

Downing Structured Opportunities VCT 1 PLC

Report & Accounts
for the year ended
31 March 2015



SHAREHOLDER INFORMATION

Selling shares

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

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

Financial calendar

29 September 2015	Annual General Meeting
30 September 2015	Payment of final dividends
November 2015	Announcement of half yearly financial results

Dividends

Dividends will be paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose. Queries relating to dividends, shareholdings, and requests for mandate forms should be directed to the Company's registrar, Capita Registrars, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Mandate forms can also be downloaded from Capita's website (see below).

Notification of change of address

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

Share scam warning

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

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

Other information for Shareholders

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

www.downing.co.uk

If you have any queries regarding your shareholding in Downing Structured Opportunities VCT 1 plc, please contact the registrar on the above number or visit Capita's website at www.capitaassetservices.com and click on "Shareholders".

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COMPANY INFORMATION

Registered number	6789187
Directors	Lord Flight (Chairman) Robin Chamberlayne Mark Mathias
Secretary and registered office	Grant Whitehouse Ergon House Horseferry Road London SW1P 2AL
Investment and Administration Manager	Downing LLP Ergon House Horseferry Road London SW1P 2AL www.downing.co.uk
Structured Product Manager	Brewin Dolphin Limited 9 Colmore Row Birmingham B3 2BJ
Auditor	BDO LLP 55 Baker Street London W1U 7EU
VCT status advisers	Robertson Hare LLP Suite C – First Floor 4-6 Staple Inn London WC1V 7QH
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday) www.capitaassetservices.com
Bankers	Bank of Scotland plc 33 Old Broad Street London EC2N 1HZ Royal Bank of Scotland plc London Victoria Branch 119/121 Victoria Street London SW1E 6RA

FINANCIAL HIGHLIGHTS

	31 March 2015 pence	31 March 2014 pence
Ordinary Share pool		
Net asset value per Ordinary Share	53.8	92.2
Net asset value per 'A' Share	0.1	0.1
Cumulative distributions	80.0	37.5
Adjusted for performance fee estimate	(7.0)	-
Total Return per Ordinary Share and 'A' Share	<u>126.9</u> *	<u>129.8</u>
'B' Share pool		
Net asset value per 'B' Share	70.2	82.3
Net asset value per 'C' Share	0.1	0.1
Cumulative distributions	32.5	20.0
Adjusted for performance fee estimate	(2.8)	-
Total return per 'B' Share and 'C' Share	<u>100.0</u> *	<u>102.4</u>
'D' Share pool		
Net asset value per 'D' Share	80.7	83.0
Cumulative distributions	15.0	10.0
Total return per 'D' Share	<u>95.7</u>	<u>93.0</u>

* Based on Total Return levels at 31 March 2015, performance fees are expected to become due to management. These are estimated to be 7.0p per Ordinary/ 'A' Share and 2.8p per 'B' / 'C' Share.

INVESTMENT OBJECTIVES

Downing Structured Opportunities VCT 1 plc is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995. The Company's principal objectives are to:

- invest in a portfolio of Venture Capital investments and Structured Products;
- reduce the risks normally associated with Venture Capital investments;
- target an annual dividend of at least 5p per Ordinary Share, 'B' Share and 'D' Share;
- provide a full exit for Shareholders in approximately six years at no discount to NAV; and
- maintain VCT status to enable Shareholders to retain their 30% income tax relief on investment.

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 37 to 38.

DIRECTORS

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

Robin Chamberlayne is a chartered financial planner and has over 20 years' experience in the financial services industry. He formed Progressive Strategic Solutions in 1997, which provides financial advice and tax planning strategies. He is also a non-executive director of one other VCT managed by Downing LLP and holds a number of board positions in companies in the renewable energy sector, including Armstrong Energy Limited.

Mark Mathias is an investment director at Arbor Ventures, an early stage investment business. He is a founder and director of Capital Home Care and a director of The Carlton Health and Beauty Training Limited and Brentwood Academy of Health and Beauty. Previously, he founded and was chief executive of Quantum Asset Management, an award winning fund Management Company which specialised in risk management, derivatives and structured investments. He has an MBA from Cranfield School of Management and has extensive experience of closed ended investment funds, having also been marketing director of the investment trust business at Henderson Investors, and managing director of Finsbury Asset Management.

All the Directors are non-executive and, with the exception of Robin Chamberlayne, are independent of the Investment Manager.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Company's Annual Report for the year ended 31 March 2015. The year has seen the Ordinary Share pool make a good start in returning funds to Shareholders and steady performance from all of the share pools.

Ordinary Share pool

On 20 March 2015, the Ordinary Share pool paid a dividend of 40.0p per Ordinary Share, being the commencement of the return of capital to Ordinary Shareholders.

As at 31 March 2015, the net asset value ("NAV") of a combined holding of one Ordinary Share and one 'A' Share stood at 53.9p, an increase of 4.1p (4.5%) over the year after adjusting for the dividends paid during the year.

It is expected that a performance fee will be payable to management as the performance hurdles are likely to be exceeded. Based on the performance to 31 March 2015, this equates to a performance fee equivalent to 7.0p per Ordinary Share. Accordingly, it is estimated that, subject to further realisations being achieved at current valuations, further funds payable to Shareholders in respect of the Ordinary Share pool will be as follows:

Ordinary Shares	32.9p
'A' Shares	<u>14.0p</u>
	<u>46.9p</u>

This will result in a Total Return to Ordinary Shares of 126.9p for a combined holding of one Ordinary Share and one 'A' Share, compared to the cost for most Shareholders who invested in the original share offer, net of income tax relief, of 70.0p.

A detailed review of the Ordinary Share pool is presented in the Investment Manager's report on page 6.

The process of realising the pool's remaining assets is ongoing, and a further distribution is anticipated later in 2015.

'B' Share pool

At the year end, the NAV of a combined holding of one 'B' Share and one 'C' Share stood at 70.3p, an increase of 0.4p (0.5%) over the year after adjusting for the dividends paid during the year.

Based on the above values, total Shareholder proceeds are projected to trigger the hurdle levels at which a performance fee is paid to management. After providing for such a fee, it is estimated that the final Total Return to Shareholders would be 100.0p for a holding of one 'B' Share and one 'C' Share (split 94.4p per 'B' Share and 5.6p per 'C' Share), compared to the cost for

Shareholders who invested in the 'B' Share offer, net of income tax relief, of 70.0p.

Plans are now being pursued to exit from the investments held by the 'B' Share pool. The Manager is optimistic that a number of realisations will complete over the coming months such that the 'B' Share pool will be in a position to pay a substantial return of capital, dividend later this year. 'B' Shareholders should note that the process of realising the full portfolio is likely to take some time, although this is expected to complete in 2016.

A detailed review of the 'B' Share pool is presented in the Investment Manager's report on pages 16 to 17.

The fifth anniversary of the close of the 'B' Share fundraising occurred in April 2015 and so plans are being advanced for the exit of a number of the share pool's investments. The first major return of capital distribution is expected during 2015.

'D' Share pool

The 'D' Share NAV stood at 80.7p at the year end, an increase of 2.7p per share or 3.2% over the year after adjusting for the dividends of 2.5p per share paid in the year. Total Return now stands at 95.7p per share, compared to the cost for Shareholders who invested in the 'D' Share offer, net of income tax relief, of 70.0p.

A more detailed review of the 'D' Share pool is presented in the Investment Manager's report on page 27.

The 'D' Share pool is still in its initial 5-year period. It is intended that the return of funds to Shareholders will commence in August 2017.

Dividends

In the initial 5-year period of each share pool, the Company's usual policy is to pay dividends of at least 5.0p per annum on a twice yearly basis.

In line with this policy, subject to approval at the forthcoming AGM, a dividend of 2.5p per 'D' Share will be paid on 30 September 2015 to 'D' Shareholders on the register at 28 August 2015.

As the Ordinary and 'B' Share pools are now through their initial 5-year period and focusing on returning capital to Shareholders, no final year end dividend will be paid this year. It is intended that dividends will be declared in respect of the Ordinary and 'B' Shares as and when a number of further realisations have been achieved.

CHAIRMAN'S STATEMENT (continued)

Share buybacks

In the initial 5-year period of each share class, the Company operates a policy of buying in its own shares that become available in the market subject to regulatory restrictions and other factors such as availability of liquid funds. Any such purchases are undertaken at a price approximately equal to NAV i.e. at a nil discount. There were no shares purchased in the year to 31 March 2015.

Now that the Ordinary Share and 'B' Share pools have commenced realisations to return funds to Shareholders, the Company will no longer undertake any further share buybacks in respect of the Ordinary Shares, 'A' Shares, 'B' Shares and 'C' Shares. The Board believes it is fairer to all Shareholders to distribute proceeds from the investment realisations to all Ordinary, 'A', 'B' and 'C' Shareholders by way of dividends, rather than setting aside sums to fund share buybacks.

Proposed Merger

As Shareholders will now be aware, the Company has put forward proposals to merge with three other VCTs also managed by Downing; Downing Planned Exit VCT 2011, Downing Planned Exit VCT 6 and Downing Planned Exit VCT 7.

Shareholders should note that under the proposals there will be no change to the existing planned exit strategy of each share pool and the programme for realisations and return of capital to Shareholders will proceed as originally envisaged. The proposed merger will however significantly increase the size of the Company allowing pro rata running costs to be reduced and will also provide some additional flexibility in securing exits from investments. Full details of the proposals are included in the Circular and Securities Note sent recently to Shareholders.

The estimated costs of this four-way merger are £400,000. Downing LLP has agreed to bear 50% of the costs and 100% of any costs in excess of £420,000.

Should the proposals be approved by the Shareholders of each Company at the final meetings on 20 July 2015, the Company will acquire the assets of the three other VCTs by creating new separate share classes. The Company will also change its name to "**Downing FOUR VCT plc**".

Annual General Meeting

The Company's sixth AGM will be held at Fifth floor, Ergon House, Horseferry Road, London, SW1P 2AL at 11.30 a.m. on 29 September 2015.

One item of special business is proposed: a special resolution to renew the authority to allow the Company to make market purchases of its shares.

Outlook

The Company will next report on the six month period ending 30 September 2015. At that time I expect to be reporting on the enlarged Company following the completion of the proposed merger.

Over the coming months the process of realising investments in the Ordinary and 'B' Share pools will continue. In respect of both pools, the Manager is hopeful that the Company will be in a position to pay an initial return of capital dividend to 'B' Shareholders as well as a further, and possibly final, dividend to Ordinary Shareholders.

We expect there to be a busy few months for your Company, and I look forward to reporting developments in the Half Yearly Report.



Lord Flight
Chairman

10 July 2015

ORDINARY SHARE POOL SUMMARY

Financial highlights

	31 March 2015 pence	31 March 2014 pence
Net asset value per Ordinary Share	53.8	92.2
Net asset value per 'A' Share	0.1	0.1
Cumulative distributions	80.0	37.5
Adjusted for performance fee estimate	(7.0)	-
Total Return per Ordinary Share and 'A' Share	<u>126.9</u>	<u>129.8</u>

Dividend history

Period end	Date paid	Pence per share
2010 First Interim	25 September 2009	2.5
2010 Second Interim	29 January 2010	2.5
2010 Final	30 September 2010	2.5
2011 Interim	28 January 2011	2.5
2011 Final	30 September 2011	2.5
2012 Interim	27 January 2012	2.5
2012 Final	28 September 2012	2.5
2013 Interim	25 January 2013	2.5
2013 Final	19 July 2013	15.0
2014 Interim	24 January 2014	2.5
2014 Final	30 September 2014	2.5
2015 Capital	20 March 2015	40.0
		<u>80.0</u>

Share prices

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

	Ordinary Shares	'A' Shares
TIDM/EPIC codes	DO1O	DO1A
Latest share price (9 July 2015)	30.0p per share	7.52p per share

Structure of shareholdings

The Company's Ordinary Share offer for subscription was open between 27 January 2009 and 2 September 2009 when the Company was under its former name, Downing Protected Opportunities VCT 1 plc. Shareholders who invested in this offer received an equal number of Ordinary Shares and 'A' Shares. The combined price of issue of one Ordinary Share and one 'A' Share was £1 in respect of allotments which took place on or before 30 April 2009. Shares allotted after this date were issued at slightly higher prices to take account of the increase in NAV that had occurred by that time.

The 'A' Shares are designed to facilitate the payment of a performance incentive to management should any such incentive become payable in the future. The 'A' Shares initially had a net asset value of 0.1p per share which is only expected to increase when, and if, a performance incentive becomes payable. Any performance incentive due will be paid by declaring dividends in respect of the 'A' Shares, of which approximately one third are held by management.

Target exit date

Following the fifth anniversary of the close of the Ordinary Share offer in September 2014, the Ordinary Share pool started the process of seeking to realise its investments. The first significant distribution was made to Shareholders in March 2015. Shareholders should note that the process of realising the share pool's investments may take some time to complete; however, a further distribution is expected later in 2015.

INVESTMENT MANAGER'S REPORT – ORDINARY SHARE POOL

Introduction

The Ordinary Share pool held 15 Venture Capital investments at the year end and continues to be effectively fully invested.

Net asset value and results

The net asset value ("NAV") per Ordinary Share at 31 March 2015 stood at 53.8p and NAV per 'A' Share at 0.1p, an increase of 4.1p for a combined holding of one Ordinary Share and one 'A' Share (after adjusting for dividends paid in the year). Total Return (combined NAV plus cumulative dividends) stood at 126.9p for a holding of one Ordinary Share and one 'A' Share, after taking account of an estimated performance incentive fee of 7.0p.

The return on ordinary activities after taxation for the year was £431,000 (2014: £499,000), comprising a revenue return of £1,032,000 (2014: £351,000) and a capital loss of £601,000 (2014: £148,000).

Venture Capital investments

Investment activity

At 31 March 2015, the pool held a Venture Capital portfolio with a total valuation of £5,568,000, comprising 15 investments, spread across a number of sectors. During the year, the share pool made one short term follow-on investment of £4,000 into Camandale Limited. 3 sales generated proceeds of £2.2 million.

Atlantic Dogstar Limited owned two pubs in London: The Dogstar in Brixton and The Clapton Hart in Clapton. Westow House Limited owned the Westow House, a pub in Crystal Palace, London. East Dulwich Tavern Limited owns a London pub of the same name. In January, all three companies were sold and proceeds of £2,150,000 were received, along with special dividends paid as part of the sale totalling £746,000. This was a successful exit generating absolute returns of £1.5 million against cost (see page 8).

Portfolio valuation

The majority of the investments within the Ordinary Share portfolio performed well throughout the year, however one significant value reduction resulted in a net valuation decrease of £482,000 being recognised at the year end.

A reduction of £13,000 was made in the value of Camandale Limited, the owner of The Riverbank pub in Kilmarnock, Scotland. A reduction in the asking price for the site was made in order to achieve a sale.

An offer was accepted for Chapel Street Food and Beverage Limited and Chapel Street Services Limited after the balance sheet date which implies a total increase in the value of both companies of £40,000.

Future Biogas (SF) Limited, the owner and operator of a biogas plant in Norfolk, has not performed in line with initial expectations and while the issues have now been resolved, performance to date is notably below plan. This has resulted in a decrease in the valuation of £449,000.

A reduction of £9,000 was made in the value of Kilmarnock Monkey Bar Limited, the owner of The Monkey Bar in Kilmarnock, Scotland.

Mosaic Spa and Health Clubs Limited, owns and manages two health clubs: The Shrewsbury Club, in Shrewsbury; and Holmer Park, in Hereford. It also provides gym and spa management services to hotels, universities and corporate clients. Both Holmer Park and The Shrewsbury Club have underperformed throughout the period against budget and the value has been reduced by £18,000.

Redmed Limited owns a nightclub and a restaurant/cocktail bar in Lincoln city centre. Trade in the city has proved increasingly difficult, causing a fall in sales. The valuation was decreased by £51,000.

Slopingtactic Limited, the owner of the Lamb and Lion freehold pub in York, has demonstrated good performance in the year and the value has been increased by £16,000. This investment was fully exited in April 2015.

Structured products

The Ordinary Share pool no longer holds any structured products.

Outlook

The Ordinary Share pool has commenced the realisation process and has paid out a return of capital dividend during the year. There is further work required to exit the remainder of the portfolio at full value in order to provide Shareholders with the greatest possible return. We hope to be in a position to make another significant distribution to Shareholders later this year.

