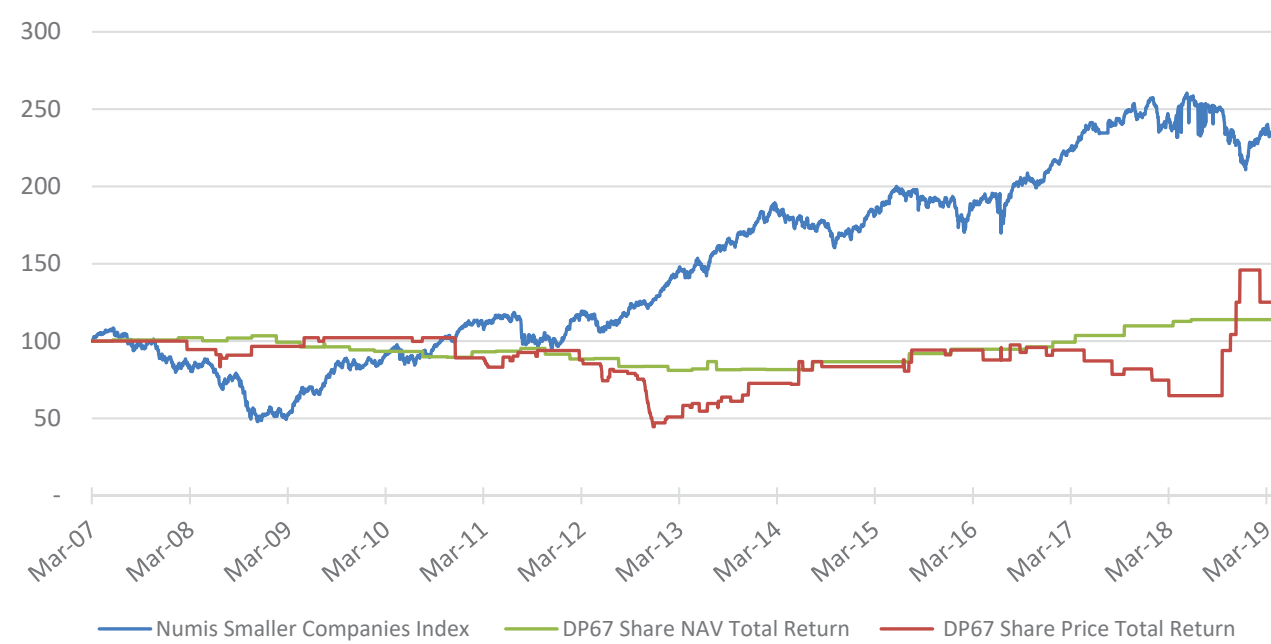
DIRECTORS' REMUNERATION REPORT (continued)

Performance graphs (continued)

DSO D Share performance chart



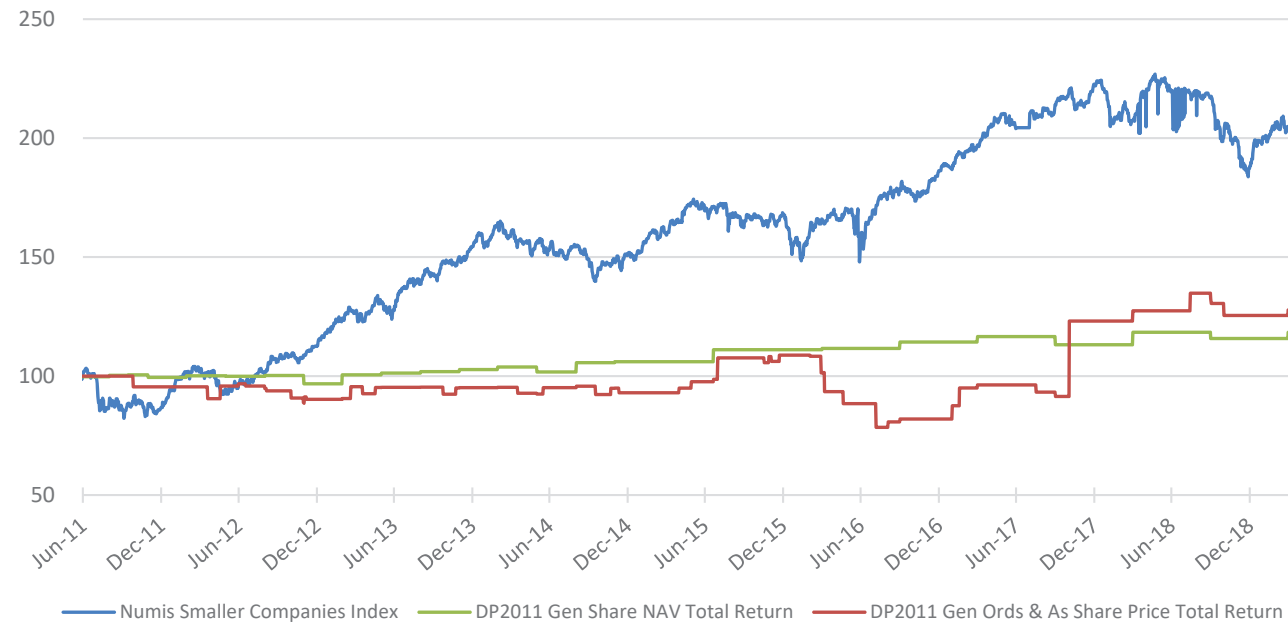
DP67 Share performance chart



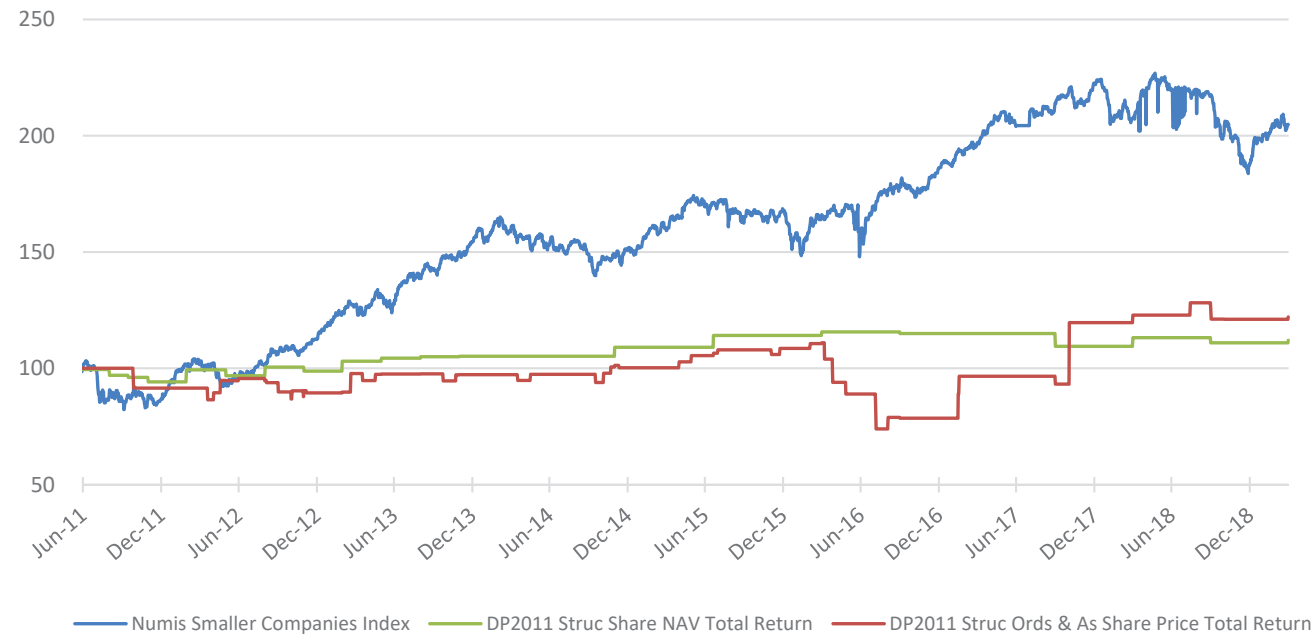
DIRECTORS' REMUNERATION REPORT (continued)

Performance graphs (continued)

DP2011 General Share Pool



DP2011 Structured Share Pool



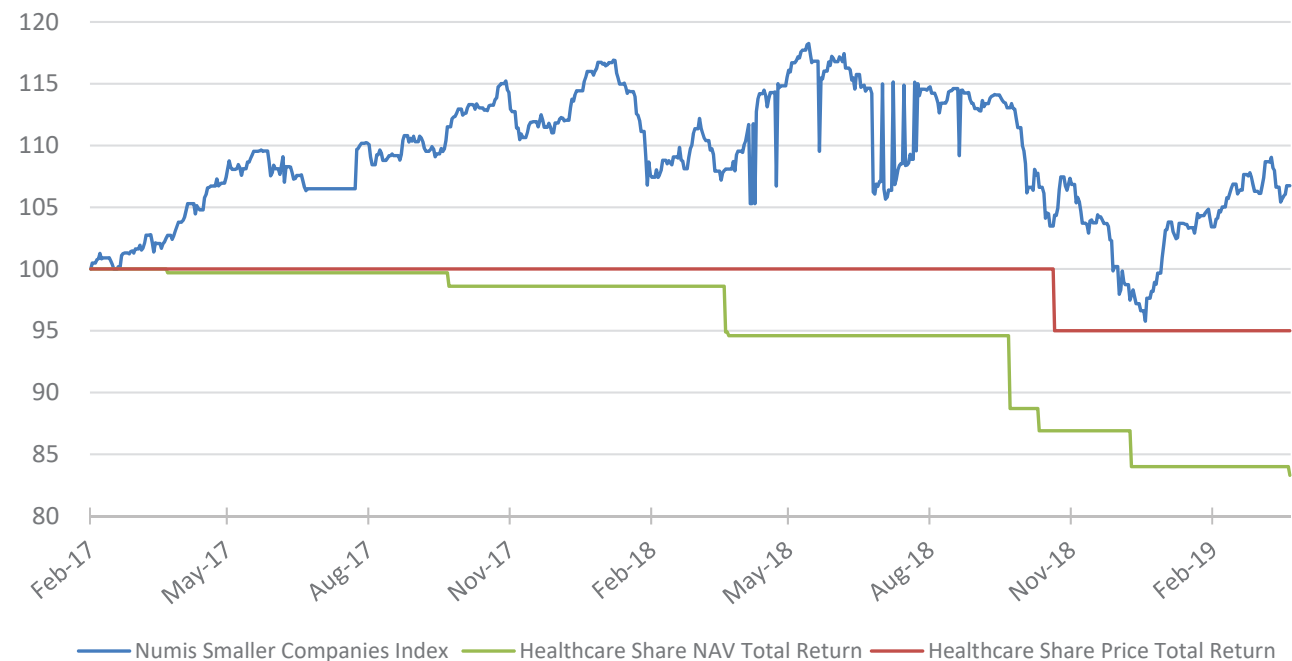
DIRECTORS' REMUNERATION REPORT (continued)

Performance graphs (continued)

Generalist Share performance chart



Healthcare Share performance chart



CORPORATE GOVERNANCE STATEMENT

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code"), by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders.

