



DOWNING ONE VCT PLC

Report and Accounts for the year ended
31 March 2021

Downing 

Shareholder Information

Share prices

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

Latest share price at 23 June 2021: 53.0p per share

Financial calendar

10 August 2021	Annual General Meeting ("AGM")
27 August 2021	Payment of final dividend
November 2021	Announcement of half-year results

Dividends

Dividends are paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can make arrangement to do this by contacting the Company's registrar, whose details can be found on page 75.

Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar.

Selling shares

The Company's shares can be traded in the same way as any other company listed on the London Stock Exchange, using a stockbroker. If you wish to sell your shares either you or your adviser should contact Downing on **020 7416 7780**.

Shareholders are advised to seek advice from their tax adviser before selling shares, particularly if they deferred the payment of capital gains tax in respect of shares acquired prior to 6 April 2004 or subscribed for shares within the last five years.

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

Chris Lloyd	0207 886 2716 chris.lloyd@panmure.com	Paul Nolan	0207 886 2717 paul.nolan@panmure.com
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Shareholder Information (continued)

Share scam warning

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

Further information can be found on Downing’s website. If you have any concerns, please contact Downing by email to customer@downing.co.uk or by telephone on 020 7416 7780

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address, or other amendment, this should be notified to the Company’s registrar under the signature of the registered holder. The registrar’s details can be found on page 75.

Other information for Shareholders

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

www.downing.co.uk/d1

If you have any queries regarding your shareholding in Downing ONE VCT plc, please contact the registrar.

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Financial Highlights

▶ NAV increase

The net asset value per share ("NAV") increased by 3.85 pence per share (6.7%) from 57.6 pence per share on 31 March 2020 to 58.2 pence per share at this year end (after adding back dividends of 3.25p which were paid during the year).

▶ Dividend

The proposed final dividend of 1.25 pence per share will result in total dividends for the financial year of 2.5 pence per share (2020: 4.0 pence per share), equivalent to 4.3% based on the opening net asset value.

▶ Significant portfolio activity

The year has seen a significant level of portfolio activity with additions totalling £21.4 million (2020: £11.2 million) into 27 different investee companies.

Financial Summary

	Unaudited 31 May 2021 Pence	Audited 31 Mar 2021 Pence	Audited 31 Mar 2020 Pence
Net asset value per share ("NAV") ¹	60.20	58.20	57.60
Cumulative dividends paid since 12 November 2013	38.75	38.75	35.50
Total Return ² (net asset value plus cumulative dividends paid per share)	98.95	96.95	93.10
¹ Alternative Performance Measure (see page 27)			
² Key Performance Indicator			
Dividends in respect of financial year			
Interim dividend per share		1.25	2.0
Proposed final dividend per share		1.25	2.0
		2.50	4.0

Dividend Policy

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

A full dividend history for the Company can be found at www.downing.co.uk/d1.

Investment Objectives

The Company's principal investment objectives are:

- ▶ To provide private investors with attractive returns from a portfolio of VCT qualifying investments; and
- ▶ To maintain VCT status so that the Company and its shareholders may benefit from the tax reliefs and exemptions available under the VCT legislation.

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 29 to 30.

Directors

Chris Kay (Chairman) (appointed 12 November 2013) has over 30 years' experience in the venture capital industry. He spent nine years with 3i Group plc, where he was an investment director, and a further eight years at Elderstreet Investments Limited, where he headed the VCT team. He is a chief executive of Chrysalis VCT Management Limited. He is a Cambridge University graduate and gained an MBA at Manchester Business School. He was formerly chairman of Downing Absolute Income VCT 1 plc and a non-executive director of Downing Income VCT plc and Downing Income VCT 4 plc.

Barry Dean (appointed 12 November 2013) is a chartered accountant and has over 30 years' experience in the private equity industry, including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a non-executive director of ProVen VCT plc and was formerly a non-executive director of Downing Absolute Income VCT 2 plc.

Stuart Goldsmith (appointed 13 February 1996) has worked within financial services throughout his career, originally within investment management where he was Managing Director of the Britannia Group of Investment Companies, which managed £4 billion of funds in the UK and the USA for institutions and private clients. More recently he was the owner and Chairman of Ketton Securities Limited, a firm advising a range of companies on corporate strategy, mergers and acquisitions. In addition, he has been a non-executive director for a number of companies in the UK and overseas.

Chris Allner (appointed 8 February 2021) has over 35 years of venture capital and private equity experience and is currently a partner of the Investment Adviser, Downing LLP and chairs their investment committee. Prior to joining Downing, he was the head of private equity at Octopus Investments as well as a director at Beringea and Bridgepoint with previous experience at 3i and Charterhouse. He has previously sat on the boards of a number of unquoted and quoted companies across a variety of commercial sectors.

All the Directors are non-executive and, with the exception of Chris Allner, are independent of the Investment Adviser.

Chairman's Statement

I present the Company's Annual Report for the year ended 31 March 2021. This has been an unprecedented year, which began right at the start of the pandemic and the first coronavirus lockdown. Since then there have been many shifts in the government-imposed restrictions and finally we now seem to be moving towards the economy fully reopening.

Many of the businesses in the Company's portfolio have been able to adapt reasonably well to the conditions and may be coming out of the pandemic as stronger businesses than they were before. The Company does however hold investments in some sectors which have been heavily hit by the shutdown, most significantly within the hospitality sector, where recovery of value is unsurprisingly expected to take some time.

Net asset value and results

As at 31 March 2021, the net asset value per share ("NAV") stood at 58.2p, an increase of 3.85p (6.7%) after adding back dividends of 3.25p per share which were paid during the year.

The Income Statement shows a gain attributable to equity shareholders for the year of £6.2 million comprising a revenue loss of £616,000 and a capital gain of £6.8 million.

Investment portfolio

Over the year to 31 March 2021, the Investment Adviser was able to develop a very strong pipeline of investment opportunities. As a result, the Company made a significant number of investments. 27 new and follow on investments were completed, totalling £21.4 million. In line with current VCT regulations, all 27 investments were growth investments, with £1.5 million invested into quoted growth businesses and £19.9 million invested into unquoted growth businesses, which tend to be younger businesses with a high risk/reward ratio. Of the 27 investments made during the period, 17 of these were into new businesses and 10 were follow on investments.

At the year end, the Company held a portfolio of 98 active investments. Of these, 32 are either quoted on AIM or other UK exchanges and have a value of £24.6 million (28% of the portfolio, excluding cash). The 40 unquoted growth investments have a value of £37.5 million and represent 42% of the portfolio and the 26 unquoted yield focused investments have a value of £27.1 million and represent 30% of the portfolio.

The year under review saw total unrealised gains of £7.6 million.

The core strategy of the team managing the quoted investments is to take influential stakes in quoted companies and work closely with them as they develop. This, along with improving market sentiment, has helped to deliver a good recovery over the year, giving rise to unrealised gains of £6.4 million.

The unquoted growth portfolio, which is now the focus of the majority of new investment activity, comprises of many investments in young and immature businesses.

In some cases, the severity and duration of the pandemic had been very detrimental to prospects. However, the Adviser has been a very active investor during the latter part of the year, backing businesses where their resilience to the impact of the pandemic could be fully assessed before investing. Overall, unrealised gains for the year were £719,000.

The unquoted yield-focused portfolio is the area most disrupted by the pandemic, with significant exposure to hospitality businesses and care homes. Generally, the hospitality businesses have fared as well as could be expected considering that most venues were closed for large parts of the year. The care homes businesses adapted to the conditions well and avoided any major problems. Following the release of some provisions made in the prior year, the yield focused portfolio produced unrealised gains of £512,000 over the year.

Further details on the investment activity are included in the Investment Adviser's Reports on pages 6 to 14.

Dividends

Downing ONE has a policy of seeking to pay annual dividends of at least 4% of net assets per annum. In the past the Company has sometimes been able to exceed the base target. However, in view of the fact that the portfolio has not produced significant realised gains in the year and other considerations, the Board believes it is appropriate to set the dividend level at close to the base target level this year.

The Board is proposing to pay a final dividend of 1.25p per share on 27 August 2021, subject to Shareholder approval at the forthcoming AGM, to Shareholders on the register at 30 July 2021. This will bring total dividends in respect of the year ended 31 March 2021 to 2.5p per share (2020: 4.0p), equivalent to 4.3% based on opening NAV.

Chairman's Statement (continued)

Dividends (continued)

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

Directorate

In February 2021 Chris Allner was appointed as a non-executive director of the Company. Chris is a partner of Downing LLP, the Investment Adviser, with extensive experience in the unquoted ventures sector and currently chairs Downing's Investment Committee. The Board believes that the synergies between the Board and its Investment Adviser will be further enhanced as a result of the appointment. For the avoidance of doubt, Chris will not be remunerated by the VCT in his capacity as a Director.

The Board has reviewed its composition and believes that the four directors between them have a good range of relevant skill sets, which positions the Board well to oversee the Company's activities. The Board will, however, continue to consider whether any further board changes would benefit the Company in the future as the Company's portfolio continues to shift its focus away from the legacy investments.

Responsible investment

The Board notes the Investment Adviser, Downing LLP's, commitment to being a "Responsible Investor". Downing LLP places Environmental, Social and Governance (ESG) criteria at the forefront of its business and investment activities in line with best practice and in order to enhance returns for their VCT investors.

Further detail on the Investment Adviser's approach to responsible investment, including the key principles and their screening approach, can be found on pages 25 and 26.

Share buybacks

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

During the year, the Company purchased and subsequently cancelled 3,401,061 shares at an average price of 54.6p per share.

The Company retains Panmure Gordon as its corporate broker to assist in operating the share buyback process and ensuring that the quoted spread on the Company's shares remains at a reasonable level. Contact details for Panmure Gordon are on page 75.

VCT Qualification

At 31 March 2021, qualifying investments represented 83.5% of total investments (including cash). The Board expects that the minimum VCT qualification level of 80% will continue to be maintained for the foreseeable future.

Annual General Meeting ("AGM")

With social distancing restrictions expected to be relaxed, we are planning to hold a usual physical AGM this year. The AGM will be held at Downing LLP, 6th floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD at 10:15 a.m. on 10 August 2021.

If you intend to attend the AGM, please also notify us by email to d1agm@downing.co.uk in case there are any changes to arrangements that need to be communicated at short notice.

Three items of special business are proposed at the AGM:

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

The authority to allot shares provides the Board with the opportunity to consider raising further funds without having to necessarily incur the expense of seeking separate approval via a shareholder circular. Any further fundraising decisions will take account of the level of uninvested funds and the rate of investment.

Fundraising

The Company launched a new offer for subscription on 11 September 2020. To date the offer has raised £13.1 million and has now been extended to 31 August 2021. With the new funds from the current offer, the Company has sufficient cash reserves to provide continued support to existing portfolio companies.

The Board is monitoring the flow of new investment opportunities from the investment adviser and may consider a smaller non-prospectus offer for subscription for the next VCT fundraising season.

Chairman's Statement (continued)

Outlook

It has been reassuring to see the recovery in the quoted portfolio over the year, and the Board takes comfort from the fact the quoted team believes there are good prospects for further growth.

The yield focused portfolio was heavily impacted by the pandemic but has now stabilised and the gradual return to more normal conditions may allow some recovery of capital value, although this is expected to be a slow process.

The unquoted growth portfolio now represents the largest proportion of the Company's investments by value and will continue to grow as new investments are made within the current VCT regulations. Some of the older investments in this category which are developing well, along with many of the newer investments made over the last year, have created a portfolio which, we believe, now has the potential to drive the Company's growth over the coming years.

The Board acknowledges that the overall performance of the Company in recent years has been disappointing. Downing's investment advisory team has developed significantly over this time and is now able to access a strong and broad pipeline of attractive investment opportunities, which has resulted in a significant number of new additions to the portfolio. With these new investments, plus a number of earlier investments that are now progressing well, and a promising quoted portfolio, we believe that the Company is now better placed to deliver improved performance in the medium term.

I look forward to updating Shareholders in the half year report for the period ending 30 September 2021.



Chris Kay
Chairman
24 June 2021

Investment Adviser's Report - Overview

Introduction

We present a review of the investment portfolio and activity over the last financial year. Our review is split into three parts comprising:

- ▶ this overview,
- ▶ a detailed report on the unquoted investments on pages 10 to 12, and
- ▶ a report on the quoted investments on pages 13 to 14.

Portfolio Overview

At 31 March 2021, the Company held a portfolio with a value of £89.2 million comprising 98 quoted and unquoted companies, across a diverse range of sectors in both the growth and yield-focused categories. Investment valuations at the year-end have been significantly impacted by the coronavirus pandemic and lockdown, although we have also seen a number of companies act decisively, resulting in an overall unrealised gain. Further detail is included on the following pages.

The Company has been an active investor over the year with £21.4 million deployed into 17 new and 10 existing investments. All of the 27 new investments made were growth investments, with six being quoted growth investments and the remaining 21 investments made within the unquoted growth portfolio.

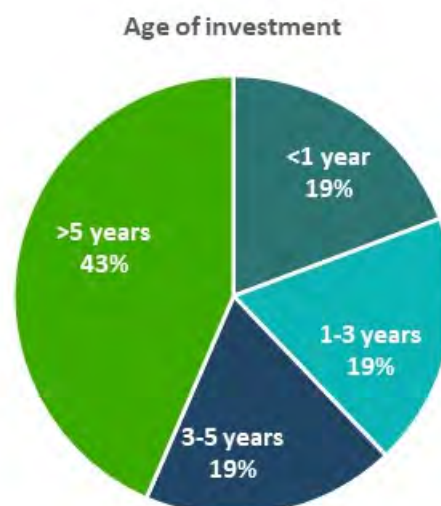
As noted in prior years, the composition of the portfolio continues to shift towards one that is predominantly invested in growth investments, particularly unquoted growth investments, in line with current VCT regulations. As illustrated on the chart below, the unquoted growth investments, shown by the grey section, have notably been growing in size year-on-year.



As at the end of year, the unquoted growth investments made up 42% (2020: 29%) of the entire portfolio (excluding cash), with quoted growth representing 28% (2020: 28%) and unquoted yield focused making up the remaining 30% (2020: 43%) of the investment portfolio.

As a result of the significant level of new investment activity this year, the proportion of the portfolio in new investments has increased, as illustrated below. This is expected to continue as we make new growth investments going forward and exit from the maturing portfolio.

With the newer investments tending now to be in younger unquoted growth businesses, this does however mean that, as a result, the associated risk level also increases. However, the potential rewards from such investments are also much greater and the success of these investments will in, due course, deliver future returns for the Company. The chart below shows investment value analysed by age of investment.



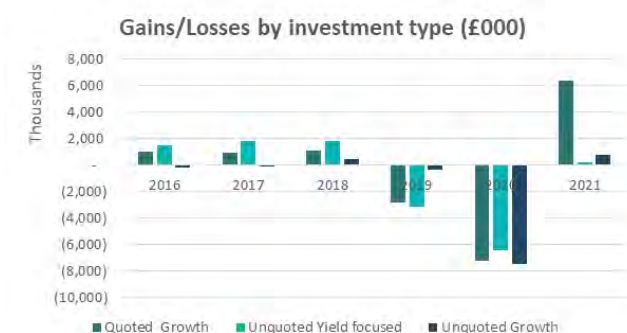
Portfolio Performance

The performance of the portfolio over the year has produced an unrealised gain of £7.6 million (2020: losses £20.8 million), with the unquoted portfolio generating an unrealised gain of £1.2 million and the quoted portfolio generating an unrealised gain of £6.4 million.

At the start of the pandemic the Company made provisions against the valuations of many of the portfolio companies to allow for the significant uncertainty created by the impact of the virus and national lockdowns. These reductions are summarised in the chart on the next page, which sets out the unrealised gains and losses by portfolio sector.

Investment Adviser's Report – Overview (continued)

Portfolio Performance (continued)



Despite the UK remaining in an effective lockdown for the majority of the accounting year and the associated impacts on businesses in the portfolio, the portfolio has recovered some of the losses suffered in the prior year, as highlighted above, as some investee companies have been able to modify their plans to operate successfully in the challenging conditions.

As demonstrated in the chart above, the quoted portfolio has seen the most significant recovery, with unrealised gains in the portfolio over the year totalling £6.4 million. £719,000 of unrealised gains have also been recorded in the unquoted growth portfolio and £512,000 unrealised gains have been recognised in the unquoted yield focused portfolio due in part to the reduction of provisions suffered in the prior year. Despite these positives, there were still a small number of write downs in the year as some businesses have ultimately been unable to weather the unprecedented storm and have therefore been written down to nil. With many of the unquoted yield focused investments trading within the hospitality sector, the majority have been forced to close or significantly reduce operations throughout the extended lockdown.

Further details on individual movements within the portfolio can be found within the unquoted and quoted adviser reports on the following pages.

At the year end, approximately 70% of the investment portfolio is valued at or above cost, with the remainder being valued at less than cost, as can be seen in the chart below. The losses suffered have been heightened by the coronavirus pandemic, however with regards to the newer unquoted growth portfolio of investments, it is not unexpected to suffer some losses at a relatively early stage as the vulnerable businesses tend to become more apparent before the stronger businesses prove themselves.

Valuation compared to cost



The largest unrealised gains in the quoted portfolio related to Downing Strategic Micro-Cap Investment Trust plc (£1.6 million), Anpario plc (£1.4 million) and Universe Group plc (£567,000). An analysis of the unrealised gains and losses is detailed further within the report on quoted investments on pages 13 to 14.

Within the unquoted portfolio, the largest unrealised gain was in respect of one of the newer growth investments, Trinny London Limited (£1.5 million), as well as one of the older yield-focused investments, Downing Care Homes Holdings Limited (£1.4 million). These gains were partially offset by unrealised losses, most notably to Lignia Wood Company Limited (£1.2 million) and Avid Technology Group Limited (£1.0 million), which both form part of the unquoted growth portfolio.

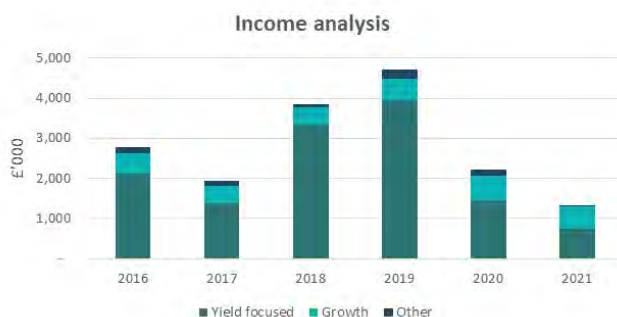
Realised losses (over carrying value brought forward) in the period totalled £195,000, with the most notable contributor being unquoted growth company ADC Biotechnology Limited (loss of £291,000) following its exit at the year end. However, it should be noted that there is also an element of deferred consideration due on the exit from ADC Biotechnology which is contingent on certain events taking place. The most notable gain in the period related to quoted company Inland Homes plc which generated a gain over value of £69,000 following the partial exit during the year.

Further details on these and other movements can be found within the quoted and unquoted Investment Adviser Reports.

Investment Adviser's Report – Overview (continued)

Income split

The chart below illustrates the split of income received between the yield focused investments and growth investments. As demonstrated over the past three years, income to the Company has gradually decreased as the Company exits more of the older yield focused investments which pay loan interest up to the VCT.