Downing LLP

10 July 2015

REVIEW OF INVESTMENTS - ORDINARY SHARE POOL

Portfolio of investments

The following investments were held at 31 March 2015:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
Domestic Solar Limited	1,000	1,120	-	19.9%
Redmed Limited	850	1,044	(51)	18.5%
Future Biogas (SF) Limited*	1,009	688	(449)	12.2%
Quadrate Spa Limited*	635	635	-	11.3%
Quadrate Catering Limited	577	629	-	11.2%
The 3D Pub Company Limited*	627	549	-	9.8%
Ecosol Limited	500	425	-	7.5%
Mosaic Spa and Health Clubs Limited*	250	193	(18)	3.4%
Slopingtactic Limited	102	118	16	2.1%
Fenkle Street LLP**	58	58	-	1.0%
Chapel Street Food and Beverage Limited	75	39	20	0.7%
Chapel Street Services Limited	75	39	20	0.7%
Camandale Limited*	274	16	(12)	0.3%
Kilmarnock Monkey Bar Limited**	22	13	(9)	0.2%
Chapel Street Hotel Limited**	3	2	1	0.0%
	<u>6,057</u>	<u>5,568</u>	<u>(482)</u>	<u>98.8%</u>
Cash at bank and in hand		<u>65</u>		<u>12.0%</u>
Total investments		<u><u>5,633</u></u>		<u><u>100.0%</u></u>

* partially qualifying investment

** non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

REVIEW OF INVESTMENTS - ORDINARY SHARE POOL (continued)

Investment movements for the year ended 31 March 2015

ADDITIONS

	£'000
Venture Capital investments	
Camandale Limited	4
AEW Pubs No. 2 Limited	-
Westow House No. 2 Limited	-
East Dulwich Tavern No. 2 Limited	-
	<u>4</u>

DISPOSALS

	Cost £'000	Valuation at 31/03/14 £'000	Proceeds £'000	Profit/(loss) vs. cost £'000	Realised gain/(loss) £'000
Venture Capital investments					
<i>Sales</i>					
Westow House Limited	405	636	284	(121)	(352)
Westow House No. 2 Limited	-	-	-	-	-
Atlantic Dogstar Limited	585	1,015	1,380	795	365
AEW Pubs No. 2 Limited	-	-	165	165	165
East Dulwich Tavern Limited	459	546	321	(138)	(225)
East Dulwich Tavern No. 2 Limited	-	-	-	-	-
<i>Loan stock redemption</i>					
Redmed Limited	64	64	64	-	-
	<u>1,513</u>	<u>2,261</u>	<u>2,214</u>	<u>701</u>	<u>(47)</u>

~ adjusted for purchases during the year

Prior to the disposal of Westow House Limited, Atlantic Dogstar Limited and East Dulwich Tavern Limited, a reorganisation took place and Westow House No. 2 Limited, AEW Pubs No. 2 Limited and East Dulwich Tavern No. 2 Limited were established. As part of the disposal transactions special dividends were paid to the Company from all six entities totalling £746,000.

REVIEW OF INVESTMENTS - ORDINARY SHARE POOL (continued)

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

Domestic Solar Limited



Cost at 31/03/15:	£1,000,000	Valuation at 31/03/15:	£1,120,000
Cost at 31/03/14:	£1,000,000	Valuation at 31/03/14:	£1,120,000
Date of first investment:	Mar 11	Valuation method:	Discounted cash flow

Investment comprises:

A ordinary shares:	£300,000	Proportion of equity held:	10.0%
A loan stock:	£700,000	Proportion of loan stock held:	20.0%

Summary financial information from statutory accounts to 31 March

	2014	2013
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£790,895	£767,596

Domestic Solar Limited owns solar panels on residential rooftops throughout the south of England. The company has contracted with over 600 households who benefit from free electricity through an arrangement that allows Domestic Solar to receive the Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

Redmed Limited www.homelincn.co.uk



Cost at 31/03/15:	£850,000	Valuation at 31/03/15:	£1,043,800
Cost at 31/03/14:	£913,750	Valuation at 31/03/14:	£1,158,815
Date of first investment:	May 11	Valuation method:	Multiples

Investment comprises:

A ordinary shares:	£127,500	Proportion of equity held:	14.3%
B ordinary shares:	£127,500	Proportion of equity held:	14.3%
B loan stock:	£595,000	Proportion of loan stock held:	16.1%

Summary financial information from statutory accounts to 30 April

	2014	2013
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£2,131,332	£1,152,240

Redmed Limited owns and operates Home, a large entertainment venue with a restaurant, roof terrace and night club with six themed rooms and the Craft Bar, both in Lincoln city centre.

Future Biogas (SF) Limited www.futurebiogas.com



Cost at 31/03/15:	£1,008,727	Valuation at 31/03/15:	£688,000
Cost at 31/03/14:	£1,008,727	Valuation at 31/03/14:	£1,137,018
Date of first investment:	May 10	Valuation method:	Discounted cash flow

Investment comprises:

Ordinary shares:	£320,727	Proportion of equity held:	15.3%
A loan stock:	£588,000	Proportion of loan stock held:	17.7%
B loan stock:	£100,000	Proportion of loan stock held:	3.0%

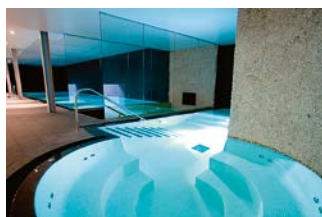
Summary financial information from statutory accounts to 31 May

	2013	2012
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£414,596	£936,933

Future Biogas (SF) Limited owns and operates a 1.4MW self-contained biogas plant in Norfolk. Through an anaerobic digestion process, biogas is produced which is used to generate electricity. The company benefits from the receipt of Feed-in Tariffs and payments for electricity exported to the National Grid.

REVIEW OF INVESTMENTS – ORDINARY SHARE POOL (continued)

Quadrate Spa Limited
www.theclubandspabirmingham.co.uk



Cost at 31/03/15:	£635,554	Valuation at 31/03/15:	£635,554
Cost at 31/03/14:	£635,554	Valuation at 31/03/14:	£635,554
Date of first investment:	Aug 10	Valuation method:	Net Assets

Investment comprises:

A ordinary shares:	£183,960	Proportion of equity held:	7.4%
Secured loan stock:	£380,240	Proportion of loan stock held:	12.5%
Loan stock:	£49,000	Proportion of loan stock held:	1.6%
Short term loan stock:	£22,354	Proportion of loan stock held:	0.7%

Summary financial information from statutory accounts to 31 March

	2014	2013
Turnover:	£1,570,378	£1,252,745
Operating loss:	(£153,605)	(£743,982)
Net liabilities:	(£1,748,733)	(£905,264)

Quadrate Spa Limited has developed a spa and health club in the lower floors of a canal-side mixed-use building in Birmingham known as “The Cube”. The health club and spa opened for trading in January 2012.

Quadrate Catering Limited
www.mpwsteakhousebrimingham.co.uk



Cost at 31/03/15:	£576,800	Valuation at 31/03/15:	£628,712
Cost at 31/03/14:	£576,800	Valuation at 31/03/14:	£628,712
Date of first investment:	Aug 10	Valuation method:	Net Assets

Investment comprises:

A ordinary shares:	£173,040	Proportion of equity held:	7.6%
Secured loan stock:	£403,760	Proportion of loan stock held:	15.0%

Summary financial information from statutory accounts to 31 March

	2014	2013
Turnover:	£5,739,615	£4,620,292
Operating profit:	£356,358	£307,199
Net (liabilities)/assets:	(£8,213)	£228,489

Quadrate Catering Limited has developed the top floor of a canal-side mixed-use building in Birmingham known as “The Cube” which opened as a Marco Pierre-White branded restaurant and bar in December 2011 and has traded well ever since.

The 3D Pub Company Limited
www.thejollyfarmersreigate.co.uk
www.thefoxrevived.co.uk



Cost at 31/03/15:	£626,667	Valuation at 31/03/15:	£549,167
Cost at 31/03/14:	£626,667	Valuation at 31/03/14:	£549,167
Date of first investment:	Sep 10	Valuation method:	Net Assets

Investment comprises:

A ordinary shares:	£155,000	Proportion of equity held:	13.0%
B loan stock:	£110,000	Proportion of loan stock held:	6.6%
Secured loan stock:	£361,667	Proportion of loan stock held:	21.7%

Summary financial information from statutory accounts to 30 September

	2013	2012
Turnover:	£165,996	£165,996
Operating profit:	£128,601	£137,855
Net assets:	£783,759	£840,164

The 3D Pub Company Limited owns two pubs based in Surrey, The Jolly Farmers in Reigate and The Fox Revived in Horley. The company backed an experienced Management team with strong front and back-of-house experience. Management have been operating The Jolly Farmers for 5 years and The Fox Revived since September 2009. The pubs, which are prominent premises in an affluent part of the country, are operated as food-led destination venues.

REVIEW OF INVESTMENTS – ORDINARY SHARE POOL (continued)

Ecossol Limited



Cost at 31/03/15:	£500,000	Valuation at 31/03/15:	£425,000
Cost at 31/03/14:	£500,000	Valuation at 31/03/14:	£425,000
Date of first investment:	Jun 11	Valuation method:	Discounted cash flow

Investment comprises:

Ordinary shares:	£150,000	Proportion of equity held:	13.0%
A loan stock:	£350,000	Proportion of loan stock held:	25.0%

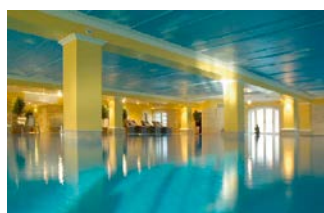
Summary financial information from statutory accounts to 30 September

	2013	2012
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£268,316	£430,655

Ecossol owns a portfolio of commercial solar PV installations and benefits from the receipt of Feed In Tariffs ("FITs") from electricity generated by the solar panels.

Mosaic Spa & Health Club Limited

www.mosaicspaandhealth.co.uk



Cost at 31/03/15:	£250,000	Valuation at 31/03/15:	£193,000
Cost at 31/03/14:	£250,000	Valuation at 31/03/14:	£211,000
Date of first investment:	Feb 11	Valuation method:	Multiples

Investment comprises:

Ordinary shares:	£60,000	Proportion of equity held:	1.9%
A loan stock:	£50,000	Proportion of loan stock held:	0.1%
B loan stock:	£140,000	Proportion of loan stock held:	0.5%

Summary financial information from statutory accounts to 31 December

	2013	2012
Turnover:	£7,086,539	£6,322,543
Operating profit:	£116,160	£15,330
Net assets:	£1,913,722	£2,390,291

Mosaic Spa and Health Clubs Limited owns two spas and operates a spa and health club management company which trades under the name of Fitness Express. The Downing funds backed the existing experienced management team who started the business over 20 years ago. The company currently has 30 management contracts to provide gyms and spas to hotels, university and corporate clients. In December 2011, the business bought a health and tennis club known as The Shrewsbury Club and in October 2012 a second freehold health club was purchased known as Holmer Park.

Slopingtactic Limited

www.lambandlionyork.com



Cost at 31/03/15:	£102,085	Valuation at 31/03/15:	£117,620
Cost at 31/03/14:	£102,085	Valuation at 31/03/14:	£102,085
Date of first investment:	Oct 10	Valuation method:	Multiples

Investment comprises:

Ordinary shares:	£31,069	Proportion of equity held:	4.4%
Loan stock:	£71,016	Proportion of loan stock held:	8.9%

Summary financial information from statutory accounts to 31 December

	2014	2013
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£371,454	£643,035

In October 2010, the Company invested alongside a successful venue operator to purchase, out of administration, a freehold public house, The Lamb and Lion, York. The pub has accommodation (12 rooms) and a sizeable garden, all within close proximity of York Minster and within the York Gates.

REVIEW OF INVESTMENTS – ORDINARY SHARE POOL (continued)

Fenkle Street LLP



Cost at 31/03/15:	£57,692	Valuation at 31/03/15:	£57,692
Cost at 31/03/14:	£57,692	Valuation at 31/03/14:	£57,692
Date of first investment:	Jun 10	Valuation method:	Cost

Investment comprises:

Loan stock:	£57,692	Proportion of loan stock held:	0.5%
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Summary financial information from statutory accounts to 30 June

	2014	2013
Turnover:	£146,766	-
Operating profit/(loss):	£324,119	(£56,115)
Net assets:	£2,249,582	£2,316,814

Fenkle Street LLP purchased a freehold office building in central Newcastle, and developed a 148 bedroom Hotel Indigo within the building under a franchise arrangement with InterContinental Hotels Group. It still owns a car park on the site, valued at £1.25 million.

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.

* Turnover and operating profit figures not publicly available as company has filed abbreviated small company accounts.

REVIEW OF INVESTMENTS – ORDINARY SHARE POOL (continued)

Summary of loan stock interest income

	£'000
Loan stock interest receivable in the year	
Domestic Solar Limited	-
Redmed Limited	79
Future Biogas (SF) Limited	-
Quadrate Spa Limited	32
Quadrate Catering Limited	53
The 3D Pub Co Limited	44
Ecosol Limited	126
Mosaic Spa & Health Clubs Limited	8
Slopingtactic Limited (Lamb & Lion Pub)	9
Fenkle Street LLP	3
	<u>354</u>
Other portfolio investments	127
	<u><u>481</u></u>

Analysis of investments by type

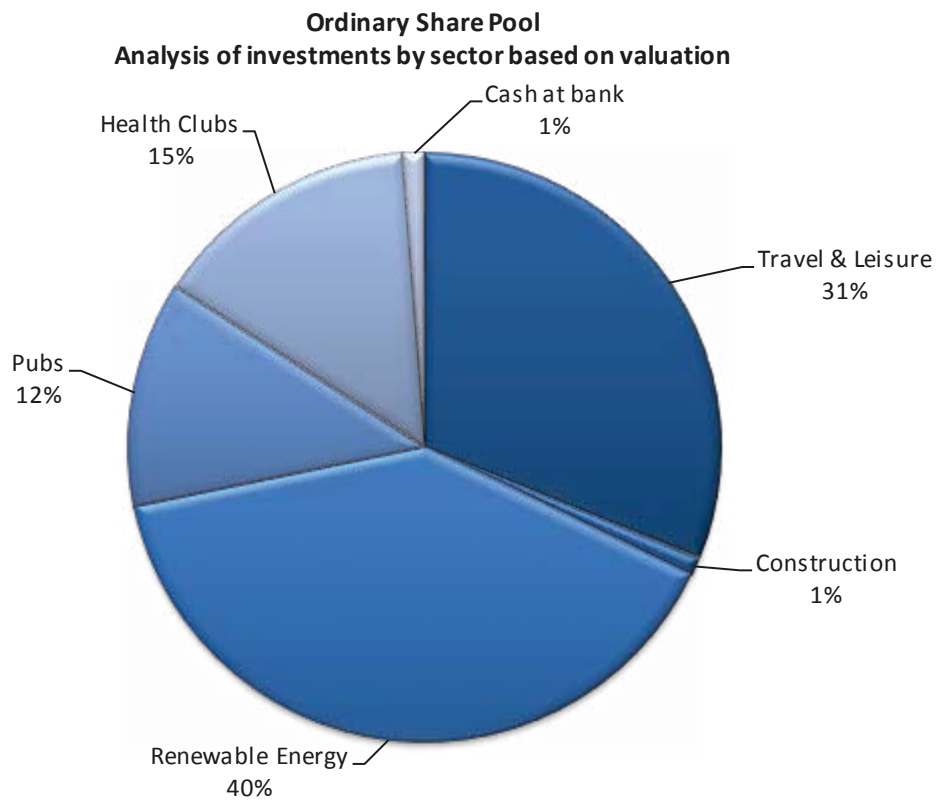
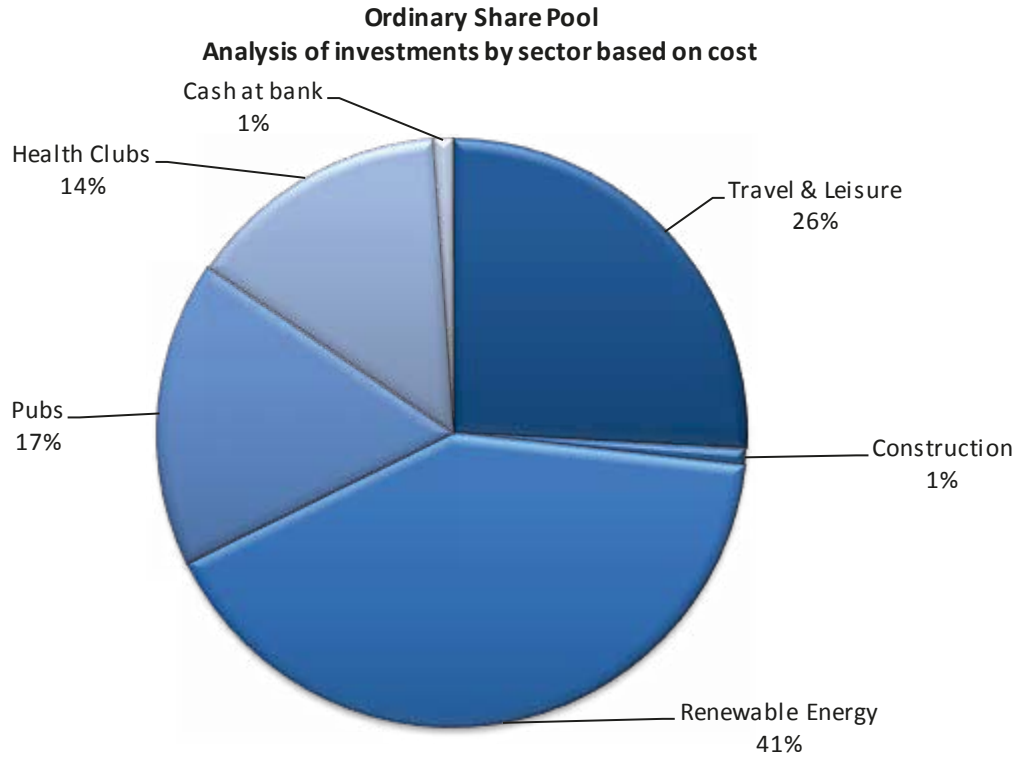
The allocation of the Ordinary Share funds compared to the target split based on cost is summarised as follows:

	Actual portfolio split at 31 March 2015	Target portfolio split
VCT qualifying investments		
Qualifying loan stock	65%	50%
Ordinary shares	<u>28%</u>	<u>25%</u>
Total	<u>93%</u>	<u>75%</u>
Non-qualifying investments		
Non-qualifying loan stock	7%	-
Structured Products	<u>-</u>	<u>25%</u>
Total	<u>7%</u>	<u>25%</u>
Cash	1%	-
	<u>100%</u>	<u>100%</u>

REVIEW OF INVESTMENTS – ORDINARY SHARE POOL (continued)

Analysis of investments by commercial sector

The split of the Ordinary Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2015) is as follows:



'B' SHARE POOL SUMMARY

Financial highlights

	31 March 2015 pence	31 March 2014 pence
Net asset value per 'B' Share	70.2	82.3
Net asset value per 'C' Share	0.1	0.1
Cumulative distributions	32.5	20.0
Adjusted for performance fee estimate	(2.8)	-
Total return per 'B' Share and 'C' Share	<u>100.0</u>	<u>102.4</u>

Dividend history

Period end	Date paid	Pence per share
2010 Final	30 September 2010	2.5
2011 Interim	28 January 2011	2.5
2011 Final	30 September 2011	2.5
2012 Interim	27 January 2012	2.5
2012 Final	28 September 2012	2.5
2013 Interim	25 January 2013	2.5
2013 Final	13 September 2013	2.5
2014 Interim	24 January 2014	2.5
2014 Final	30 September 2014	10.0
2015 Interim	30 January 2015	2.5
		<u>32.5</u>

Share prices

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

	'B' Shares	'C' Shares
TIDM/EPIC codes	DO1B	DO1C
Latest share price (9 July 2015)	62.5p per share	0.1p per share

Structure of shareholdings

The Company's 'B' Share offer for subscription was open between 15 October 2009 and 26 April 2010. For every £1 invested, Shareholders received one 'B' Share and one 'C' Share.

The 'C' Shares are designed to facilitate the payment of a performance incentive to management should any such incentive become payable in the future. The 'C' Shares initially had a net asset value of 0.1p per share which is only expected to increase when, and if, a performance incentive becomes payable. Any performance incentive due will be paid by declaring dividends in respect of the 'C' Shares, of which approximately one third are held by management.

Target exit date

The fifth anniversary of the close of the 'B' Share offer was April 2015, and so the process of realising the 'B' Share pool investments has recently commenced. Shareholders should note that the process of realising the share pool's investments may take some time to complete; however, a first return of capital payment is expected during the course of 2015.

INVESTMENT MANAGER'S REPORT- 'B' SHARE POOL

Introduction

The 'B' Share pool held 21 Venture Capital investments at the year end and continues to be fully invested. Whilst the majority of investments performed well in the period, this was offset by a significant write down in one investment resulting in a net decrease in value of £551,000.

Net asset value and results

The NAV per 'B' Share at 31 March 2015 stood at 70.2p and per 'C' Share at 0.1p, a rise of 0.4p for a combined holding of one 'B' Share and one 'C' Share over the year after adjusting for dividends. Total Return (combined NAV plus cumulative dividends) stood at 100.0p for a combined holding, after taking account of an estimated performance incentive fee of 2.8p.

The return on ordinary activities after taxation for the year was £82,000 (2014: £472,000), comprising a revenue return of £687,000 (2014: £480,000) and a capital loss of £605,000 (2014: £8,000).

Venture Capital investments

Investment activity

At 31 March 2015, the 'B' Share pool held a Venture Capital portfolio with a valuation of £13.7 million comprising investments in 21 companies. During the year, the Company made two new short term investments, totalling £2.4 million. This was partially funded by proceeds from divestments of £150,000.

A short term loan of £2.4 million was made to UK Solar Hartwell LLP, to fund the construction of an 18.3 MWp solar plant in Northamptonshire. The investment is expected to be repaid in the next few months and generates a yield of 12.0 % per annum.

A further £11,000 was invested in Camandale Limited.

The two pubs owned by Ridgeway Pub Company Limited were sold in March, raising proceeds of £150,000.

Portfolio valuation

Progress continues to be made on the majority of the 'B' Share investments with several valuation uplifts. Unfortunately the gains made were more than offset by the write downs, most notably on one investment, Future Biogas (Reepham Road) Limited. Details of valuation movements are below.

Alpha Schools Limited, the independent primary school operator, has performed to plan and an increase of £71,000 has been made to the valuation.

A £16,000 increase in the value of Antelope Pub Limited was made in the period following continued good performance. The company owns and operates a pub of the same name in Tooting, South London.

A reduction of £31,000 was made in the value of Camandale Limited, the owner of The Riverbank pub in Kilmarnock, Scotland. A reduction in the asking price for the site was made in order to achieve a sale.

Future Biogas (Reepham Road) Limited, the owner and operator of a biogas plant in Norfolk, has not performed in line with initial expectations and while the issues have now been resolved, performance to date is notably below plan. This has resulted in a decrease in the valuation of £632,000.

The valuation of Liverpool Nurseries (Holdings) Limited, which operates nurseries in Liverpool, was increased by £15,000, based on the preferred bid in the current sales process.

Mosaic Spa and Health Clubs Limited, owns and manages two health clubs: The Shrewsbury Club, in Shrewsbury; and Holmer Park, in Hereford. It also provides gym and spa management services to hotels, universities and corporate clients. Both Holmer Park and The Shrewsbury Club have underperformed throughout the period against budget and the value has been reduced by £50,000.

A reduction of £24,000 was made in the value of Kilmarnock Monkey Bar Limited, the owner of The Monkey Bar in Kilmarnock, Scotland.

Continued good yields from the solar arrays owned by Progressive Energies Limited, a domestic solar installer and operator, supported an increase in valuation of £41,000.

At 31 March 2015, the valuation of Slopingtactic Limited was increased by £43,000. The company is the owner and operator of the Lamb and Lion freehold public house in York. The business has performed consistently ahead of projections. This investment was fully exited in April 2015.

Structured Products

The remaining structured products were realised during the year, generating proceeds of £2.6 million. This represented a profit on cost of £428,000 and an uplift of £40,000 over the March 2014 valuation. The B share pool no longer holds any structured products.

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

Outlook

The 'B' Share pool is now looking to realise its investments at full value in order to return funds to Shareholders. This process may take some time, but we believe that there are reasonable prospects for further growth as we continue to seek realisations. Although the general economic outlook has become a little more positive in recent months, continued close monitoring and support of the investments remains essential.

Downing LLP

10 July 2015

REVIEW OF INVESTMENTS - 'B' SHARE POOL

Portfolio of investments

The following investments were held at 31 March 2015:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
UK Solar (Hartwell) LLP	2,400	2,400	-	17.1%
Future Biogas (Reepham Road) Limited	1,662	1,030	(632)	7.3%
Quadrate Spa Limited*	954	954	-	6.8%
Quadrate Catering Limited	850	926	-	6.6%
Kidspace Adventures Holdings Limited	750	896	-	6.4%
Domestic Solar Limited	800	896	-	6.4%
Antelope Pub Limited	750	885	16	6.3%
Alpha Schools Holdings Limited	733	876	71	6.2%
Liverpool Nurseries (Holdings) Limited	870	787	15	5.6%
Green Electricity Generation Limited	500	605	-	4.3%
West Tower Property Limited	500	500	-	3.5%
Westcountry Solar Solutions Limited	500	500	-	3.5%
Mosaic Spa and Health Clubs Limited*	600	443	(50)	3.2%
Ecosol Limited	500	425	-	3.0%
Avon Solar Energy Limited	420	420	-	3.0%
Progressive Energies Limited	340	381	41	2.7%
Slopingtactic Limited	277	320	43	2.3%
Commercial Street Hotel Limited**	185	185	-	1.3%
Fenkle Street LLP**	154	154	-	1.1%
Camandale Limited*	743	44	(31)	0.3%
Kilmarnock Monkey Bar Limited**	60	36	(24)	0.3%
	<u>14,548</u>	<u>13,663</u>	<u>(551)</u>	<u>97.2%</u>
Cash at bank and in hand		<u>392</u>		<u>2.8%</u>
Total investments		<u>14,055</u>		<u>100.0%</u>

* partially qualifying investment

** non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

REVIEW OF INVESTMENTS - 'B' SHARE POOL (continued)

Investment movements for the year ended 31 March 2015

ADDITIONS

	£'000
Venture Capital investments	
UK Solar (Hartwell) LLP	2,400
Camandale Limited	10
	<u>2,410</u>

DISPOSALS

	Cost £'000	Valuation at 31/3/14 ~ £'000	Proceeds £'000	Profit vs. cost £'000	Realised gain/(loss) £'000
Structured Product investments					
Barclays 5Y Synthetic Zero	1,003	1,365	1,380	377	15
UBS 7.3% Defensive Worst Of Auto Call	251	265	268	17	3
HSBC 5.67% Defensive Worst Of Auto Call	952	962	984	32	22
	<u>2,206</u>	<u>2,592</u>	<u>2,632</u>	<u>428</u>	<u>40</u>
Venture Capital investments					
Ridgeway Pub Company Limited	136	126	150	14	24
	<u>2,342</u>	<u>2,716</u>	<u>2,782</u>	<u>442</u>	<u>64</u>

~ adjusted for purchases during the year

REVIEW OF INVESTMENTS - 'B' SHARE POOL (continued)

Further details of the 10 largest Venture Capital investments held by the 'B' Share pool:

UK Solar (Hartwell) LLP



Cost at 31/03/15:	£2,400,000	Valuation at 31/03/15:	£2,400,000
Cost at 31/03/14:	n/a	Valuation at 31/03/14:	n/a
Date of first investment:	Nov 14	Valuation method:	Cost of investment

Investment comprises:

Loan stock:	£2,400,000	Proportion of loan stock held:	40.0%
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No accounts yet filed

In November 2014, the Company invested £2.4m into UK Solar (Hartwell) LLP to co-fund the construction of an 18.3MWp solar plant in Hartwell, Northamptonshire. The solar farm was completed in January and in the process of being sold to a large infrastructure fund with completion expected in July 2015.

Future Biogas (Reepham Road) Limited

www.futurebiogas.com



Cost at 31/03/15:	£1,661,867	Valuation at 31/03/15:	£1,029,696
Cost at 31/03/14:	£1,661,867	Valuation at 31/03/14:	£1,661,867
Date of first investment:	Mar 11	Valuation method:	Multiples

Investment comprises:

B ordinary shares:	£632,171	Proportion of equity held:	18.6%
A loan stock:	£1,029,696	Proportion of loan stock held:	37.2%

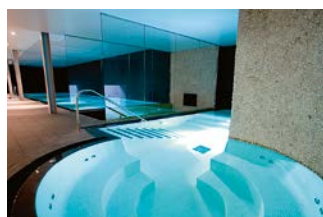
Summary financial information from statutory accounts to 30 September

	2013	2012
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£473,943	£445,613

Future Biogas (Reepham Road) is the second renewable energy investment with our partner Future Biogas. The site is located in Norfolk. Through an anaerobic digestion process, biogas is produced which is used to generate electricity. The company benefits from the receipt of Feed-in Tariffs and payments for electricity exported to the National Grid.

Quadrate Spa Limited

www.theclubandspabirmingham.co.uk



Cost at 31/03/15:	£953,596	Valuation at 31/03/15:	£953,596
Cost at 31/03/14:	£953,596	Valuation at 31/03/14:	£953,596
Date of first investment:	Aug 10	Valuation method:	Net Assets

Investment comprises:

A ordinary shares:	£276,135	Proportion of equity held:	11.1%
Secured loan stock:	£563,815	Proportion of loan stock held:	18.5%
Loan stock:	£80,500	Proportion of loan stock held:	2.6%
Short term loan stock:	£33,146	Proportion of loan stock held:	1.1%

Summary financial information from statutory accounts to 31 March

	2014	2013
Turnover:	£1,570,378	£1,252,745
Operating loss:	(£153,605)	(£743,982)
Net liabilities:	(£1,748,733)	(£905,264)

Quadrate Spa Limited has developed a spa and health club in the lower floors of a canal-side mixed-use building in Birmingham known as "The Cube". The health club and spa opened for trading in January 2012.

REVIEW OF INVESTMENTS - 'B' SHARE POOL (continued)

Quadrat Catering Limited
www.mpwsteakhousebirmingham.co.uk



Cost at 31/03/15:	£849,550	Valuation at 31/03/15:	£853,596
Cost at 31/03/14:	£849,550	Valuation at 31/03/14:	£926,010
Date of first investment:	Aug 10	Valuation method:	Net Assets

Investment comprises:

A ordinary shares:	£254,865	Proportion of equity held:	11.2%
Secured loan stock:	£594,685	Proportion of loan stock held:	22.0%

Summary financial information from statutory accounts to 31 March

	2014	2013
Turnover:	£5,739,615	£4,620,292
Operating profit:	£356,348	£307,199
Net (liabilities)/assets:	(£8,213)	£228,489

Quadrat Catering Limited has developed the top floor of a canal-side mixed-use building in Birmingham known as "The Cube" which opened as a Marco Pierre-White branded restaurant in December 2011 and has traded well ever since.

Kidspace Adventures
Holdings Limited
www.kidspaceadventures.com



Cost at 31/03/15:	£750,000	Valuation at 31/03/15:	£896,250
Cost at 31/03/14:	£750,000	Valuation at 31/03/14:	£896,250
Date of first investment:	Mar 12	Valuation method:	Multiples

Investment comprises:

Ordinary Shares:	£225,000	Proportion of equity held:	12.5%
D loan stock:	£525,000	Proportion of loan stock held:	18.7%

Summary financial information from the consolidated statutory accounts to 31 January

	2014	2013
Turnover:	£5,493,353	£4,305,765
Operating profit:	£647,287	£144,245
Net assets:	£2,852,603	£1,968,284

Kidspace Adventures Holdings Limited is the holding company of Kidspace Adventures Limited which owns two well established and profitable indoor children's play centres in Croydon and Romford. The company has developed an adventure farm park called Hobbledown, located in Epsom Surrey, which opened in July 2012.