The Board

The Company has a Board comprising three non-executive Directors. The Chairman is Sir Aubrey Brocklebank. Biographical details of all Board members (including significant other commitments of the Chairman) are shown on page 3.

The Board has assessed the independence of each of the Directors, all of which are considered to be independent in accordance with the provisions and recommendations set out in the AIC Code and AIC Guide.

In the interest of good Corporate Governance, non-executive directors who have served longer than nine years are subject to annual re-election. As such, Lord Flight will retire at the forthcoming AGM, and will, being eligible, offer himself for election.

Full Board meetings take place quarterly and additional meetings are held as required to address specific issues, including considering recommendations from the Investment Manager, making all decisions concerning the acquisition or disposal of investments, and reviewing periodically the terms of engagement of all third-party advisers (including the Investment and Administration Manager). The Board has a formal schedule of matters specifically reserved for its decision.

As the Company has a small Board of non-executive Directors, all Directors sit on each Committee. The Chairman of the Audit and Remuneration Committees is Lord Flight and the Chairman of the Nomination Committee is Sir Aubrey Brocklebank. The Audit Committee normally meets twice yearly, and the Remuneration and Nomination Committees meet as required. All Committees have defined terms of reference and duties.

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

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

The Board has authority to make market purchases of the Company's own Shares. This authority for up to 14.9% of the Company's issued share capital was granted at the AGM on 4 September 2018. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

The capital structure of the Company is disclosed on page 49.

Audit Committee

The Company has an Audit Committee comprising Lord Flight (Chairman), Sir Aubrey Brocklebank and Russell Catley. This Committee has defined terms of reference and duties.

Sir Aubrey Brocklebank was considered independent on appointment as Chairman of the Company in January 2019 and is therefore also a member of the Audit Committee.

The Audit Committee is responsible for reviewing the Half-Yearly and Annual Reports before they are presented to the Board, the terms of appointment of the Auditor together with their remuneration and a full review of the effectiveness of the Company's internal control and risk management systems.

In particular, the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Manager, for presentation within the Half-Yearly and Annual Reports.

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

Any non-audit services provided by the Auditor are reviewed and approved by the Committee prior to being undertaken (such services being undertaken by a separate department to the Auditor), to ensure that the Auditor's objectivity and independence are safeguarded. In addition, the Auditor confirms their independent status on an annual basis.

The Audit Committee met twice during the year. The Committee reviewed the internal financial controls and concluded that they remained appropriate. The Committee has considered the need for an internal audit function and concluded that this would not be appropriate for a company of this size.

CORPORATE GOVERNANCE STATEMENT (continued)

Audit Committee (continued)

As part of its annual review procedures, the Committee has obtained sufficient assurance from their own evaluation, the audit feedback documentation and from correspondence and discussions with the engagement partner of BDO LLP.

As the Company has no staff, other than the Directors, there are no procedures in place in respect of whistleblowing. The Audit Committee understands that the Investment and Administration Manager have whistleblowing procedures in place.

Conflicts of interest

A conflict of interest may arise where assets are transferred between Share pools, or from one Downing fund to another. The Board ensures that any such transaction is at “arm’s length” and will obtain independent valuations where necessary.

External auditor

The Committee reviews and agrees the audit strategy paper presented by the Auditor in advance of the audit and confirms their status on independence.

The Committee confirms that the two main areas of risk for the year under review are the carrying value of the investments and revenue recognition. The Committee’s consideration of these matters is set out on the next page.

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

The audit of the financial statements for the year ended 31 March 2019 is the tenth year undertaken by BDO. The mandatory re-tendering rules will therefore impact the VCT for the year ended 31 March 2020.

Following assurances received from the Managers at completion of the audit for the year ended 31 March 2019, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be re-appointed at the forthcoming AGM.

Non audit services

The Committee will approve the provision of ad-hoc work and maximum expected fee before the work is undertaken, to ensure that the auditor’s objectivity and independence are safeguarded.

Board and Committee meetings

The following table sets out the Directors’ attendance at the Board and Committee meetings held during the year.

	Board meetings attended (4 held)	Audit Committee meetings attended (2 held)
Sir Aubrey Brocklebank	4	2
Lord Flight	4	2
Russell Catley	4	2

Lord Flight chaired the only Nomination Committee meeting held during the year, prior to the appointment of Sir Aubrey Brocklebank as Chairman.

Remuneration Committee

The Committee meets as and when required to review the levels of Directors’ remuneration. Details of the specific levels of remuneration to each Director are set out in the Directors’ Remuneration Report on page 54.

Nomination Committee

The Nomination Committee’s primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to Board composition and balance. The Committee meets as and when appropriate.

When considering a new appointment to the Board, the Committee’s responsibility is to ensure that Shareholders are safeguarded by appointing the most appropriate person for the position (irrespective of gender), giving due regard to past and present experience in the sectors in which the Company invests. The Company therefore does not have a specific diversity policy in place.

Director tenure policy

Given the size of the Company and the complexity of the VCT regulations, the Board does not impose a limit in respect of the tenure of the Company’s non-executive Directors. In accordance with Corporate Governance best practice, the Director tenure policy of the Company requires that any Director who has served on the Board for in excess of nine years be subject to annual re-election. Directors who have served on the Board for less than nine years are subject to re-election at the AGM immediately following their appointment, and every three years thereafter.

CORPORATE GOVERNANCE STATEMENT (continued)

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by Shareholders during the course of the year, or to meet with Shareholders if so requested.

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

Separate resolutions are proposed at the AGM on each substantially separate issue. The Administration Manager collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the AIC Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the ninth AGM and proxy form can be found at the end of these financial statements.

The terms of reference of the Committees and the conditions of appointment of non-executive Directors are available to Shareholders on request.

Financial reporting

The Directors' responsibilities for preparing the financial statements are set out in the Report of the Directors on pages 52 to 53, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on page 67.

Risk management and internal control

The Board has adopted a Corporate Governance and Internal Control Manual ("Manual") for which it is responsible, which has been compiled in order to comply with the AIC Code of Corporate Governance ("AIC Code"). The Manual is designed to provide reasonable, but not absolute assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks in line with relevant guidance, on an annual basis, and implements additional controls as appropriate.

The Board reviews a Risk Register on an annual basis. The main aspects of internal control in relation to financial reporting by the Board were as follows:

- Review of quarterly reports from the Investment Manager on the portfolio of investments held, including additions and disposals;
- Quarterly reviews by the Board of the Company's investments, other assets and liabilities, revenue and expenditure and detailed review of unquoted investment valuations;
- Quarterly reviews by the Board of compliance with the Venture Capital Trust regulations to retain status, including a review of half-yearly reports from Philip Hare & Associates LLP;
- A separate review of the Annual Report and Half-Yearly report by the Audit Committee prior to Board approval; and
- A review by the Board of all financial information prior to publication.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and they review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year.

Although the Board is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company (including the Financial Reporting Process) to Downing LLP.

Anti-bribery policy

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

CORPORATE GOVERNANCE STATEMENT (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 4, the Investment Manager's Report on pages 7, 13, 18, 23, 28 and 38, the Strategic Report on pages 45 to 48 and the Report of the Directors on pages 49 to 53. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Balance Sheet on page 73, Cash Flow Statement on page 78 and the Strategic Report on page 48. In addition, note 15 to the financial statements includes the Company's objectives, policies and processes for managing its capital and financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk.

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

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for a period of at least twelve months from the date of approval of the financial statements. For this reason, they 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.

Share capital

The company has eight classes of share capital: DSO D Shares, DP67 Shares, DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 Structured Ordinary Shares, DP2011 Structured A Shares, Generalist Shares and Healthcare Shares. The rights and obligations attached to those Shares, including the power of the Company to buy back Shares, and details of any significant shareholdings, are set out on page 49 of the Report of the Directors.

Compliance statement

Paragraph 9.8.6 of the Listing Rules requires the Board to report on compliance with the provisions of the UK Corporate Governance Code throughout the accounting period. On 14 July 2006, the Financial Reporting Council (FRC) confirmed that member companies who report against the AIC Code and follow the AIC Guide will be meeting their obligations in relation to the 2016 UK Corporate Governance Code and paragraph 9.8.6 of the Listing Rules.

With the exception of the limited items outlined below, the Company has complied, throughout the accounting year ended 31 March 2019, with the Principles set out in Sections 4 and 5 of the AIC Code of Corporate Governance:

- a) The Board does not monitor the level of Share price discount or premium in respect of the DSO D Shares, DP67 Shares, DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 Structured Ordinary Shares and DP2011 Structured A Shares, as the Share pools to which these Share classes relate have commenced the process of returning funds to Shareholders. As noted on page 49 the Company has a general policy of buying in Generalist and Healthcare Shares which become available in the market at a nil discount to NAV. The Board continues to monitor the discount or premium in respect of the Generalist and Healthcare Shares and will take appropriate action to manage this when required. (Principle 17);
- b) Due to the size of the Board and the nature of the Company's business, a formal and rigorous performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. (Principle 7).