As at the 31 March 2021, the Company received income of £1.3 million (2020: £2.2 million). Of this total, the quoted growth dividends have remained relatively consistent over the prior periods, totalling £357,000 at the end of 31 March 2021. The receipts from the yield focused investments for the year fell to £754,000 (2020: £1.4 million), driven in part by the exit of these investments, as noted above, as well as the significant level of provisions required against the outstanding interest balances and their recoverability.

As the portfolio continues to shift away from yield focused investments to more growth investments, we expect the income generation to continue to reduce and be replaced by capital generation.

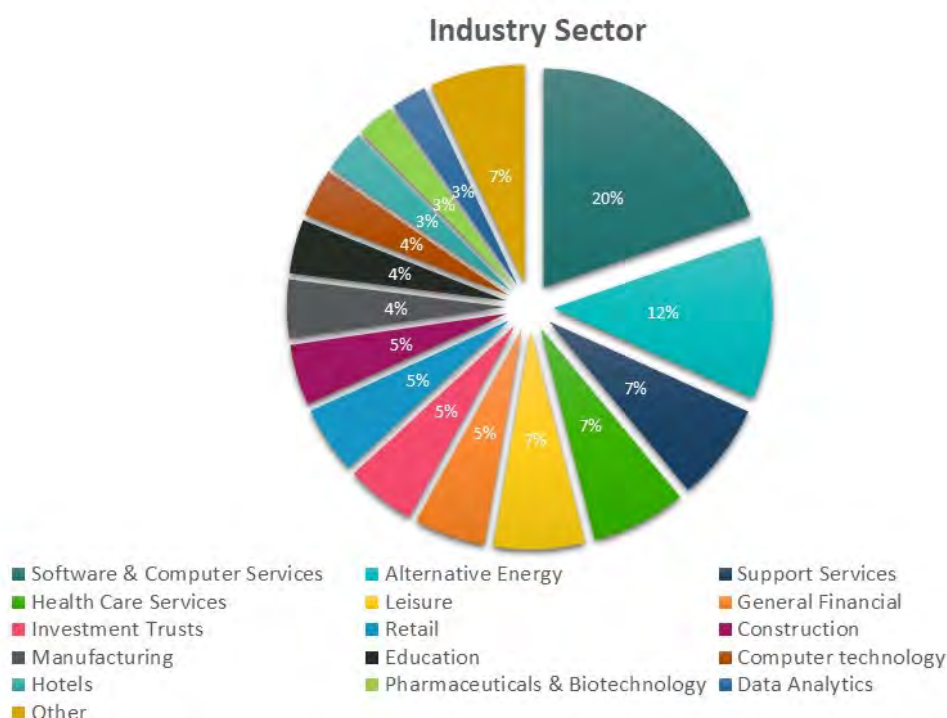
Portfolio Composition

With a significant number of new investments made in the year to 31 March 2021, the diversification of the portfolio continues as illustrated in the chart below.

As at the year end, the main sector in which the Company is invested into is the Software and Computer Services sector, following £8.9 million further investment made during the year, with the sector now representing approximately 20% of the investment portfolio. The most notable new investments into this sector were StorageOS Inc (£3.0 million) and Parsable Inc (£1.5 million), with further details on these, as well as all new investments, noted in the unquoted investment adviser's report further below.

Exposure to the leisure sector, which includes pub companies, has continued to fall from 10% to 7%, whereas, in addition to the Software and Computer Services sector (noted above), there has also been a large increase to the manufacturing sector, following a significant new investment into Carbice Corporation (£3.0 million), resulting in the sector now making up 4% of the overall portfolio.

At the period end, the Company held £10.7 million in cash, which we expect to deploy into supporting the existing portfolio as well as any new investment opportunities that may arise.



Investment Adviser's Report – Overview (continued)

Net asset value and results

The net asset value per Share ("NAV") at 31 March 2021 stood at 58.2p, compared to the NAV at 31 March 2020 of 57.6p. Total Return (NAV plus cumulative dividends paid since the merger in 2013) is 96.95p, compared to the Total Return at 31 March 2020 of 93.1p.

The charts below summarise the performance of the company over the past seven years since the merger that created Downing ONE, and the Total Return (including equivalent dividends received) to investors since the incorporation of the VCT.

The gain on ordinary activities after taxation for the year was £6.2 million (2020: loss of £23.8 million), comprising a revenue loss of £616,000 (2020: £2.1 million) and a capital gain of £6.8 million (2020: loss of £21.7 million).

Outlook

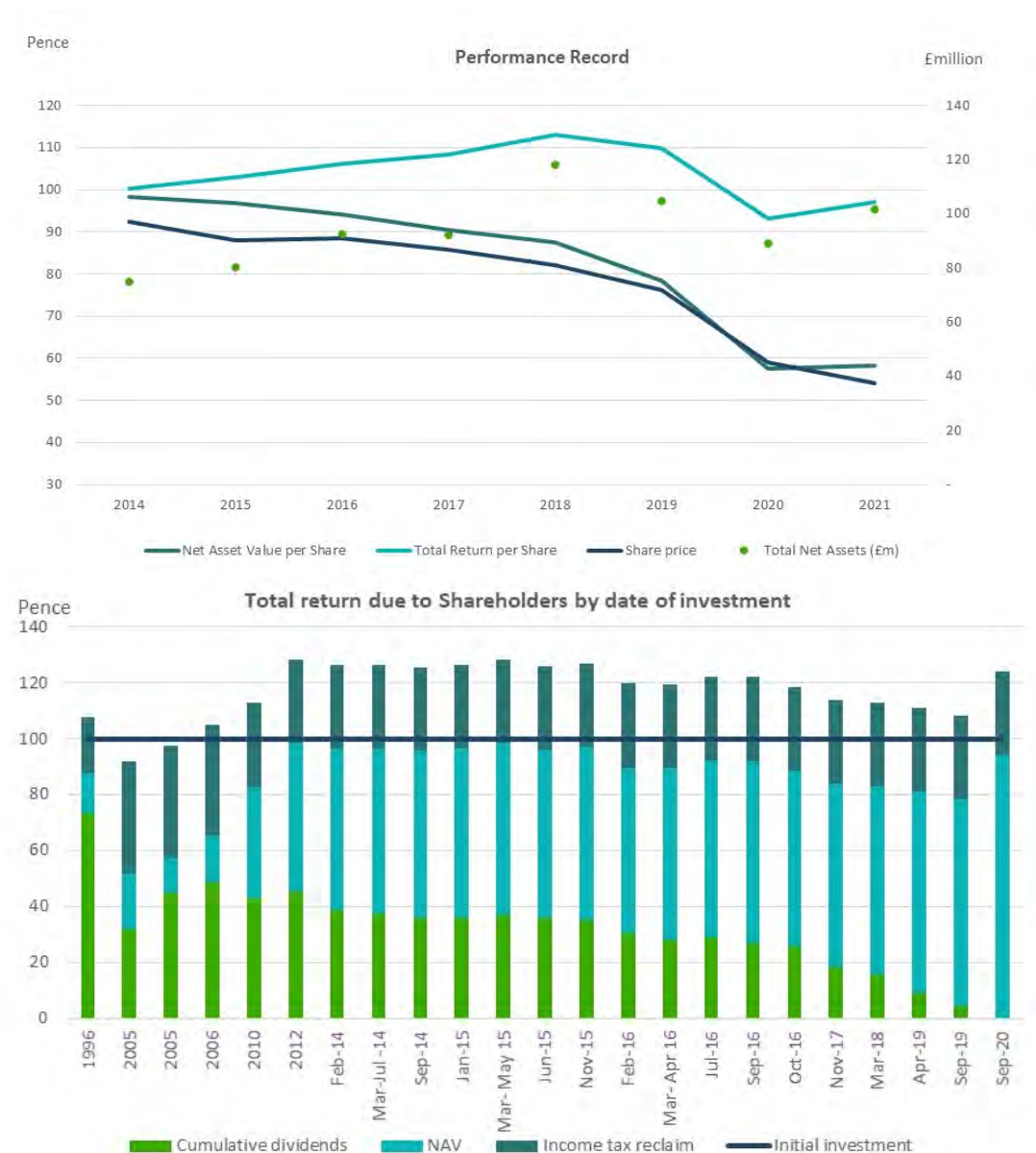
The year to 31 March 2021 has been one of the most challenging periods for the Company, with several portfolio companies suffering the effects of the coronavirus pandemic.

However, it is promising to see a portion of the unrealised investment losses previously incurred now recovering following decisive action from the portfolio companies in order to position themselves more robustly for any further impact.

There have however been further setbacks in a small number of the portfolio companies that have proved vulnerable to the pandemic, although following the recent significant number of new investments made, we believe there shall be good prospects in the portfolio that can continue to drive improved performance.

Downing LLP

24 June 2021



Investment Adviser's Report – Unquoted Portfolio

We present a review of the unquoted investment portfolio for the year ended 31 March 2021.

At 31 March 2021, the unquoted portfolio of 66 investments was valued at £64.6 million. 40 of these with a value of £37.5 million are unquoted growth companies and 26 are unquoted yield focused companies with a value of £27.1 million.

Unquoted Growth Investment activity

During the period, the Company has completed the highest rate of investment over one financial year under the current VCT regulations and has invested a total of £19.9 million in unquoted growth companies, comprising 12 new opportunities and nine follow-on investments.

The 12 new investments were as follows: -

Carbice Corporation (£3.0 million) is a nanotechnology company developing technologies to dissipate heat from electronic devices such as phones and satellites that improve performance and safety.

StorageOS Inc (£3.0 million) is an emerging leader in cloud native storage management. Its patent protected software allows its customer to take advantage of the cloud from the beginning of the software development lifecycle.

Cornelis Networks Inc (£2.1 million) a spin out from Intel Corporation provides purpose-built interconnects focused on high-performance computing, data analytics and artificial intelligence. The Company's technology allows the processing of huge volume of calculations at high speed.

Parsable Inc (£1.5 million) is a leading provider of software to manufacturing industries. Its Connected Worker platform helps improve safety, quality and productivity by connecting and empowering frontline workers to optimise processes and execute work more quickly, reducing waste and improving safety.

Glisser Limited (£1.3 million) is an award-winning event hosting platform for virtual and in-person events. The Company's software extends event attendance and engagement through the combination of on-line and physical events.

Ayar Labs Inc (£1.3 million) has developed components for high performance computing and data centre applications to deliver better bandwidth, better power, and better latency.

Maestro Media Limited (£1.0 million) has developed an online streaming platform in collaboration with the BBC that offers consumers personal and insightful lessons from leading creative talents such as David Walliams, Gary Barlow and Malorie Blackman.

Genincode UK Limited (£600,000) uses Artificial Intelligence to combine genetic and clinical data to risk assess patients and provide healthcare practitioners with clinical information to evaluate and predict the onset of cardiovascular disease.

Vivacity Labs Limited (£500,000) provides Artificial Intelligence enabled sensors to monitor and control traffic flows, thereby reducing journey times, congestion and pollution.

Trinny London Limited (£443,000) is an e-commerce-based premium beauty and cosmetics brand launched by Trinny Woodall.

Cambridge Respiratory Innovations Limited (£250,000) has developed a patent-protected ultra-high sensitivity handheld capnometer to provide actionable insights at the point of care for the diagnosis, monitoring and management of cardiorespiratory conditions.

MIP Diagnostics Limited (£150,000) is a manufacturer of polymer based synthetic antibodies that provide a viable alternative to antibodies for diagnostic immunoassays which are used across a variety of sectors including diagnostics, sensors, food testing and reagent purification.

Follow on investments totalling £4.7 million were made into nine companies, most notably Hummingbird Technologies Limited (£1.75 million), Empiribox Limited (£935,000) and FundingXchange Limited (£525,000).

Details of the investment realisations during the year are set out on page 19. Total proceeds of £1.7 million were generated from unquoted growth companies, producing a loss over holding value of £236,000.

The largest realisation in the period related to BridgeU Corporation, an educational technology business that was sold during the period, generating proceeds of £462,000, resulting in a gain over holding value of £48,000.

Empiribox Limited is the provider of equipment and training to primary schools across the UK. During the year the existing convertible loan note was converted into further qualifying equity, resulting in a loss over cost of £325,000.

Investment Adviser's Report – Unquoted Portfolio (continued)

Portfolio valuation

The unquoted growth portfolio faced a difficult 12 months for relatively young companies as a result of the unparalleled coronavirus pandemic. However, as a result of management actions and continued support from the investment adviser, the performance overall for the year was positive, with an uplift in value of £719,000. The most significant movements are noted below:

Trinny London Limited, the e-commerce-based beauty and cosmetics brand, has been uplifted by £1.5 million at the period end as a result of the company performing ahead of budget.

E-Fundamentals (Group) Limited, a Software as a Service (SaaS) analytics company, was uplifted in value by £1.1 million following strong revenue growth in both the UK and US markets.

Virtual Class Limited, trading as Third Space Learning, has been increased in value by £1.0 million reflecting recent improvements in financial performance driven by increased demand for remote teaching solutions.

Imagen Limited, the developer of a cloud-based enterprise video platform, continues to have a strong revenue pipeline and has performed ahead of budget. As a result, the value has been uplifted by £828,000 at the year end.

Xupes Limited, an online retailer of pre-owned luxury goods including designer watches and handbags was previously written down to nil following uncertainty over its future. However, a sales process is currently underway, and the value has been uplifted in line with expected exit proceeds.

As noted above, there were some setbacks to a small number of the more vulnerable businesses within the portfolio, which has offset the unrealised gains recognised at the period end.

Lignia Wood Company, a producer of modified sustainable wood, which is amongst other applications used in yacht building, suffered the largest write down in the period. Since the start of the pandemic, Lignia has suffered a significant reduction in demand. We are now unlikely to support a further investment in the company and it may ultimately fail. As a result, the company has been written down in full to nil, which has resulted in an unrealised loss of £1.2 million this year.

Avid Technology Group Limited, a manufacturer of electrified ancillary equipment for internal combustion engines, has suffered significant delays to a planned sale of the company due to economic uncertainty, and therefore has been written down by £1.0 million to nil.

Unquoted Yield Focused Investment activity

During the period, the Company made no new investments into this portfolio, however it generated total proceeds of £444,000 from disposals, producing a disappointing loss of £1.2 million over cost. Details of the realisations in the year are set out on page 19.

The largest realisation related to Pearce and Saunders Limited, a freehold pub business that redeemed part of their loan notes during the period, receiving proceeds of £440,000.

Quadrat Spa Limited, which owns and operates a health club in The Cube complex in Birmingham, has sold the non-qualifying element of its investment which was previously written down to nil following the collapse of a planned sale and leaseback transaction. This has resulted in a loss over cost of £1.5 million.

Portfolio valuation

The unquoted yield focused portfolio experienced a mixed year with the overall unrealised movement producing an unrealised gain of £512,000. The most significant movements are as follows:

Downing Care Homes Holdings Limited, which owns four specialist care homes, generated the largest unrealised gain over the period of £1.4 million. This was largely due to the effective control of the virus, so that there was only a limited impact on staff and residents. As a consequence, a provision against the valuation of the group (taken in March 2020) was released, resulting in the increase in value.

The next largest unrealised gain in the period related to Kimbolton Lodge Limited, the care home in Bedford, which was valued up by £151,000 in the year on the back of stronger than expected trading.

Despite these positives in the portfolio, some of the investee companies were unable to avoid the disruptive effects caused by the coronavirus pandemic.

Investment Adviser's Report – Unquoted Portfolio (continued)

Unquoted Yield Focused

Portfolio valuation (continued)

Pearce and Saunders Limited, a freehold pub business, has suffered the largest setback in the yield focused portfolio. As a result of the ongoing pandemic and the prolonged lockdown restrictions imposed on the hospitality sector in the UK, the investment has been written down by £729,000 to reflect the closure of the site for the majority of the period as well as the anticipated impact on future revenue and profits.

Indigo Generation Limited and Ironhide Generation Limited are both developing solar farms on adjacent land in India. As at the year-end, both companies have been written down in full by £291,000 each. The principal factor for the decrease is due to the reduction in the current and future prices that are anticipated to be achieved from the sale of electricity produced by the sites. The Adviser continues to support the companies, however given prevailing energy prices there is no material prospect of any recovery in the value of the equity.

Conclusion and outlook

The year to 31 March 2021 has been one of the most difficult following the extraordinary situation experienced throughout the world which has severely impacted the UK and Worldwide economies.

In spite of this, we have seen businesses in the portfolio quickly adapt to move forward as well as seeing a number of new opportunities arise which has led to a significant level of additions in the year. We feel that the unquoted portfolio is well diversified and take encouragement from the unrealised gains recognised at the year end and the recovery of some of the losses suffered in the prior year.

We continue to remain optimistic that the underlying businesses within the portfolio can improve performance and shall continue to assist management teams along their journey.

Downing LLP

24 June 2021

Investment Adviser's Report - Quoted Growth Portfolio

Investment activity

At 31 March 2021 the quoted portfolio was valued at £24.6 million, comprising 32 active investments.

The financial year to 31 March 2021 was a very challenging period. The impact of the Covid-19 pandemic wreaked havoc globally, with markets in March 2020 crashing to their lowest levels since the Global Financial Crisis. Against a very difficult backdrop, it is encouraging to report that the quoted portfolio made positive progress in the six months from the halfway point of the accounting year. Of the 32 listed holdings, all made gains other than three which returned minor losses.

The quoted portfolio saw some change during the period, with new investments made into five qualifying securities. The Company made purchases in Deepmatter Group Plc, Feedback Plc, Oncimmune Holdings Plc, One Media IP Group and Pelatro Plc which were added to the quoted portfolio. There were partial sales in Angle Plc, Vianet Group Plc and the Downing UK Micro-Cap Growth Fund as the fund was wound down. There were full exits made in Inland Homes Plc and Science in Sport Plc.

Overall, the quoted portfolio produced unrealised gains of £6.4 million. The most notable movements in the portfolio over the period are discussed below.

Portfolio Movements

The main positive contributor to performance was the Downing Strategic Micro-Cap Investment Trust (DSM), which increased the value of the portfolio by £1.6 million. In its results for the year ended 28 February 2021 the board highlighted that the Company is a focused portfolio of actively managed investments with clear catalysts in place, with the majority of the holdings now all in either late stage turnaround or growth phase. During the period, the NAV increased by 26% and there was a 22% increase in the share price. The board reported that the portfolio is at 43% discount to the manager's base case intrinsic value and a return of positive sentiment to UK small company value could further enhance this. The investee companies are all well financed and should benefit from the end of lockdown and a return to more normalised trading conditions. Importantly, post its reporting period end, there was a significant return of capital, interest, and redemption premium, reducing the exposure to the turnaround of Real Good Food Plc (subject to shareholder approval by Real Good Food plc).

The Managers are focused, alongside strong management teams, on the catalysts in the portfolio which have now matured into a collection of well-run and relevant businesses. The sentiment towards value is improving, and there is now more of a focus on UK small cap which has been out of favour with investors for many years. There is a strong work in progress list of potential new investments which will be executed in the short term.