Domestic Solar limited



Cost at 31/03/15:	£800,000	Valuation at 31/03/15:	£896,000
Cost at 31/03/14:	£800,000	Valuation at 31/03/14:	£896,000
Date of first investment:	Mar 11	Valuation method:	Discounted cash flow

Investment comprises:

A ordinary shares:	£240,000	Proportion of equity held:	8.9%
A loan stock:	£560,000	Proportion of loan stock held:	17.8%

Summary financial information from statutory accounts to 31 March

	2014	2013
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£790,895	£767,596

Domestic Solar owns solar panels on residential rooftops throughout the south of England. The company has contracted with over 600 households who benefit from free electricity through an arrangement that allows Domestic Solar to receive the Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

REVIEW OF INVESTMENTS - 'B' SHARE POOL (continued)

Antelope Pub Limited
www.theantelopepub.com



Cost at 31/03/15:	£750,000	Valuation at 31/03/15:	£885,000
Cost at 31/03/14:	£750,000	Valuation at 31/03/14:	£869,250
Date of first investment:	Jun 10	Valuation method:	Multiples

Investment comprises:

Ordinary shares:	£225,000	Proportion of equity held:	15.0%
B loan stock:	£525,000	Proportion of loan stock held:	31.8%

Summary financial information from statutory accounts to 31 December

	2013	2012
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£1,091,792	£1,104,523

The Antelope Pub is a public house in Tooting, South London. The company purchased the freehold interest from Punch Taverns and the leasehold interest from the operator (who is the investment partner) in 2010.

Alpha Schools (Holdings) Limited



Cost at 31/03/15:	£733,333	Valuation at 31/03/15:	£876,333
Cost at 31/03/14:	£733,333	Valuation at 31/03/14:	£804,833
Date of first investment:	Jun 11	Valuation method:	Multiples

Investment comprises:

A ordinary shares:	£110,000	Proportion of equity held:	4.0%
B ordinary shares:	£110,000	Proportion of equity held:	4.0%
A loan stock:	£513,000	Proportion of loan stock held:	36.7%

Summary financial information from statutory accounts to 31 August

	2014	2013
Turnover:	£4,462,009	£4,080,506
Operating profit:	£1,006,790	£909,783
Net assets:	£1,661,596	£1,226,105

Alpha Schools is an independent primary school operator, which owns and operates five preparatory schools.

Liverpool Nurseries (Holdings) Limited
www.greenbankparkdaynursery.com
www.thecottagedaynursery.com
www.thehousedaynursery.com



Cost at 31/03/15:	£869,773	Valuation at 31/03/15:	£786,632
Cost at 31/03/14:	£869,773	Valuation at 31/03/14:	£771,743
Date of first investment:	Feb 12	Valuation method:	Net Assets

Investment comprises:

Ordinary shares:	£260,932	Proportion of equity held:	30.9%
B loan stock:	£608,841	Proportion of loan stock held:	38.5%

Summary financial information from statutory accounts to 31 December

	2013	2012
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£744,418	£599,998

Liverpool Nurseries operates three Children's Day Nurseries based in Liverpool; 'The Cottage Day Nursery' in Fazakerley, 'The House Day Nursery' in Crosby and 'Greenbank Park Day Nursery' near Mossley Hill in Liverpool.

REVIEW OF INVESTMENTS - 'B' SHARE POOL (continued)

Green Electricity Generation
Limited
www.freesolarinstallations.net



Cost at 31/03/15:	£500,000	Valuation at 31/03/15:	£605,000
Cost at 31/03/14:	£500,000	Valuation at 31/03/14:	£605,000
Date of first investment:	May 11	Valuation method:	Discounted cash flow

Investment comprises:

A ordinary shares:	£150,000	Proportion of equity held:	15.0%
Secured loan stock:	£350,000	Proportion of loan stock held:	25.0%

Summary financial information from statutory accounts to 30 June

	2014	2013
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£403,018	£412,194

Green Electricity Generation owns solar panels on the rooftops of over 200 domestic properties in the UK. The households benefit from free electricity whilst Green Electricity receives Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

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.

* Turnover and operating profit figures not publicly available as abbreviated small company accounts filed.

REVIEW OF INVESTMENTS - 'B' SHARE POOL (continued)

Summary of loan stock interest income

	£'000
Loan stock interest receivable in the year	
UK Solar (Hartwell) LLP	110
Future Biogas (Reepham Road) Limited	103
Quadrate Spa Limited	48
Quadrate Catering Limited	77
Kidspace Adventures Holdings Limited	63
Domestic Solar Limited	70
Antelope Pub Limited	63
Alpha Schools Holdings Limited	55
Liverpool Nurseries (Holdings) Limited	70
Green Electricity Generation Limited	64
	<u>723</u>
Receivable from other investments	390
	<u><u>1,113</u></u>

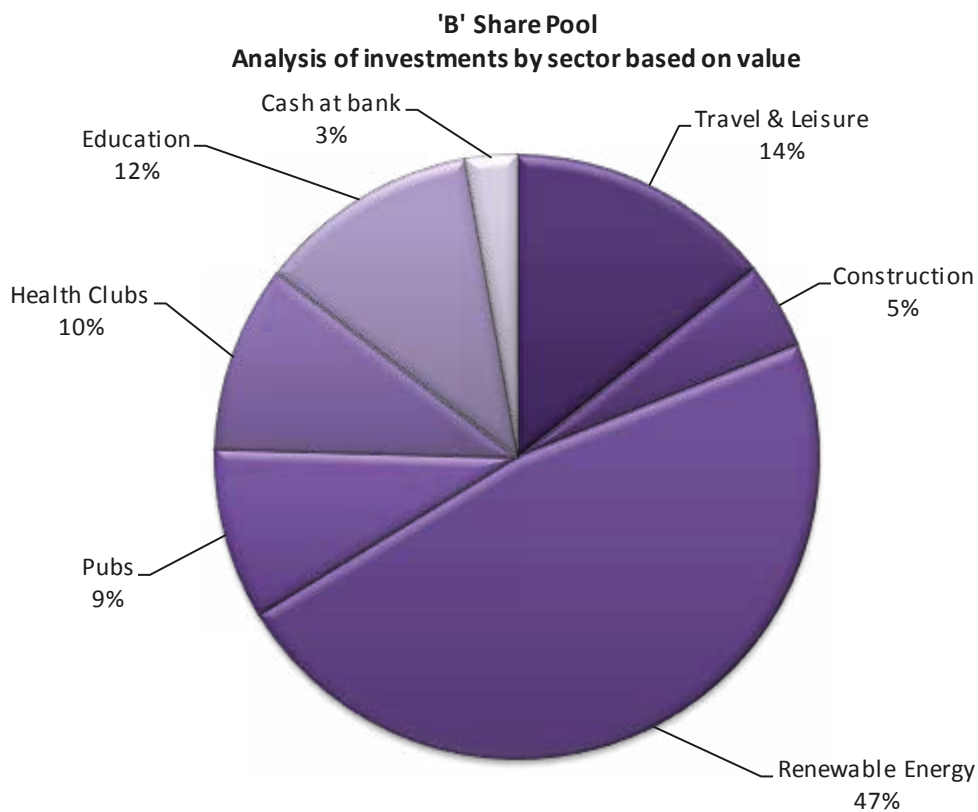
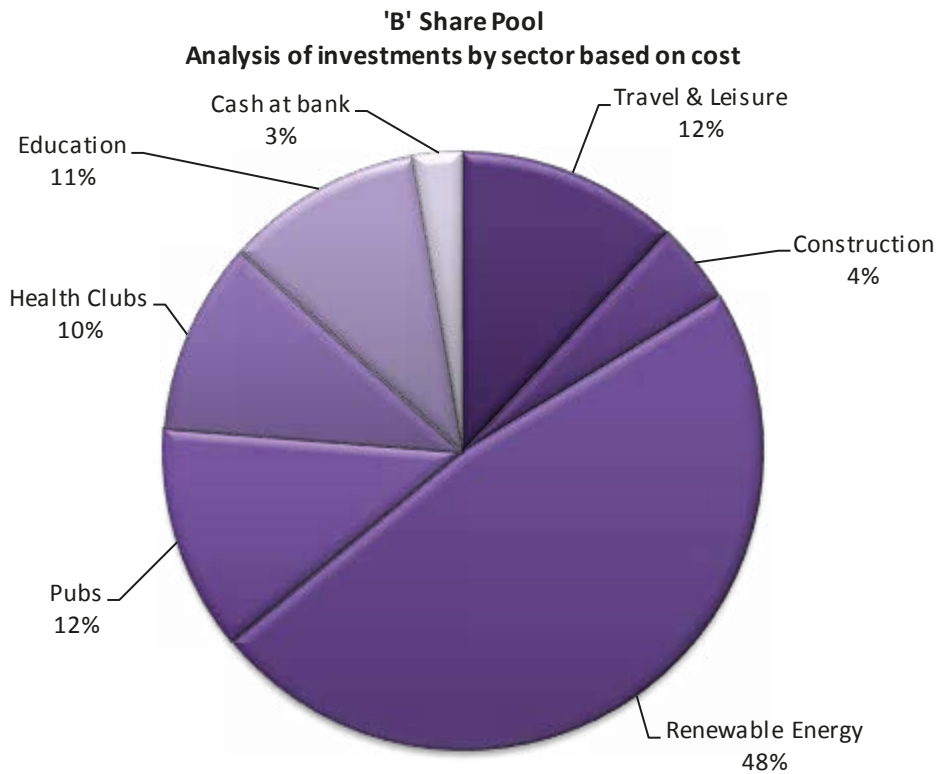
Analysis of investments by type

The allocation of the 'B' Share funds compared to the target split based on cost is summarised as follows:

	Actual portfolio split at 31 March 2015	Target portfolio split at 31 March 2015
VCT qualifying investments		
Qualifying loan stock	53%	50%
Ordinary shares	23%	25%
Total	<u>76%</u>	<u>75%</u>
Non-qualifying investments		
Non-qualifying loan stock	21%	-
Structured Products	-	25%
Total	<u>21%</u>	<u>25%</u>
Cash	3%	-
	<u>100%</u>	<u>100%</u>

REVIEW OF INVESTMENTS - 'B' SHARE POOL (continued)

The split of the 'B' Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2015) is as follows:



'D' SHARE POOL SUMMARY

Financial highlights

	31 March 2015 pence	31 March 2014 pence
Net asset value per 'D' Share	80.7	83.0
Cumulative distributions	<u>15.0</u>	<u>10.0</u>
Total return per 'D' Share	<u><u>95.7</u></u>	<u><u>93.0</u></u>

Dividend history

Period end	Date paid	Pence per share
2012 Final	28 September 2012	2.5
2013 Interim	25 January 2013	2.5
2013 Final	13 September 2013	2.5
2014 Interim	24 January 2014	2.5
2014 Final	30 September 2014	2.5
2015 Interim	30 January 2015	<u>2.5</u>
		<u>15.0</u>
Proposed 2015 Final	(Payable 30 September 2015)	<u>2.5</u>

Share prices

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

TIDM/EPIC codes	'D' Shares DO1D
Latest share price (9 July 2015)	72.0p per share

Structure of shareholdings

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

Target exit date

It is intended that the 'D' Share pool will seek to realise its investments and start returning proceeds to investors around August 2017. Shareholders should note that the process of realising the share pool's investments may take some time to complete.

INVESTMENT MANAGER'S REPORT- 'D' SHARE POOL

Introduction

To date, the 'D' Share pool has invested £5.2 million in 14 Venture Capital investments and £1.4 million in 4 Structured Product investments.

The pool began the year with £3.0 million of venture capital investments and ended the period with £4.9 million. Structured Product investments were £2.4 million at the start of the year and ended at £1.5 million. Three Structured Product investments matured in the period.

Net asset value and results

The net asset value ("NAV") per 'D' Share at 31 March 2015 stood at 80.7p an increase of 2.7p or 3.2% after adjusting for the dividend paid in the year. Total Return stands at 95.7p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per share.

The profit on ordinary activities after taxation for the year was £204,000 (2014: £26,000), comprising a revenue profit of £120,000 (2014: £34,000) and a capital gain of £84,000 (2014: loss of £8,000).

Venture Capital investments

Investment activity

During the year, four new investments totalling £1.8 million were made, as well as one further investment of £65,000 into Vulcan Renewables Limited.

£294,000 was invested in Grasshopper 2007 Limited, a company which owns and operates a pub in Kent and also trades as a restaurant and wedding venue.

In July 2014, £500,000 was invested in Lambridge Solar Limited. The company has built a ground mounted solar farm in Lincolnshire. The systems will qualify for Renewable Obligations Certificates ("ROCs").

£500,000 was invested into Merlin Renewables Limited in October 2014. The company has built an anaerobic digestion plant in Norfolk. The plant will qualify for government backed subsidies as it produces gas and supplies it to the national gas grid.

£485,000 was invested in Nightjar Sustainable Power Limited, a company developing a hydroelectric power station in Argyll, Scotland.

Portfolio valuation

The majority of investments were held at valuations equal to cost at the year end. However, some valuation adjustments have been made with a net unrealised value increase of £25,000.

Vulcan Renewables Limited, which has built and operates a biogas plant in Doncaster, has performed to plan, and an increase of £126,000 has been made to the valuation.

Pearce & Saunders Limited owns three south London pubs; Jam Circus in Brockley, Eltham GPO in Eltham, and the Wallington Arms in Wallington. All three sites have underperformed, leading to a decrease in valuation of £84,000.

A reduction in value of £17,000 was made in Fubar Stirling Limited, which owns and manages Fubar nightclub in Stirling, Scotland.

Structured Products

Three structured products were realised during the year, generating proceeds of £963,000. This represented a profit on cost of £60,000 and an uplift of £21,000 over the March 2014 valuation. Three of the four remaining structured products, are expected to mature in August this year, with proceeds of £980,500, leaving £557,000 value in the last structured product, which is expected to mature in April 2017.

Outlook

The 'D' share pool is now fully invested and qualifying. Despite some minor setbacks, the venture capital portfolio is performing in line with expectations. Further investments will be made as the remaining structured products mature.

Downing LLP

10 July 2015

REVIEW OF INVESTMENTS - 'D' SHARE POOL

Portfolio of investments

The following investments were held at 31 March 2015:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Structured Product investments				
HSBC 5.4% Dual Index Synthetic Zero	501	557	32	8.7%
Goldman Sachs 8.5% Defensive Worst Of Auto Call	351	398	27	6.2%
Credit Suisse 7% Defensive Worst Of Auto Call	251	276	15	4.3%
HSBC 7.1% Defensive Worst Of Auto Call	251	274	15	4.3%
	<u>1,354</u>	<u>1,505</u>	<u>89</u>	<u>23.5%</u>
Venture Capital investments				
Vulcan Renewables Limited	653	779	126	12.2%
Tor Solar PV Limited	640	640	-	10.0%
Goonhilly Earth Station Limited	570	570	-	8.9%
Lambridge Solar Limited	500	500	-	7.8%
Merlin Renewables Limited	500	500	-	7.8%
Nightjar Sustainable Power Limited	485	485	-	7.6%
Fubar Stirling Limited	358	341	(17)	5.3%
Grasshopper 2007 Limited	294	294	-	4.6%
City Falkirk Limited	562	275	-	4.3%
Fresh Green Power Limited	200	200	-	3.1%
Pearce and Saunders Limited*	280	196	(84)	3.1%
Green Energy Production UK Limited	100	100	-	1.6%
Cheers Dumbarton Limited	64	22	-	0.3%
Lochrise Limited	17	-	-	0.0%
	<u>5,223</u>	<u>4,902</u>	<u>25</u>	<u>76.5%</u>
	<u>6,577</u>	<u>6,407</u>	<u>114</u>	<u>100.0%</u>
Cash at bank and in hand		<u>-</u>		<u>0.0%</u>
Total investments		<u>6,407</u>		<u>100.0%</u>

* partially qualifying investment

All Venture Capital investments are incorporated in England and Wales.