By order of the Board



Grant Whitehouse

Company Secretary
6th Floor, St. Magnus House
3 Lower Thames Street
London, EC3R 6HD

25 July 2019

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

Opinion

We have audited the financial statements of Downing FOUR VCT plc (the 'Company') for the year ended 31 March 2019 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report, set out on page 46 of the Annual Report, that describes the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation, set out on page 46 of the Annual Report, that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement, set out on page 62 of the Annual Report, about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING FOUR VCT PLC (continued)

Risk area	How our audit addressed the key audit matter
<p>Valuation of unquoted investments (Note 1 on page 80 and Note 9 on page 86):</p> <p>There is a high level of estimation uncertainty involved in determining the unquoted investment valuations.</p> <p>The Investment Manager's fee is based on the value of the net assets of the fund, as shown in Note 3 on page 82.</p> <p>As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations. The existence of an expense cap in the management agreement increases this risk.</p>	<p>We tested a sample of 99% of the unquoted investment portfolio by value of investment holdings.</p> <p>64% of the unquoted portfolio is based on valuations using cost (where the investment was recently acquired), the price of a recent investment, or an offer to acquire the investee company. For such investments, we checked the cost, recent investment price or third party offer to supporting documentation and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 March 2019.</p> <p>The remaining 36% of the investment portfolio is valued with reference to more subjective techniques including discounted cash flow models or using multiples of revenue or earnings.</p> <p>Our detailed testing for such investments, performed on all investments within our sample comprised:</p> <ul style="list-style-type: none"> • Forming a determination of whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines obtaining management explanations • Re-performed the calculation of the multiples-based investment valuations • Benchmarked key inputs and estimates to independent information and our own research • Challenged the assumptions inherent in the valuation of unquoted investments and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements • Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation • Developed our own point estimates where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased <p>For investments not included in our detailed testing, we performed the following procedures where relevant:</p> <ul style="list-style-type: none"> • Considered whether the valuation had been prepared by a suitably qualified individual. • Considered whether a valid IPEV methodology had been adopted. • Considered whether the valuation used up to date trading information. • Ensured our findings were suitable for our testing.
<p>Revenue recognition (Note 1 on page 81 and Note 2 on page 82):</p> <p>Revenue consists of loan stock interest, dividends receivable from investee companies and interest earned on cash balances. Revenue recognition is considered to be significant audit risk as it is the key driver of dividend returns to investors and judgement is required in determining whether accrued income should be regarded as recoverable and therefore appropriately recognised as income.</p>	<p>We recalculated expected income from loan stock investments in line with the underlying agreements and confirmations from investee companies. We traced a sample of interest receipts to bank and have considered the recoverability of loan stock interest with reference to post year end receipts. We also reviewed the recognition and classification of accrued fixed income receipts to ascertain whether it meets the definition of realised income under the Companies Act, or whether it should be recognised as an unrealised capital gain.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING FOUR VCT PLC (continued)

Key audit matters (continued)

The Audit Committee's consideration of the key audit issues is set out on page 64.

Our application of materiality

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

The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum 2019 £	Quantum 2018 £
Financial statement materiality (1.70% of gross investments). (2018: 1.5% of gross investments).	Assessing whether the financial statements as a whole present a true and fair view.	<ul style="list-style-type: none"> • The value of gross investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuations 	670,000	530,000
Performance materiality (75% of the financial statement materiality).	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	<ul style="list-style-type: none"> • Financial statement materiality • Risk and control environment • History of prior errors (if any) 	500,000	400,000
Specific materiality – classes of transactions and balances which impact on net realised returns (10% of gross expenditure). (2018: 5% of gross expenditure).	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> • Level of net revenue returns to Shareholders 	123,000	110,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £13,000 (2018: £10,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities, and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement. As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING FOUR VCT PLC (continued)

An overview of the scope of our audit (continued)

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to those laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting Four resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management; and
- review of minutes of board meetings throughout the period.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** [set out on page 53] – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** [set out on pages 59 to 60] – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** [set out on page 62] – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING FOUR VCT PLC (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 52 to 53, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Company on 4 February 2010 to audit the financial statements for the year ending 31 March 2010 and subsequent financial periods. The period of total uninterrupted engagement is ten years, covering the years ending 31 March 2010 to 31 March 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING FOUR VCT PLC (continued)

Use of our report

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

A handwritten signature in black ink that reads "BDO LLP". The letters are written in a cursive, slightly stylized font.

Stuart Collins (Senior Statutory Auditor)

For and on behalf of BDO LLP

Statutory auditor

London, UK

25 July 2019

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

INCOME STATEMENT

for the year ended 31 March 2019

	Note	Year ended 31 March 2019			Year ended 31 March 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	378	230	608	765	-	765
Net (loss)/gain on investments	9	-	(5,091)	(5,091)	-	1,425	1,425
		378	(4,861)	(4,483)	765	1,425	2,190
Investment management fees	3	(386)	(386)	(772)	(596)	(596)	(1,192)
Other expenses	4	(468)	-	(468)	(805)	(409)	(1,214)
(Loss)/return on ordinary activities before tax		(476)	(5,247)	(5,723)	(636)	420	(216)
Tax on total comprehensive income and ordinary activities	6	7	-	7	(160)	-	(160)
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year		(469)	(5,247)	(5,716)	(796)	420	(376)
Basic and diluted return per share:							
DSO B Share	8	-	-	-	(0.2p)	0.2p	-
DSO C Share	8	-	-	-	(0.2p)	0.2p	-
DSO D Share	8	0.6p	2.0p	2.6p	0.7p	5.1p	5.8p
DP67 Share	8	1.1p	(2.6p)	(1.5p)	0.2p	5.7p	5.9p
DP2011 General Share	8	-	-	-	-	-	-
DP2011 General A Share	8	(0.3p)	0.3p	-	(0.6p)	4.7p	4.1p
DP2011 Structured Share	8	-	-	-	-	-	-
DP2011 Structured A Share	8	(0.2p)	(0.1p)	(0.3p)	(0.6p)	4.0p	3.4p
DP2011 Low Carbon Share	8	-	-	-	(0.6p)	(9.1p)	(9.7p)
Generalist Share	8	(0.9p)	(11.1p)	(12.0p)	(1.7p)	(4.5p)	(6.2p)
Healthcare Share	8	(1.6p)	(9.7p)	(11.3p)	(2.5p)	(6.9p)	(9.4p)

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standard 102 ("FRS 102"). The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in February 2018 by the Association of Investment Companies ("AIC SORP").

INCOME STATEMENT (analysed by Share pool)
for the year ended 31 March 2019

Split as:

DSO D Share pool

	Year ended 31 March 2019			Year ended 31 March 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	14	-	14	166	-	166
Net (loss)/gain on investments	-	(141)	(141)	-	442	442
	14	(141)	(127)	166	442	608
Investment management fees	(17)	(17)	(34)	(46)	(46)	(92)
Other expenses	(46)	-	(46)	(53)	-	(53)
(Loss)/return on ordinary activities before tax	(49)	(158)	(207)	67	396	463
Tax on total comprehensive income and ordinary activities	-	-	-	(10)	-	(10)
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(49)	(158)	(207)	57	396	453

DP67 Share pool

	Year ended 31 March 2019			Year ended 31 March 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	214	112	326	247	-	247
Net (loss)/gain on investments	-	(372)	(372)	-	683	683
	214	(260)	(46)	247	683	930
Investment management fees	(33)	(33)	(66)	(51)	(51)	(102)
Other expenses	(26)	-	(26)	(62)	-	(62)
Return/(loss) on ordinary activities before tax	155	(293)	(138)	134	632	766
Tax on total comprehensive income and ordinary activities	(28)	-	(28)	(114)	-	(114)
Return/(loss) attributable to equity Shareholders, being total comprehensive income for the year	127	(293)	(166)	20	632	652

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

INCOME STATEMENT (analysed by Share pool) (continued)
for the year ended 31 March 2019

DP2011 General Share pool

	Year ended 31 March 2019			Year ended 31 March 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	4	-	4	160	-	160
Net gain on investments	-	71	71	-	947	947
	4	71	75	160	947	1,107
Investment management fees	(20)	(20)	(40)	(75)	(75)	(150)
Other expenses	(31)	-	(31)	(196)	-	(196)
(Loss)/return on ordinary activities before tax	(47)	51	4	(111)	872	761
Tax on total comprehensive income and ordinary activities	-	-	-	(1)	-	(1)
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(47)	51	4	(112)	872	760

DP2011 Structured Share pool

	Year ended 31 March 2019			Year ended 31 March 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	3	-	3	75	-	75
Net gain on investments	-	-	-	-	535	535
	3	-	3	75	535	610
Investment management fees	(7)	(7)	(14)	(39)	(39)	(78)
Other expenses	(15)	-	(15)	(126)	-	(126)
(Loss)/return on ordinary activities before tax	(19)	(7)	(26)	(90)	496	406
Tax on total comprehensive income and ordinary activities	-	-	-	(1)	-	(1)
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(19)	(7)	(26)	(91)	496	405

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

INCOME STATEMENT (analysed by Share pool) (continued)
for the year ended 31 March 2019

Generalist Share pool

	Year ended 31 March 2019			Year ended 31 March 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	114	118	232	62	-	62
Net loss on investments	-	(3,572)	(3,572)	-	(718)	(718)
	114	(3,454)	(3,340)	62	(718)	(656)
Investment management fees	(180)	(180)	(360)	(235)	(235)	(470)
Other expenses	(252)	-	(252)	(208)	-	(208)
Loss on ordinary activities before tax	(318)	(3,634)	(3,952)	(381)	(953)	(1,334)
Tax on total comprehensive income and ordinary activities	35	-	35	-	-	-
Loss attributable to equity Shareholders, being total comprehensive income for the year	(283)	(3,634)	(3,917)	(381)	(953)	(1,334)

Healthcare Share pool

	Year ended 31 March 2019			Year ended 31 March 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	29	-	29	9	-	9
Net loss on investments	-	(1,077)	(1,077)	-	(332)	(332)
	29	(1,077)	(1,048)	9	(332)	(323)
Investment management fees	(129)	(129)	(258)	(97)	(97)	(194)
Other expenses	(98)	-	(98)	(72)	-	(72)
Loss on ordinary activities before tax	(198)	(1,206)	(1,404)	(160)	(429)	(589)
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-
Loss attributable to equity Shareholders, being total comprehensive income for the year	(198)	(1,206)	(1,404)	(160)	(429)	(589)