Anpario Plc is an independent manufacturer of natural sustainable animal feed additives for animal health, nutrition and biosecurity. The group is the second largest holding in the quoted portfolio and contributed £1.5 million of unrealised gains in the period. The group announced its full year results for the twelve months to 31 December 2020, and highlighted a 5% increase in revenue, a 9% increase in gross profit, and 22% increase in profit before tax. Operationally, there was strong performance helped by quick implementation of Covid-19 response plans. This was alongside growth in sales in the Americas, Europe, and China, particularly through the company's own subsidiaries. The board reported that these results reflect the group's best operating performance to date, notwithstanding that 2020 was an extremely challenging year. The resilience of Anpario's systems and operating procedures have meant that the company was able to operate as near normal as possible, ensuring customers did not experience disruption in supply. The current financial year has started well, building on momentum from 2020. The global sales team is supporting customers and the group is continuing online customer meetings, technical training and business development effectively.

Universe Group Plc, a developer and supplier of retail management solutions, payment, and loyalty systems, also made a positive contribution to the portfolio, delivering an unrealised gain of £567,000. In its results for the year ended 31 December 2020, the group reported that while total revenues decreased compared to the same period the year prior, this decrease reflected the Covid-19 down turn in customer fuel retailing activities, with recovery expected in 2021. The board stated that as 2020 unfolded, Universe took all the necessary steps to sustain its customers, employees and operations, in what was a very unpredictable environment.

Investment Adviser's Report - Quoted Portfolio (continued)

Portfolio Movements (continued)

It closed the year with a business which, by delivering commendable financial results, has proven its value to the marketplace in the toughest of times. The group won new, multi-year contracts with key payment clients and was awarded a major contract extension for a loyalty customer. There was a delay in the rollout of a payments project for a substantial grocery customer and the slowdown of some early-stage engagement in its latest generation of retail management solutions. However, the board believes this slowdown will reverse as the UK recovers from the pandemic restrictions and convenience retailers regain their management bandwidth to install more advanced, insightful software that the group's latest offerings provide.

There were three small losses in the portfolio in the period. Pelatro Plc was a negative contributor, reducing the value of the portfolio by £59,000. Pelatro, a precision marketing software specialist, announced its results for the year ended 31 December 2020. Financial highlights included a reduction in revenue to \$4.0 million (2019: \$6.7 million) as result of switch of focus to recurring revenue, which increased to 71% of total revenue (2019: 44%). An equity placing raised \$2.6 million to invest in the business. It has a strong balance sheet with gross cash as at 31 December 2020 of \$1.8 million, up from \$1.1 million in 2019. Despite the challenges ahead, the board is positive in its outlook, citing its substantial order book and current contracted revenue visibility for the 2021 financial year of \$6.0 million, of which \$5.2 million is recurring. The board believes that the company ended 2020 in a much stronger position, with a substantial order book and good visibility over revenues for the coming year. The start of the second phase of its journey into the mobile advertising space is particularly exciting as an area complementary to its existing operations. It is confident in meeting customers' requirements, growing the business and meeting financial expectations for the year. Post reporting period end, the group announced new contract wins which will further help visibility for 2021.

Pittards Plc was also a negative contributor, reducing the value of the portfolio by £11,000. Pittards is a specialist producer of technically advanced leather and luxury leather goods for retailers, manufacturers, and distributors.

The group announced its results for the year ended 31 December 2020 and reported that while revenues were down for the full year, there had been a marked improvement in the second half.

The board reported that the group entered 2021 stronger, with a more diverse and flexible business, ready to take full advantage of opportunities in its markets. It remains too early to judge how strong the recovery will be, but on balance, management see more reason to be positive that it can make further progress to build on the momentum of the second half of last year, starting the year with stronger demand from customers.

Outlook

Despite the challenges and disruption caused by the pandemic, the Adviser is encouraged by the progress achieved by the quoted portfolio, particularly over the last six months of the reporting period. Improved sentiment towards UK assets following the resolution of Brexit and the successful vaccine rollout should provide a tailwind going forward. The Adviser has engaged with management teams throughout the last year and is impressed with the measures adopted to weather the crisis and survive post-pandemic. Many are now leaner, fitted and better positioned to develop and grow. Although the long term consequences of Covid-19 are still unknown and undoubtedly there will be further challenges ahead, the Adviser remains cautiously optimistic that the quoted portfolio contains a diversified range of quality companies with strong balance sheets that will deliver long-term, sustained growth in shareholder value.

Downing LLP

24 June 2021

Review of Investments

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 March 2021:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Total value of other funds also managed by Downing LLP ¹ £'000
Quoted growth investments					
Tracsis plc*	1,443	4,932	424	4.9%	3,790
Downing Strategic Micro-Cap Investment Trust plc***	5,197	3,816	1,590	3.8%	3,672
Anpario plc*	1,448	3,402	1,484	3.4%	2,725
Impact Healthcare REIT plc***	1,518	1,631	329	1.6%	1,136
Craneware plc*	353	1,573	182	1.6%	901
Inland Homes plc*	1,311	1,468	367	1.5%	2,262
Universe Group plc*	1,506	1,276	567	1.3%	706
Cohort plc*	394	1,148	283	1.1%	-
Vianet Group plc*	756	693	126	0.7%	-
Angle plc*	570	627	243	0.6%	-
Immotion Group plc*	500	607	330	0.6%	-
Pittards plc*	1,350	495	(11)	0.5%	299
Deepmatter Group plc*	350	467	117	0.5%	-
Brooks Macdonald Group plc*	257	362	111	0.4%	1,676
Feedback plc*	250	300	50	0.3%	-
Oncimmune Holdings plc*	278	299	20	0.3%	-
SysGroup plc*	377	238	69	0.2%	950
Pelatro plc*	290	231	(59)	0.2%	-
Pennant International Group plc*	335	188	23	0.2%	-
One Media Group IP plc*	175	175	-	0.2%	-
Frontier IP Group plc*	30	162	-	0.2%	-
Norman Broadbent plc*	906	151	-	0.1%	542
Bonhill Group plc*	1,000	150	-	0.1%	1,238
Dillistone Group plc*	411	74	14	0.1%	-
Pressure Technologies plc*	249	58	-	0.1%	-
Fireangel Safety Technology Group plc*	545	49	-	0.0%	3,118
MI Downing UK Micro-Cap Growth Fund***	7	6	1	0.0%	477
Wheelsure Holdings plc**	48	4	4	0.0%	-
AIQ Limited	-	2	(4)	0.0%	-
Golden Rock Global plc***	-	1	-	0.0%	-
Flowgroup plc*	207	-	-	0.0%	-
ACHP plc*	61	-	-	0.0%	-
	22,122	24,585	6,366	24.5%	23,492
Unquoted growth investments					
Carbice Corporation	3,020	2,830	(190)	2.8%	1,564
StorageOS Inc	2,970	2,787	(183)	2.8%	1,226
E-Fundamentals (Group) Limited	1,342	2,408	1,067	2.4%	3,353
Hummingbird Technologies Limited	2,250	2,253	85	2.3%	2,164
Virtual Class Limited	1,164	1,974	1,042	2.0%	2,711
Cornelis Networks Inc	2,102	1,961	(141)	2.0%	2,397
Trinny London Limited	443	1,935	1,492	1.9%	11,109
Imagen Limited	1,000	1,828	828	1.8%	3,657
Rated People Limited	1,282	1,584	301	1.6%	3,484
StreetHub Limited	1,366	1,431	14	1.4%	4,283
Parsable Inc	1,532	1,357	(175)	1.3%	1,912
Glisser Limited	1,300	1,300	-	1.3%	3,838
Ayar Labs Inc	1,280	1,235	(45)	1.2%	1,671
Curo Compensation Limited	1,663	1,095	(47)	1.1%	167
FundingXchange Limited	1,050	1,050	-	1.1%	2,450
Firefly Learning Limited	1,047	1,047	-	1.0%	2,271
Ecstase Limited	1,000	1,000	-	1.0%	2,081

Continued over the page

Review of Investments (continued)

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Total value of other funds also managed by Downing LLP ¹ £'000
Unquoted growth investments (continued)					
Maestro Media Limited	1,000	1,000	-	1.0%	3,057
Limitless Technology Limited	757	920	118	0.9%	2,897
Hackajob Limited	784	784	-	0.8%	784
Masters of Pie Limited	667	667	-	0.7%	2,304
Empiribox Holdings Limited	1,813	607	(327)	0.6%	422
Genincode UK Limited	600	600	-	0.6%	900
JRNI Limited	525	525	-	0.5%	2,815
Vivacity Labs Limited	500	500	-	0.5%	1,786
Xupes Limited	2,250	459	459	0.5%	291
Lineten Limited	750	392	(358)	0.4%	392
Exonar Limited	550	379	(171)	0.4%	743
Cambridge Touch Technologies Limited	459	361	-	0.4%	1,749
Channel Mum Limited	675	278	(197)	0.3%	278
FVRVS Limited	250	250	-	0.3%	1,814
Cambridge Respiratory Innovations Limited	250	250	-	0.3%	1,042
Upp Technologies Group Limited	1,077	242	(566)	0.2%	242
MIP Diagnostics Limited	150	150	-	0.2%	717
Ludorum plc	177	7	-	0.0%	-
Avid Technology Group Limited	1,833	-	(1,037)	0.0%	-
Lignia Wood Company Limited	1,778	-	(1,250)	0.0%	-
Glownet Limited	741	-	-	0.0%	-
Live Better With Limited	990	-	-	0.0%	-
Resource Reserve Recovery Limited	6	-	-	0.0%	-
	44,393	37,446	719	37.6%	72,571
Unquoted yield focused investments					
Doneloans Limited	5,000	5,717	227	5.7%	-
Downing Care Homes Holdings Limited	3,880	5,526	1,409	5.5%	-
Baron House Developments LLP	2,695	3,234	-	3.2%	2,466
Harrogate Street LLP	1,400	2,057	-	2.1%	-
Pilgrim Trading Limited	2,594	2,054	(67)	2.1%	1,381
Cadbury House Holdings Limited	3,081	1,801	52	1.8%	791
Data Centre Response Limited	557	1,316	8	1.3%	-
Nomansland Biogas Limited	1,300	1,300	-	1.3%	901
Kimbolton Lodge Limited	664	966	151	1.0%	-
Fenkle Street LLP	346	872	(28)	0.9%	1,730
Downing Pub EIS ONE Limited	490	568	20	0.6%	6,622
Fresh Green Power Limited	378	564	102	0.6%	842
Pearce & Saunders Limited	1,210	338	(729)	0.3%	430
SF Renewables (Solar) Limited	422	318	(23)	0.3%	5,113
Rockhopper Renewables Limited	738	278	(54)	0.3%	1,436
Green Energy Production UK Limited	200	133	26	0.1%	200
Pearce & Saunders DevCo Limited	84	84	-	0.1%	106
Yamuna Renewables Limited	2,500	-	-	0.0%	-
Jito Trading Limited	2,500	-	-	0.0%	-
Quadrate Catering Limited	1,500	-	-	0.0%	-
Indigo Generation Limited	920	-	(291)	0.0%	-
Ironhide Generation Limited	920	-	(291)	0.0%	-
Top Ten Holdings plc	399	-	-	0.0%	-
Quadrate Spa Limited	372	-	-	0.0%	-
The Thames Club Limited	175	-	-	0.0%	-
London City Shopping Centre Limited	110	-	-	0.0%	-
	34,435	27,126	512	27.2%	22,018
Total investments	100,950	89,157	7,597	89.3%	118,081
Cash at bank and in hand		10,738		10.7%	
		99,895		100.0%	

Review of Investments (continued)

The Company also holds investments in Golden Rock Global plc and Mining, Minerals & Metals plc (which does not show in the previous table). These investments were acquired in prior periods at negligible value as a result of reorganisations of other investments and continue to be valued at the same level.

All venture capital investments are unquoted unless otherwise stated.

* Quoted on AIM

** Quoted on the Aquis Stock Exchange Growth Market

*** Quoted on the Main Market of the London Stock Exchange

¹ Other self-managed and discretionary managed funds also managed by Downing LLP as Investment Manager or Adviser (excluding Downing ONE VCT plc) as at 31 March 2021:

- ▶ Downing TWO VCT plc
- ▶ Downing THREE VCT plc
- ▶ Downing FOUR VCT plc
- ▶ MI Downing UK Micro-Cap Growth Fund
- ▶ MI Downing Monthly Income Fund
- ▶ Downing Strategic Micro-Cap Investment Trust plc
- ▶ Downing AIM Estate Planning Service and Downing AIM NISA
- ▶ VT Downing Unique Opportunities Fund
- ▶ Downing Renewables EIS
- ▶ Downing Indian Solar EIS
- ▶ Downing Ventures EIS
- ▶ Downing Pub EIS
- ▶ Downing EIS

Review of Investments (continued)

Investment movements for the year ended 31 March 2021

Additions

	£'000
Quoted growth investments	
Deepmatter Group plc	350
Pelatro plc	290
Oncimmune Holdings plc	278
Feedback plc	250
Immotion Group plc	200
One Media Group IP plc	175
	1,543
Unquoted growth investments	
Carbice Corporation	3,020
StorageOS Inc	2,970
Cornelis Networks Inc	2,102
Hummingbird Technologies Limited	1,750
Parsable Inc	1,532
Glisser Limited	1,300
Ayar Labs Inc	1,280
Maestro Media Limited	1,000
Empiribox Holdings Limited	935
Genincode UK Limited	600
FundingXchange Limited	525
Vivacity Labs Limited	500
Channel Mum Limited	475
Trinny London Limited	443
StreetHub Limited	316
Virtual Class Limited	250
Cambridge Respiratory Innovations Limited	250
Curo Compensation Limited	245
ADC Biotechnology Limited	167
MIP Diagnostics Limited	150
Exonar Limited	50
	19,860
	21,403

Review of Investments (continued)


Disposals

	Cost £'000	Value at 01/04/20*	Proceeds £'000	Profit/ (loss) vs cost £'000	Realised gain/ (loss) £'000
Quoted growth investments					
Inland Homes plc	216	181	250	34	69
Angle plc	108	82	103	(5)	21
MI Downing UK Micro-Cap Growth Fund	43	24	32	(11)	8
Redhall Group plc	500	-	-	(500)	-
Flowgroup plc	178	-	-	(178)	-
Vianet plc	196	166	139	(57)	(27)
Science in Sport plc	1,239	611	581	(658)	(30)
	2,480	1,064	1,105	(1,375)	41
Unquoted growth investments (including loan note redemptions)					
BridgeU Corporation	810	414	462	(348)	48
FCT No.1 Limited	228	298	305	77	7
Empiribox Holdings Limited	650	325	325	(325)	-
Channel Mum Limited	300	300	300	-	-
ADC Biotechnology Limited	588	588	297	(291)	(291)
	2,576	1,925	1,689	(887)	(236)
Unquoted yield focused investments (including loan note redemptions)					
Pearce & Saunders Limited	110	440	440	330	-
Pearce & Saunders DevCo Limited	4	4	4	-	-
Quadrate Spa Limited	1,500	-	-	(1,500)	-
	1,614	444	444	(1,170)	-
	6,670	3,433	3,238	(3,432)	(195)

* Adjusted for purchases in the year where applicable


Review of Investments (continued)

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

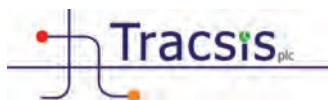
Doneloans Limited 	Cost at 31/03/21:	£5,000,000	Valuation at 31/03/21:	£5,717,000
	Cost at 31/03/20:	£5,000,000	Valuation at 31/03/20:	£5,491,000
	Date of first investment:	April 2016		
	Investment comprises:			
	Loan note:	£5,000,000	Valuation method:	Net assets
	Equity shares:	£1	% of total shares in issue/total voting rights:	50.0%
	Unaudited accounts*: 31/03/20	31/03/19	Dividend income:	£Nil
	Turnover:	n/a	Loan note income:	£230,000
	Profit before tax:	n/a		
	Net assets:	£0.3m	£0.6m	

Doneloans Limited is a non-VCT-qualifying investment company which holds a portfolio of secured loans from which it generates a steady income with limited capital risk.

* Turnover and operating profit figures not publicly available as unaudited abridged accounts filed.

Downing Care Homes Holdings Limited www.downingcare.co.uk 	Cost at 31/03/21:	£3,880,000	Valuation at 31/03/21:	£5,526,000	
	Cost at 31/03/20:	£3,880,000	Valuation at 31/03/20:	£4,117,000	
	Date of first investment:	November 2013			
	Investment comprises:				
	Equity shares:	£1,958,000	Valuation method:	Multiples	
	Loan note:	£1,922,000	% of total shares in issue/total voting rights:	50.0%	
	Audited accounts: 30/06/20	30/06/19	Dividend income:	£Nil	
	Turnover:	£3.4m	£3.2m	Loan note income	£461,000
	Loss before tax:	(£0.1m)	(£0.1m)		
	Net liabilities:	(£1.3m)	(£1.2m)		

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

Tracsis plc www.tracsis.com 	Cost at 31/03/21:	£1,443,000	Valuation at 31/03/21:	£4,932,000	
	Cost at 31/03/20:	£1,443,000	Valuation at 31/03/20:	£4,508,000	
	Date of first investment:	November 2013			
	Investment comprises:				
	Equity shares:	£1,443,000	Valuation method:	Bid price	
			% of total shares in issue/total voting rights:	2.6%	
	Audited accounts: 31/07/20	31/07/19	Dividend income:	£Nil	
	Turnover:	£48.0m	£49.2m		
	Profit before tax:	£4.1m	£6.6m		
	Net assets:	£53.0m	£47.9m		

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

Review of Investments (continued)

Downing Strategic Micro-Cap Investment Trust plc
downingstrategic.co.uk



Cost at 31/03/21:	£5,197,000	Valuation at 31/03/21:	£3,816,000
Cost at 31/03/20:	£5,197,000	Valuation at 31/03/20:	£2,226,000
Date of first investment:	May 2017		
Investment comprises:			
Equity shares:	£5,197,000	Valuation method:	Bid price
		% of total shares in issue/total voting rights:	10.2%
Audited accounts:	28/02/21 29/02/20	Dividend income:	£85,000
Turnover:	£1.0m £1.5m		
Gain/(loss) before tax:	£5.7m (£1.2m)		
Net assets:	£42.5m £39.1m		

Downing Strategic Micro-Cap Investment Trust plc is a non-qualifying investment which seeks to provide investors with long term growth through a concentrated portfolio of UK listed companies that typically have a market capitalisation of below £150 million.

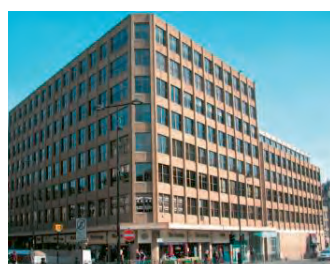
Anpario plc
www.anpario.com



Cost at 31/03/21:	£1,448,000	Valuation at 31/03/21:	£3,402,000
Cost at 31/03/20:	£1,448,000	Valuation at 31/03/20:	£1,917,000
Date of first investment:	November 2013		
Investment comprises:			
Equity shares:	£1,448,000	Valuation method:	Bid price
		% of total shares in issue/total voting rights:	2.7%
Audited accounts:	31/12/20 31/12/19	Dividend income:	£51,000
Turnover:	£30.5m £29.0m		
Profit before tax:	£5.4m £4.4m		
Net assets:	£37.5m £35.6m		

Anpario plc is an international producer and distributor of natural animal feed additives for animal health, nutrition, and biosecurity.