REVIEW OF INVESTMENTS - 'D' SHARE POOL (continued)

Investment movements for the year ended 31 March 2015

ADDITIONS

	£'000
Venture Capital investments	
Lambridge Solar Limited	500
Merlin Renewables Limited	500
Nightjar Sustainable Power Limited	485
Grasshopper 2007 Limited	294
Vulcan Renewables Limited	65
	1,844

DISPOSALS

	Cost £'000	Valuation ~ at 31/3/14 £'000	Proceeds £'000	Profit vs. cost £'000	Realised gain £'000
Structured Product investments					
UBS 7.3% Defensive Worst Of Auto Call	251	265	268	17	3
Barclays 7.75% Defensive Worst-Of-Auto-Call	401	424	431	30	7
HSBC 5.67% Defensive Worst-Of-Auto-Call	251	253	264	13	11
	903	942	963	60	21

~ adjusted for purchases during the year

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL (continued)

Further details of the 10 largest Venture Capital investments held by the ‘D’ Share pool:

Vulcan Renewables Limited



Cost at 31/03/15:	£652,610	Valuation at 31/03/15:	£778,610
Cost at 31/03/14:	£588,000	Valuation at 31/03/14:	£588,000
Date of first investment:	Apr 12	Valuation method:	Cost of recent investment

Investment comprises:

A ordinary shares:	£420,000	Proportion of A equity held:	5.0%
A loan stock:	£168,000	Proportion of A loan stock held:	4.4%

Summary financial information from statutory accounts to 30 November

	2013	2012
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£3,241,700	£2,580,091

Vulcan Renewables is developing a 2.0MW maize fed biogas plant near Doncaster. Through an Anaerobic Digestion process biogas is produced which is used to generate gas. The company benefits from the receipt of Feed-in Tariffs and payments for gas exported to the National Gas Grid.

Tor Solar PV Limited



Cost at 31/03/15:	£640,000	Valuation at 31/03/15:	£640,000
Cost at 31/03/14:	£640,000	Valuation at 31/03/14:	£640,000
Date of first investment:	Apr 12	Valuation method:	Net Assets

Investment comprises:

A ordinary shares:	£32	Proportion of A equity held:	16.0%
Preference B shares:	£448,000	Proportion of B equity held:	32.0%
A loan stock:	£191,968	Proportion of A loan stock held:	32.0%

Summary financial information from statutory accounts to 31 March

	2014	2013
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£966,763	£1,136,307

Tor Solar PV owns a portfolio of ground mounted solar panels on farms in the South West of the UK. Tor Solar PV receives Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

Goonhilly Earth Station Limited

www.goonhilly.org



Cost at 31/03/15:	£570,000	Valuation at 31/03/15:	£570,000
Cost at 31/03/14:	£570,000	Valuation at 31/03/14:	£570,000
Date of first investment:	Jan 14	Valuation method:	Cost of investment

Investment comprises:

C ordinary shares:	£5,625	Proportion of C equity held:	0.2%
D ordinary shares:	£393,375	Proportion of D equity held:	14.3%
Loan stock:	£171,000	Proportion of loan stock held:	15.0%

Summary financial information from statutory accounts to 31 May

	2014	2013
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£2,269,128	£72,135

Goonhilly Earth Station Limited (“GES”) owns and operates the iconic Goonhilly Satellite Earth Station on the Lizard Peninsula in Cornwall, UK.

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL (continued)

Lambridge Solar Limited



Cost at 31/03/15:	£500,000	Valuation at 31/03/15:	£500,000
Cost at 31/03/14:	n/a	Valuation at 31/03/14:	n/a
Date of first investment:	Jul 14	Valuation method:	Discounted cash flow

Investment comprises:

B Ordinary shares:	£500,000	Proportion of B equity held:	4.0%
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Summary financial information from statutory accounts to 31 December

	2013	2012
Turnover:	n/a*	None filed
Operating profit:	n/a*	None filed
Net assets:	£,318,892	None filed

Lambridge Solar owns a 9.0 MW ground mounted photovoltaic system in Burton Pedwardine, Lincolnshire. The system was constructed by Lark Energy and, following some delays, was commissioned in February 2014. The system is managed by Armstrong Energy Limited and qualifies for Renewable Obligations Certificates (ROCs), receiving 1.6 ROCs for every megawatt hour produced.

Merlin Renewables Limited



Cost at 31/03/15:	£500,000	Valuation at 31/03/15:	£500,000
Cost at 31/03/14:	n/a	Valuation at 31/03/14:	n/a
Date of first investment:	Oct 14	Valuation method:	Cost of investment

Investment comprises:

Ordinary shares:	£500,000	Proportion of equity held:	6.0%
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Summary financial information from statutory accounts to 31 August

	2013	2012
Turnover:	n/a*	None filed
Operating profit:	n/a*	None filed
Net assets:	£4,396,579	None filed

Merlin has developed a 2 MW gas injection anaerobic digestion plant in Norfolk with Future Biogas. The construction of the project commenced in July 2013 and concluded in September 2014. The plant will be fed on maize which is being grown on nearby land and sold to the company for use in the plant. The anaerobic digestion qualifies to receive payments under the Renewable Heat Incentive for injecting bio-methane into the gas grid.

Nightjar Sustainable Power Limited



Cost at 31/03/15:	£485,000	Valuation at 31/03/15:	£485,000
Cost at 31/03/14:	n/a	Valuation at 31/03/14:	n/a
Date of first investment:	Mar 15	Valuation method:	Cost of investment

Investment comprises:

Ordinary shares:	£485,000	Proportion of equity held:	19%
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No accounts filed

Nightjar is developing a 2.0MWe run-of-river hydroelectric scheme in Argyll, Scotland. Construction has already commenced and is expected to be completed by mid 2016.

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL (continued)

Fubar Stirling Limited
www.fubarclub.info



Cost at 31/03/15:	£357,436	Valuation at 31/03/15:	£357,436
Cost at 31/03/14:	£357,436	Valuation at 31/03/14:	£357,436
Date of first investment:	Feb 12	Valuation method:	Multiples

Investment comprises:

A ordinary shares:	£nil	Proportion of A equity held:	17.8%
B ordinary shares:	£107,231	Proportion of B equity held:	18.2%
B loan stock:	£250,205	Proportion of B loan stock held:	18.2%

Summary financial information from statutory accounts to 28 February

	2014	2013
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£521,747	£578,674

Fubar Stirling Limited owns and operates the Fubar nightclub in Stirling, Scotland. This freehold asset was purchased out of administration, and is being run on a management contract by Lochrise Limited.

Grasshopper 2007 Limited
www.grasshopperinn.co.uk



Cost at 31/03/15:	£294,000	Valuation at 31/03/15:	£294,000
Cost at 31/03/14:	n/a	Valuation at 31/03/14:	n/a
Date of first investment:	Apr 14	Valuation method:	Cost of investment

Investment comprises:

Ordinary shares:	£205,800	Proportion of equity held:	5.0%
A loan stock:	£88,200	Proportion of A loan stock held:	14.0%

Summary financial information from statutory accounts to 26 July/January

	2014	2013
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net liabilities:	(£642,447)	(£1,674,127)

The Grasshopper Inn is a public house near Westerham, Kent, operating as a traditional pub, restaurant, wedding venue and boutique hotel with 9 letting rooms. In March 2014 Downing VCTs invested £2.1m into the business to refinance existing bank debt. Since we made our investment the Manager, Faucet Inn, has secured planning permission for an additional 25 bedrooms on site.

City Falkirk Limited
www.cityfalkirk.co.uk



Cost at 31/03/15:	£562,000	Valuation at 31/03/15:	£275,371
Cost at 31/03/14:	£562,000	Valuation at 31/03/14:	£275,371
Date of first investment:	Feb 12	Valuation method:	Multiples

Investment comprises:

A ordinary shares:	£18	Proportion of A equity held:	18.0%
B ordinary shares:	£109,085	Proportion of B equity held:	18.2%
A loan stock:	£198,365	Proportion of A loan stock held:	18.2%
B loan stock:	£254,532	Proportion of B loan stock held:	18.2%

Summary financial information from statutory accounts to 28 February

	2014	2013
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£97,186	£157,198

City Falkirk Limited owns and operates the City & Sportsters sports bar and nightclub in Falkirk. This freehold asset was purchased out of administration, and is being run on a management contract by Lochrise Limited.

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL (continued)

Fresh Green Power Limited



Cost at 31/03/15:	£200,000	Valuation at 31/03/15:	£200,000
Cost at 31/03/14:	£200,000	Valuation at 31/03/14:	£200,000
Date of first investment:	Apr 12	Valuation method:	Discounted cash flow

Investment comprises:

A ordinary shares:	£20	Proportion of A equity held:	3.1%
Preference C shares:	£139,980	Proportion of C equity held:	20.0%
A loan stock:	£60,000	Proportion of A loan stock held:	20.0%

Summary financial information from statutory accounts to 30 September

	2013	2012
Turnover:	n/a*	n/a*
Operating profit:	n/a*	n/a*
Net assets:	£660,838	£684,723

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

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.

* Turnover and operating profit figures not publicly available as abbreviated small company accounts filed.

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL (continued)

Summary of loan stock interest income and interest on advances

	£'000
Loan stock interest and interest on advances receivable in the year	
Vulcan Renewables Limited	47
Tor Solar PV Limited	92
Goonhilly Earth Station Limited	34
Lambridge Solar Limited	-
Merlin Renewables Limited	-
Nightjar Sustainable Power Limited	-
Fubar Stirling Limited	15
Grasshopper 2007 Limited	11
City Falkirk Limited	24
Fresh Green Power Limited	13
	<u>236</u>
Receivable from other investments	26
	<u>262</u>

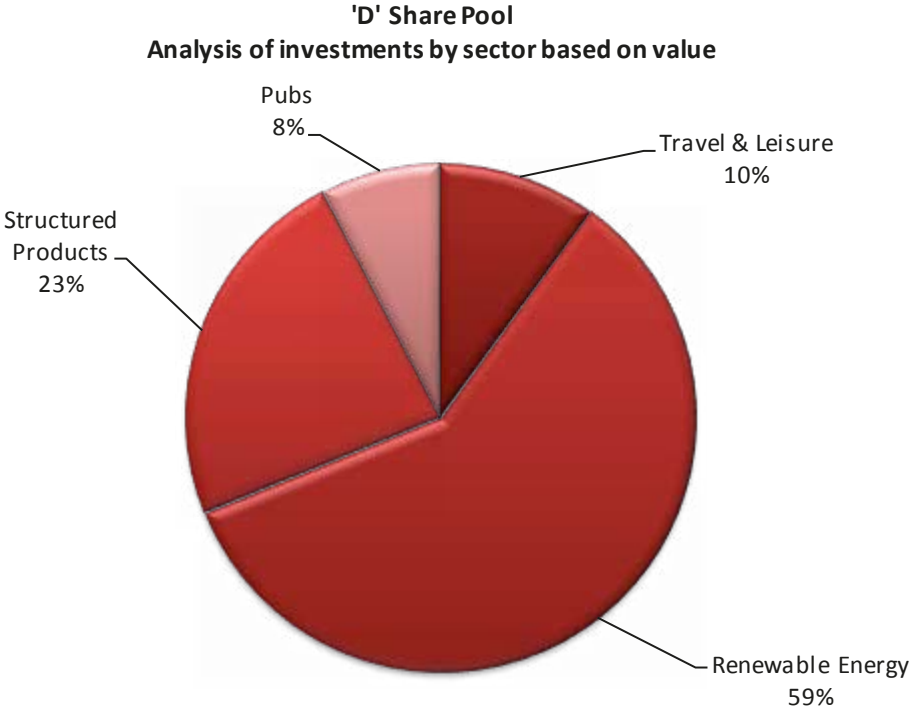
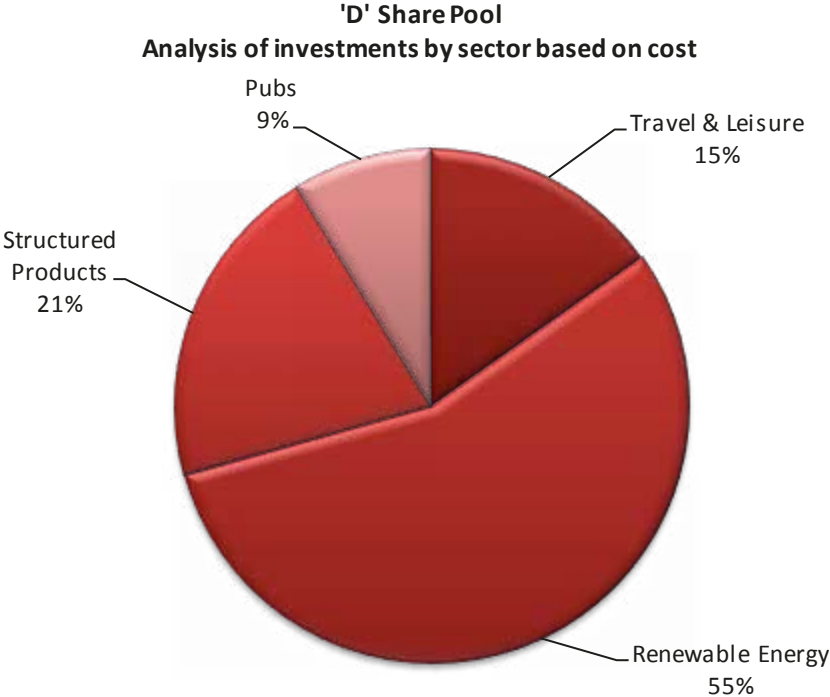
Analysis of investments by type

The allocation of the ‘D’ Share funds compared to the target split is summarised as follows:

	Actual portfolio split at 31 March 2015	Target portfolio split at 31 March 2015
VCT qualifying investments		
Qualifying loan stock	21%	50%
Ordinary shares	54%	25%
Total	<u>75%</u>	<u>75%</u>
Non-qualifying investments		
Non-qualifying loan stock and advances	2%	-
Structured Products	23%	25%
Total	<u>25%</u>	<u>25%</u>
Cash	-	-
	<u>100%</u>	<u>100%</u>

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL (continued)

The split of the ‘D’ share pool investment portfolio by commercial sector (by cost and by value at 31 March 2015) is as follows:



D SHARE POOL

STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 31 March 2015. 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's principal objective is to provide shareholders with an attractive level of tax-free capital gains and income generated from a portfolio of investments in a range of different sectors.

The Company's strategy for achieving this objective is to:

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

Business review and developments

Ordinary Share pool

The Ordinary Share pool began the year with £8.3 million of investments and after realisations totalling £1.5 million, ended the year with £5.6 million spread across a portfolio of 15 companies. 12 of these investments, with a value of £5.5 million, were VCT qualifying (or part qualifying).

The profit on ordinary activities after taxation for the period was £431,000, comprising a revenue profit of £1.0 million, and a capital loss of £601,000.

'B' Share pool

The 'B' Share pool began the period with £14.5 million of investments and after realisations totalling £2.3 million, ended the year with £13.7 million spread across a portfolio of 21 Venture Capital investments.

The profit on ordinary activities after taxation for the period was £82,000, comprising a revenue profit of £687,000 and a capital loss of £605,000.

'D' Share pool

The 'D' Share pool began the period with £5.4 million of investments and ended with £6.4 million spread across a portfolio of 14 Venture Capital investments and 4 Structured Product investments.

The profit on ordinary activities after taxation for the period was £204,000, comprising a revenue profit of £120,000 and a capital profit of £84,000.

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

Key performance indicators

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

Principal risks and uncertainties

The principal risks faced by the Company, which include market price risk, interest rate risk, credit risk and liquidity risk, are summarised within note 17 to the financial statements.

In addition to these risks, the Company, as a fully listed company on the London Stock Exchange and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces a number of related risks. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to Shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the 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.

Two of the share pools are now seeking to realise their portfolios. This process may take some time, and there is an associated risk that distressed disposals could result in a lower realised value.

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

Business model

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

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

STRATEGIC REPORT (continued)

Investment policy

Asset allocation

Initially, up to 90% of the Ordinary Share pool, 'B' Share pool, and 'D' Share pool funds are to be invested in Structured Products, with the balance held in cash or cash equivalents. Funds are then gradually invested in Venture Capital investments over the first three years of the life of the pool. The level of funds held in Structured Products is reduced as funds are employed in Venture Capital investments.

Now all share pools are past their initial three years it is intended that 75% of the share pools' funds are invested in Venture Capital.

Venture Capital investments

Venture Capital investments comprise investments in UK businesses that own substantial assets (over which a charge will be taken by the Company) or have predictable revenue streams from financially sound customers.

As a condition of each of its investments, it is intended that the Company will have the ability to restrict the investee company's ability to borrow. Typically, Downing VCTs' investee companies have no external borrowings ranking ahead (for security purposes) of the VCTs' investments. However, certain investee companies may be permitted to borrow limited sums (typically up to 25% of the value of their assets) where the Manager believes it is prudent to do so.

Structured Products

The institutional Structured Product portfolios are managed by Brewin Dolphin who has investment discretion but operates within the Board's guidelines.

The Company's holdings of Structured Products are primarily designed to produce capital appreciation, rather than income. Therefore, the profit arising from the disposal or maturity of the Structured Products typically gives rise to capital gains, which are tax-free for the Company and can be distributed tax-free to Shareholders.