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

BALANCE SHEET
as at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	9	39,394	35,192
Current assets			
Debtors	10	800	695
Cash at bank and in hand		18,443	21,063
		<u>19,243</u>	<u>21,758</u>
Creditors: amounts falling due within one year	11	<u>(485)</u>	<u>(615)</u>
Net current assets		<u>18,758</u>	<u>21,143</u>
Net assets		<u>58,152</u>	<u>56,335</u>
Capital and reserves			
Called up Share capital	12	138	188
Capital redemption reserve	13	-	31
Special reserve	13	47,040	8,021
Share premium account	13	7,172	43,904
Funds held in respect of Shares not yet allotted	13	4,772	420
Revaluation reserve	13	(4,158)	234
Capital reserve – realised	13	4,940	4,641
Revenue reserve	13	<u>(1,752)</u>	<u>(1,104)</u>
Total equity Shareholders' funds	14	<u>58,152</u>	<u>56,335</u>
Basic and diluted Net Asset Value per Share:			
DSO B Share	14	N/A	-
DSO C Share	14	N/A	-
DSO D Share	14	27.8p	54.4p
DP67 Share	14	48.5p	50.0p
DP2011 General Ordinary Share	14	-	-
DP2011 General A Share	14	13.3p	20.3p
DP2011 Structured Ordinary Share	14	-	-
DP2011 Structured A Share	14	9.9p	15.0p
DP2011 Low Carbon Share	14	N/A	-
Generalist Share	14	83.5p	95.5p
Healthcare Share	14	83.3p	94.6p

The financial statements on pages 69 to 97 were approved and authorised for issue by the Board of Directors on 25 July 2019 and were signed on its behalf by:



Sir Aubrey Brocklebank Bt.
Chairman

Company number: 06789187

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

BALANCE SHEET (analysed by Share pool)
as at 31 March 2019

Split as:

DSO D Share pool

		2019	2018
		£'000	£'000
Fixed assets			
Investments		1,302	3,699
Current assets			
Debtors		1	66
Cash at bank and in hand		910	582
		911	648
Creditors: amounts falling due within one year		(28)	(67)
Net current assets		883	581
Net assets		2,185	4,280
Capital and reserves			
Called up share capital	12	8	8
Special reserve		2,259	4,201
Revaluation reserve		153	471
Capital reserve – realised		(148)	(362)
Revenue reserve		(87)	(38)
Total equity Shareholders' funds	14	2,185	4,280

DP67 Share pool

		2019	2018
		£'000	£'000
Fixed assets			
Investments		3,578	4,639
Current assets			
Debtors		669	552
Cash at bank and in hand		1,251	519
		1,920	1,071
Creditors: amounts falling due within one year		(70)	(116)
Net current assets		1,850	955
Net assets		5,428	5,594
Capital and reserves			
Called up share capital	12	11	11
Capital redemption reserve		-	31
Special reserve		534	805
Revaluation reserve		547	579
Capital reserve – realised		3,622	3,581
Revenue reserve		714	587
Total equity Shareholders' funds	14	5,428	5,594

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

BALANCE SHEET (analysed by Share pool) (continued)
as at 31 March 2019

DP2011 General Share pool

	2019	2018
	£'000	£'000
Fixed assets		
Investments	1,895	2,243
Current assets		
Debtors	1	-
Cash at bank and in hand	594	1,569
	595	1,569
Creditors: amounts falling due within one year	(31)	(68)
Net current assets	564	1,501
Net assets	<u>2,459</u>	<u>3,744</u>

Capital and reserves

Called up share capital – Ordinary Shares	12	16	16
Called up share capital – A Shares	12	18	18
Special reserve		652	2,209
Revaluation reserve		636	353
Capital reserve – realised		867	831
Revenue reserve		270	317
Total equity Shareholders' funds	14	<u>2,459</u>	<u>3,744</u>

DP2011 Structured Share pool

	2019	2018
	£'000	£'000
Fixed assets		
Investments	679	1,045
Current assets		
Debtors	3	3
Cash at bank and in hand	566	877
	569	880
Creditors: amounts falling due within one year	(15)	(37)
Net current assets	554	843
Net assets	<u>1,233</u>	<u>1,888</u>

Capital and reserves

Called up share capital – Ordinary Shares	12	11	11
Called up share capital – A Shares	12	13	13
Special reserve		332	1,204
Revaluation reserve		109	(119)
Capital reserve – realised		599	591
Revenue reserve		169	188
Total equity Shareholders' funds	14	<u>1,233</u>	<u>1,888</u>

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

BALANCE SHEET (analysed by Share pool) (continued)
as at 31 March 2019

Generalist Share pool

		2019	2018
		£'000	£'000
Fixed assets			
Investments		24,565	19,053
Current assets			
Debtors		124	73
Cash at bank and in hand		8,661	10,563
		<u>8,785</u>	<u>10,636</u>
Creditors: amounts falling due within one year		<u>(220)</u>	<u>(215)</u>
Net current assets		<u>8,565</u>	<u>10,421</u>
Net assets		<u>33,130</u>	<u>29,474</u>
Capital and reserves			
Called up share capital	12	43	38
Special reserve		31,111	(240)
Share premium account		4,692	31,508
Revaluation reserve		(4,209)	(718)
Funds held in respect of Shares not yet allotted		3,396	398
Revenue reserve		<u>(1,903)</u>	<u>(1,512)</u>
Total equity Shareholders' funds	14	<u>33,130</u>	<u>29,474</u>

Healthcare Share pool

		2019	2018
		£'000	£'000
Fixed assets			
Investments		7,375	4,513
Current assets			
Debtors		2	1
Cash at bank and in hand		6,461	6,953
		<u>6,463</u>	<u>6,954</u>
Creditors: amounts falling due within one year		<u>(121)</u>	<u>(112)</u>
Net current assets		<u>6,342</u>	<u>6,842</u>
Net assets		<u>13,717</u>	<u>11,355</u>
Capital and reserves			
Called up share capital	12	18	15
Special reserve		12,152	(100)
Share premium account		2,480	12,396
Revaluation reserve		(1,394)	(332)
Funds held in respect of Shares not yet allotted		1,376	22
Revenue reserve		<u>(915)</u>	<u>(646)</u>
Total equity Shareholders' funds	14	<u>13,717</u>	<u>11,355</u>

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Called up Share capital	Capital Redemption reserve	Special reserve	Share premium account	Funds held in respect of Shares not yet allotted	Revaluation Reserve (Note 9)	Capital reserve - realised	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2017	144	31	30,620	10,074	16,137	(1,980)	3,331	1,055	59,412
Total comprehensive income	-	-	-	-	-	(225)	645	(796)	(376)
Transfer between reserves*	-	-	(22,576)	-	-	2,439	19,548	589	-
Unallotted Shares	-	-	-	-	420	-	-	-	420
Transactions with owners									
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 comprehensive income	-	-	-	-	-	(5,250)	3	(469)	(5,716)
Transfer between reserves*	-	-	(4,960)	-	-	858	4,102	-	-
Unallotted Shares	-	-	-	-	4,352	-	-	-	4,352
Transactions with owners									
Dividend paid	-	-	-	-	-	-	(3,806)	-	(3,806)
Cancellation of Share Premium/ Capital Redemption Reserve	-	(89)	43,993	(43,904)	-	-	-	-	-
Cancellation of Shares	(58)	58	-	-	-	-	-	-	-
Purchase of own Shares	-	-	(14)	-	-	-	-	-	(14)
Issue of Shares	8	-	-	7,172	-	-	-	-	7,180
Share issue costs	-	-	-	-	-	-	-	(179)	(179)
At 31 March 2019	138	-	47,040	7,172	4,772	(4,158)	4,940	(1,752)	58,152

* A transfer of £858,000 (2018: £2.4 million), representing previously recognised unrealised gains and losses on disposal of investments during the year ended 31 March 2019, has been made between the Revaluation Reserve and the Special Reserve. A transfer of £4.1 million (2018: £19.5 million) representing realised gains and losses on disposal of investments, less capital expenses and capital dividends in the year was made between the Capital Reserve - realised and the Special reserve.

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

CASH FLOW STATEMENT

for the year ended 31 March 2019

	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								
(Loss)/return on ordinary activities before taxation		(207)	(138)	4	(26)	(3,952)	(1,404)	(5,723)
Losses/(gains) on investments		141	372	(71)	-	3,572	1,077	5,091
(Decrease)/increase in creditors		(39)	(74)	(37)	(22)	40	9	(123)
Decrease/(increase) in debtors		65	(117)	(1)	-	(50)	(1)	(104)
Net cash (outflow)/inflow from operating activities		(40)	43	(105)	(48)	(390)	(319)	(859)
Corporation tax paid		-	-	-	-	-	-	-
Net cash generated from operating activities		(40)	43	(105)	(48)	(390)	(319)	(859)
Cash flow from investing activities								
Purchase of investments	9	-	-	-	-	(10,890)	(4,874)	(15,764)
Proceeds from disposal of investments	9	2,256	689	419	366	1,806	935	6,471
Net cash inflow/(outflow) from investing activities		2,256	689	419	366	(9,084)	(3,939)	(9,293)
Net cash inflow/(outflow) before financing		2,216	732	314	318	(9,474)	(4,258)	(10,152)
Cash flows from financing activities								
Repurchase of Shares		-	-	-	-	(14)	-	(14)
Issue of share capital		-	-	-	-	4,589	2,412	7,001
Funds held in respect of Shares not yet allotted		-	-	-	-	2,997	1,354	4,351
Equity dividends paid	7	(1,888)	-	(1,289)	(629)	-	-	(3,806)
Net cash (outflow)/inflow from financing activities		(1,888)	-	(1,289)	(629)	7,572	3,766	7,532
Net change in cash		328	732	(975)	(311)	(1,902)	(492)	(2,620)
Cash and cash equivalents at start of the year		582	519	1,569	877	10,563	6,953	21,063
Cash and cash equivalents at end of the year		910	1,251	594	566	8,661	6,461	18,443
Cash and cash equivalents comprise								
Cash at bank and in hand		910	1,251	594	566	8,661	6,461	18,443
Total cash and cash equivalents		910	1,251	594	566	8,661	6,461	18,443