Baron House Developments LLP




Cost at 31/03/21:	£2,695,000	Valuation at 31/03/21:	£3,234,000
Cost at 31/03/20:	£2,695,000	Valuation at 31/03/20:	£3,234,000
Date of first investment:	November 2013		
Investment comprises:			
Loan note:	£2,695,000	Valuation method:	Discounted cashflow – underlying business
		% of total shares in issue/total voting rights:	-%
Unaudited accounts:	31/03/20 31/03/19	Loan note income:	£Nil
Turnover:	£nil £nil		
Loss before tax:	£nil (£0.2m)		
Net assets:	£4.0m £3.7m		

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


Review of Investments (continued)

Carbice Corporation carbice.com 	Cost at 31/03/21:	£3,020,000	Valuation at 31/03/21:	£2,830,000
	Cost at 31/03/20:	n/a	Valuation at 31/03/20:	n/a
	Date of first investment:	September 2020		
	Investment comprises:			
	Equity shares:	£3,020,000	Valuation method:	Calibration to price of recent investment
			% of total shares in issue/total voting rights:	8.8%
	Audited accounts:	None filed	Dividend income:	£Nil
			Loan note income:	£Nil

Carbice Corporation has developed a suite of products based on its carbon material called Carbice Carbon which is primarily used as thermal management solutions to enable greater thermal conductivity.

StorageOS Inc storageos.com  STORAGEOS	Cost at 31/03/21:	£2,970,000	Valuation at 31/03/21:	£2,787,000
	Cost at 31/03/20:	n/a	Valuation at 31/03/20:	n/a
	Date of first investment:	November 2020		
	Investment comprises:			
	Equity shares:	£2,970,000	Valuation method:	Calibration to price of recent investment
			% of total shares in issue/total voting rights:	10.8%
	Unaudited accounts:	31/01/20	31/01/19	Dividend income:
	Turnover:	£0.1m	£0.2m	Loan note income:
	Loss before tax:	(£0.9m)	(£1.1m)	£Nil
	Net assets:	£3.7m	£2.7m	£Nil

StorageOS Inc is a cloud-based storage management software solution developed to manage storage issues. Downing led a \$10 million round in late 2020.

E-Fundamentals (Group) Limited www.efundamentals.com  e.fundamentals	Cost at 31/03/21:	£1,342,000	Valuation at 31/03/21:	£2,408,000
	Cost at 31/03/20:	£1,342,000	Valuation at 31/03/20:	£1,342,000
	Date of first investment:	December 2017		
	Investment comprises:			
	Equity shares:	£1,342,000	Valuation method:	Multiples
			% of total shares in issue/total voting rights:	10.6%
	Unaudited accounts*:	31/12/19	31/12/18	Dividend income:
	Turnover:	n/a	n/a	Loan note income:
	Profit before tax:	n/a	n/a	£Nil
	Net assets:	£10.0m	£6.2m	£Nil

E-Fundamentals (Group) Limited is a Software as a Service (SaaS) analytics company, which has developed and commercialised a SaaS analytics tool sold directly to companies to enable them to accurately assess the performance of their products when being sold through third party e-commerce sites.

* Turnover and operating profit figures not publicly available as total exemption full accounts filed.

Review of Investments (continued)

Hummingbird Technologies Limited
hummingbirdtech.com



Cost at 31/03/21:	£2,250,000	Valuation at 31/03/21:	£2,253,000
Cost at 31/03/20:	£500,000	Valuation at 31/03/20:	£418,000
Date of first investment:	July 2019		
Investment comprises:			
Equity shares:	£500,000	Valuation method:	Multiples
Loan note:	£1,750,000		
		% of total shares in issue/total voting rights:	2.0%
Unaudited accounts*:	31/12/19 30/04/19	Dividend income:	£Nil
Turnover:	n/a n/a	Loan note income:	£Nil
Profit before tax:	n/a n/a		
Net assets:	£5.5m (£0.1m)		

Hummingbird Technologies Limited is an advanced crop analytics platform that is powered by machine learning and aerial imagery to assess and predict crop health.

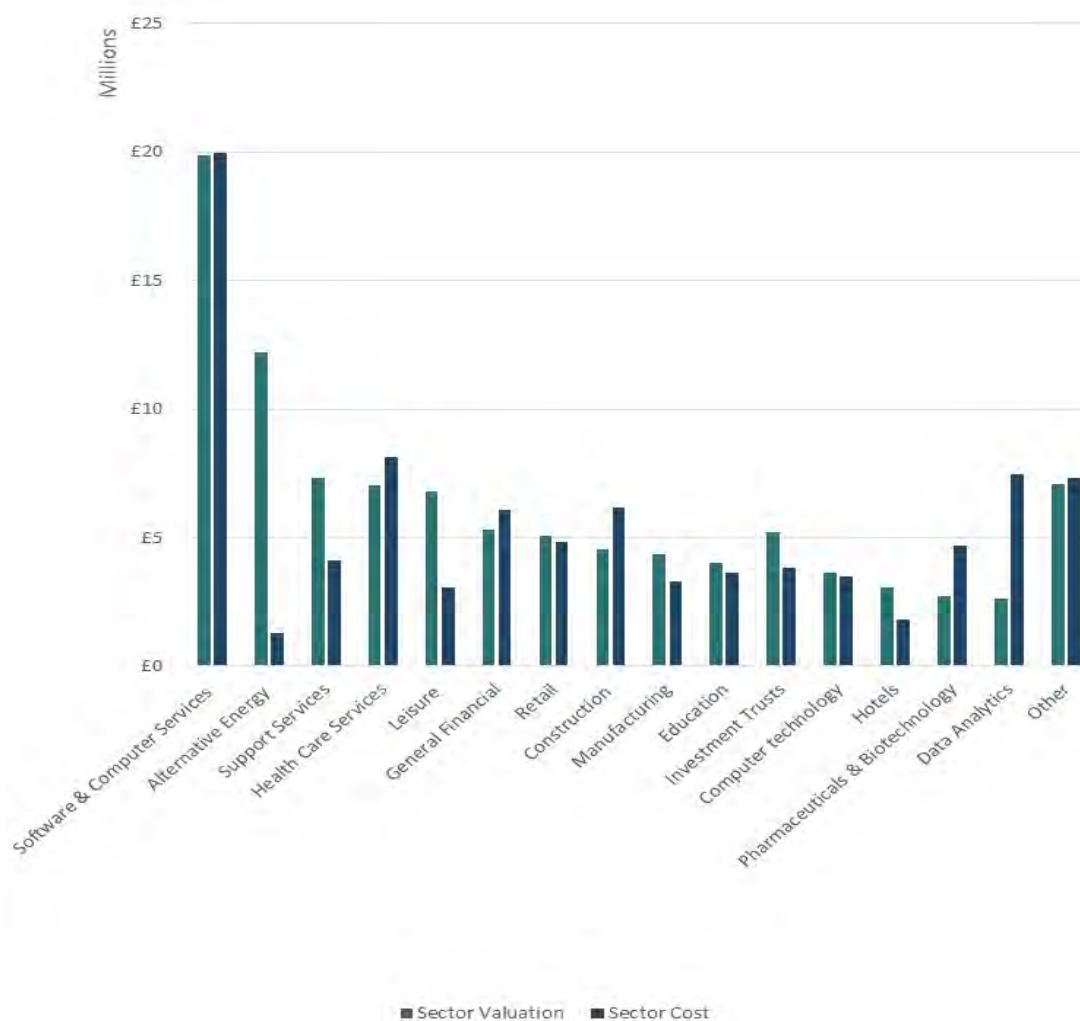
* Turnover and operating profit figures not publicly available as total exemption full accounts filed.

Note:

The proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 March 2021) is as follows:



Review of Investments (continued)

Portfolio balance

At 31 March 2021, the Company assets employed were broadly in line with the targets within the investment policy. These are summarised as follows:

Type of Investment (by HMRC valuation rules)	Actual	Target
VCT qualifying investments	83.5%	>80%
Non-qualifying investments (including cash at bank)	16.5%	<30%
Total	100.0%	

Investment category (by HMRC value)	Actual	Target
Growth	25.5%	40%-100%
Yield focused	58.0%	0%-60%
Non-qualifying	16.5%	max 20%
Total	100.0%	

Investment Adviser's Approach to Responsible Investment

Introduction

Downing LLP ("Downing") acts as Investment Adviser to Downing ONE VCT, as well as Adviser and manager to a number of other VCTs, investment trusts, funds and schemes. Central to Downing's ethos is a commitment to be a "Responsible Investor". We aim to protect and enhance returns for our funds' investors by placing Environmental, Social and Governance (ESG) criteria at the heart of our business and investment activities.

We understand that ESG issues represent risks and opportunities; and that these issues are becoming an increasingly material factor with investments. By taking a long-term, sustainable approach with our analysis, decision-making and active asset management, we strive to take these into account, mitigate risks and maximise opportunities, while endeavouring to facilitate wider societal and environmental benefits, wherever possible.

Our principles

As Investment Adviser to Downing ONE VCT plc, we aim to support and actively seek out investments that promote the principles of ESG, as well as create long-term, sustainable value and have a positive impact on society and the economy.

Downing's approach to investing is underpinned by a series of ESG principles that reflect our commitment to embed Responsible Investment considerations as part of our normal business operations. These are:

Integration

To meet our objectives, we will integrate our Responsible Investment System both within our business and throughout the lifecycle of the investments we make.

Influence

Through active ownership, we will endeavour to engage with and assist individual businesses in managing ESG risks and opportunities better than their competitors to create value and a competitive advantage, while promoting positive benefits to society and the environment.

Disclosure

We will seek appropriate monitoring and disclosure of ESG matters by investees so that we have a better understanding of what we are investing into, and the ability to assess their performance against any ESG initiatives we decide to implement.

Continual Improvement

We are encouraged by the growing momentum and developments in the Responsible Investment and ESG areas and look forward to working with the investment community to develop sustainable ways of conducting business and leading by example.

Screening and exclusions – our evolving approach

Historically, Downing has tended to avoid a number of sectors, companies and investments because we believe they cause harm to the environment and society that we cannot mitigate as responsible investors. Examples of this being weapons, fossil fuels and tobacco.

This approach has evolved as we have developed individual investment strategies for different asset classes. Where a strict negative screening approach may not be suitable, any new investment in higher ESG risk sectors we will have to carefully consider (a) how inherent risks are reflected in company/investment valuation and (b) our level of influence on management teams to foster change and value creation through an active ownership approach.

Investment Adviser's Approach to Responsible Investment (continued)

Screening and exclusions (continued)

In other sectors, with known ESG issues we may also decide to screen for best-in class investments, identifying and supporting management teams that we think are better placed than their competitors today to become successful and sustainable businesses in the future.

Whilst our approach to negative screening may vary by sector, we maintain some minimum standards we would expect of any company for it to attract investment by Downing ONE: at the very least that the business meets local laws and regulations, that they are safe places to work and that the management has a code of ethics and/or an anticorruption policy in place.

Downing's commitment

Downing has made a long-term commitment to meet its ESG pledges. To this end, we expect our policies and processes to evolve over time and continue to be a core component of the services that we provide to Downing ONE VCT plc.

Downing LLP

24 June 2021

Strategic Report

The Directors present the Strategic Report for the year ended 31 March 2021. The Board have prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Principal objectives and strategy

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

- ▶ provide private investors with attractive returns from a portfolio of investments focused on unquoted and AIM quoted companies; and
- ▶ maintain VCT status so that the Company and its shareholders may benefit from the tax reliefs and exemptions available under the VCT legislation.

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

Business review and developments

During the year to 31 March 2021, the investments held increased in value by £7.6 million and losses arising on investment realisations totalled £195,000.

Income over expenditure for the year resulted in a net loss, after accounting for capital expenses, of £1.2 million (2020: loss of £2.8 million).

The total gain for the year was £6.2 million (2020: loss of £23.8 million). Net assets at the year-end were £101.4 million (2020: £88.7 million). Dividends paid during the year totalled £5.1 million (2020: £5.5 million).

The Company's business and developments during the year are reviewed further in the Chairman's Statement, the Investment Adviser's Reports and the Review of Investments on pages 3 to 24.

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's level of success in meeting its objectives (as shown on page 2). The Board believes the Company's key performance indicators, for comparison against similar VCTs, are Total Return (NAV plus cumulative dividends paid to date) and dividends per share (as disclosed within the financial summary). Further consideration of the above key performance indicators is included in the Investment Adviser's reports under Net Asset Value and results. The performance of the Company measured by historic Share Price Total Return is shown in the graph on page 39.

The net asset value per share is defined as an Alternative Performance Measure and the Board considers it to be the primary measure of shareholder value.

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

Principal risks and uncertainties

The Directors have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency, or 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, credit and liquidity risks, are summarised within note 16 to the financial statements. Note 16 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 Adviser 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 several 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.

Strategic Report (continued)

Principal risks and uncertainties

(continued)

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

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 pages 33 to 34.

Operational

The Company relies on the Investment Adviser, 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 Adviser 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.

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.

Towards the end of the 2020 accounting year, on 11 March 2020, the World Health Organisation declared the outbreak of a strain of novel coronavirus disease, Covid-19, a global pandemic which continues to result in a number of lockdown restrictions on individuals and business operations. The Board recognises that the resulting restrictions and subsequent major developments have had an impact on year end valuations and has negatively impacted the prospects of many businesses within the portfolio, particularly those in the hospitality, manufacturing and children's nursery sectors.

Viability statement

In accordance with Corporate Governance best practice, the Directors have carried out a robust assessment of the emerging and principal risks facing the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for a period of five years from the accounts approval date as developments are considered to be reasonably foreseeable over this period and is considered reasonable for a business of its nature and size as well, as the period being the minimum expected holding period. The five-year review considers the principal risks facing the Company, which are summarised within note 16, as well as the Company's cash flows, dividend cover and VCT monitoring compliance over the period. This includes the impact of the coronavirus pandemic and any other risks which may adversely impact its business model, future performance, solvency or liquidity. The five-year review makes assumptions about the normal level of capital recycling likely to occur, expenses, dividends and share buybacks.

The Board has considered the Company's cashflow projections and found these to be realistic and reasonable. This includes forecasting the potential effects of COVID-19 on the Company's cashflow.

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 emerging and principal risks faced by the business, the Company will be able to continue in operation and meet its liabilities as they fall due for a period of at least five years from the accounts approval date.

Business model

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

Strategic Report (continued)

Business model (continued)

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 shown below.

Investment policy

Quantitative analysis of how the Company has operated in accordance with its investment policy are shown in the Review of Investments on pages 15 to 24 and in the VCT compliance section of this report on page 33.

The Company's investment policy is as follows:

Asset allocation

The Company will seek to maintain a minimum of 80% of its funds invested in VCT qualifying investments, with the balance held in non-qualifying investments. New funds raised will initially be held in non-qualifying investments and cash and will gradually be invested in VCT qualifying investments over a two to three-year period.

VCT qualifying investments

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

Investment type	Target	Maximum	Target IRR
Growth	0%-100%	100%	15% and above
Yield focused	0%-60%	100%	10%

Growth investments will be in companies with prospects for high capital growth, reflecting higher risk, predominantly focusing on:

- ▶ investments in unquoted companies where there are reasonable prospects of a trade sale or clear exit strategy over a five to seven-year time horizon and the prospects of a reasonable level of capital growth. Start-ups will not generally be considered, although the fund may consider investments in early stage companies offering higher risk and higher potential returns; and
- ▶ companies already quoted on AIM, the Aquis Stock Exchange Growth market or the Main Market of the London Stock Exchange, or being admitted to AIM, the Aquis Stock Exchange Growth market or the Main Market of the London Stock Exchange.

Yield focused investments will generally be in unquoted businesses (although this may include some quoted businesses), with a preference for companies which, subject to prevailing VCT rules, own substantial assets.

These investments may be structured such that they comprise of loan stock and/or preference shares.

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

Non Qualifying Investments

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

- ▶ Shares or units in an AIF (Alternative Investment Fund) e.g. an investment trust or in a UCITS (undertakings for the collective investment in transferable securities) e.g. an OEIC (open ended investment company) which may be repurchased or redeemed by the investor on no more than 7 days' notice; and
- ▶ Ordinary shares or securities in a company which are acquired on a European regulated market e.g. in companies with shares listed on the main market of the London Stock Exchange.

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

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

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

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

Risk diversification

The Directors will control the overall risk of the Company. The Investment Adviser will ensure the Company has exposure to a diversified range of VCT qualifying investments from different sectors and no more than 15% of the Company's funds in any one company or any one issue of fixed income securities.

Strategic Report (continued)

Investment policy (continued)

Venture Capital Trust Regulations

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

Borrowing Policy

It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a sum equal to no more than 10% of the aggregate amount paid up on the issued share capital of the Company plus the amounts standing to the credit of the consolidated reserves of the Company.

At 31 March 2021, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £10.1 million. There are no plans to utilise this ability at the current time.

Performance incentive fees

Downing LLP is entitled to receive a performance incentive fee equal to 20% of the realised gains on any exit from new investments made since 1 April 2019 ("New Investments") where, and to the extent that, the following conditions are met:

- (a) The Internal Rate of Return ("IRR") of all New Investments at the year-end exceeds the hurdle of 5% per annum (based on audited valuations and including realised and unrealised gains and losses and all investment income, measured from 1 April 2019 ("IRR Hurdle"); and
- (b) The Total Return per share at the year end exceeds the Base Value per share ("Base Value Hurdle"). The Base Value per Share is set at the Total Return per share (NAV plus dividends paid since the date of the merger) as at 31 March 2019, being 109.8p per Share.

If any amount is not paid in a year when an investment is realised because the IRR Hurdle and/or Base Value Hurdle are not met, such amounts are deferred and can be paid in a future year if and when the IRR Hurdle and Base Value Hurdle are both met again. Additionally, the amounts payable under this proposed scheme are only paid to the extent that the IRR Hurdle and Base Level are exceeded, and no payment will be made which would cause either hurdle to cease to be met.

Statement on s172

Under section 172 of the Companies Act 2006, the Board have a duty to promote the success of the Company, and when making decisions for the long term, have regard to a range of matters including:

- ▶ the likely consequences of any decision in the long term;
- ▶ the interest of the Company's employees;
- ▶ the need to foster the Company's business relationships with suppliers, customers and others;
- ▶ the impact of the Company's operations on the environment and community;
- ▶ the desirability of the Company maintaining a reputation for high standards of business conduct; and
- ▶ the need to act fairly between Shareholders of the Company.

However, the Company has no employees (other than its Directors) and no customers in the traditional sense. It is normal practice for Venture Capital Trusts to delegate authority for day-to-day management and administration of the Company to third parties. The Board will then engage with the third parties in setting, approving and overseeing the execution of the business strategy and related policies. In accordance with the Company's nature as a Venture Capital Trust, the Board's principal concern has been, and continues to be, the interest of the Company's Shareholders taken as a whole, as well as continuing to monitor portfolio management in light of the Company's objectives.

In addition to this, the Board has a responsible governance culture and has due regard for broader matters so far as they apply including the expectations of its regulators. Specifically, the Board engages with the Investment Adviser at every Board meeting where it will review the financial and operational performance, as well as legal and regulatory compliance. The Board also reviews its relationships with other service providers at least annually as well as other areas over the course of the financial year including the Company's key risks; stakeholder-related matters; diversity and inclusivity; environmental matters; and corporate responsibility and governance.