All Structured Products will have a level of downside protection. The choice of index or exchange that the Company's Structured Products are linked to will be dependent on market conditions at the time of investment. The maximum exposure to various indices and exchanges will be as follows: i) between 50% and 100% will be linked to the FTSE 100; ii) no more than 20% will be linked to the S&P 500; iii) no more than 20% will be linked to the Dow Jones Euro Stoxx 50; iv) no more than 20% will be linked to the Topix 1000; and v) no more than 20% in aggregate will be linked to all other indices and exchanges.

Counterparty risk on Structured Products

Brewin Dolphin monitors the counterparty risk on an on-going basis and follows the guidelines set out below.

- **Types of counterparties:** Combination of UK gilt backed, A rated or higher (Standard and Poor's) and cash collateralised issues.
- **Examples of currently acceptable counterparties:** Citigroup; Morgan Stanley; Barclays Bank; Credit Suisse; HSBC Bank; Bank of America and UK Government (Gilts).
- **Maximum exposure to any one counterparty:** 20% (no maximum for UK Gilts or cash), at the time of investment.

Other Investments

In addition to the above, up to 5% of the funds may also be invested in other investments, including, but not limited to, gilts, fixed deposit investments and secured loans.

Risk diversification

The Directors control the overall risk of the Company. The Manager ensures that the Company has exposure to a diversified range of Venture Capital investments from different sectors. The Structured Product portfolio is a separate asset class to that of its Venture Capital investments and this provides further diversification.

Listing rules

In accordance with the Listing Rules:

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

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

1. The Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007) (by 31 March 2012 in respect of the Ordinary Share pool, by 31 March 2014 in respect of the 'B' Share pool, and by 31 March 2015 in respect of the 'D' Share pool);
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" for funds raised before 6 April 2011 and at least 70% in "eligible shares" for funds raised after 6 April 2011 ("eligible shares" generally being ordinary share capital) (by 31 March 2012 in respect of the Ordinary Share pool, by 31 March 2014 in respect of the 'B' Share pool, and by 31 March 2015 in respect of the 'D' Share pool);
3. At least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);
4. No investment constitutes more than 15% of the Company's portfolio (by value at time of investment);
5. The Company's income for each financial year is derived wholly or mainly from shares and securities; and
6. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained.

Performance incentive fees

The structure of 'A' Shares and 'C' Shares enables an incentivisation of the Management Team by way of a distribution of income.

No performance incentive fee will be payable until Shareholders:

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

Subject to these conditions being met, Total Proceeds will be distributed as follows:

Shareholders	97% of the first 100.0p of proceeds per £1 invested and 80% thereafter
Management	3% of the first 100.0p of proceeds and 20% thereafter

If the above distribution would result in Shareholders receiving less than 100.0p per £1 invested or lower than a 7% compound return, then the return to the Management Team will be reduced until Shareholders receive at least 100.0p per £1 invested and a 7% compound return. Management's share of the Total Proceeds will be subject to a cap at 1.25% of net assets of the Company per annum and will only be payable if the hurdle is achieved.

The maximum performance incentive is limited to an amount equivalent to 1.25% of net assets per annum ("the Cap"). If, in any accounting period, the performance incentive payable is less than the Cap then the shortfall shall be aggregated to the Cap in respect of the following accounting period and so on until fully utilised.

'D' Share performance incentive fee

The 'D' Shares enable a payment, by way of a fee, of the performance incentive fees to the Management Team.

No performance incentive fee will be payable until Shareholders:

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

Subject to these conditions, "the Hurdles", being met, the performance incentive will be 3.0p per 'D' Share plus 20% above 100.0p per 'D' Share of the funds available (for distribution to 'D' Shareholders and the payment of the performance incentive).

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

As the targets have not been met, no fee is due to be paid for the year ended 31 March 2015. It will be recalculated for the year ended 31 March 2016, and annually thereafter, following approval of the audited accounts by Shareholders.

STRATEGIC REPORT (continued)

Borrowings

Under its Articles, the Company has the ability to borrow a maximum amount equal to 15% of the aggregate amount paid on any shares issued by the Company (together with any share premium thereon), currently equal to £5.3 million.

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

Environmental and social policy

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

Global greenhouse gas emissions

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

Directors and senior management

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

Future prospects

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

By order of the Board



Grant Whitehouse

Secretary of Downing Structured Opportunities VCT 1 plc

Company number: 6789187

Registered office:
Ergon House
Horseferry Road
London, SW1P 2AL

10 July 2015

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2015. The Company was incorporated on 12 January 2009 and commenced activities from 21 January 2009.

Share capital

At the year end, the Company had in issue 10,288,157 Ordinary Shares, 15,506,488 'A' Shares, 19,911,070 'B' Shares, 29,926,070 'C' Shares, and 7,877,527 'D' Shares. Only the holders of the Ordinary Shares, 'B' Shares, and 'D' Shares have voting rights, except where there are issues in respect of the variation of rights of the 'A' Shares and 'C' Shares. There are no other share classes in issue.

Shareholders who invested in the Company's Ordinary Share offer for subscription received equal numbers of Ordinary Shares and 'A' Shares. The 'A' Shares have been structured to be part of the Company's performance incentive scheme as described below. 'A' Shares had a net asset value of 0.1p per share at the year end. Based on the pool's performance to date it is expected that the various performance hurdles will be met and a performance fee will become payable in respect of the Ordinary Share pool. Once the hurdles have been exceeded, the 'A' Shares will appreciate in value.

Shareholders who invested in the Company's 'B' Share offer for subscription received equal numbers of 'B' Shares and 'C' Shares. As with the 'A' Shares described above, the 'C' Shares are related to the Company's performance incentive scheme. They also have a net asset value at the year end of 0.1p per share. Based on the pool's performance to date it is expected that the various performance hurdles will be met and a performance fee will become payable in respect of the 'B' Share pool. Once the hurdles have been exceeded the 'C' Shares will appreciate in value.

The Company operates a policy, subject to certain restrictions, of buying 'D' Shares that become available in the market at a price equal to the latest published NAV (i.e. at nil discount). The Company does not intend to buyback any other class of shares.

The Company did not repurchase any shares during the year.

At the AGM that took place on 25 September 2014, the Company was authorised to make market purchases of its Ordinary Shares, 'A' Shares, 'B' Shares, and 'C' Shares up to a limit of 1,470,923 Ordinary Shares, 2,275,916 'A' Shares, 2,945,219 'B' Shares, 4,458,984 'C' Shares and 1,165,242 'D' Shares which represented approximately 14.9% of the issued Ordinary Share capital, 'A' Share capital, 'B' Share capital, 'C' Share capital and 'D' Share capital at the date of the AGM.

At the current date, authority remains for 1,470,923 Ordinary Shares, 2,275,916 'A' Shares, 2,945,219 'B' Shares, 4,458,984 'C' Shares and 1,165,242 'D' Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 29 September 2015.

The minimum price which may be paid for an Ordinary Share, 'A' Share, 'B' Share, 'C' Share or a 'D' Share is 0.1p, exclusive of all expenses, and the maximum price which may be paid for an Ordinary Share, 'A' Share, 'B' Share, 'C' Share or a 'D' Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations.

Results and dividends

Profit for the year

	£'000	Pence per share
Ordinary Share	431	4.2
'B' Share	82	0.4
'D' Share	204	2.6

Interim dividend paid in respect of current period

	£'000	Pence per share
Ordinary Share (special)	4,118	40.0
'B' Share	497	2.5
'D' Share	196	2.5

Your Board is proposing to pay a final dividend of 2.5p per 'D' Share payable on 30 September 2015 to Shareholders on the register at 28 August 2015.

No dividend is being paid in respect of any other share class.

REPORT OF THE DIRECTORS (continued)

Directors

The Directors of the Company during the year and their beneficial interests (including connected persons) in the issued Ordinary Shares, 'A' Shares, 'B' Shares, 'C' Shares, and 'D' Shares at 31 March 2014 and at 31 March 2015.

No. of shares at 31/03/14 and at 31/03/15

Share class	Lord Flight	Robin Chamberlayne	Mark Mathias
Ord	31,100	126,000	-
A	31,100	385,280	129,640
B	62,550	83,000	-
C	62,550	583,000	-
D	20,800	20,600	10,350

Between 31 March 2015 and the date of this report there has been no movement in Directors' shareholdings.

In accordance with developments in corporate governance practice, the Board has decided that all Directors will retire at each Annual General Meeting. Accordingly, all the Directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The Board recommends that Shareholders take into consideration each Director's considerable experience in VCTs and other areas, as shown in their respective biographies on page 2, together with the results for the period to date, in order to support the resolutions to re-appoint all three Directors.

Each of the Directors entered into a letter of appointment with the Company dated 27 January 2009. These agreements were for a period of three years and thereafter were terminable on three months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

Investment management and administration fees

Downing LLP ("Downing") provides investment management services to the Company. Downing is paid a fee equivalent to 1.5% of Ordinary Share net assets per annum, 1.5% of 'B' Share net assets per annum, and 1.5% of 'D' Share net assets per annum.

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

Additionally, Downing continues to provide administration services to the Company for a fee of £65,000 (plus VAT, if applicable, and RPI linked) per annum.

The agreement is for a minimum term of three years, with effect from 27 January 2009, with a twelve month notice period on either side thereafter.

The annual running costs of the Company, for the period, are also subject to a cap of 3.5% of net assets of the Company. Any excess costs over this cap are met by Downing through a reduction in fees.

Should the proposed merger be approved, the annual running costs will be capped at 3% of net assets for the Company's Shareholders.

Trail commission

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

VCT status

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

Compliance with the main VCT regulations (as described in the Investment policy) at 31 March 2015 and for the period under review is summarised as follows:

1. 70% of its investments held in qualifying companies; 88.2%
2. At least 30% of the Company's qualifying investments are held in "eligible shares" for funds raised before 6 April 2011; 32.1%
- 2a. At least 70% of the Company's qualifying investments are held in "eligible shares" for funds raised on or after 6 April 2011; 71.5%
3. At least 10% of each investment in a qualifying company is held in eligible shares; Complied
4. No investment constitutes more than 15% of the Company's portfolio; Complied
5. Income for the year is derived wholly or mainly from shares and securities; and 98.2%
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

REPORT OF THE DIRECTORS (continued)

Substantial interests

As at 31 March 2015, and the date of this report, the Company had not been notified of any beneficial interest exceeding 3 per cent of the issued share capital.

Auditor

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

Annual General Meeting

The Company's sixth Annual General Meeting ("AGM") will be held at Downing LLP, Fifth floor, Ergon House, Horseferry Road, London, SW1P 2AL at 11.30 a.m. on 29 September 2015. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Directors' responsibilities

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

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

In preparing these financial statements the Directors are required to:

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

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

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

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

Directors' statement pursuant to the Disclosure Rules 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, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report included within the Report of the Directors, Chairman's Statement, Investment Manager's Report, and Review of Investments includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that it faces.

REPORT OF THE DIRECTORS (continued)

Website publication

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

Corporate governance

The Company's compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code June 2010 (www.frc.org.uk) is shown on page 50.

Other matters

Information in respect of financial instruments, principal risk and future developments which were previously disclosed within the Directors Report has been disclosed within the Strategic Report on pages 36 to 39.

Statement as to disclosure of information to Auditor

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

By order of the Board



Grant Whitehouse

Secretary of Downing Structured Opportunities VCT 1 plc
Company number: 6789187

Registered office:
Ergon House
Horseferry Road
London, SW1P 2AL

10 July 2015

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of Sections 420 to 422 of the Companies Act 2006. A resolution to approve this report will be put to the Shareholders at the AGM to be held on 29 September 2015.

Under the requirements of Section 497, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on pages 51 to 54.

Directors' remuneration policy

Below is the Company's remuneration policy. 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. This policy applied from 1 April 2015.

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

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

- (i) The Directors shall be paid out of the funds of the Company, by way of fees for their services, an aggregate sum not exceeding £100,000 per annum (excluding any performance incentive fees to which the Directors may be entitled from time to time). The Directors shall also receive by way of additional fees such further sums (if any) as the Company in General Meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of the determination equally.
- (ii) The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors. This includes any expenses incurred in attending meetings of the Board, Committees of the Board or General Meetings. If in the opinion of the Directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

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

Service contracts

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

Directors' remuneration (audited)

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

	Change	Current annual fee £	Year ended 31/03/15 £	Year ended 31/03/14 £
Lord Flight	0%	18,000	18,000	18,000
Robin Chamberlayne	0%	12,500	12,500	12,500
Mark Mathias	0%	12,500	12,500	12,500
		<u>43,000</u>	<u>43,000</u>	<u>43,000</u>

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

Should the proposed merger take place the Directors' remuneration will be as follows: -

	Proposed remuneration £
Lord Flight	20,000
Robin Chamberlayne	18,000
Mark Mathias	18,000
<i>To be appointed as part of the merger: -</i>	
Sir Aubrey Brocklebank	20,000
Russell Catley	18,000
	<u>94,000</u>

Statement of voting at AGM

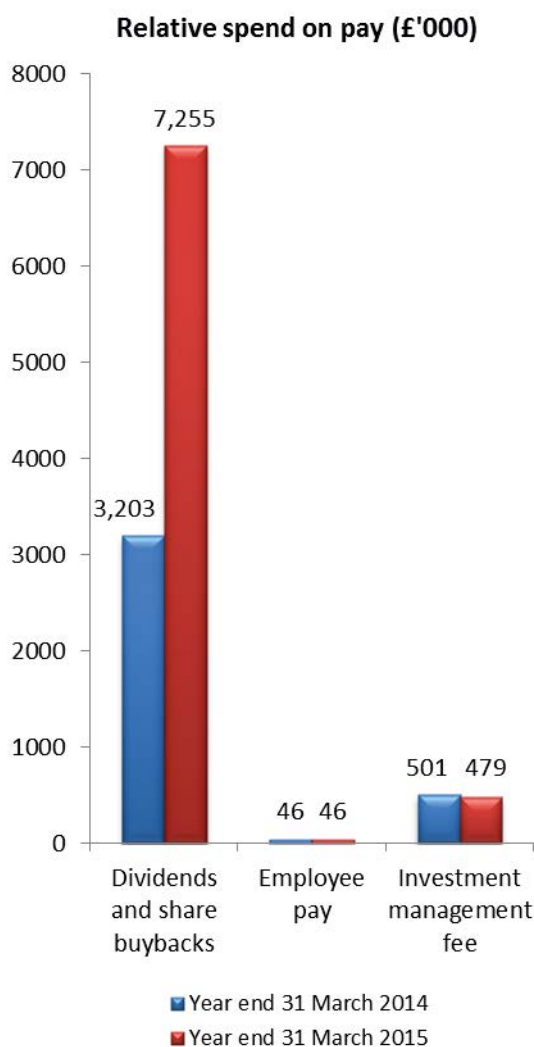
At the AGM on 25 September 2014, the votes in respect of the resolution to approve the Directors' Remuneration Report were as follows:

In favour	1,252,758
Against	9,690
Withheld	30,425

DIRECTORS' REMUNERATION REPORT (continued)

Relative importance of spend on pay

The difference in actual spend between the year ended 31 March 2014 and the year ended 31 March 2015 on remunerations for all employees in comparison to distributions (dividends and share buybacks) and other significant spend are set out in the tabular graph below:



Insurance cover

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

Performance graph

The charts on the following page represent the Ordinary, 'A', 'B', 'C' and 'D' Share pools performances over the period since shares were first listed on the London Stock Exchange and compare the Total Return of the Company (Net Asset Value plus dividends) to a rebased Numis Smaller Companies Index including dividends reinvested. It has been rebased to 100 at the launch date of each respective pool.