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

CASH FLOW STATEMENT

for the year ended 31 March 2018

		DSO B Share pool	DSO D Share pool	DP67 Share pool	DP2011 General Share pool	DP2011 Structured Share pool	DP2011 LC Share pool	Generalist Share pool	Healthcare Share pool	Total
Note		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities										
Return/(loss) on ordinary activities before taxation		43	463	766	761	406	(732)	(1,334)	(589)	(216)
(Gains)/losses on investments		(120)	(442)	(683)	(947)	(535)	252	718	332	(1,425)
Decrease/(increase) in debtors		39	188	(40)	585	362	140	(29)	(1)	1,244
(Decrease)/increase in creditors		(111)	(18)	10	(60)	(50)	(54)	205	106	28
Net cash (outflow)/inflow from operating activities		(149)	191	53	339	183	(394)	(440)	(152)	(369)
Corporation tax paid		(40)	10	(534)	(16)	(8)	(5)	(44)	-	(637)
Net cash generated from operating activities		(189)	201	(481)	323	175	(399)	(484)	(152)	(1,006)
Cash flow from investing activities										
Purchase of investments	9	-	-	-	-	-	-	(19,546)	(4,820)	(24,366)
Proceeds from disposal of investments	9	1,872	2,109	1,090	6,089	3,723	2,813	-	-	17,696
Net cash inflow/(outflow) from investing activities		1,872	2,109	1,090	6,089	3,723	2,813	(19,546)	(4,820)	(6,670)
Net cash inflow/(outflow) before financing		1,683	2,310	609	6,412	3,898	2,414	(20,030)	(4,972)	(7,676)
Cash flows from financing activities										
Repurchase of Shares		-	-	(23)	-	-	-	-	-	(23)
Issue of share capital		-	-	-	-	-	-	9,368	7,425	16,793
Equity dividends paid	7	(4,158)	(2,163)	(2,463)	(5,109)	(3,049)	(2,530)	-	-	(19,472)
Net cash (outflow)/inflow from financing activities		(4,158)	(2,163)	(2,486)	(5,109)	(3,049)	(2,530)	9,368	7,425	(2,702)
Net change in cash		(2,475)	147	(1,877)	1,303	849	(116)	(10,662)	2,453	(10,378)
Cash and cash equivalents at start of year		2,475	435	2,396	266	28	116	21,225	4,500	31,441
Cash and cash equivalents at end of year		-	582	519	1,569	877	-	10,563	6,953	21,063
Cash and cash equivalents comprise										
Cash at bank and in hand		-	582	519	1,569	877	-	10,563	6,953	21,063
Total cash and cash equivalents		-	582	519	1,569	877	-	10,563	6,953	21,063

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

NOTES TO THE ACCOUNTS

for the year ended 31 March 2019

1. Accounting policies

Basis of accounting

The Company has prepared its financial statements in accordance with the Financial Reporting Standard 102 ("FRS 102") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" revised February 2018 ("SORP").

The Company implements new Financial Reporting Standards ("FRS") issued by the Financial Reporting Council when required.

The financial statements are presented in pounds sterling and rounded to thousands. The Company's functional and presentational currency is pounds sterling.

Presentation of Income Statement

In order to better reflect the activities of a Venture Capital Trust, and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Part 6 of the Income Tax Act 2007.

Judgements in applying accounting policies and key sources of estimation uncertainty

Investments

All investments are designated as "fair value through profit or loss" assets due to investments being managed and performance evaluated on a fair value basis, in accordance with Section 9.9B(a) of FRS 102. A financial asset is designated within this category if it is both acquired and managed on a fair value basis, with a view to selling after a period of time, in accordance with the Company's documented investment policy.

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

Liquidity investments are measured using bid prices.

For unquoted investments, fair value is established by using the IPEV guidelines. The valuation methodologies for unquoted entities used by the IPEV to ascertain the fair value of an investment are as follows:

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

Price of recent investment includes valuations resulting from provisions made against the price of a recent investment.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value. The valuation of investments is detailed in Note 9.

Gains and losses arising from changes in fair value are included in the Income Statement for the year as a capital item and transaction costs on acquisition or disposal of the investment are expensed. Where an investee company has gone into receivership, liquidation or administration (where there is little likelihood of recovery), the loss on the investment, although not physically disposed of, is treated as being realised.

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

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2019

1. Accounting policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Investments (continued)

The key source of estimation uncertainty is the selection of a multiple to be applied when valuing unquoted companies. Whilst there is a degree of subjectivity in the process of selecting a multiple, the Manager undertakes a rigorous internal valuations process, which involves challenging all relevant valuation inputs. The Board then challenges the proposed valuations once this process is complete.

Income

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

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

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

Arrangement fee rebates received from Downing LLP are treated as capital income following the date of investment.

Where previously accrued income is considered unrecoverable a corresponding bad debt expense is recognised.

Expenses

All expenses are accounted for on an accruals basis, and are stated inclusive of any VAT charged. In respect of the analysis between revenue and capital items presented within the Income Statement, all expenses have been presented as revenue items except as follows:

- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; or
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. The Company has adopted a policy of charging 50% of the investment management fees to the revenue account and 50% to the capital account, to reflect the Board's estimated split of investment returns which will be achieved by the company over the long term.

Expenses and liabilities not specific to a share class are generally allocated pro rata to the Net Asset Values of each share class.

Taxation

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

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

Deferred taxation, which is not discounted, is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

Other debtors and other creditors

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

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2019

1. Accounting policies (continued)

Issue costs

Issue costs in relation to the Shares issued for each share class have been deducted from the share premium account, special reserve or revenue reserve, as applicable, for the relevant share class.

Performance Incentive

Amounts payable in respect of Performance Incentive arrangements are recorded at such time that an obligation has been established. An explanation of each of the Performance Incentive arrangements is given in Note 12. In respect of the DSO D Share pool, the Performance Incentive is expected to be recorded as an expense item through the Income Statement. Performance Incentives in respect of all other Share classes are paid by way of dividends, and will therefore be recognised in accordance with the dividend accounting policy.

Dividends

Dividends payable are recognised as distributions in the financial statements when the company's liability to make payment has been established, typically once declared by the Board or approved by Shareholders at the AGM.

Funds held in respect of Shares not yet allotted

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

Acquisitions

Acquisitions made during the year are accounted for using the acquisition method. The purchase consideration is measured at the fair value of equity issued, compared to the fair value of the assets and liabilities acquired.

Reportable segments

The Company has one reportable segment as the sole activity of the Company is to operate as a VCT and all of the Company's resources are allocated to this activity.

2. Income

	2019 £'000	2018 £'000
Income from investments		
Loan stock interest	314	633
LLP profit share	172	-
	<u>486</u>	<u>633</u>
Other income		
Bank interest	64	54
Fee income	58	78
	<u>608</u>	<u>765</u>

3. Investment management fees

The management fee, which is charged to the Company, is based on an annual amount of 1.50% of the DSO D Share pool net assets, 1.35% of the DP67 Share pool net assets, 1.80% of the DP2011 General Share pool and DP2011 Structured Share pool net assets, 2.00% of the Generalist Share pool net assets and 2.50% of the Healthcare Share pool net assets. The Manager also provides administration services for a fee calculated as follows: (i) a basic fee of £40,000; (ii) A fee of 0.1% of NAV per annum on funds in excess of £10 million; (iii) £5,000 per additional Share pool. Fees in relation to these services are shown within note 4.

	2019 £'000	2018 £'000
Investment management fees	<u>772</u>	<u>1,192</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

4. Other expenses

	2019 £'000	2018 £'000
Administration services	113	137
Trail commission	148	164
Directors' remuneration	61	61
Auditor's remuneration for audit	31	31
Auditor's remuneration for non-audit services (taxation)	-	22
Registrars	34	47
London Stock Exchange	9	8
FCA	7	8
Printing and Postage	16	20
Wind up costs	12	45
Performance Incentive - Low Carbon Share pool	-	409
Bad debt expense	15	232
Other	22	30
	<u>468</u>	<u>1,214</u>

The annual running costs of the Company are subject to a cap of 3.0% of net assets of the Company for all Share pools, with the exception of the DP67 and Healthcare Share pools, which are subject to caps of 2.9% and 3.5% respectively.

5. Directors' remuneration

Details of remuneration (excluding employer's NIC) are given in the audited part of the Directors' Remuneration Report on page 54. Key management is comprised of the Directors of the Company.

The Company had no employees (other than Directors) during the year. Costs in respect of the Directors are shown in note 4 above. No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director. There were no amounts outstanding at the year end.

6. Taxation

	2019 £'000	2018 £'000
(a) Tax charge for the year		
UK corporation tax at 19% (2018: 19%)	(3)	123
Charge for the year	<u>(3)</u>	<u>123</u>
(b) Factors affecting tax charge for the year		
Return on ordinary activities before taxation	<u>(5,723)</u>	<u>(216)</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 19% (2018: 19%)	(1,087)	(41)
Effects of:		
Expenses disallowed for tax purposes	2	79
Losses/(gains) on investments	922	(271)
LLP profits received during the year	33	-
Provision against LLP profits	(37)	-
Adjustment for prior years	(3)	123
Losses carried forward	167	233
Tax on total comprehensive income and ordinary activities	<u>(3)</u>	<u>123</u>

Excess management expenses, which are available to be carried forward and set off against future taxable income, amounted to £1.6 million (2018: £1.3 million).

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

6. Taxation (continued)

	2019 £'000	2018 £'000
(c) Deferred Tax (credit)/expense included in other comprehensive income		
Timing differences in respect of LLP profit share	(4)	37
Charge for the year (Note 16)	<u>(4)</u>	<u>37</u>
Total tax (credit)/charge for the year	<u>(7)</u>	<u>160</u>

7. Dividends

	2019 Pence per share	2018 Pence per share	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
DSO D Shares								
Paid								
2019 Interim	24.0	-	-	1,888	1,888	-	-	-
2018 Interim	-	25.0	-	-	-	79	1,887	1,966
2017 Final	-	2.5	-	-	-	79	118	197
Total	<u>24.0</u>	<u>27.5</u>	<u>-</u>	<u>1,888</u>	<u>1,888</u>	<u>158</u>	<u>2,005</u>	<u>2,163</u>
Proposed Interim								
2019	<u>-</u>	<u>24.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,888</u>	<u>1,888</u>
DP67 Shares								
Paid								
2018 Interim	-	20.0	-	-	-	112	2,126	2,238
2017 Final	-	2.0	-	-	-	56	169	225
	<u>-</u>	<u>22.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168</u>	<u>2,295</u>	<u>2,463</u>
DP2011 General Shares								
Paid								
2019 Interim - A	7.0	-	-	1,289	1,289	-	-	-
2018 Special - A	-	15.0	-	-	-	-	2,763	2,763
2018 Special - Ord	-	15.0	-	-	-	156	2,190	2,346
	<u>7.0</u>	<u>30.0</u>	<u>-</u>	<u>1,289</u>	<u>1,289</u>	<u>156</u>	<u>4,953</u>	<u>5,109</u>
Proposed Interim								
2019	<u>-</u>	<u>7.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,289</u>	<u>1,289</u>
DP2011 Structured Shares								
Paid								
2019 Interim - A	5.0	-	-	629	629	-	-	-
2018 Special - A	-	20.0	-	-	-	-	2,515	2,515
2018 Special - Ord	-	5.0	-	-	-	107	427	534
	<u>5.0</u>	<u>25.0</u>	<u>-</u>	<u>629</u>	<u>629</u>	<u>107</u>	<u>2,942</u>	<u>3,049</u>
Proposed Final/Interim								
2019	<u>-</u>	<u>5.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>629</u>	<u>629</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