The Investment Adviser regularly engages with major shareholders, by producing half yearly reports and reporting back to the Board. The Board also encourage all Shareholders to attend the AGM and welcomes any other communications from Shareholders. Its main stakeholders therefore comprise of the shareholders, the Investment Adviser, other service providers and investee companies. The principal decisions made or approved by the Directors during the year include dividend declarations and the launch of a new offer for subscription. In taking these decisions, the Directors considered their duties under section 172 of the Act. Principal decisions have been defined as those that have a material impact to the Company and its key stakeholders.

Strategic Report (continued)

Global greenhouse gas emissions

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

Environmental, social, and human rights policy

The Company seeks to conduct its affairs responsibly. Where appropriate, the Board and the Advisers take environmental, social and human rights factors into consideration when making investment decisions. Further details on the Investment Advisers approach to responsible investment can be found on pages 25 to 26.

Directors and senior management

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

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

Future prospects

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

By order of the Board



Grant Whitehouse
Company Secretary
St. Magnus House
3 Lower Thames Street
London EC3R 6HD

24 June 2021

Report of the Directors

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2021.

Share capital

At the beginning of the year, the Company had 143,984,140 Ordinary Shares of 1p each in issue.

The Company allotted 19,141,138 Ordinary shares at an average price of approximately 59.4p per Ordinary Share under the terms of the Offers for Subscription.

A further 1,369,851 Ordinary Shares at an average price of 57.3p per Ordinary Share were allotted under the terms of the Dividend Reinvestment Scheme ("DRIS").

At the AGM held on 15 September 2020, Shareholders unconditionally authorised the Company to make market purchases of its own Ordinary shares of 1p each, up to a maximum of 22,787,820 Ordinary Shares, representing 14.9% of the share capital in issue at the date of the last Annual Report. At the date of this report, authority remains in place for 19,386,759 Ordinary Shares. A resolution to renew the authority to buy back up to approximately 14.9% of the share capital at the date of this report will be put to Shareholders at the AGM taking place on 10 August 2021.

During the year, the Company repurchased 3,401,061 Ordinary Shares of 1p each for average consideration of 54.6p per share, representing 2.4% of shares in issue at the date of the last Annual Report. These shares were subsequently cancelled.

At the year end, the Company had 161,094,068 Ordinary Shares in issue. There were no other share classes in issue at the year end.

Results and dividends

	£'000	Per Share
Gain on ordinary activities after tax for the year ended 31 March 2021	6,201	4.0p
<i>Distributions paid/proposed for the year</i>		
26 February 2021 – 2021 Interim	2,021	1.25p
27 August 2021 – 2021 Final	2,195	1.25p
	4,216	2.5p

The Company has a stated target for annual dividends of at least 4% of net assets per annum. In respect of the year under review this is equivalent to 2.3p. The Board is proposing a final dividend of 1.25p per share to be paid, subject to Shareholder approval at the AGM, on 10 August 2021 to Shareholders on the register at 30 July 2021, which will result in total dividends for the financial year of 2.5 pence per share (2020: 4.0 pence per share).

Investment adviser and administration manager

Downing LLP was appointed on 1 April 2010, as Investment Adviser, for a fee payable quarterly in advance in respect of each quarter, such quarterly fee being equal to one quarter of 2.0% of the Net Asset Value of the Company as at the opening of business on the first business day of that quarter. The agreement is not for a fixed term, and may be terminated by either side giving not less than 12 months' notice in writing. During the year the investment management fees amounted to £1.6 million (2020: £1.9 million). The fees payable by the Company to the Investment Adviser are allocated 50% to revenue and 50% to capital. This allocation may be reviewed in the future as the focus of the portfolio changes.

Downing LLP also receives arrangement and monitoring (non-executive directorship) fees from the investee companies. During the year, Downing LLP was due arrangement fees of £288,000 (2020: £410,000) and monitoring fees of £729,000 (2020: £797,000). These fees also relate to investments made by other funds managed by Downing LLP.

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

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

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

Report of the Directors (continued)

Investment adviser and administration manager (continued)

During the year, fees for administration services amounted to £147,000 (2020: £163,000).

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

Ongoing trail fee

The Company has an agreement to pay an ongoing trail fee annually to Downing LLP, in connection with funds raised under original offers for subscription out of which Downing LLP has an obligation to pay trail commission to intermediaries. The ongoing trail fee is calculated between 0.25% and 0.50% of the net assets attributable at the year end to the shareholdings which have arisen from each fundraising offer.

Annual running costs cap

The Ongoing Charges figure (calculated in accordance with the AIC's methodology) is an Alternative Performance Measure used by the Board to monitor expenses. The annualised Ongoing Charges figure was 2.6% for the year ended 31 March 2021.

Downing LLP provides a cap on the annual running costs of the Company. Any annual running costs above this level are met by Downing LLP. The cap is set at 2.6% of net assets per annum. The annual running costs cap for this purpose is calculated based on the net asset value at the end of each quarter and certain costs are excluded such as fees in connection with the listing of the Company's shares and AIC membership fees.

Directors

The Directors of the Company during the year were as follows:

Chris Kay
Barry Dean
Stuart Goldsmith
Chris Allner (appointed 8 Feb 2021)

Directors generally retire at every third AGM or are subject to re-election at the AGM immediately following their appointment, in accordance with the requirement of the Articles of Association. At the forthcoming AGM Barry Dean, Stuart Goldsmith and Chris Allner will retire and offer themselves for re-election. Chris Allner was appointed as a Director on 8 February 2021, and therefore is required to retire at the forthcoming AGM, and being eligible, offers himself for re-election. In accordance with corporate governance practice, by virtue of serving on the Board for more than nine years, Stuart Goldsmith will retire at each Annual General Meeting, and being eligible, offers himself for re-election. Each of the Directors has considerable experience in the VCT sector and has continued to perform well. The Board recommends that Shareholders vote in favour of the resolutions to re-appoint each of the Directors at the AGM.

Each of the Directors have entered into an agreement for services whereby they are required to devote such time to the affairs of the Company as the Board reasonably requires, consistent with their role as a non-executive Director, and is subject to a three month termination notice on either side.

Appointments of new Directors to the Board are considered by the Nomination Committee as and when required.

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

VCT compliance

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

Report of the Directors (continued)

VCT compliance (continued)

A summary of the VCT Regulations is included in the Company's Investment Policy as shown on page 29. Compliance with the main VCT regulations at 31 March 2021, and for the year then ended, is summarised as follows:

1. 80.0% of its investments in qualifying companies (Company as a whole);
83.5%
2. At least 70.0% of the Company's qualifying investments in "eligible shares" (investments made prior to 6 April 2018 from funds raised before 6 April 2011 are excluded);
93.0%
3. At least 10.0% of each investment in a qualifying company held in "eligible shares";
Complied
4. No investment constitutes more than 15.0% of the Company's portfolio;
Complied
5. Income for the year ended 31 March 2021 is derived wholly or mainly from shares and securities; and
97.2%
6. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities, in any one year, is retained.
Complied

Substantial interests

As at 31 March 2021, and at the date of this report, the Company was not aware of any beneficial interests exceeding three per cent of the issued share capital.

Auditor

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

Annual General Meeting

The AGM will be held at St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD at 10:15 a.m. on 10 August 2021. Full details are included in the Notice of the AGM and Form of Proxy at the end of this document.

Directors' responsibilities statement

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

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

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

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and accounting estimates that are reasonable and prudent;
- ▶ state whether the financial statements have been prepared in accordance with applicable UK Accounting Standards, subject to any material departures disclosed and explained in the financial statements;
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- ▶ prepare a Directors' Report, Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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

Report of the Directors (continued)

Directors' responsibilities statement (continued)

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 to assess the Company's position, performance, business model and strategy.

Website publication

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

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 2, confirms that, to the best of each person's knowledge:

- ▶ the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- ▶ the Annual Report, comprising the Chairman's Statement, the Strategic Report, the Investment Adviser's Report, the Review of Investments and the Report of the Directors, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Electronic publication

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

Corporate governance

The Company's compliance with, and departures from, the Association of Investment Companies Code of Corporate Governance (AIC Code, www.theaic.co.uk), is shown on page 43. The Statement on Corporate Governance set out on pages 33 to 34 is included in the Report of the Directors by reference.

Streamlined Energy and Carbon Reporting ('SECR')

As the company has no employees and primarily conducts its business at the London office of the Investment Adviser and administrator, Downing LLP, the company is not directly responsible for the consumption of electricity and gas in the UK, nor is the company responsible for greenhouse gas emissions related to transport in the UK.

As the company did not consume more than 40,000 kWh of energy during the year ended 31 March 2021, it has nothing to report under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulation 2018.

Other matters

Information in respect of financial instruments and future developments which were previously disclosed within the Directors Report has been disclosed within the Strategic Report on pages 27 to 31.

Information in respect of greenhouse gas emissions, which is normally disclosed within the Report of the Directors has been disclosed within the Strategic Report on page 31.

Insurance cover

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

Events after the end of the reporting period

Following the period end, the Company allotted 14,544,334 Ordinary Shares of 1p each under the terms of the offers for subscription. The aggregate consideration of the shares was £8.6 million.

Report of the Directors (continued)

Statement as to disclosure of information to the Auditor

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

By order of the Board



Grant Whitehouse
Company Secretary
St. Magnus House
3 Lower Thames Street
London EC3R 6HD

24 June 2021

Directors' Remuneration Report

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

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

Annual statement from the Remuneration Committee

The Committee comprises Chris Kay, Barry Dean, Stuart Goldsmith and Chris Allner. The current remuneration levels for the year ended 31 March 2021 were last reviewed by the remuneration committee during its meeting on 24 February 2017.

Remuneration policy

Below is the Company's current remuneration policy which was last put to a Shareholder vote at the AGM in 2020.

In accordance with regulations, Shareholders must vote on the remuneration policy, for the financial year commencing after the AGM, every three years or sooner if the Company wants to make changes to the policy. Therefore, the policy will be put to Shareholders again at the AGM in 2023.

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

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

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

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

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

Letters of appointment

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

Annual report on remuneration (audited)

The following disclosure is required to be audited under the requirements of section 497. The audit opinion thereon is contained within the Auditor's Report on pages 45 to 51.

Directors' Remuneration Report (continued)

Annual report on remuneration (audited) (continued)

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

	Percentage change in gross fee ²	2021 fee £	2020 fee £
Chris Kay	-	45,000	45,000
Barry Dean	-	30,000	30,000
Stuart Goldsmith	-	30,000	30,000
Chris Allner ¹	-	nil	n/a
		105,000	105,000

¹appointed 8 February 2021

²between the years ending 31 March 2021 and 31 March 2020

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

Statement of implementation of remuneration policy in the current financial year

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

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

Directors share interests (audited)

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

	31 March 2021	31 March 2020
Chris Kay	83,300	83,300
Barry Dean	7,129	7,129
Stuart Goldsmith	7,881	7,881
Chris Allner	nil	n/a

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

Statement of voting at AGM

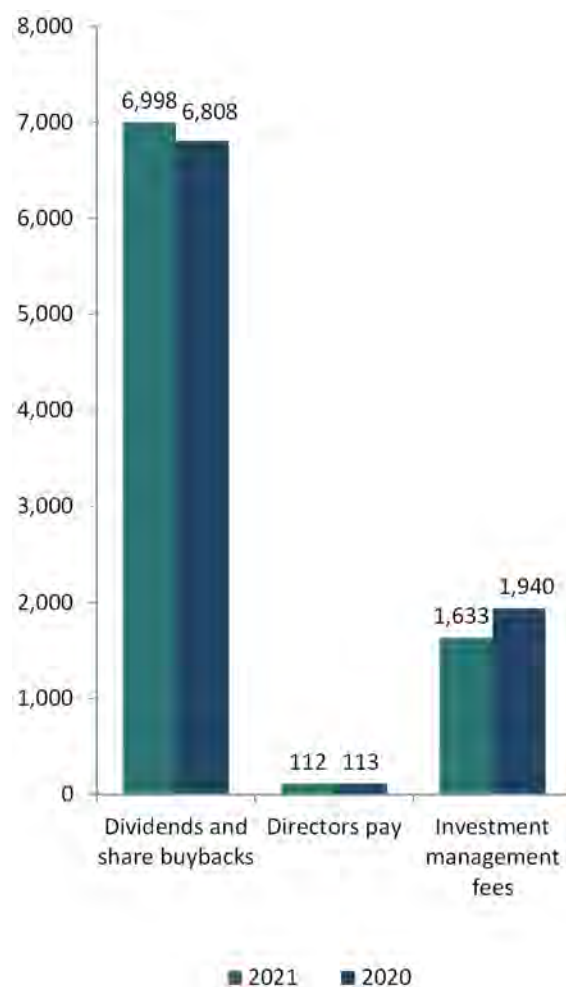
At the AGM on 15 September 2020, the votes in respect of the resolution to approve the Director's Remuneration Report were as follows:

In favour	93.0%
Against	7.0%

At the 2020 AGM, where the remuneration policy was last put to a Shareholder vote, 92.4% voted for the resolution and 7.6% voted against, showing significant Shareholder support.

Relative importance of spend on pay

The difference in actual spend between 31 March 2021 and 31 March 2020 on remuneration for all employees, in comparison to distributions (dividends and share buybacks) and other significant spending, are set out in the tabular graph below.



Performance graph

The graph on the next page charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) ("NAV Total Return") and Total Return of the Company's Share Price ("Share Price Total Return") over the past 10 years, compared to the Numis Smaller Companies Index (Total Return, excluding investment companies), each of which has been rebased to 100 pence. Shareholders should note that the Company has undergone some substantial changes over that period.

Directors' Remuneration Report (continued)

Performance graph (continued)

The Board believes that NAV Total Return provides Shareholders with a fairer reflection of the Company's long-term value than the Company's share price, due to the long-term nature of an investment in Venture Capital Trust shares. The Numis Smaller Companies Index ("Numis Index") is not a benchmark for the Company and its components include a much broader range of quoted investments than the Company is able to invest in.

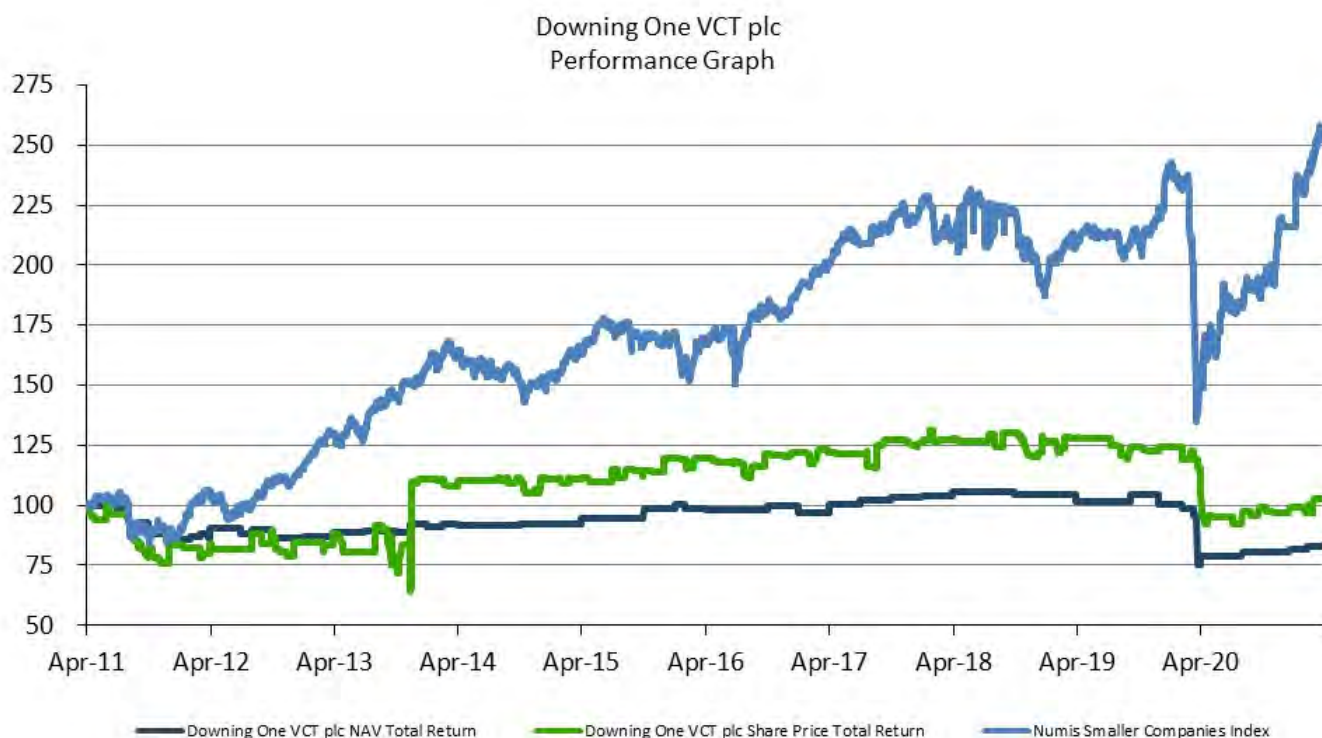
The Numis Index also does not include exposure to unquoted asset-backed investments of which the Company also holds a significant proportion. As a result, the Company's performance is not expected to be closely correlated to the Numis Index. However, of the publicly available indexes that can be used by the Company without incurring disproportionate costs, the Numis Index is considered to be the most appropriate broad equity market index to use for this chart.

By order of the Board



Grant Whitehouse
Company Secretary
St. Magnus House
3 Lower Thames Street
London EC3R 6HD

24 June 2021



Corporate Governance Statement

The Directors support the relevant principles of the Association of Investment Companies Code of Corporate Governance (AIC Code), being the principles of good governance and the code of best practice, as set out in the annex to the Listing Rules of the UK Listing Authority. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (UK Code) as well as setting out additional Provisions. The Board considers that reporting against principles and recommendations of the AIC Code will provide better information to Shareholders.

The Board

At the date of this report, the Company has a Board comprising of four non-executive Directors. The Chairman is Chris Kay. The Company does not have a Senior Independent Director. Biographical details of all current Board members (including the significant commitments of the Chairman) are shown on page 2.

The Board has assessed the independence of each of the Directors, all of which are considered to be independent, with the exception of Chris Allner, in accordance with the provision and recommendations set out in the AIC code.

In accordance with Company policy and corporate best practice, Barry Dean, Stuart Goldsmith and Chris Allner offer themselves for re-election at the forthcoming AGM.

Full Board meetings take place quarterly and the Board meets or communicates more regularly to address specific issues. The Board has a formal schedule of matters specifically reserved for its decision which includes, but is not limited to: considering recommendations from the Investment Adviser; and reviewing, annually, the terms of engagement of all third party advisers (including the Investment Adviser). The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense.

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

Share capital

The Board has authority to make market purchases of the Company's own shares. This authority for up to 14.9% of the Company's issued share capital was granted at the last AGM.

A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

The capital structure of the Company is disclosed on page 32.

Committees to the Board

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

The Chairman of the Nomination and Remuneration Committees is Barry Dean. The Chairman of the Audit Committee is Stuart Goldsmith.