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

By order of the Board

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

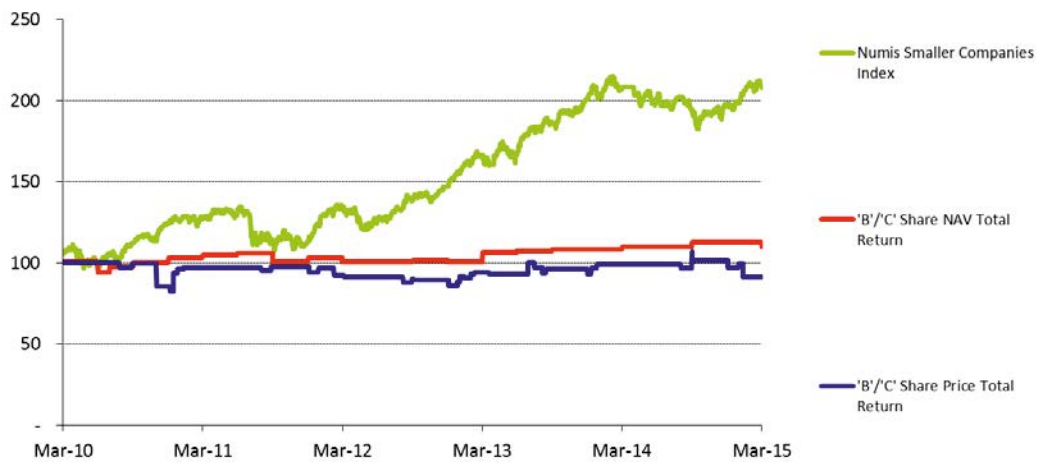
10 July 2015

DIRECTORS' REMUNERATION REPORT (continued)

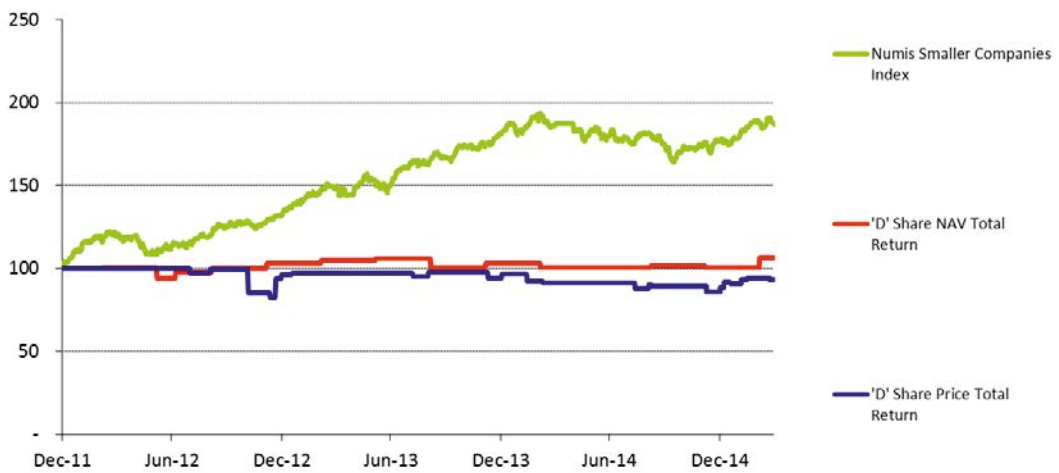
Ordinary/'A' Share performance chart



'B'/'C' Share performance chart



'D' Share performance chart



CORPORATE GOVERNANCE

The Directors support the relevant principles of the UK Corporate Governance Code issued in September 2012, being the principles of good governance and the code of best practice, as set out in Section 1 of the UK Corporate Governance Code annexed to the Listing Rules of the Financial Conduct Authority.

The Board

The Company has a Board comprising three non-executive Directors. The Chairman is Lord Flight. Biographical details of all Board members (including significant other commitments of the Chairman) are shown on page 2.

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

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

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.

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

The Board has authority to make market purchases of the Company's own shares. This authority for up to 14.9% of the Company's issued share capital was granted at the AGM on 25 September 2014. 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 40.

Audit Committee

The Company has an Audit Committee comprising of Lord Flight (Chairman), Robin Chamberlayne and Mark Mathias. This Committee has defined terms of reference and duties.

The Audit Committee is responsible for reviewing the half yearly and annual accounts before they are presented to the Board, the terms of appointment of the Auditor, together with their remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

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

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

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

The Audit Committee met twice during the year. The Committee reviewed the internal financial controls and concluded that they remained appropriate. They also considered the need for an internal audit function and concluded that, due to the size of the Company, this would not be an appropriate function.

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

As the Company has no staff, other than the Directors, there are no procedures in place in respect of C3.4 of the UK Corporate Governance Code relating to whistleblowing. The Audit Committee understands that the Investment and Administration Manager have whistleblowing procedures in place.

CORPORATE GOVERNANCE (continued)

External auditor

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

The Committee confirms that the two main areas of risk for the year under review are the carrying value of the investments and revenue recognition. The Committee's consideration of these matters is set out in this report on page 47.

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

Following assurances received from the Managers at completion of the audit for the year ended 31 March 2015, 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 Auditor objectivity and independence are safeguarded.

Board and Committee meetings

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

	Board meetings attended (4 held)	Audit Committee meetings attended (2 held)
Lord Flight	4	2
Robin Chamberlayne	4	2
Mark Mathias	4	2

No Nomination Committee meetings were held in the year.

Remuneration Committee

The Committee meets as and when required to review the levels of Directors' remuneration. Details of the specific levels of remuneration to each Director are set out in the Directors' Remuneration Report on page 44, and this is subject to Shareholder approval.

Nomination Committee

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

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

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 major Shareholders if so requested.

In addition to the formal business of the AGM, representatives of the Investment Manager and the Board are available to answer any questions a Shareholder may have. Separate resolutions are proposed at the AGM on each substantially separate issue. The Administration Manager collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the UK Corporate Governance Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the sixth AGM and proxy form can be found at the end of these financial statements.

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

Financial reporting

The Directors' responsibilities for preparing the accounts are set out in the Report of the Directors on page 42, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on page 51.

Internal control

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

CORPORATE GOVERNANCE (continued)

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

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

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

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

Anti-bribery policy

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

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 and 4, the Investment Manager's Report on pages 6, 16 and 27, the Strategic Report on page 36 and the Report of the Directors on page 40. The financial position of the Company, its cash flows, liquidity position, and borrowing facilities are shown in the Balance Sheet on page 58, Cash Flow statement on page 59 and the Strategic Report on page 39. In addition, note 17 to the financial statements includes the Company's objectives, policies and processes for managing its capital and financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources 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 current uncertain economic outlook.

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

The Company has announced plans to merge with three other VCTs. If the merger proceeds the Company will be significantly enlarged, although the main activities will remain unchanged.

Share capital

The company has five classes of share capital: Ordinary Shares, 'A' Shares, 'B' Shares, 'C' Shares, and 'D' Shares. The rights and obligations attached to those shares, including the power of the Company to buy back shares and details of any significant shareholdings, are set out on page 40 of the Report of the Directors.

CORPORATE GOVERNANCE (continued)

Compliance statement

The Listing Rules require the Board to report on compliance with the 52 UK Corporate Governance Code provisions throughout the accounting period. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 March 2015 with the provisions set out in Section 1 of the UK Corporate Governance Code.

- a) New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. Also, the Company has no major Shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the AGM. (B.4.1, B.4.2, E.1.1)
- b) Due to the size of the Board and the nature of the Company's business, a formal performance evaluation of the Board, its Committees, the individual Directors and the Chairman have not been undertaken. Specific performance issues are dealt with as they arise. Similarly, a senior independent director has not been appointed. (A.4.1, A.4.2, B.6.1, B.6.3, B.7.2)

- c) Non-executive Directors' contracts are on a three month rolling notice, following an initial three year fixed term, whereas the recommendation is for fixed term renewable contracts. In the Directors' opinion this does not make a substantive difference to the circumstances of the Company. (B.2.3)
- d) As the Company has had no staff, other than Directors, there are no procedures in place relating to whistleblowing. (C.3.4)



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

10 July 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC

Our opinion on the financial statements

In our opinion the Downing Structured Opportunities VCT 1 plc financial statements for the year ended 31 March 2015, which have been prepared by the directors in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its 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.

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.

What our opinion covers

Our audit opinion covers the:

- Income Statement;
- Reconciliation of movement in Shareholders' Funds;
- Balance Sheet;
- Cash Flow Statement; and
- Related notes

Respective responsibilities of directors and auditor

As explained more fully in the Report of the Directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and international Standards on Auditing (UK and Ireland). Those standards require us to comply with the FRC's Ethical Standards for Auditors.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC (continued)

Our approach

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the investment Manager and Administration Manager and, the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement. Below are those risks which we considered to have the greatest impact on our audit strategy and our audit response:

Risk area	Audit response
<p>Valuation of investments:</p> <p>Valuation of investments is a key accounting estimate which requires the exercise of considerable judgements and where there is an inherent risk of management override arising from the investment valuations being prepared by the investment Manager, who is remunerated based on the net asset value of the company.</p>	<p>The Company invests across a diverse range of entities and structured products in keeping with its investment objective.</p> <p>The majority of the Company's investments are in unquoted investments comprising equity and debt based financial instruments. For a sample of investments held, our audit procedures included:</p> <ul style="list-style-type: none"> • considering the appropriateness of the valuation methodology ensuring that it is in accordance with the International Private Equity and Venture Capital Valuation Guidelines; • reviewing and challenging the assumptions inherent in the valuation models by comparison to appropriate benchmark data; • where appropriate using computer assisted audit techniques to test the integrity of valuation models; • assessing the impact of estimation uncertainty concerning these assumptions and the completeness of associated disclosures in the financial statements; and • we also considered wider economic and commercial factors that, in our judgement, could impact on the carrying value of those investments. <p>For structured products we independently obtained a valuation report in respect of those investments and compared this with the values included in the financial statements.</p>
<p>Revenue recognition:</p> <p>Revenue consists of loan stock interest, dividends receivable from investee companies and interest earned on cash balances. Revenue recognition is considered to be a significant audit risk as it is the key driver of dividend returns to investors and there is judgement required in determining whether accrued income should be regarded as recoverable.</p>	<p>Our testing of revenue which is comprised of investment income had regard to:</p> <ul style="list-style-type: none"> • the design and the implementation of the controls relating to revenue recognition; • analytical review and investigation of unexpected variances; • the appropriateness and application of the accounting policy; • recognition and classification of any accrued income, considering the appropriateness of the classification of income between revenue and capital in the Income Statement; and • the level of cash received in respect of investment income, as well as supporting documentation and management accounts of the investee companies.

The Audit Committee's consideration of these key issues is set out on page 47.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC (continued)

Materiality in context

Materiality can be defined as the magnitude of misstatement in a set of financial statements that could influence the economic decisions of a knowledgeable person. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. Importantly, misstatements below this level 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.

When assessing materiality we have regard to a number of factors including the value of gross assets, the level of judgement inherent in the company's investment valuations and the range of reasonable alternative valuations. We determined materiality for the company to be £395,000 which approximates to 2% of the gross value of investments.

As users of financial statements could be influenced by the level of net realised returns we also test a sample of transactions and balances, other than investments and the fair value movements thereon. The selection of this additional sample is made by reference to a lower level of materiality of £30,000 which equates to approximately 10% of gross expenditure.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £8,000. We also reported to the Audit Committee on disclosure matters we identified when assessing the overall presentation of the financial statements.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the 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 information given in the Corporate Governance Statement set out on page 48 and 49 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC (continued)

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 49, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

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

Rhodri Whitlock (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

10 July 2015

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

INCOME STATEMENT

for the year ended 31 March 2015

	Note	Year ended 31 March 2015			Year ended 31 March 2014		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	2,680	-	2,680	1,705	-	1,705
Net (loss)/gain on investments	9	-	(881)	(881)	-	383	383
		2,680	(881)	1,799	1,705	383	2,088
Investment management fees	3	(240)	(240)	(480)	(250)	(250)	(500)
Other expenses	4	(345)	(1)	(346)	(367)	(1)	(368)
Return/(loss) on ordinary activities before tax		2,095	(1,122)	973	1,088	132	1,220
Tax on ordinary activities	6	(256)	-	(256)	(223)	-	(223)
Return/(loss) attributable to equity shareholders		1,839	(1,122)	717	865	132	997
Basic and diluted return per share:							
Ordinary Share	8	10.0p	(5.8p)	4.2p	3.4p	1.4p	4.8p
'A' Share	8	-	-	-	-	-	-
'B' Share	8	3.4p	(3.0p)	0.4p	2.4p	0.0p	2.4p
'C' Share	8	-	-	-	-	-	-
'D' Share	8	1.5p	1.1p	2.6p	0.4p	(0.1p)	0.3p

All Revenue and Capital items in the above statement derive from continuing operations. The total column within the Income Statement represents the profit and loss account of the Company. No operations were acquired or discontinued during the year.

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

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Note	Year ended 31 March 2015			2014	
		Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	Total £'000
Opening Shareholders' funds		9,499	16,415	6,540	32,454	34,756
Purchase of own shares		-	-	-	-	(97)
Dividends paid	7	(4,375)	(2,488)	(393)	(7,256)	(3,202)
Total return for the year		431	82	204	717	997
Closing Shareholders' funds		5,555	14,009	6,351	25,915	32,454

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

INCOME STATEMENT
for the year ended 31 March 2015

Split as:

Ordinary Share pool

	Year ended 31 March 2015			Year ended 31 March 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	1,258	-	1,258	644	-	644
Net (loss)/gain on investments	-	(529)	(529)	-	225	225
	1,258	(529)	729	644	225	869
Investment management fees	(72)	(71)	(143)	(76)	(76)	(152)
Other expenses	(93)	(1)	(94)	(127)	(1)	(128)
Return/(loss) on ordinary activities before tax	1,093	(601)	492	441	148	589
Tax on ordinary activities	(61)	-	(61)	(90)	-	(90)
Return/(loss) attributable to equity shareholders	<u>1,032</u>	<u>(601)</u>	<u>431</u>	<u>351</u>	<u>148</u>	<u>499</u>

'B' Share pool

	Year ended 31 March 2015			Year ended 31 March 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	1,149	-	1,149	904	-	904
Net (loss)/gain on investments	-	(487)	(487)	-	117	117
	1,149	(487)	662	904	117	1,021
Investment management fees	(118)	(118)	(236)	(125)	(125)	(250)
Other expenses	(177)	-	(177)	(171)	-	(171)
Return/(loss) on ordinary activities before tax	854	(605)	249	608	(8)	600
Tax on ordinary activities	(167)	-	(167)	(128)	-	(128)
Return/(loss) attributable to equity shareholders	<u>687</u>	<u>(605)</u>	<u>82</u>	<u>480</u>	<u>(8)</u>	<u>472</u>

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

INCOME STATEMENT
for the year ended 31 March 2015

'D' Share pool

	Year ended 31 March 2015			Year ended 31 March 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	273	-	273	157	-	157
Net gain on investments	-	135	135	-	41	41
	273	135	408	157	41	198
Investment management fees	(50)	(51)	(101)	(49)	(49)	(98)
Other expenses	(75)	-	(75)	(69)	-	(69)
Return/(loss) on ordinary activities before tax	148	84	232	39	(8)	31
Tax on ordinary activities	(28)	-	(28)	(5)	-	(5)
Return/(loss) attributable to equity shareholders	120	84	204	34	(8)	26

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

BALANCE SHEET
as at 31 March 2015

	2015				2014				
Note	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	
Fixed assets									
Investments	9	5,568	13,663	6,407	25,638	8,307	14,522	5,391	28,220
Current assets									
Debtors	10	65	280	87	432	137	124	337	598
Cash at bank and in hand	16	65	392	-	457	1,245	2,083	892	4,220
		130	672	87	889	1,382	2,207	1,229	4,818
Creditors: amounts falling due within one year	11	(143)	(326)	(143)	(612)	(190)	(314)	(80)	(584)
Net current assets/(liabilities)		(13)	346	(56)	277	1,192	1,893	1,149	4,234
Net assets		5,555	14,009	6,351	25,915	9,499	16,415	6,540	32,454
Capital and reserves									
Called up Ordinary/'B'/'D' Share capital	12	10	20	8	38	10	20	8	38
Called up 'A'/'C' Share capital	12	16	30	-	46	16	30	-	46
Capital redemption reserve	13	5	-	-	5	5	-	-	5
Special reserve	13	166	13,676	7,053	20,895	4,113	15,540	7,437	27,090
Share premium account	13	2,794	-	-	2,794	2,794	-	-	2,794
Revaluation reserve	13	(490)	(886)	(168)	(1,544)	743	43	(243)	543
Capital reserve – realised	13	2,381	740	(621)	2,500	1,148	344	(641)	851
Revenue reserve	13	673	429	79	1,181	670	438	(21)	1,087
Total equity shareholders' funds		5,555	14,009	6,351	25,915	9,499	16,415	6,540	32,454
Basic and diluted net asset value per:									
Ordinary Share/'B' Share/'D' Share	14	53.8p	70.2p	80.7p		92.2p	82.3p	83.0p	
'A' Share/'C' Share	14	0.1p	0.1p	-		0.1p	0.1p	-	

The financial statements on pages 55 to 74 were approved and authorised for issue by the Board of Directors on 10 July 2015 and were signed on its behalf by



Lord Flight
Chairman
Company number: 6789187

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

CASH FLOW STATEMENT
for the year ended 31 March 2015

	Year ended 31 March 2015				Year ended 31 March 2014				
	Note	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000
Net cash inflow/(outflow) from operating activities	15	1,075	552	93	1,720	352	473	(54)	771
Taxation									
Corporation tax paid		(90)	(127)	(5)	(222)	(86)	(26)	-	(112)
Capital expenditure									
Purchase of investments	9	(4)	(2,410)	(1,844)	(4,258)	(100)	(1,389)	(3,135)	(4,624)
Proceeds from disposal of investments	9	2,214	2,782	963	5,959	1,641	3,480	1,686	6,807
Movements in deposit held for purchase of investments	10	-	-	294	294	-	-	(294)	(294)
Net cash inflow/(outflow) from capital expenditure		2,210	372	(587)	1,995	1,541	2,091	(1,743)	1,889
Equity dividends paid	7	(4,375)	(2,488)	(393)	(7,256)	(1,811)	(997)	(394)	(3,202)
Net cash (outflow)/inflow before financing		(1,180)	(1,691)	(892)	(3,763)	(4)	1,541	(2,191)	(654)
Financing									
Purchase of own shares		-	-	-	-	(67)	(22)	(9)	(98)
Net cash outflow from financing		-	-	-	-	(67)	(22)	(9)	(98)
(Decrease)/increase in cash	16	(1,180)	(1,691)	(892)	(3,763)	(71)	1,519	(2,200)	(752)

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

NOTES TO THE ACCOUNTS

for the year ended 31 March 2015

1. Accounting policies

Basis of accounting

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

The financial statements are prepared under the historical cost convention except for certain financial instruments measured at fair value.