8. Basic and diluted return per share

		Weighted Average number of Shares in issue*	Revenue (loss)/ return £'000	Capital (loss)/ gain £'000	Total Comprehensive income £'000
Return per share is calculated on the following:					
Year ended 31 March 2019	DSO D Shares	7,867,247	(49)	(158)	(207)
	DP67 Shares	11,192,136	127	(293)	166
	DP2011 General Ordinary Shares	15,644,066	-	-	-
	DP2011 General A Shares	18,418,614	(47)	51	4
	DP2011 Structured Ordinary Shares	10,678,725	-	-	-
	DP2011 Structured A Shares	12,572,817	(19)	(7)	(26)
	Generalist Shares	31,412,013	(283)	(3,634)	(3,917)
	Healthcare Shares	12,378,737	(198)	(1,206)	(1,404)
Year ended 31 March 2018	DSO B Shares	19,911,070	(42)	47	5
	DSO C Shares	29,926,070	(43)	47	4
	DSO D Shares	7,867,247	57	396	453
	DP67 Shares	11,229,211	20	632	652
	DP2011 General Ordinary Shares	15,644,066	-	-	-
	DP2011 General A Shares	18,418,614	(112)	872	760
	DP2011 Structured Ordinary Shares	10,678,725	-	-	-
	DP2011 Structured A Shares	12,572,817	(91)	496	405
	DP2011 Low Carbon Shares	7,575,419	(44)	(688)	(732)
	Generalist Shares	21,421,985	(381)	(953)	(1,334)
	Healthcare Shares	6,267,690	(160)	(429)	(589)

**Excluding Management Shares*

As the Company has not issued any convertible securities or share options, there is no dilutive effect on the return per DSO B Share, DSO C Share, DSO D Share, DP67 Share, DP2011 General Ordinary Share, DP2011 General A Share, DP2011 Structured Ordinary Share, DP2011 Structured A Share, DP2011 Low Carbon Share, Generalist Share or Healthcare Share. The return per share disclosed therefore represents both the basic and diluted return per Share for all classes of Share.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

9. Fixed assets – investments

	Liquidity investments £'000	Quoted VC investments £'000	Unquoted VC investments £'000	Total £'000
Opening cost at 1 April 2018	17,750	1,250	16,665	35,665
Unrealised (losses)/gains at 1 April 2018	(714)	(342)	1,290	234
Impairment losses at 1 April 2018	-	-	(707)	(707)
Opening fair value at 1 April 2018	17,036	908	17,248	35,192
Movements in the year:				
Purchased at cost	-	-	15,764	15,764
Disposals - proceeds	(2,712)	-	(3,759)	(6,471)
- realised (losses)/gains on disposals	(83)	-	242	159
Unrealised losses in the Income Statement	(2,099)	(255)	(2,896)	(5,250)
Closing value at 31 March 2019	12,142	653	26,599	39,394
Closing cost at 31 March 2019	15,000	1,250	28,332	44,582
Unrealised losses at 31 March 2019	(2,858)	(597)	(703)	(4,158)
Impairment losses at 31 March 2019	-	-	(1,030)	(1,030)
Closing value at 31 March 2019	12,142	653	26,599	39,394

No costs incidental to the acquisitions of investments were incurred during the year.

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

Level 1	Reflects financial instruments quoted in an active market;
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 which are not based on observable market data (unquoted equity investments and loan note investments).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2019 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2018 £'000
Liquidity investments	12,142	-	-	12,142	17,036	-	-	17,036
Quoted equity	653	-	-	653	908	-	-	908
Unquoted loan notes	-	-	2,971	2,971	-	-	3,323	3,323
Unquoted equity	-	-	23,628	23,759	-	-	13,925	13,925
	12,795	-	26,599	39,394	17,944	-	17,248	35,192

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2019

9. Fixed assets - investments (continued)

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

	Unquoted equity £'000	Unquoted loan notes £'000	Total £'000
Balance at 1 April 2018	13,925	3,323	17,248
<i>Movements in the Income Statement:</i>			
Unrealised losses in the income statement	(2,731)	(165)	(2,896)
Realised gains in the income statement	295	(53)	242
	<u>(2,436)</u>	<u>(218)</u>	<u>(2,654)</u>
Purchases at cost	15,614	150	15,764
Sales proceeds	<u>(3,475)</u>	<u>(284)</u>	<u>(3,759)</u>
	12,139	(134)	12,005
Balance at 31 March 2019	<u>23,628</u>	<u>2,971</u>	<u>26,599</u>

FRS 102 sections 11 and 12 require disclosure to be made of the possible effect of changing one or more of the inputs to reasonable possible alternative valuation assumptions where this would result in a significant change in the fair value of the Level 3 investments. There is an element of judgment in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments.

The Board and the Investment Manager believe that the valuations as at 31 March 2019 reflect the most appropriate assumptions at the date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 15.

Significant interests

Details of shareholdings in portfolio companies where the Company's holding, as at 31 March 2019, represents greater than 20% of the nominal value of any class of the allotted Shares are shown below. The figures shown below represent the financial position and performance as of the latest available financial statements. The Company does not have significant influence over any of its portfolio companies.

Company	Registered office	Share class	Number	Proportion of class held	Capital and reserves	Profit/ (loss) for the year
ADC Biotechnology Limited	CH1 1XG	A Ordinary	3,464,337	22%	£5.4m	*
Cadbury House Holdings Limited	EC3R 6HD	Ordinary	678,522	28%	£8.5m	£0.2m
Empiribox Holdings Limited	OX11 0QX	C Ordinary	1,495,596	36%	£1.1m	*
		D Ordinary	867,146	38%		
Glownet Limited	NW6 1BB	A Ordinary	3,615,584	33%	£0.5m	(£0.5m)
Live Better With Limited	N1 8XB	A Ordinary	119,892	68%	£4.7m	*
		B Ordinary	383,796	34%		
Mosaic Spa and Health Clubs Limited	NR9 3DL	A Ordinary	843,970	44%	£0.8m	£0.1m
Odysian (Holdings) Limited	PR2 2YH	A Ordinary	81	100%	£0.8m	*
		B Ordinary	133,333	100%		
		C Ordinary	83	100%		
Virtual Class Limited	E1 8EW	C Ordinary	6,710	25%	£1.6m	(£2.6m)
Xupes Limited	CM23 3AR	A Ordinary	42,847	25%	£2.4m	(£0.2m)
		B Ordinary	378,747	25%		

* Profit figures not publicly available.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

9. Fixed assets - investments (continued)

The following summary shows investments made by the Company in which other funds managed by Downing have also invested. The amounts shown represent the original costs of the investment.

	Company £'000	Equity held by Other Downing Discretionary Funds NOTE 1
MI Downing UK Micro-Cap Growth Fund	5,150	0.3%
Downing Strategic Micro-Cap Investment Trust plc	4,800	8.6%
Live Better With Limited	2,318	13.3%
ADC Biotechnology Limited	1,465	3.3%
Cadbury House Holdings Limited	1,409	33.0%
Arecor Limited	1,400	8.3%
Rated People Limited	1,282	1.2%
Destiny Pharma plc	1,250	1.8%
Snow Hill Developments LLP	1,218	23.7%
Lignia Wood Company Limited	1,111	5.4%
Wickham Solar Limited	1,100	20.0%
Firefly Learning Limited	1,047	3.6%
Empiribox Holdings Limited	1,028	27.2%
Imagen Limited	1,000	5.0%
Open Bionics Limited	1,000	13.1%
Maverick Pubs (Holdings) Limited	1,000	16.0%
E-Fundamentals (Group) Limited	917	12.8%
Ormsborough Limited	900	7.3%
Xupes Limited	818	18.3%
BridgeU Corporation	810	4.1%
Virtual Class Limited	803	5.6%
Hackajob Limited	784	5.3%
Glownet Limited	741	8.0%
Fenkle Street LLP	706	23.1%
Volo Commerce Limited	567	3.5%
Adaptix Limited	556	3.6%
Lambridge Solar Limited	500	6.4%
Exonar Limited	500	2.8%
Apex Energy Limited	400	8.0%
Yamuna Energy Limited	400	4.0%
Odysian (Holdings) Limited	387	99.3%
Gatewales Limited	344	23.1%
Pearce and Saunders Limited	300	8.4%
Future Health Works Limited	278	3.5%
London City Shopping Centre Limited	217	11.3%
Channel Mum Limited	200	1.3%
Fresh Green Power Limited	189	20.0%
Mosaic Spa and Health Clubs Limited	176	24.6%
Limitless Technology Limited	174	2.0%
Masters of Pie Limited	167	1.6%
Green Energy Production UK Limited	100	20.0%
Pearce and Saunders DevCo Limited	20	8.4%
	44,582	

NOTE 1: Other Downing Funds include Downing ONE VCT plc, Downing TWO VCT plc and Downing THREE VCT plc, which are managed under discretionary management agreements by Downing LLP ("Downing LLP Funds").

Investment decisions are made by the respective Board of Directors of each VCT.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

10. Debtors

	2019 £'000	2018 £'000
Prepayments and accrued income	281	163
Other debtors	-	2
Corporation tax	149	164
Deferred taxation (note 16)	370	366
	<u>800</u>	<u>695</u>

11. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Corporation tax	-	12
Taxation and social security	1	1
Accruals and deferred income	484	602
	<u>485</u>	<u>615</u>

12. Called up share capital

	2019 £'000	2018 £'000
Allotted, called up and fully-paid:		
nil (2018: 19,911,070) DSO B Shares of 0.1p each	-	20
nil (2018: 29,926,070) DSO C Shares of 0.1p each	-	30
7,867,247 (2018: 7,867,247) DSO D Shares of 0.1p each	8	8
11,192,136 (2018: 11,192,136) DP67 Shares of 0.1p each	11	11
15,644,066 (2018: 15,644,066) DP2011 General Ordinary Shares of 0.1p each	16	16
18,418,614 (2018: 18,418,614) DP2011 General A Shares of 0.1p each	18	18
10,678,725 (2018: 10,678,725) DP2011 Structured Ordinary Shares of 0.1p each	11	11
12,572,817 (2018: 12,572,817) DP2011 Structured A Shares of 0.1p each	13	13
nil (2018: 7,575,419) DP2011 Low Carbon Shares of 0.1p each	-	8
43,109,472 (2018: 37,937,914) Generalist Shares of 0.1p each	43	38
17,815,135 (2018: 14,967,856) Healthcare Shares of 0.1p each	18	15
	<u>138</u>	<u>188</u>

The Company's capital is managed in accordance with its investment policy as shown in the Strategic Report, in pursuit of its principal investment objective as stated on page 45. There have been no significant changes in the objectives, policies or processes for managing capital from the previous period.