Committee meetings are held in conjunction with the Board meetings. All committees have defined terms of reference and duties, which are available from www.downing.co.uk.

Board and Committee meetings

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

	Board meetings attended	Audit Com. meetings attended	Nomination Com. meetings attended
Chris Kay	6/6	2/2	1/1
Barry Dean	6/6	2/2	1/1
Stuart Goldsmith	6/6	2/2	1/1
Chris Allner ¹	1/1	n/a	1/1

¹appointed 8 February 2021

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

Audit Committee

The Audit Committee is responsible for:

- ▶ monitoring the Company's financial reporting and any formal announcements relating to the company's financial performance;
- ▶ providing advice on whether the annual report and accounts, taken as a whole, are fair balance and understandable;
- ▶ reviewing internal controls and risk management systems; and
- ▶ matters regarding audit and external auditors.

Financial Reporting

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

Corporate Governance Statement (continued)

Financial Reporting (continued)

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

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

The Committee has considered the whole Annual Report for the year ended 31 March 2021 and has reported to the Board that it considers it to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's performance, business model and strategy.

Internal audit and control

The Committee has considered the need for an internal audit function and has concluded that at the present time this would not be appropriate for a company of this size and structure. The Committee seeks to satisfy themselves that there is a proper system and allocation of the responsibilities for the day-to-day monitoring of financial controls by receiving representations and information (either upon request or voluntarily) from the Investment Adviser. This is covered more fully under Risk Management and Internal Control on page 42.

Whistleblowing procedures

As the Company has no staff, other than directors, there are no procedures in place relating to whistleblowing. The Audit Committee understands that the Investment Adviser has whistleblowing procedures in place.

External auditor

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

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

Under the Competition and Markets Authority regulations, there is a requirement that an audit tender process be carried out every ten years and mandatory rotation at least every twenty years. The last audit tender took place for the year ended 31 March 2015 and therefore mandatory tender will be required not later than after the year ending 31 March 2024. Following assurances received from the Investment Adviser at the completion of the audit for the year to 31 March 2021, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be re-appointed at the forthcoming AGM.

Non audit services

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

Nomination Committee

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to the Board composition and balance. Before any appointment is made by the Board, the Committee shall evaluate the balance of skills, knowledge and experience, and consider candidates based on merit, against objective criteria, and with due regard for the benefits of diversity on the Board. Chris Allner was appointed as a Director on 8 February 2021.

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, the Director tenure policy of the Company requires that any Director who has served on the Board 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)

Diversity policy

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

Remuneration Committee

The Remuneration Committee meets as required, to discuss the existing levels of remuneration for the non-executive Directors, and whether they reflect the time commitment and responsibilities of the positions and are comparable with industry standards. Where deemed necessary, they will recommend adjustments to the remuneration levels. The Committee did not meet during the year.

Board performance evaluation

The Company operates an annual process for the evaluation of the performance of the Board, each of its Committees and of the non-executive Directors.

The evaluation is undertaken using a questionnaire which covers a broad range of topics, including how the Board conducts its business and how it discharges its responsibilities. Further questions address the evaluation of the Chairman's performance.

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

Anti-bribery policy

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

Relations with Shareholders

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

In addition to the formal business of the AGM, representatives of the management team and the Board are available to answer any questions a Shareholder may have. Separate resolutions are proposed at the AGM on each substantially separate issue. Downing LLP collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. Proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called, and are published immediately following the AGM.

The notice of the next AGM, along with the proxy form, can be found at the end of these financial statements. The conditions of appointment of non-executive Directors are available to Shareholders upon request.

Financial reporting

The Directors' Statement of Responsibilities for preparing the accounts is set out in the Report of the Directors on page 34, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 50.

Risk Management and Internal control

The Board has adopted an Internal Control Manual ("Manual") for which it is responsible, which has been compiled in order to comply with the 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 is responsible for ensuring that the procedures to be followed by the Company's advisers and Directors are in place, and they review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year.

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

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 pages 3 to 5, the Investment Adviser's Report on pages 6 to 14 and the Strategic Report on pages 27 to 31. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 55 and the Strategic Report on page 30. In addition, notes 13 and 16 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives, details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Board have undertaken a review of the prospects of the Company over a 12-month period.

The major cash outflows of the Company (most notably investments, share buybacks and dividends) are within the Company's control. The Company has considerable financial resources at the year end and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully, despite the uncertain economic outlook.

In addition, the Directors have carried out a robust assessment of the principal risks facing the Company over a longer period than the 12 months required by the 'Going concern' provision, as set out in the viability statement on page 28.

The result of the EU referendum in 2016 has resulted in a UK withdrawal from the EU. The rules governing the new relationship between the EU and the UK took effect on 1 January 2021. The Board, together with the Investment Adviser, continue to monitor the impact of this new relationship on the company's portfolio. The impact may have some significant effect on the macroeconomic environment in the medium and long term, however the Board believes the impact on the Company will be reasonably small.

On 11 March 2020, the World Health Organisation declared the outbreak of a strain of novel coronavirus disease, Covid-19, a global pandemic. This resulted in a significant impact on a number of investee companies within the investment portfolio as well as worldwide economies. Subsequently, there has been a gradual recovery, particularly within the quoted portfolio.

However, the pandemic has resulted in a material fall in investee valuations within a small number of unquoted investments as a result. Whilst the lasting economic impact of the pandemic remains unclear, the Board have noted how robustly investee companies have dealt with the challenges brought about by the pandemic and note there has been an overall unrealised valuation gain across the year to 31 March 2021.

After reviewing the company's forecasts and projections, the Directors have a reasonable expectation that the major cash outflows of the Company (notably new investments, share buybacks and dividends) are within the Company's control and therefore the Board is confident that the current situation will not threaten the going concern status and are satisfied that the Company has adequate resources to continue in business for at least twelve months from the date of approval of these financial statements.

For this reason, the Board believes that the Company continues to be a going concern and that it is appropriate to continue to apply the going concern basis in preparing the financial statements

Compliance statement

The Listing Rules require the Board to report on compliance with the UK Corporate Governance Code throughout the accounting period. The preamble to the UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies, adding that the AIC Code can assist in meeting the obligations under the UK Corporate Governance Code. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 March 2021 with the provisions set out in the AIC Code of Corporate Governance.

- a) The Company has no major Shareholders, so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the Annual General Meeting. (5.2.3)

Corporate Governance Statement (continued)

Compliance statement (continued)

- b) Due to the size of the Board and nature of the VCT's business, the Board considers it appropriate for the entire Board, including the chair, to fulfil the role of the nomination, audit and the remuneration committee. (7.2.22, 9.2.37, 8.2.29)
- c) A Senior Independent Director has not been appointed. (6.2.14)

By order of the Board



Grant Whitehouse
Company Secretary
St. Magnus House
3 Lower Thames Street
London EC3R 6HD

24 June 2021

Independent Auditor's Report to the Members of Downing ONE VCT plc

Opinion on the financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of the Company's profit 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;

We have audited the financial statements of Downing ONE VCT plc (the 'Company') for the year ended 31 March 2021 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 March 2010 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 12 years, covering the years ended 31 March 2010 to 31 March 2021. We remain 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. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- ▶ Obtaining the VCT compliance reports during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status;
- ▶ Reviewing the forecasted cash flows that support the Directors' assessment of going concern and challenging management's assumptions and judgements made in the forecasts, assessing them for reasonableness. In particular we considered the available cash resources relative to the forecast expenditure and ability to meet VCT qualification criteria; and
- ▶ Evaluating the appropriateness of management's method of assessing the going concern in light of worst-case assumptions and the present uncertainties due to the Covid-19 pandemic.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor’s Report to the Members of Downing ONE VCT plc (continued)

Overview

		2021	2020
Key audit matters	Valuation of unquoted investments	Yes	Yes
Materiality	£1,560,000 (2020: £1,112,000) based on 1.75% (2020: 1.75%) of value of gross investments		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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. This matter was 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 this matter.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation of unquoted investments (Note 10 to the financial statements)</p> <p>There is a high level of estimation uncertainty involved in determining the unquoted investment valuations; consisting of both equity and loan stock instruments.</p> <p>The Investment Adviser’s fee is based on the value of the net assets of the fund, as shown in note 4.</p> <p>As the Investment Adviser is also responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.</p>	<p>We tested a sample of 91% of the unquoted investment portfolio by value of investment holdings.</p> <p>45% of the unquoted portfolio is based on valuations using net assets, 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 or net assets or third party offer to supporting evidence, reviewed the calibration of fair value and considered the Investment Adviser’s determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 March 2021. This is particularly pertinent in those circumstances where the impact of COVID-19 subsequent to the transaction date may call into question whether the price of recent investment remains reflective of fair value.</p> <p>The remaining 55% of the investment portfolio is valued with reference to more subjective techniques with 48% supported by a valuation performed using multiples of revenue or earnings. The remaining 7% of the portfolio is valued using discount cash flows. Our sample for unquoted equity investments valuation testing was stratified according to risk, having regard to the subjectivity of the inputs to the valuations. Our procedures performed on the remaining 55% of the population for the sample selected for detailed testing included:</p> <ul style="list-style-type: none"> ▶ Considering whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation (“IPEVCV”) Guidelines ▶ Re-performing the calculation of the investment value

Independent Auditor’s Report to the Members of Downing ONE VCT plc (continued)

An overview of the scope of our audit (continued)

		<ul style="list-style-type: none"> ▶ Verifying and benchmarking key inputs and estimates including revenue and earnings multiples and discount rates, to independent information from our own research valuations and against metrics from the most recent investments ▶ Challenging the assumptions inherent to the valuation of unquoted investments and assessment of impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements ▶ Considering the economic environment in which the investment operates to identify factors that could impact the investment valuations ▶ Where appropriate, performing sensitivity analysis on the valuation calculations where there is sufficient evidence to suggest reasonable alternative inputs might exist. ▶ We paid particular attention on specific areas surrounding Covid-19. This was addressed by considering management’s assessment of the impact of Covid-19 on the key assumptions made in the valuation and checking that the valuation methodology applied remains applicable given the economic impact of Covid-19. <p>For a sample of loans held at fair value included above, we:</p> <ul style="list-style-type: none"> ▶ Vouched security held to documentation ▶ Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition and considering the “unit of account” concept ▶ Reviewed the treatment of accrued redemption premium/other fixed returns in line with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (“the SORP”). <p><i>Key observations:</i> Based on the procedures performed we found the methodology and assumptions used by the Investment Adviser in their valuations to be appropriate.</p>
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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 as a whole.

Independent Auditor's Report to the Members of Downing ONE VCT plc (continued)

Our application of materiality (continued)

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2021	2020
Materiality	£1,560,000	£1,112,000
Basis for determining materiality	1.75% of gross investments	
Rationale for the benchmark applied	In setting materiality, we have had regard to the nature and composition of the investment portfolio. Given that the VCT's portfolio is comprised of quoted and unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 1.75% of invested assets.	
Performance materiality	£1,170,000	£834,000
Basis for determining performance materiality	75% of materiality.	
	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Lower Threshold

Profit before tax could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. Thus, we have set a lower testing threshold for those items impacting revenue return of £253,000 (2020: £105,000) which is based on 10% (2020: 2%) of gross expenditure.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £31,000 (2020: £22,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Independent Auditor's Report to the Members of Downing ONE VCT plc (continued)

Corporate governance statement (continued)

Going concern and longer-term viability	<ul style="list-style-type: none"> ▶ The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and ▶ The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate
Other Code provisions	<ul style="list-style-type: none"> ▶ Directors' statement is fair, balanced and understandable; ▶ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; ▶ The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and ▶ The section describing the work of the audit committee

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> ▶ 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. <p>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.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> ▶ 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, 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.

Independent Auditor's Report to the Members of Downing ONE VCT plc (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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 applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP issued in November 2014 and updated in October 2019 with consequential amendments and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation.

Our procedures 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 with those charged with governance;
- ▶ Obtaining the VCT compliance reports during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status; and
- ▶ review of minutes of board meetings throughout the period.

We assessed the susceptibility of the financial statements to material misstatement including fraud and considered the fraud risk areas to be the valuation of the unquoted investments and management override of controls.

Our tests included, but were not limited to:

- ▶ Obtaining independent evidence to support the ownership of investments;
- ▶ Recalculating investment management fees in total;
- ▶ Obtaining independent confirmation of bank balances;
- ▶ The procedures set out in the Key Audit Matters sections above; and
- ▶ Testing journals and evaluating whether there was evidence of bias by the Investment Adviser and Directors in estimates that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

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

Independent Auditor's Report to the Members of Downing ONE 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.

Handwritten signature in black ink that reads "BDO LLP".

Vanessa-Jayne Bradley (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
24 June 2021

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

Income Statement

for the year ended 31 March 2021

	Note	Year ended 31 March 2021			Year ended 31 March 2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	3	1,333	-	1,333	2,118	100	2,218
Gains/(losses) on investments	10	-	7,402	7,402	-	(21,094)	(21,094)
		1,333	7,402	8,735	2,118	(20,994)	(18,876)
Investment management fees	4	(817)	(817)	(1,634)	(970)	(970)	(1,940)
Other expenses	5	(900)	-	(900)	(3,000)	-	(3,000)
Return/(loss) on ordinary activities before tax		(384)	6,585	6,201	(1,852)	(21,964)	(23,816)
Tax on total comprehensive income and ordinary activities	7	(232)	232	-	(257)	257	-
Return/(loss) attributable to equity shareholders	9	(616)	6,817	6,201	(2,109)	(21,707)	(23,816)
Basic and diluted return/(loss) per share	9	(0.4)	4.4	4.0	(1.6)	(16.1)	(17.7)

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS 102"). There are no other items of comprehensive income. The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 and updated in October 2019 by the Association of Investment Companies ("AIC SORP").

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

Statement of Changes in Equity

for the year ended 31 March 2021

	Called up Share Capital £'000	Capital redemption reserve £'000	Share premium account £'000	Funds held in respect of shares not yet allotted £'000	Special reserve £'000	Capital reserve realised £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2020									
At 1 April 2019	1,334	1,597	45,515	114	52,526	-	1,343	2,121	104,550
Total comprehensive income	-	-	-	-	-	(917)	(20,790)	(2,109)	(23,816)
Realisation of revaluations from previous years*	-	-	-	-	-	2,488	(2,488)	-	-
Realisation of impaired valuations	-	-	-	-	-	(13,431)	13,431	-	-
Transfer between reserves*	-	-	-	-	(16,499)	16,499	-	-	-
<i>Transactions with owners</i>									
Dividends paid	-	-	-	-	-	(4,639)	-	(886)	(5,525)
Utilised in share issue	-	-	-	(114)	-	-	-	-	(114)
Unallotted shares	-	-	-	5,775	-	-	-	-	5,775
Issue of new shares	124	-	9,188	-	-	-	-	-	9,312
Share issue costs	-	-	-	-	(151)	-	-	-	(151)
Purchase of own shares**	(18)	18	-	-	(1,289)	-	-	-	(1,289)
At 31 March 2020	1,440	1,615	54,703	5,775	34,587	-	(8,504)	(874)	88,742
For the year ended 31 March 2021									
At 1 April 2020	1,440	1,615	54,703	5,775	34,587	-	(8,504)	(874)	88,742
Total comprehensive income	-	-	-	-	-	(780)	7,597	(616)	6,201
Realisation of revaluations from previous years*	-	-	-	-	-	(1,735)	1,735	-	-
Realisation of impaired valuations	-	-	-	-	-	(5,581)	5,581	-	-
Transfer between reserves*	-	-	-	-	(12,197)	12,197	-	-	-
<i>Transactions with owners</i>									
Dividends paid	-	-	-	-	-	(4,101)	-	(1,039)	(5,140)
Utilised in share issue	-	-	-	(5,775)	-	-	-	-	(5,775)
Unallotted shares	-	-	-	7,545	-	-	-	-	7,545
Issue of new shares	205	-	11,727	-	-	-	-	-	11,932
Share issue costs	-	-	-	-	(286)	-	-	-	(286)
Purchase of own shares**	(34)	34	-	-	(1,866)	-	-	-	(1,866)
At 31 March 2021	1,611	1,649	66,430	7,545	20,238	-	6,409	(2,529)	101,353

* A transfer of £1,735,000 representing previously recognised unrealised losses on disposal of investments during the year ended 31 March 2021 (2020: gains £2,488,000) has been made from the Revaluation reserve to the Capital Reserve-realised. A transfer of £12.2 million representing realised gains on disposal of investments, less net investment impairments and the excess of capital expenses over capital income and capital dividends in the year (2020: £16.5 million) has been made from the Special reserve to the Capital Reserve - realised.

** These shares were subsequently cancelled.

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

Balance Sheet

as at 31 March 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments	10	89,157	63,590
Current assets			
Debtors	11	2,001	1,944
Cash at bank and in hand		10,738	23,471
		12,739	25,415
Creditors: amounts falling due within one year	12	(543)	(263)
Net current assets		12,196	25,152
Net assets		101,353	88,742
Capital and reserves			
Called up share capital	13	1,611	1,440
Capital redemption reserve	14	1,649	1,615
Share premium account	14	66,430	54,703
Funds held in respect of shares not yet allotted	14	7,545	5,775
Special reserve	14	20,238	34,587
Revaluation reserve	14	6,409	(8,504)
Revenue reserve	14	(2,529)	(874)
Total equity shareholders' funds	15	101,353	88,742
Basic and diluted net asset value per share	15	58.2p	57.6p

The financial statements on pages 52 to 73 were approved and authorised for issue by the Board of Directors on 24 June 2021 and were signed on its behalf by:



Chris Kay
Chairman
Company number: 3150868

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

Cash Flow Statement

for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Cash flow from operating activities			
Gain/(loss) on ordinary activities after taxation		6,201	(23,816)
(Gain)/loss on investments		(7,402)	21,094
(Increase)/decrease in debtors		(57)	1,284
Increase/(decrease) in creditors		25	(28)
Net cash generated from operating activities		(1,233)	(1,466)
Cash flow from investing activities			
Purchase of investments	10	(21,403)	(11,197)
Proceeds from disposal of investments	10	3,238	10,997
Net cash (outflow) from investing activities		(18,165)	(200)
Cash flows from financing activities			
Proceeds from share issue		11,933	9,312
Funds held in respect of shares not yet allotted		1,770	5,661
Share issue costs		(286)	(151)
Purchase of own shares		(1,612)	(1,382)
Equity dividends paid	8	(5,140)	(5,525)
Net cash inflow from financing activities		6,665	7,915
(Decrease)/increase in cash		(12,733)	6,249
Net movement in cash			
Beginning of year		23,471	17,222
Net cash (outflow)/inflow		(12,733)	6,249
End of year		10,738	23,471

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

Notes to the Accounts

for the year ended 31 March 2021

1. General information

Downing ONE VCT plc ("the Company") is a venture capital trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales, and its registered office is St. Magnus House, 3 Lower Thames Street, London EC3R 6HD.

2. Accounting policies

Basis of accounting

The Company has prepared its financial statements in accordance with the Financial Reporting Standard 102 ("FRS 102") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" issued November 2014 and updated in October 2019 ("SORP").

The financial statements are presented in Sterling (£) and rounded to thousands.

Going concern

After reviewing the Company's forecasts and projections, the Directors have a reasonable expectation that the major cash outflows of the Company (most notably investments, share buybacks and dividends) are within the Company's control and therefore the Company has sufficient cash to meet its expenses and liabilities when they fall due. The impact of COVID-19 has been considered. More detail on these considerations can be found within the Corporate Governance report. As such, the Board confirms that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements as noted further within the Corporate Governance Report on page 43.

Presentation of income statement

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

Investments

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

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

The valuation methodologies for unquoted instruments (comprising equity and loan notes), used by the IPEV to ascertain the fair value of an investment, are as follows:

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

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value, as explained in the investment accounting policy above and addressed further in note 10. Where an investee company has gone into receivership, liquidation or administration and there is little likelihood of a recovery, the loss on the investment, although not physically disposed of, is treated as being realised.

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

Notes to the Accounts (continued)

for the year ended 31 March 2021

2. Accounting policies (continued)

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

Calibration to price of recent investment requires a level of judgment to be applied in assessing and reviewing any additional information available since the last investment date. The Board and Adviser consider a range of factors in order to determine if there is any indication of decline in value or evidence of increase in value since the recent investment date. If no such indications are noted the price of the recent investment will be used as the fair value for the investment.

Examples of signals which could indicate a movement in value are: -

- ▶ Changes in results against budget or in expectations of achievement of technical milestones patents/testing/ regulatory approvals
- ▶ Significant changes in the market of the products or in the economic environment in which it operates
- ▶ Significant changes in the performance of comparable companies
- ▶ Internal matters such as fraud, litigation or management structure.

In respect of disclosures required by the SORP for the 10 largest investments held by the Company, the most recent publicly available accounts information, either as filed at Companies House, or announced to the London Stock Exchange, is disclosed. In the case of unlisted investments, this may be abbreviated information only.

Judgements in applying accounting policies and key sources of estimation uncertainty

The key estimates in the financial statements is the determination of the fair value of the unquoted investments by the Directors, as it impacts the valuation of the unquoted investments at the balance sheet date.

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

A price sensitivity analysis of the unquoted investments is provided in note 16, under Investment price risk.

Income

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

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

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

Expenses

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

- ▶ Expenses which are incidental to the acquisition of an investment are deducted from the Capital Account.
- ▶ Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- ▶ Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. Investment management fees are allocated 50% to revenue and 50% to capital, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company.

Notes to the Accounts (continued)

for the year ended 31 March 2021

2. Accounting policies (continued)

Taxation

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

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

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

Cash and cash equivalents

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

Other debtors and other creditors

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

Share issue costs

Share issue costs have been deducted from the special reserve account.

Segmental reporting

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

Dividends payable

Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established, normally the record date.

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 and Statement of Changes in Equity.

3. Income

	Revenue £'000	Capital £'000	2021 Total £'000	2020 Total £'000
Income from investments				
Loan stock interest	939	-	939	1,497
Dividend income	357	-	357	481
LLP income	-	-	-	100
	1,296	-	1,296	2,078
Other income				
Other income	2	-	2	32
Deposit interest	35	-	35	108
	1,333	-	1,333	2,218

Notes to the Accounts (continued)

for the year ended 31 March 2021

4. Investment management fees

	2021 £'000	2020 £'000
Investment management fees	1,634	1,940

The annual running costs of the Company for the year were subject to a cap of 2.6% of the Company's net assets. The expense cap for the year was 2.6% and therefore has not been breached for the year under review or the year ended 31 March 2020. Downing LLP also provides administration services. Fees in relation to these services are shown within note 5 below.

5. Other expenses

	2021 £'000	2020 £'000
Administration services	147	163
Directors' remuneration	112	117
Social security costs (key management personnel)	8	8
Trail fee	172	243
Auditor's remuneration for statutory audit	42	38
Legal and professional fees	5	5
Custodian charges	15	9
Registrars fees	77	61
Provision for doubtful income	69	2,174
Other expenses	253	182
	900	3,000

6. Directors' remuneration

The Directors of the Company are considered to be the only key management personnel. Details of remuneration (excluding employer's NIC) are given in the Directors' Remuneration Report on page 38. The Company had no employees (other than Directors) during the year (2020: none). No other emoluments and pension contributions were paid by the Company to, or on behalf of, any Directors. There were no amounts outstanding at the year end.

Notes to the Accounts (continued)

for the year ended 31 March 2021

7. Tax on ordinary activities

	2021 £'000	2020 £'000
a) Tax charge for the year		
Current year:		
UK Corporation tax (charged to the Revenue Account)	232	257
Tax credited to Capital Account	(232)	(257)
	-	-
b) Factors affecting tax charge for the year		
Gain/(loss) on ordinary activities before taxation	6,201	(23,816)
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 19.0% (2020: 19.0%)	1,178	(4,525)
Effects of:		
(Gains)/losses on investments	(1,406)	4,008
UK dividend income	(68)	(91)
LLP income	90	184
Disallowable expenses	3	1
Partnership trading losses utilised	-	(89)
Excess management fees carried forward/(utilised) on which deferred tax asset is not recognised	203	512
	-	-

- c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £4.3 million (2020: £3.2 million). The associated deferred tax asset has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future. Due to the Company's status as a Venture Capital Trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

A deferred tax asset of £315,000 arising from investments in LLP companies has not been recognised as it is uncertain whether the losses carried forward will be offset against future taxable profits of the same trade in the foreseeable future.

8. Dividends

	Year ended 31 March 2021			Year ended 31 March 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividends paid in year						
2021 Interim: 1.25p	-	2,021	2,021	-	-	-
2020 Final: 2.0p	1,039	2,080	3,119	-	-	-
2020 Interim: 2.0p	-	-	-	-	2,868	2,868
2019 Final: 2.0p	-	-	-	886	1,771	2,657
	1,039	4,101	5,140	886	4,639	5,525
Dividends proposed						
2021 Final: 1.25p (2020: 2.0p)	732	1,463	2,195	1,020	2,039	3,059

Notes to the Accounts (continued)

for the year ended 31 March 2021

9. Basic and diluted return per share

	2021 £'000	2020 £'000
Return per share based on:		
Net revenue loss for the financial year	(616)	(2,109)
Net capital gain/(loss) for the financial year	6,817	(21,707)
Total gain/(loss) for the financial year	6,201	(23,816)
Weighted average number of shares in issue	156,403,594	134,726,743

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

10. Investments

	Unquoted investments £'000	Quoted on Aquis Growth Market £'000	Quoted on Main Market £'000	Quoted on AIM £'000	Total £'000
Opening cost at 1 April 2020	63,157	48	6,714	16,296	86,215
Unrealised (losses)/gains at 1 April 2020	(3,185)	(48)	(3,186)	(2,086)	(8,505)
Realised (losses) arising on impairment	(14,120)	-	-	-	(14,120)
Opening fair value at 1 April 2020	45,852	-	3,528	14,210	63,590
Movement in the year:					
Purchased at cost	19,860	-	-	1,543	21,403
Disposal proceeds	(2,133)	-	-	(1,105)	(3,238)
Realised (losses)/gains in the income statement	(236)	-	-	41	(195)
Unrealised valuation gains in the income statement	1,965	4	1,919	4,444	8,332
Unrealised foreign exchange losses in the income statement	(735)	-	-	-	(735)
Closing fair value at 31 March 2021	64,573	4	5,447	19,133	89,157
Closing cost at 31 March 2021	78,828	48	6,714	15,359	100,949
Unrealised gains/(losses) at 31 March 2021	3,678	(44)	(1,267)	4,042	6,409
Realised losses arising on impairment	(17,933)	-	-	(268)	(18,201)
Closing fair value at 31 March 2021	64,573	4	5,447	19,133	89,157

A schedule disclosing the additions and disposals during the year and other information on investments can be found within the Review of Investments on pages 15 to 24.

Notes to the Accounts (continued)

for the year ended 31 March 2021

10. Investments (continued)

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

Level 1 Reflects financial instruments quoted in an active market (quoted companies);

Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and

Level 3 Reflects financial instruments that use valuation techniques that are not based on observable market data (unquoted equity investments and loan note investments).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2021 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2020 £'000
Quoted on AIM	19,133	-	-	19,133	14,210	-	-	14,210
Quoted on Aquis	4	-	-	4	-	-	-	-
Quoted on Main market	5,447	-	-	5,447	3,528	-	-	3,528
Loan notes	-	-	19,891	19,891	-	-	19,039	19,039
Unquoted	-	-	44,682	44,682	-	-	26,813	26,813
	24,584	-	64,573	89,157	17,738	-	45,852	63,590

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

	Unquoted shares £'000	Loan notes £'000	Total £'000
Balance at 31 March 2020	26,813	19,039	45,852
<i>Movements in the income statement:</i>			
Unrealised valuation gain/(losses) in the income statement	2,038	(73)	1,965
Unrealised foreign exchange losses in the income statement	(735)	-	(735)
Realised losses in the income statement	(236)	-	(236)
	27,880	18,966	46,846
Purchases at cost	17,866	1,994	19,860
Disposal proceeds	(1,064)	(1,069)	(2,133)
Balance at 31 March 2021	44,682	19,891	64,573

Changing one or more of the inputs to reasonable possible alternative valuation assumptions could result in a significant change in the fair value of the Level 3 investments. There is an element of judgement in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments.

The Board and the Investment Adviser believe that the valuations as at 31 March 2021 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 16.

Significant interests

Details of shareholdings in those companies where the Company's holding, at 31 March 2021, represents greater than 20% of the nominal value of any class of the allotted shares in the portfolio company are included within the review of investments on pages 20 to 23. Relevant companies which are not included within the review of investments are disclosed on the next page. Although the Company, through the Investment Adviser will, in some cases, be represented on the Board of the portfolio company, it will not take a controlling interest in the company.

Notes to the Accounts (continued)

for the year ended 31 March 2021

10. Investments (continued)

Significant interests (continued)

The investments listed below are held and managed as part of the investment portfolio and therefore, in accordance with FRS 102 section 14, are measured at fair value through profit or loss. All of the companies named are incorporated in Great Britain. The percentage holding does not reflect the percentage voting rights in the company as a whole.

Company	Registered office	Class of shares	Number held	Proportion of class held	Proportion of total voting rights
Avid Technology Group Limited	NE23 1WG	Preference 'S1' Shares	482,214,720	20.8%	-
Cadbury House Holdings Limited	EC3R 6HD	Ordinary Shares	892,306	36.2%	36.2%
Channel Mum Limited	RG1 1PL	Ordinary 'D1' Shares	57,022	26.3%	10.0%
Cornelis Networks Inc	EC4M 8AL	Preference 'A3' Shares	2,700,000	45.0%	4.9%
Curo Compensation Limited	EH3 8EH	Ordinary 'A' Shares	462,315	42.5%	7.6%
Data Centre Response Limited	SN6 8TY	Ordinary 'A' Shares	1,477	100%	49.6%
Data Centre Response Limited	SN6 8TY	Ordinary 'B' Shares	181,048	100%	-
Empiribox Holdings Limited	OX11 0QX	Ordinary 'C' Shares	2,515,592	40.9%	5.6%
Empiribox Holdings Limited	OX11 0QX	Ordinary 'D' Shares	1,377,144	41.5%	-
Empiribox Holdings Limited	OX11 0QX	Ordinary 'E' Shares	12,798,122	35.3%	28.6%
Fresh Green Power Limited	EC3R 6HD	Ordinary 'A' Shares	40	40.0%	30.0%
Fresh Green Power Limited	EC3R 6HD	Ordinary 'C' Shares	279,960	40.0%	-
Genincode UK Limited	M2 3DE	Ordinary 'B' Shares	7,580	20.0%	6.6%
Glisser Limited	EC2A 4NE	Ordinary 'B3' Shares	279,165	60.5%	-
Glownet Limited	EC3R 6HD	Ordinary 'A' Shares	3,615,584	33.3%	7.9%
Green Energy Production UK Limited	EC3R 6HD	Ordinary 'A' Shares	20	40.0%	30.0%
Green Energy Production UK Limited	EC3R 6HD	Ordinary 'C' Shares	139,980	40.0%	-
Jito Trading Limited	YO8 6EL	Ordinary 'B' Shares	2,551,020	50.0%	25.0%
JRNI Limited	RG41 5TP	Ordinary 'A1' Shares	76,896	32.6%	-
Kimbolton Lodge Limited	EC3R 6HD	Ordinary 'A' Shares	603,500	50.0%	50.0%
Lineten Limited	EC3M 6BN	Preference 'A' Shares	28,823	50.0%	3.2%
Maestro Media Limited	SN8 1PW	Ordinary 'B' Shares	266,666	40.4%	5.7%
Pearce and Saunders Limited	EC3R 6HD	Ordinary Shares	950,400	44.0%	4.4%
Pearce and Saunders DevCo Limited	EC3R 6HD	Ordinary 'A' Shares	83,600	44.0%	4.4%
Pilgrim Trading Limited	EC3R 6HD	Ordinary 'A' Shares	300	60.0%	13.9%
Pilgrim Trading Limited	EC3R 6HD	Ordinary 'B' Shares	1,815,348	60.0%	-
Quadrat Catering Limited	EC3R 6HD	Ordinary 'A' Shares	257	39.5%	25.7%
Quadrat Catering Limited	EC3R 6HD	Ordinary 'B' Shares	1,049,654	39.5%	-
Rated People Limited	SE1 8NW	Ordinary 'C' Shares	30,171	21.4%	2.9%
The Thames Club Limited	EC3R 6HD	Preference 'A' Shares	875,000	77.8%	1.4%
Trinny London Limited	SW3 3TD	Preference 'B2' Shares	1,820	29.5%	0.9%
Virtual Class Limited	E1 8EW	Ordinary 'B' Shares	3,283	50.0%	1.9%
Virtual Class Limited	E1 8EW	Ordinary 'C2' Shares	4,662	30.1%	2.7%
Xupes Limited	CM23 3AR	Ordinary 'A' Shares	128,536	75.0%	15.7%
Xupes Limited	CM23 3AR	Ordinary 'B' Shares	1,124,212	75.0%	-
Yamuna Renewables Limited	YO8 6EL	Ordinary 'B' Shares	2,551,020	50.0%	25.0%

Notes to the Accounts (continued)

for the year ended 31 March 2021

11. Debtors

	2021 £'000	2020 £'000
Other debtors	632	384
Income tax recoverable	3	3
Prepayments and accrued income	1,366	1,557
	2,001	1,944

12. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Taxation and social security	14	14
Other creditors	10	10
Accruals and deferred income	519	239
	543	263

13. Called up share capital

	2021 £'000	2020 £'000
Issued, allotted, called up and fully paid:		
161,094,068 (2020: 143,984,140) Ordinary Shares of 1p each	1,611	1,440

The Company allotted 19,141,138 Ordinary Shares of 1p each at an average price of 59.4p per Ordinary Share under the terms of the offers for subscription. The aggregate consideration of the shares was £11.1 million, which excludes costs of £286,000.

Under the terms of the Company's Dividend Reinvestment scheme, the Company allotted 1,369,851 Ordinary Shares of 1p each at an average price of 57.3p, to subscribing shareholders in respect of the dividends paid on 18 September 2020 and 26 February 2021 respectively.

During the year, the Company repurchased 3,401,061 Ordinary Shares of 1p each for an average consideration of 54.6p per share, representing 2.4% of those shares in issue at the last Annual Report. These shares were subsequently cancelled.

Management of capital

The Company's capital is managed in accordance with its investment policy, as shown in the Strategic Report on pages 29 to 30, in pursuit of its principal investment objectives as stated on page 2. The Company has the authority to buy back shares as described in the Corporate Governance Statement on page 40. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide an adequate return to Shareholders by allocating its capital to assets commensurately with the level of risk. As a Venture Capital Trust, the Company has an amount of capital, at least 80% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets if so required to maintain a level of liquidity to remain a going concern.

Notes to the Accounts (continued)

for the year ended 31 March 2021

13. Called up share capital (continued)

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

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

14. Reserves

	2021 £'000	2020 £'000
Capital redemption reserve	1,649	1,615
Share premium account	66,430	54,703
Funds held in respect of shares not yet allotted	7,545	5,775
Special reserve	20,238	34,587
Revaluation reserve	6,409	(8,504)
Revenue reserve	(2,529)	(874)
	99,742	87,302

Distributable reserves are calculated as follows:

	2021 £'000	2020 £'000
Special reserve	20,238	34,587
Revenue reserve	(2,529)	(874)
Unrealised (losses)/gains (excluding unrealised unquoted gains)	(3,547)	(12,381)
	14,162	21,332

Capital redemption reserve

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

Share premium account

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

Funds held in respect of shares not yet allotted

This reserve accounts for cash received in respect of applications for new shares that have not yet been allotted and is recorded on the Balance Sheet.

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 issue costs are also charged to the special reserve.

Notes to the Accounts (continued)

for the year ended 31 March 2021

14. Reserves (continued)

Capital reserve - realised

The following are disclosed in this reserve:

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

Revaluation reserve

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

Revenue reserve

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

15. Basic and diluted net asset value per share

	Shares in issue	Net assets £'000	NAV per share pence
As at 31 March 2021			
Ordinary Shares	161,094,068	101,353	58.2
		101,353	
As at 31 March 2020			
Ordinary Shares	143,984,140	88,742	57.6
		88,742	

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

The Company's net assets as at 31 March 2021 included funds held in respect of shares not yet allotted of £7,545,000.

16. Financial instruments

The Company's financial instruments comprise investments held at fair value through profit or loss, being equity and loan stock investments in quoted companies and unquoted companies, loans and receivables, being cash deposits and short term debtors, and financial liabilities, being creditors arising from its operations. The main purpose of these financial instruments is to generate cash flows, revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities, apart from short-term creditors and does not use any derivatives.

The fair value of investments is determined using the detailed accounting policy as shown in note 2. The composition of the investments is set out in note 10. The fair value of cash deposits and short-term debtors and creditors equates to their carrying value in the balance sheet.

Notes to the Accounts (continued)

for the year ended 31 March 2021

16. Financial instruments (continued)

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

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

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

The risk management policies used by the Company in respect of the principal financial risks and a review of the financial instruments held at the year-end, are provided on the following pages.