The Company has the authority to buy back Shares as described in the Directors' Report.

During the year, the Company allotted 5,185,958 Generalist Shares of 0.1p each at an average price of 90.6p per Ordinary Share.

During the year, the Company allotted 2,847,279 Healthcare Shares of 0.1p each at an average price of 87.2p per Ordinary Share.

During the year, 14,400 Generalist Shares were repurchased by the Company, at an average price of 95.7p.

On 10 April 2018 the DSO B Shares, DSO C Shares and DP2011 Low Carbon Shares were converted into Deferred Shares with no value and were cancelled.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

12. Called up share capital (continued)

DP2011 General Share pool and DP2011 Structured Share pool

Distributions of income and returns of capital (whether by way of reduction of capital or otherwise) shall be made on the following basis to the holders of DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 Structured Ordinary Shares and DP2011 Structured A Shares:

Total Proceeds per Ordinary Share	Allocation of DP2011 General and Structured Shareholder Proceeds	
	Ordinary Shareholders	'A' Shareholders
Up to 70p	Remainder	$\frac{0.001 \times \text{'A' Shares in issue}}{\text{Total Shares in issue}}$
Above 70p and below 120p	$\frac{0.001 \times \text{Ordinary Shares in issue}}{\text{Total Shares in issue}}$	Remainder
120p and above	Remainder	$\frac{0.001 \times \text{'A' Shares in issue}}{\text{Total Shares in issue}}$

"Shareholder Proceeds" means amounts paid by way of dividend or other distributions, share buybacks, proceeds on a sale or winding-up of the Company and any other proceeds or value received or deemed to be received, by Ordinary Shareholders and 'A' Shareholders (excluding any income tax relief on subscription) out of the assets attributable to the Ordinary Shares and the 'A' Shares.

"Remainder" is the dividends not paid to the Ordinary Shareholders/'A' Shareholders as applicable.

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.

DSO D Share pool

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

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

If the hurdle is met, the fee will be 3.0p per DSO D Share plus 20% of Shareholder proceeds above 100p per D Share. The maximum performance fee is limited to 7.0p per D Share.

As at 31 March 2019, the estimated performance incentive is 3.9p per DSO D Share.

The Company does not have any externally imposed capital requirements.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

13. Reserves

	2019	2018
	£'000	£'000
Capital redemption reserve	-	31
Special reserve	47,040	8,021
Share premium account	7,172	43,904
Revaluation reserve	(4,158)	234
Capital reserve – realised	4,940	4,641
Revenue reserve	(1,752)	(1,104)
Funds held in respect of Shares not yet allotted	4,772	420
Total equity Shareholders' funds	58,014	56,147

The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves. The distributable reserves are reduced by unrealised holding losses of £6.4 million (2018: £1.9 million), which are included in the Revaluation reserve.

Capital redemption reserve

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

Special reserve

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

Share premium account

This reserve accounts for the difference between the prices at which Shares are issued and the nominal value of the Shares, less issue costs and transfers to the other distributable reserves.

Revaluation reserve

This reserve represents the cumulative increases and decreases in the valuations of investments held at each year end, against cost.

Capital reserve - realised

The following are disclosed in this reserve:

- gains and losses compared to cost, on the realisation of investments;
- expenses, together with the related taxation effect, charged in accordance with the above accounting policies; and
- dividends paid to equity holders.

Revenue reserve

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

Funds held in respect of Shares not yet allotted

This reserve represents the fundraising proceeds which were awaiting allotment as at the Balance Sheet date.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

14. Basic and diluted Net Asset Value per share

	Shares in issue		2019 Net Asset Value		2018 Net Asset Value	
	2019	2018	Pence per share	£'000	Pence per share	£'000
DSO B Shares	-	19,911,070	N/A	N/A	-	-
DSO C Shares	-	29,926,070	N/A	N/A	-	-
DSO D Shares	7,867,247	7,867,247	27.8	2,185	54.4	4,280
DP67 Shares	11,192,136	11,192,136	48.5	5,428	50.0	5,594
DP2011 General Ordinary Shares	15,644,066	15,644,066	-	-	-	-
DP2011 General A Shares	18,418,614	18,418,614	13.3	2,459	20.3	3,744
DP2011 Structured Ordinary Shares	10,678,725	10,678,725	-	-	-	-
DP2011 Structured A Shares	12,572,817	12,572,817	9.9	1,233	15.0	1,888
DP2011 Low Carbon Shares	-	7,575,419	N/A	N/A	-	-
Generalist Shares	35,621,598	30,450,040	83.5	29,734	95.5	29,076
Generalist Management Shares	7,487,874	7,487,874	-	-	-	-
Healthcare Shares	14,821,564	11,974,285	83.3	12,341	94.6	11,333
Healthcare Management Shares	2,993,571	2,993,571	-	-	-	-
Funds held in respect of shares not yet allotted				4,772		420
Net assets per Balance Sheet				<u>58,152</u>		<u>56,335</u>

The Directors allocate the assets and liabilities of the Company between the DSO D Shares, DP67 Shares, DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 Structured Shares, DP2011 Structured A Shares, Generalist Shares and Healthcare Shares such that each Share class has sufficient net assets to represent its dividend and return of capital rights as described in note 12.

As the Company has not issued any convertible shares or share options, there is no dilutive effect on the Net Asset Value per DSO D Share, per DP67 Share, per DP2011 General Ordinary Share, per DP2011 General A Share, per DP2011 Structured Ordinary Share, per DP2011 Structured A Share, per Generalist Share or per Healthcare Share. The Net Asset Value per share disclosed therefore represents both the basic and diluted Net Asset Value per DSO D Share, per DP67 Share, per DP2011 General Ordinary Share, per DP2011 General A Share, per DP2011 Structured Ordinary Share, per DP2011 Structured A Share, per Generalist Share and per Healthcare Share.

15. Financial instruments

The Company's financial instruments comprise investments held at fair value through profit or loss, being equity and loan stock investments in unquoted companies, Liquidity investments, loans and receivables being cash deposits and short-term debtors, and financial liabilities being creditors arising from its operations. The main purpose of these financial instruments is to generate cashflows, revenues and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors.

The fair value of investments is determined using the detailed accounting policy as shown in Note 1. The composition of the investments is set out in Note 9.

The fair values of cash deposits and short-term debtors and creditors equate to their carrying values.

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

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

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

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2019

15. Financial instruments (continued)

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

Market risks

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

The key market risks to which the Company is exposed are:

- Investment price risk; and
- Interest rate risk.

The Company has undertaken sensitivity analysis on its financial instruments, split into the relevant component parts, taking into consideration the economic climate at the time of review in order to ascertain the appropriate risk allocation.

Investment price risk

Investment price risk arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through market price movements in respect of quoted investments, and also changes in the fair value of unquoted investments that it holds.

Quoted investments

The Company's sensitivity to fluctuations in the prices of its quoted investments is summarised below. A 20% movement in the quoted prices of these assets, which is considered to be a reasonable annual movement given the fluctuations in the FTSE indices, would have the following impact on the company:

	Risk exposure at 31 March 2019		Risk exposure at 31 March 2018	
Liquidity investments (£'000)	12,142		17,036	
Quoted Venture Capital investments (£'000)	653		908	
FTSE 100	7,279		7,057	
Movement in FTSE 100 Index	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence
Generalist Shares				
20% increase to 12,002 (2018: 16,381)	2,001	5.6p	2,730	9.0p
20% decrease to 8,001 (2018: 10,921)	(2,001)	(5.6p)	(2,730)	(9.0p)
Healthcare Shares				
20% increase to 3,352 (2018: 5,151)	559	3.8p	858	7.2p
20% decrease to 2,234 (2018: 3,434)	(559)	(3.8p)	(858)	(7.2p)

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

15. Financial instruments (continued)

Investment price risk (continued)

At 31 March 2019, the unquoted portfolio was valued at £26,599,000 (2018: £17,248,000). A breakdown of the unquoted portfolio by valuation method used is as follows:

	2019 £'000
Price of recent investment	18,684
Discounted cash flows (from the investment)	3,740
Discounted cash flows or earnings (of underlying business)	2,186
Multiples	1,989
	<u>26,599</u>

As many of the Company's unquoted investments are valued using revenue or earnings multiples of comparable companies or sectors, a change in market conditions could impact on the valuation of the equity investments held in the unquoted portfolio. As unquoted investments are typically structured as partly equity and partly loan notes, investment price risk of the unquoted investments is considered as a whole. A 10% movement in the carrying value of the unquoted portfolio as a whole is considered to be a reasonable maximum level in a given year and would have the following impact:

10% movement in unquoted investment valuations

Share pool	Impact on net assets £'000	2019 Impact on NAV per Share pence	Impact on net assets £'000	2018 Impact on NAV per Share pence
DSO D Shares	130	1.7p	370	4.7p
DP67 Shares	358	3.2p	464	4.1p
DP2011 General Shares	189	1.2p	224	1.4p
DP2011 Structured Shares	68	0.6p	104	1.0p
Generalist Shares	1,469	4.1p	540	1.8p
Healthcare Shares	458	3.1p	22	0.2p

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

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2019

15. Financial instruments (continued)

Interest rate risk

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

There are three categories in respect of interest, which are attributable to the financial instruments held by the Company as follows:

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

	Average interest rate	Average period until maturity	2019 £'000	2018 £'000
Fixed rate	9.7%	120 days	2,971	3,323
Floating rate	0.5%		18,443	21,063
No interest rate			36,738	31,949
			<u>58,152</u>	<u>56,335</u>

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

The Bank of England base rate has been set at 0.75% per annum since 2 August 2018. Any potential change in the base rate, at the current level, would have an immaterial impact on the net assets and Total Return of the Company.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company is exposed to credit risk through its holdings of loan stock in investee companies, cash deposits and debtors. Credit risk relating to holdings of loan stock in investee companies is considered to be part of market risk.

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

	2019 £'000	2018 £'000
Investments in loan stocks	2,971	3,323
Cash and cash equivalents	18,443	21,063
Interest and other receivables	265	158
	<u>21,679</u>	<u>24,544</u>

The Manager manages credit risk in respect of loan stock with a similar approach as described under Investment risks above. The management of credit risk, associated interest, dividends and other receivables is covered within the investment management procedures.