Investment risks

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

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

- ▶ Investment price risk;
- ▶ Interest rate risk; and
- ▶ Foreign currency exposure risk

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

Investment price risk

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

Notes to the Accounts (continued)

for the year ended 31 March 2021

16. Financial instruments (continued)

Investment price risk (continued)

Quoted investments

The Company's sensitivity to fluctuations in the share prices of its quoted investments, excluding fixed interest bonds, is summarised below. In light of the current volatile market conditions arising from the coronavirus pandemic, the Board has considered the reasonably possible market movements that should be illustrated with sensitivity analysis. A positive 20% movement and negative 50% movement in the share price in each of the quoted stocks held by the Company is considered to be a reasonable maximum movement in a year and would have an effect as follows:

Sensitivity	Year ended 31 March 2021				
			+20% movement		-50% movement
	Risk exposure £'000	Impact on net assets/ return £'000	Impact on NAV per share Pence	Impact on net assets/ return £'000	Impact on NAV per share Pence
Quoted shares	24,584	4,917	3.1	(12,292)	(7.6)

Sensitivity	Year ended 31 March 2020				
			+20% movement		-50% movement
	Risk exposure £'000	Impact on net assets/ return £'000	Impact on NAV per share Pence	Impact on net assets/ return £'000	Impact on NAV per share Pence
Quoted shares	17,738	3,548	2.5	(8,869)	(6.2)

Unquoted investments

At 31 March 2021, the unquoted portfolio was valued at £64,573,000 (31 March 2020: £45,852,000). A breakdown of the unquoted portfolio by valuation method used is as follows:

	2021 £'000
Calibration to price of recent investment	25,173
Multiples	22,801
Discounted cash flows or earnings (of underlying business)	6,103
Net Assets	5,717
Discounted cash flows (from the investment)	4,779
	64,573

Notes to the Accounts (continued)

for the year ended 31 March 2021

16. Financial instruments (continued)

Investment price risk (continued)

As many of the Company's unquoted investments are valued using revenue or earnings multiples of comparable companies or sectors, a change in the relevant market sectors could impact on the valuation of the equity investments held in the unquoted portfolio. As the unquoted investments are across a broad range of sectors and valued using different valuation techniques, it is not possible to create a meaningful analysis by changing one input or discount factor. 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. The Board has considered the current volatile market conditions arising from the coronavirus pandemic in determining the reasonably possible market movements that should be illustrated within sensitivity analysis. A positive 20% and negative 50% movement in the price of these investments is considered to be a reasonable maximum level in a year and would have an effect as shown below:

Sensitivity	Year ended 31 March 2021				
			+20% movement		-50% movement
	Risk exposure £'000	Impact on net assets/ return £'000	Impact on NAV per share Pence	Impact on net assets/ return £'000	Impact on NAV per share Pence
Unquoted investments	64,573	12,914	8.0	(32,286)	(20.0)

Sensitivity	Year ended 31 March 2020				
			+20% movement		-50% movement
	Risk exposure £'000	Impact on net assets/ return £'000	Impact on NAV per share Pence	Impact on net assets/ return £'000	Impact on NAV per share Pence
Unquoted investments	45,852	9,170	6.4	(22,926)	(15.9)

Notes to the Accounts (continued)

for the year ended 31 March 2021

16. Financial instruments (continued)

Investment price risk (continued)

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 positive movement of 20% and negative movement of 50%. Shareholders should note that equal correlation between these sub-categories is unlikely to be the case in reality, particularly in the case of loan stock instruments. Where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to investment price risk in isolation.

Interest rate risk

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

Interest rate profile of financial assets and financial liabilities

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

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

Interest rate risk profile of financial assets and financial liabilities

	Weighted average interest rate	Weighted average period until maturity	2021 £'000	2020 £'000
Fixed rate	5.0%	1,365 days	19,891	19,039
Floating rate	0.17%		10,738	23,471
No interest rate			70,724	46,232
			101,353	88,742

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

In March 2020, The Bank of England base rate decreased from 0.75% per annum to 0.1% per annum. Any potential change in the base rate at the current level would not have a material impact on the net assets and total return of the Company.

Foreign currency exposure risk

The Company has exposure to foreign currency risk through its investments in companies whose valuation is denominated and who report in US Dollars. This has resulted in an unrealised foreign exchange loss of £735,000 (2020: nil) during the year. Due to the relatively low exposure to companies denominated in foreign currencies, the Board considers foreign currency risk to be at an acceptable level and does not seek to mitigate such exposure as this could restrict the net returns from the foreign currency investments.

Notes to the Accounts (continued)

for the year ended 31 March 2021

16. Financial instruments (continued)

Credit risk

Credit risk is the risk that the counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company is exposed to credit risk through its holdings of loan stock in investee companies, investments in fixed interest securities, cash deposits and debtors.

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

	2021 £'000	2020 £'000
<i>Fair value through profit or loss assets:</i>		
Investments in loan stocks	19,891	19,039
<i>Loans and receivables:</i>		
Cash and cash equivalents	10,738	23,471
Interest, dividends and other receivables	1,277	1,535
	31,906	44,045

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

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

There has been limited changes in fair value during the year that can be directly attributable to changes in credit risk.

As at 31 March 2021, of the loan stock classified as "past due", on the next page, £1,931,000 relates to the principal of loan notes where, although the principal remains within the term, the investee company is not fully servicing the interest obligations under the loan note and is in arrears. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

As at 31 March 2021, of the loan stock classified as "past due", on the next page, £7,328,000 relates to the principal of loan notes where the principal has passed its maturity date. As at the balance sheet date, the extent to which the principal is past its maturity date, £5.0 million falls within the banding of nil to 2 years past due and £2.3 million is 3 to 5 years past due. Notwithstanding this information, the Directors do not consider the loan notes to be impaired at the current time or that maturity dates of the principal have altered.

Notes to the Accounts (continued)

for the year ended 31 March 2021

16. Financial instruments (continued)

Credit risk (continued)

As at 31 March 2020, of the loan stock classified as “past due”, below, £1,103,000 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 was in arrears. Notwithstanding the arrears of interest, the Directors did not consider that the loan note itself had been impaired or the maturity of the principal had altered.

As at 31 March 2020, of the loan stock classified as “past due”, below, £7,420,000 related to the principal of loan notes where the principal had passed its maturity date. As at 31 March 2020, the extent to which the principal is past its maturity date, £5.5 million falls within the banding of nil to 2 years past due and £1.9 million is 3 to 5 years past due. Notwithstanding this information, the Directors did not consider the loan notes to be impaired at 31 March 2020 or that maturity dates of the principal had altered.

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. The Company normally has a relatively low level of creditors (2021: £543,000, 2020: £263,000) and has no borrowings. Most of 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 Adviser 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 value of loan stock investments held at fair value through the profit and loss account at 31 March 2021, as analysed by expected maturity date, is as follows:

	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Over 5 years £'000	Passed maturity date £'000	Total £'000
As at 31 March 2021							
Fully performing loan stock	2,057	-	-	1,750	5,000	1,825	10,632
Past due loan stock	834	1,097	-	-	-	7,328	9,259
	2,891	1,097	-	1,750	5,000	9,153	19,891
As at 31 March 2020							
Fully performing loan stock	360	2,057	-	521	5,000	2,578	10,516
Past due loan stock	325	778	-	-	-	7,420	8,523
	685	2,835	-	521	5,000	9,998	19,039

Notes to the Accounts (continued)

for the year ended 31 March 2021

17. Contingencies, guarantees and financial commitments

As at 31 March 2021, the Company had exited from ADC Biotechnology Limited. The total sales consideration comprised a deferred element of £310,000, the receipt of which is contingent on certain events taking place which, although considered probable, are outside of the control of the Company. In accordance with FRS 102 (Section 10.11.3), this amount has not been recorded as a receivable in these financial statements, nor as part of the exit proceeds shown on page 19, as the Directors consider that the receipt of this amount is not virtually certain.

As at 31 March 2021, the Company had also exited from BridgeU Corporation. Of the total sales consideration, £143,000 had been withheld from the Company pending warranty claims. Whilst the Directors consider it unlikely that any such claims will be made, the remaining funds will not be released to the Company until the expiry of the warranty period. As such, in accordance with FRS 102 (Section 10.11.3), this amount has not been recorded as a receivable in these financial statements, nor as part of the exit proceeds shown on page 19.

Other than those noted above, there were no contingencies, guarantees or financial commitments of the Company at the year-end (2020: nil).

18. Controlling party and related party transactions

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

Fees payable during the year to the Directors and their interest in shares of the Company are disclosed within the Directors' Remuneration Report on pages 37 to 39. There were no amounts outstanding and due to the Directors as at 31 March 2021 (2020: nil).

Further related party transactions include Investment Advisor and Administration fees payable to Downing LLP, as disclosed in notes 4 and 5. In addition, Downing LLP was also paid promoter fees in connection with the fundraising offer that is currently open, which totalled £206,000 for the year ended 31 March 2021 (2020: £102,000).

The Company also has an agreement to pay an ongoing trail fee annually to Downing LLP, in connection with funds raised under original offers for subscription out of which Downing LLP has an obligation to pay trail commission to intermediaries. During the year to 31 March 2021, £172,000 (2020: £243,000) was paid to Downing LLP.

19. Events after the end of the reporting period

Since the year end, the Company allotted 14,544,334 Ordinary Shares of 1p each at an average price of 59.2p per Ordinary Share, under the terms of the offers for subscription. The aggregate consideration for the shares was £8.6 million.

Unaudited Performance Summary for Investor Groups

The Company undertook a merger with five other VCTs followed by a share reorganisation on 12 November 2013. Full details, including share conversion ratios, can be found on Downing's website, www.downing.co.uk. The figures in the table below show the performance of the various groups of investors who make up the Company's current shareholder base and grouped by the VCTs that participated in the merger in November 2013.

Share issue	Year of launch	Initial income tax relief (%)	Equivalent dividends received (pence)	Equivalent NAV (pence)	(Loss)/gain (ignoring income tax relief) (%)	Gain/(loss) (after initial income tax relief) (note 1) (%)	Gain/(loss) (after initial and SRRP tax relief) (note 2) (%)
Downing ONE VCT plc ("DDV1")							
AIM Distribution Trust plc	1996	20%	73.32p	14.5p	-12.2%	9.8%	19.6%
AIM Distribution Trust plc - top up	2005	40%	23.52p	14.5p	-48.3%	-13.8%	3.9%
Pennine AIM VCT 5 plc	2005	40%	44.74p	12.6p	-42.6%	-4.4%	7.0%
Pennine AIM VCT 6 plc	2006	40%	48.31p	16.8p	-34.9%	8.6%	23.7%
Downing Distribution VCT 1 plc - top up	2010	30%	45.13p	41.5p	-17.3%	18.0%	n/a
Downing Distribution VCT 1 plc - top up	2012	30%	35.13p	41.5p	-1.6%	40.6%	n/a
Downing ONE VCT plc	Feb 2014	30%	38.75p	58.2p	-3.5%	37.7%	n/a
Downing ONE VCT plc	Mar-Jul 2014	30%	36.75p	58.2p	-3.6%	37.6%	n/a
Downing ONE VCT plc	Sep 2014	30%	34.75p	58.2p	-4.5%	36.5%	n/a
Downing ONE VCT plc	Jan 2015	30%	34.75p	58.2p	-3.7%	37.5%	n/a
Downing ONE VCT plc	Mar-May 2015	30%	34.75p	58.2p	-1.6%	40.4%	n/a
Downing ONE VCT plc	Jul-2015	30%	34.75p	58.2p	-4.1%	37.1%	n/a
Downing ONE VCT plc	Sep-Nov-2015	30%	32.75p	58.2p	-3.1%	38.4%	n/a
Downing ONE VCT plc	Feb-2016	30%	29.75p	58.2p	-10.3%	28.0%	n/a
Downing ONE VCT plc	Mar-Apr 2016	30%	26.75p	58.2p	-10.7%	27.6%	n/a
Downing ONE VCT plc	Jul 2016	30%	26.75p	58.2p	-7.7%	31.9%	n/a
Downing ONE VCT plc	Sep 2016	30%	23.75p	58.2p	-7.9%	31.5%	n/a
Downing ONE VCT plc	Oct 2016	30%	23.75p	58.2p	-11.4%	26.5%	n/a
Downing ONE VCT plc	Nov 2017	30%	16.25p	58.2p	-16.2%	19.7%	n/a
Downing ONE VCT plc	Mar 2018	30%	13.25p	58.2p	-17.2%	18.3%	n/a
Downing ONE VCT plc	Apr 2019	30%	7.25p	58.2p	-18.9%	15.8%	n/a
Downing ONE VCT plc	Sep 2019	30%	3.25p	58.2p	-21.8%	11.7%	n/a
Downing ONE VCT plc	Sept 2020	30%	0.00p	58.2p	-6.0%	34.4%	n/a
Downing Income VCT 3 plc ("DI3")							
Pennine AIM VCT plc	1996	20%	107.37p	18.8p	26.1%	57.7%	68.1%
Pennine AIM VCT II plc	1997	20%	65.33p	12.5p	-22.2%	-2.7%	4.2%
Pennine Downing AIM VCT plc	1998	20%	50.55p	16.5p	-32.9%	-16.2%	-7.0%
The Ethical AIM VCT plc	1999	20%	30.99p	10.6p	-58.4%	-48.0%	-42.1%
Pennine Downing AIM VCT 2 plc	2001	20%	44.43p	16.8p	-38.7%	-23.4%	-14.1%
Pennine AIM VCT plc (C share)	2002	20%	45.22p	26.3p	-28.5%	-10.6%	4.0%
Pennine AIM VCT plc (D share)	2006	30%	53.55p	31.0p	-15.4%	20.8%	40.4%
Downing Distribution VCT 2 plc - top up	2010	30%	50.50p	53.3p	-4.2%	36.8%	n/a
Downing Income VCT 3 plc - top up	2013	30%	38.00p	53.3p	0.7%	43.9%	n/a
Downing Income VCT 3 plc (E share)	2011	30%	41.21p	50.6p	-8.2%	31.2%	n/a
Downing Income VCT plc ("DI")							
Framlington AIM VCT 2 plc	2005	40%	41.68p	20.5p	-37.8%	3.7%	18.7%
Downing Income VCT plc	2013	30%	13.68p	20.5p	-0.9%	41.6%	n/a
Downing Income VCT 4 plc ("DI4")							
Framlington AIM VCT plc	2006	40%	48.5p	22.5p	-29.0%	18.4%	34.0%
Downing Income VCT 4 plc	2013	30%	15.00p	22.5p	3.9%	48.5%	n/a
Downing Absolute Income VCT 1 plc ("DAI1")							
Downing Healthcare Protected VCT plc	1996	20%	101.03p	49.0p	50.0%	87.5%	117.9%
Downing Protected VCT 1 plc - top up	2010	30%	43.63p	49.0p	1.6%	45.1%	n/a
Downing Absolute Income VCT 1 plc - top up	2010	30%	43.63p	49.0p	1.3%	44.8%	n/a
Downing Absolute Income VCT 1 plc - top up	2012	30%	37.63p	49.0p	-6.2%	33.9%	n/a
Downing Absolute Income VCT 1 plc (C share)	2010	30%	39.82p	41.0p	-19.2%	15.5%	n/a
Downing Absolute Income VCT 2 plc ("DAI2")							
Downing Absolute Income VCT 2 plc	2010	30%	44.16p	40.0p	-15.8%	20.3%	n/a

Note 1

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

Note 2

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

Company Information

Registered number	03150868
Directors	Chris Kay (Chairman) Chris Allner Barry Dean Stuart Goldsmith
Secretary and registered office	Grant Whitehouse 6 th Floor, St. Magnus House 3 Lower Thames Street London EC3R 6HD
Investment Adviser 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 Hamilton House 1 Temple Avenue, Temple London EC4Y 0HA
Registrars (with effect from 30 July 2021)	City Partnership (UK) Limited The Mending Rooms Park Valley Mills Meltham Road Huddersfield HD4 7BH 01484 240 910 registrars@city.uk.com
Corporate broker	Panmure Gordon (UK) Limited Chris Lloyd 0207 886 2716 chris.lloyd@panmure.com Paul Nolan 0207 886 2717 paul.nolan@panmure.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

NOTICE OF ANNUAL GENERAL MEETING OF DOWNING ONE VCT PLC

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Downing ONE VCT plc will be held at St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD at 10.15 a.m. on 10 August 2021 for the transaction of the following business:

If you intend to attend the AGM, please also notify us by email to d1agm@downing.co.uk in case there are any changes to arrangements that need to be communicated at short notice.

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 2021, together with the Independent Auditors' Report thereon.
2. To approve the Directors' Remuneration Report.
3. To approve a final dividend of 1.25p per Ordinary Share.
4. 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.
5. To re-elect as Director, Barry Dean, who retires and, being eligible, offers himself for re-election.
6. To re-elect as Director, Stuart Goldsmith, who retires and, being eligible, offers himself for re-election.
7. To re-elect as Director, Chris Allner, who retires and, being eligible, offers himself for re-election.

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

Ordinary Resolution

8. That, in addition to existing authorities, the Directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("CA 2006") to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £450,000 (representing approximately 26% of the share capital in issue at today's date), provided that the authority conferred by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry.

Special Resolutions

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

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

Special resolutions (continued)

10. That, the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the CA 2006 to make one or more market purchases (as defined in section 693(4) of CA 2006) of shares provided that:

- (a) the maximum number of shares hereby authorised to be purchased is 26,170,121 representing approximately 14.9% of the present issued share capital of the Company;
- (b) the minimum price (exclusive of expenses) which may be paid for such shares is 1p the nominal amount thereof;
- (c) the maximum price (exclusive of expenses) which may be paid for such shares shall be an amount equal to 5% above the average of the middle market quotations for such class of the Company's shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days immediately preceding the day on which the purchase was made;
- (d) the Company may make a contract to purchase its own shares under this authority prior to the expiry of this authority, and such contract will or may be executed wholly or partly after the expiry of this authority, and the Company may make a purchase of its own shares in pursuance of any such contract;

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

By order of the Board



Grant Whitehouse
Company Secretary
St. Magnus House
3 Lower Thames Street
London EC3R 6HD

24 June 2021

Note:

Information regarding the Annual General Meeting, including the information required by section 311A of the CA 2006, is available from www.downing.co.uk.

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

Notes

- (a) A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman as his proxy although the Chairman will not speak for the member.
- (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, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD or electronically at d1agm@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.
- (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, 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.
 - ▶ by sending an e-mail to d1agm@downing.co.uk.
- In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting. 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) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 10:15 a.m. on 6 August 2021 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 10:15 a.m. on 6 August 2021 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (e) As at 9:00 a.m. on 24 June 2021, the Company's issued share capital comprised 175,638,402 Ordinary Shares and the total number of voting rights in the Company was 175,638,402. The Company website, www.downing.co.uk will include information on the number of shares and voting rights.
- (f) If you are a person who has been nominated under section 146 of the CA2006 to enjoy information rights ("Nominated Person"):
- ▶ You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
 - ▶ If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
 - ▶ Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (g) 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.

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

- (h) 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.
- (i) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.
- (j) Members may not use any email address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

DOWNING ONE VCT PLC

FORM OF PROXY

For use at the Annual General Meeting of the above-named Company, to be held on 10 August 2021 at 10.15 a.m at St Magnus House, 3 Lower Thames Street, London EC3R 6HD

I/We* (in BLOCK CAPITALS please)

of

being the holder(s)* of Ordinary Shares of 1p each in the above-named Company, hereby appoint the Chairman of the meeting (see note 1 overleaf) as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held on 10 August 2021 or at any adjournment thereof.

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

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

ORDINARY BUSINESS	FOR	AGAINST	WITHHELD
1. To receive and adopt the Report of the Directors and Accounts.	<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 approve the payment of a final dividend of 1.25p per Ordinary Share.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint the Auditor and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Barry Dean as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Stuart Goldsmith as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Chris Allner as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS			
8. To authorise the Directors to allot shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Directors to disapply pre-emption rights.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the Company to make market purchases of its shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s)* Date.....2021

* 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 d1agm@downing.co.uk

If you have any questions for the board or investment adviser, please also send them by email to d1agm@downing.co.uk.

If you intend to attend the AGM, please also notify us by email to d1agm@downing.co.uk in case there are any changes to arrangements that need to be communicated at short notice.



NOTES AND INSTRUCTIONS:

1. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointer. A member entitled to attend and vote at the Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD or electronically at d1agm@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered, as aforesaid, not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.



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