Cash is mainly held by Bank of Scotland plc and Royal Bank of Scotland plc, both of which are A-rated financial institutions. Consequently, the Directors consider that the credit risk associated with cash deposits is low.

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

15. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments at their fair values when required, or from the inability to generate cash inflows as required.

As the Company has a relatively low level of creditors, being £485,000 (2018: £615,000), and has no borrowings, the Board believes that the Company's exposure to liquidity risk is low. Also, the quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal. The Company's liquidity risk is managed by the Investment Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

Although the Company's investments are not held to meet the Company's liquidity requirements, the table below shows an analysis of the assets, highlighting the length of time that it could take the Company to realise its assets if it were required to do so.

The carrying values of loan stock investments held and at fair value through profit or loss as at 31 March 2019, as analysed by expected maturity date, are as follows:

As at 31 March 2019	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Total £'000
Fully performing loan stock	679	-	-	525	1,204
Past due loan stock	1,767	-	-	-	1,767
	<u>2,446</u>	<u>-</u>	<u>-</u>	<u>525</u>	<u>2,971</u>

As at 31 March 2018	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Total £'000
Fully performing loan stock	561	-	-	375	936
Past due loan stock	2,387	-	-	-	2,387
	<u>2,948</u>	<u>-</u>	<u>-</u>	<u>375</u>	<u>3,323</u>

As at 31 March 2019, of the loan stock classified as "past due", £nil (2018: £612,000) related to the principal of loan notes where, although the principal remained within term, the investee company was not fully servicing the interest obligations under the loan note and the interest was within 1 year "past due".

As at 31 March 2019, of the loan stock classified as "past due", £1,767,000 (2018: £1,775,000) relates to the principal of loan stock where the principal had passed its maturity date and was within 1 year "past due". Notwithstanding that the principal had passed its maturity date, the Directors did not consider that the loan note itself had been impaired.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

16. Deferred taxation

	2019 £'000	2018 £'000
At the beginning of the year	366	403
Credited/(charged) to the income statement (Note 3)	4	(37)
At the end of the year	370	366

	2019 £'000	2018 £'000
Timing differences in respect of LLP profits	370	366
	370	366

17. Capital management

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

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

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

18. Contingencies, guarantees and financial commitments

At 31 March 2019, the Company had no contingencies, guarantees or financial commitments.

19. Controlling party and related party transactions

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

20. Events after the reporting period

In the period between 31 March 2019 and the date of this report, the Company issued the following Shares:

- 6,015,148 Generalist Shares, at an average price of 89.1p per Share; and
- 2,595,525 Healthcare Shares, at an average price of 86.7p per Share.

At the date of this report, there were 49,124,620 Generalist Shares and 20,410,660 Healthcare Shares in issue, including Management Shares.

NOTICE OF THE NINTH ANNUAL GENERAL MEETING OF DOWNING FOUR VCT PLC

NOTICE IS HEREBY GIVEN that the ninth Annual General Meeting of Downing FOUR VCT plc will be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD at 12:30 p.m. on 10 September 2019 for the transaction of the following business:

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as **Ordinary Resolutions**:

1. To receive and adopt the Report of the Directors and Accounts of the Company for the year ended 31 March 2019, together with the report of the Auditor thereon.
2. To approve the Directors' Remuneration Report.
3. To re-appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the accounts of the Company are presented and to authorise the Directors to determine their remuneration.
4. To re-elect as Director, Sir Aubrey Brocklebank, who retires and, being eligible, offers himself for re-election.
5. To re-elect as Director, Lord Flight, who retires and, being eligible, offers himself for re-election.
6. To re-elect as Director, Russell Catley, who retires and, being eligible, offers himself for re-election.

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

Ordinary Resolution

7. That, in addition to existing authorities, the Directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("CA 2006") to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £40,000 in respect of Generalist Shares (representing approximately 81% of the share capital in issue at today's date) and £30,000 in respect of Healthcare Shares (representing approximately 147% of the share capital in issue at today's date), provided that the authority conferred by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry.

Special Resolution

8. That, the Directors of the Company be and hereby are empowered pursuant to Sections 570(1) of the CA 2006 to allot or make offers to or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the CA 2006) for cash pursuant to the authority given pursuant to resolution 7 above, as if Section 561(1) of the CA 2006 (pre-emption rights) did not apply to such allotment, provided that the power provided by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting), but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require equity securities to be allotted after such expiry.

NOTICE OF THE NINTH ANNUAL GENERAL MEETING OF DOWNING FOUR VCT PLC (continued)

9. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of DSO D Shares of 0.1p each ("DSO D Shares"), DP67 Shares of 0.1p each ("DP67 Shares"), DP2011 General Ordinary Shares of 0.1p each ("DP2011 General Ordinary Shares"), DP2011 General A Shares of 0.1p each ("DP2011 General A Shares"), DP2011 Structured Ordinary Shares of 0.1p each ("DP2011 Structured Ordinary Shares"), DP2011 Structured A Shares of 0.1p each ("DP2011 Structured A Shares"), Generalist Shares of 0.1p each ("Generalist Shares") and Healthcare Shares of 0.1p each ("Healthcare Shares") in the capital of the Company provided that:

- (i) the maximum number of 1,172,220 representing approximately 14.9% of the issued DSO D Share capital, 1,667,628 representing approximately 14.9% of the issued DP67 Share capital, 2,330,966 representing approximately 14.9% of the issued DP2011 General Ordinary Share capital, 2,744,373 representing approximately 14.9% of the issued DP2011 General A Share capital, 1,591,130 representing approximately 14.9% of the issued DP2011 Structured Ordinary Share capital, 1,873,350 representing approximately 14.9% of the issued DP2011 Structured A Share capital, 7,319,568 representing approximately 14.9% of the issued Generalist Share capital and 3,041,188 representing approximately 14.9% of the issued Healthcare Share capital of the Company from time to time;
- (ii) the minimum price which may be paid for a DSO D Share, DP67 Share, DP2011 General Ordinary Share, DP2011 General A Share, DP2011 Structured Ordinary Share, DP2011 Structured A Share, Generalist Share or Healthcare Share is 0.1p, exclusive of all expenses;
- (iii) the maximum price which may be paid for a DSO D Share, DP67 Share, DP2011 General Ordinary Share, DP2011 General A Share, DP2011 Structured Ordinary Share, DP2011 Structured A Share, Generalist Share or Healthcare Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the relevant share as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the share is contracted to be purchased; and
- (iv) the Company may validly make a contract to purchase its own DSO D Shares, DP67 Shares, DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 Structured Ordinary Shares, DP2011 Structured A Shares, Generalist Shares or Healthcare Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of DSO D Shares, DP67 Shares, DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 Structured Ordinary Shares, DP2011 Structured A Shares, Generalist Shares or Healthcare Shares in pursuance of any such contract;

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

By order of the Board



Grant Whitehouse

Company Secretary

Registered office:

6th Floor, St. Magnus House

3 Lower Thames Street

London, EC3R 6HD

25 July 2019

NOTICE OF THE NINTH ANNUAL GENERAL MEETING OF DOWNING FOUR VCT PLC (continued)

Notes

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointor. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) on the next page. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD or electronically to proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice; or
 - by sending an e-mail to proxy@downing.co.uk.
- In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequent thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (excluding weekends and public holidays) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 12:30 p.m. on 6 September 2019 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours (excluding weekends and public holidays) before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 12:30 p.m. on 6 September 2019 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours (excluding weekends and public holidays) before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (g) As at 9:00 a.m. on 25 July 2019, the Company's issued share capital comprised 7,867,247 DSO D Shares, 11,192,136 DP67 Shares, 15,644,066 DP2011 General Ordinary Shares, 18,418,614 DP2011 General A Shares, 10,678,725 DP2011 Structured Ordinary Shares, 12,572,817 DP2011 Structured A Shares, 49,124,620 Generalist Shares and 20,410,660 Healthcare Shares and the total number of voting rights in the Company was 100,896,927,064. Information on the number of shares and voting rights is included at www.downing.co.uk.

NOTICE OF THE NINTH ANNUAL GENERAL MEETING OF DOWNING FOUR VCT PLC (continued)

Notes (continued)

- (h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same Share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out on the previous page.
- (l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

FORM OF PROXY

DOWNING FOUR VCT PLC

For use at the Annual General Meeting of the above-named Company to be held at 12:30 p.m. on 10 September 2019 at 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD.

I/We*(in BLOCK CAPITALS please)

of.....
being the holder(s)* of DSO D Shares of 0.1p each/DP67 Shares of 0.1p each/DP2011 General Ordinary Shares of 0.1p each/DP2011 General A Shares of 0.1p each/DP2011 Structured Ordinary Shares of 0.1p each/DP2011 Structured A Shares of 0.1p each /Generalist Shares of 0.1p each/Healthcare Shares of 0.1p each* in the capital of the above-named Company, hereby appoint the Chairman of the Meeting (see note 1)

or.....

of.....
as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD on 10 September 2019 or at any adjournment thereof.

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

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

ORDINARY BUSINESS

FOR AGAINST WITHHELD

- | | | | |
|--|--------------------------|--------------------------|--------------------------|
| 1. To receive and adopt the Directors' report and accounts. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To approve the Directors' Remuneration Report. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To reappoint the Auditor and authorise the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect Sir Aubrey Brocklebank as a Director. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-elect Lord Flight as a Director. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To re-elect Russell Catley as a Director. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

SPECIAL BUSINESS

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| 7. To authorise the Directors to allot shares. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To authorise the Directors to disapply pre-emption rights. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. To authorise the Company to make market purchases of its Shares. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Signature..... Date.....2019

If you are unable to attend the AGM and wish to put any comments to the Board, please use the box below.

* Delete as appropriate

PLEASE RETURN TO DOWNING LLP IN THE PRE-PAID ENVELOPE PROVIDED, OR E-MAIL A SCANNED COPY OF THE SIGNED FORM TO PROXY@DOWNING.CO.UK



NOTES AND INSTRUCTIONS:

1. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointor. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete “the Chairman of the meeting” if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, this Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Meeting or adjourned meeting at which the person named in this Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, and be delivered at the meeting at which the demand is made.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on their behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.



St Magnus House
3 Lower Thames Street
London EC3R 6HD

020 7416 7780
contact@downing.co.uk
www.downing.co.uk



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