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

Presentation of Income Statement

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

Investments

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

Structured Product investments are measured using bid prices in accordance with the IPEV.

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

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

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.

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

It is not the Company’s policy to exercise significant influence 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 that does not require portfolio investments to be accounted for using the equity method of accounting.

Income

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

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

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2015

1. Accounting policies (continued)

Expenses

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

- Expenses which are incidental to the 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. The Company has adopted a policy of charging 50% of the investment management fees to the revenue account and 50% to the capital account to reflect the Board's estimated split of investment returns which will be achieved by the company over the long term.

Expenses and liabilities not specific to a share class are generally allocated pro rata to the net assets.

Taxation

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

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

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

Other debtors and other creditors

Other debtors (including accrued income and loan notes other than those held as part of the investment portfolio as set out in note 9) and other creditors are included within the accounts at amortised cost.

Issue costs

Issue costs in relation to the shares issued for each share class have been deducted from the share premium account for the relevant share class.

2. Income

	2015 £'000	2014 £'000
Income from investments		
Loan stock interest	1,856	1,630
Dividend income	776	16
Other income		
Bank interest	48	59
	<u>2,680</u>	<u>1,705</u>

3. Investment management fees

The management fee, which is charged to the Company, is based on an annual amount of 1.50% of net assets. The Manager also provides administration services for a fee of £65,000 (plus RPI) per annum. Fees in relation to these services are shown within note 4.

	2015 £'000	2014 £'000
Investment management fees	<u>480</u>	<u>500</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

4. Other expenses

	2015	2014
	£'000	£'000
Administration services	75	73
Trail commission	130	162
Directors' remuneration	43	43
Social security costs	4	4
Auditor's remuneration for audit	25	22
Auditor's remuneration for non-audit services (taxation)	2	2
Other	67	62
	<u>346</u>	<u>368</u>

The annual running costs of the Company are subject to a cap of 3.5% of net assets of the Company.

5. Directors' remuneration

Details of remuneration (excluding employer's NIC) are given in the audited part of the Directors' Remuneration Report on page 44.

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

6. Tax on ordinary activities

	2015	2014
	£'000	£'000
(a) Tax charge for the year		
UK corporation tax at 21% (2014: 23%)	256	223
Charge for the year	<u>256</u>	<u>223</u>
(b) Factors affecting tax charge for the year		
Return on ordinary activities before taxation	<u>973</u>	<u>1,220</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 21.0% (2014: 23.0%)	205	281
Effects of:		
Expenses disallowed for tax purposes	29	38
Losses/(gains) on investments	185	(88)
UK dividends received	(163)	(4)
Marginal relief	-	(4)
Current tax charge	<u>256</u>	<u>223</u>

Excess management expenses, which are available to be carried forward and set off against future taxable income, amounted to £nil (2014: £nil).

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

7. Dividends

	2015		2014		2015			2014		
	Pence per share	Pence per share	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000		
Ordinary Shares										
Paid										
2015 Special	40.0	-	1,029	3,089	4,118	-	-	-		
2014 Final	2.5	-	-	257	257	-	-	-		
2014 Interim	-	2.5	-	-	-	-	257	257		
2013 Final	-	15.0	-	-	-	259	1,295	1,554		
Total	42.5	17.5	1,029	3,346	4,375	259	1,552	1,811		
Proposed										
2014 Final	-	2.5	-	-	-	257	-	257		
'B' Shares										
Paid										
2015 Interim	2.5	-	497	-	497	-	-	-		
2014 Final	10.0	-	199	1,792	1,991	-	-	-		
2014 Interim	-	2.5	-	-	-	-	498	498		
2013 Final	-	2.5	-	-	-	149	350	499		
Total	12.5	5.0	696	1,792	2,488	149	848	997		
Proposed										
2014 Final	-	10.0	-	-	-	-	1,991	1,991		
'D' Shares										
Paid										
2015 Interim	2.5	-	-	196	196	-	-	-		
2014 Final	2.5	-	20	177	197	-	-	-		
2014 Interim	-	2.5	-	-	-	-	197	197		
2013 Final	-	2.5	-	-	-	-	197	197		
Total	5.0	5.0	20	373	393	-	394	394		
Proposed										
2015 Final	2.5	-	118	79	197	-	-	-		
2014 Final	-	2.5	-	-	-	-	197	197		

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

8. Basic and diluted return per share

		Weighted average number of shares in issue	Revenue Return £'000	Capital gain/(loss) £'000
Return per share is calculated on the following:				
Year ended 31 March 2015	Ordinary Shares	10,288,157	1,032	(602)
	'A' Shares	15,506,488	-	-
	'B' Shares	19,911,070	687	(605)
	'C' Shares	29,926,070	-	-
	'D' Shares	7,877,527	120	84
Year ended 31 March 2014	Ordinary Shares	10,329,656	351	148
	'A' Shares	15,532,691	-	-
	'B' Shares	19,933,528	480	(8)
	'C' Shares	29,926,070	-	-
	'D' Shares	7,747,890	34	(8)

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

9. Fixed assets – investments

	Structured Products £'000	Unquoted investments £'000	Total £'000
Opening cost at 1 April 2014	4,461	23,216	27,677
Unrealised gains at 1 April 2014	489	54	543
Opening fair value at 1 April 2014	<u>4,950</u>	<u>23,270</u>	<u>28,220</u>
Movement in the year:			
Purchased at cost	-	4,258	4,258
Disposals - proceeds	(3,595)	(2,364)	(5,959)
- realised gains on disposals	61	(23)	38
Unrealised gains in the Income Statement	89	(1,008)	(919)
Closing value at 31 March 2015	<u>1,505</u>	<u>24,133</u>	<u>25,638</u>
Closing cost at 31 March 2015	1,354	25,828	27,182
Unrealised gains/(losses) at 31 March 2015	151	(1,695)	(1,544)
	<u>1,505</u>	<u>24,133</u>	<u>25,638</u>

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

9. Fixed assets - 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;
 Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and
 Level 3 Reflects financial instruments that are not based on observable market data (unquoted equity investments and loan note investments).

	Level 1	Level 2	Level 3	2015	Level 1	Level 2	Level 3	2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Structured Products	1,505	-	-	1,505	4,950	-	-	4,950
Unquoted loan notes	-	-	15,832	15,832	-	-	14,588	14,588
Unquoted equity	-	-	8,301	8,301	-	-	8,682	8,682
	<u>1,505</u>	<u>-</u>	<u>24,133</u>	<u>25,638</u>	<u>4,950</u>	<u>-</u>	<u>23,270</u>	<u>28,220</u>

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

	Unquoted equity	Unquoted loan notes	Total
	£'000	£'000	£'000
Balance at 31 March 2014	8,682	14,588	23,270
<i>Movements in the Income Statement:</i>			
Unrealised losses in the income statement	(913)	(95)	(1,008)
Realised losses in the income statement	(23)	-	(23)
	<u>(936)</u>	<u>(95)</u>	<u>(1,031)</u>
Purchases at cost	1,755	2,503	4,258
Sales proceeds	(1,200)	(1,164)	(2,364)
Balance at 31 March 2015	<u>8,301</u>	<u>15,832</u>	<u>24,133</u>

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

The basis of valuation of the investments was unchanged during the year.

The Board and the Investment Manager believe that the valuations as at 31 March 2015 reflect the most appropriate assumptions at the date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 17.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

9. Fixed assets - investments (continued)

The following summary shows investments made by the Company in which other funds managed by Downing have also invested. Amounts shown are original cost of investments.

	Company	Equity held by Other Downing Discretionary Funds NOTE 1	Equity held by Other Downing Funds NOTE 2
	£'000	%	%
Alpha Schools Holdings Limited	733	5.9	8.1
Antelope Pub Limited	750	15.0	-
Avon Solar Energy Limited	420	25.0	12.5
Camandale Limited	1,017	14.1	10.6
Chapel Street Food and Beverage Limited	75	18.8	10.0
Chapel Street Hotel Limited	3	18.6	10.9
Chapel Street Services Limited	75	18.8	10.0
Cheers Dumbarton Limited	64	27.0	14.0
City Falkirk Limited	562	27.0	14.0
Commercial Street Hotel Limited	185	23.0	40.0
Domestic Solar Limited	1,800	10.0	20.0
Ecosol Limited	1,000	-	25.0
Fenkle Street LLP	212	-	-
Fresh Green Power Limited	200	6.2	6.2
Fubar Stirling Limited	358	27.0	14.0
Future Biogas (Reepham Road) Limited	1,662	12.6	18.8
Future Biogas (SF) Limited	1,009	13.6	21.1
Goonhilly Earth Station Limited	570	-	25.5
Grasshopper 2007 Limited	294	-	29.9
Green Electricity Generation Limited	500	30.0	15.0
Green Energy Production UK Limited	100	6.2	6.2
Kidspace Adventures Holdings Limited	750	19.9	17.1
Kilmarnock Monkey Bar Limited	82	40.2	30.4
Lambridge Solar Limited	500	-	7.2
Liverpool Nurseries (Holdings) Limited	870	18.4	30.9
Lochrise Limited	17	27.0	14.0
Merlin Renewables Limited	500	6.0	-
Mosaic Spa and Health Clubs Limited	850	42.6	10.3
Nightjar Sustainable Power Limited	485	-	-
Pearce and Saunders Limited	280	44.0	46.0
Progressive Energies Limited	340	19.2	3.8
Quadrate Catering Limited	1,427	32.1	49.0
Quadrate Spa Limited	1,589	31.5	50.0
Redmed Limited	850	14.5	24.6
Slopingtactic Limited	379	16.5	17.0
The 3D Pub Company Limited	627	23.1	26.9
Tor Solar PV Limited	640	-	34.0
UK Solar (Hartwell) LLP	2,400	-	-
Vulcan Renewables Limited	653	39.1	9.1
West Tower Property Limited	500	-	25.0
Westcountry Solar Solutions Limited	500	25.0	12.5
	<u>25,828</u>		

NOTE 1: Other Downing Funds comprise Downing ONE VCT plc and Downing Planned Exit VCT 2011 plc which are managed under discretionary management agreements by Downing LLP ("Downing LLP funds"). **NOTE 2:** Other Funds comprise Downing TWO VCT plc, Downing THREE VCT plc, Downing Planned Exit VCT 4 plc, Downing Planned Exit VCT 5 plc, Downing Planned Exit VCT 6 plc, Downing Planned Exit VCT 7 plc, Downing Planned Exit VCT 8 plc and Downing Planned Exit VCT 9 plc, which are self-managed funds where executives of Downing LLP are involved in the management.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

10. Debtors

	2015	2014
	£'000	£'000
Prepayments and accrued income	392	300
Other debtors	40	298
	<u>432</u>	<u>598</u>

Other debtors at 31 March 2014 includes £294,000 held on a solicitor's account in respect of an investment which completed during the year.

11. Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Corporation tax	256	222
Taxation and social security	1	1
Accruals and deferred income	355	361
	<u>612</u>	<u>584</u>

12. Called up share capital

	2015	2014
	£'000	£'000
Allotted, called up and fully-paid:		
10,288,157 (2014: 10,288,157) Ordinary Shares	10	10
15,506,488 (2014: 15,506,488) 'A' Shares	16	16
19,911,070 (2014: 19,911,070) 'B' Shares	20	20
29,926,070 (2014: 29,926,070) 'C' Shares	30	30
7,877,527 (2014: 7,887,527) 'D' Shares	8	8
	<u>84</u>	<u>84</u>

The Company's capital is managed in accordance with its investment policy as shown in the Strategic report, in pursuit of its principal investment objectives as stated on page 2. There has been no significant change in the objectives, policies or processes for managing capital from the previous period.

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

No shares were repurchased during the year.

Provided that the performance hurdle is met (i.e. Shareholders receive proceeds of at least £1 per share and a 7% compound return) distributions or returns of capital shall be made on the following basis between the holders of Ordinary Shares and 'A' Shares:

- 91% to Ordinary Shares and 9% to 'A' Shares until an amount equivalent to 100p per one Ordinary Share and one 'A' Share has been distributed; thereafter
- pro rata to the respective holdings of Ordinary Shares and 'A' Shares

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

12. Called up share capital (continued)

Provided that the performance hurdle is met (i.e. Shareholders receive proceeds of at least £1 per share and a 7% compound return) distributions or returns of capital shall be made on the following basis between the holders of 'B' Shares and 'C' Shares:

- 91% to 'B' Shares and 9% to 'C' Shares until an amount equivalent to 100p per one 'B' Share and one 'C' Share has been distributed; thereafter
- pro rata to the respective holdings of 'B' Shares and 'C' Shares.

If the distributions set out above would result in Shareholders receiving less than 100p per share or lower than a 7% compound return, then the return to members of the management team will be reduced until Shareholders receive at least 100p per share and a 7% compound return. The Management Team's share of the total proceeds will be subject to a cap of 1.25% of net assets per annum and will only be payable if the hurdle is achieved. If, in any accounting period of the Company, the performance incentive payable is less than the cap then the shortfall will be aggregated to the cap in respect of the following accounting period and so on until fully utilised.

The Company does not have any externally imposed capital requirements.

13. Reserves

	Capital redemption reserve £'000	Special reserve £'000	Share premium account £'000	Revaluation reserve £'000	Capital reserve realised £'000	Revenue reserve £'000
At 31 March 2014	5	27,090	2,794	543	851	1,087
Dividend paid	-	-	-	-	(5,511)	(1,745)
Gains on investments	-	-	-	(919)	38	-
Expenses capitalised	-	-	-	-	(241)	-
Transfer between reserves	-	(6,195)	-	(1,168)	7,363	-
Retained net revenue	-	-	-	-	-	1,839
At 31 March 2015	5	20,895	2,794	(1,544)	2,500	1,181

Split as:

Ordinary Share pool

	Capital redemption reserve £'000	Special reserve £'000	Share premium account £'000	Revaluation reserve £'000	Capital reserve realised £'000	Revenue reserve £'000
At 31 March 2014	5	4,113	2,794	743	1,148	670
Dividend paid	-	-	-	-	(3,346)	(1,029)
Gains on investments	-	-	-	(482)	(47)	-
Expenses capitalised	-	-	-	-	(72)	-
Transfer between reserves	-	(3,947)	-	(751)	4,698	-
Retained net revenue	-	-	-	-	-	1,032
At 31 March 2015	5	166	2,794	(490)	2,381	673

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

13. Reserves (continued)

'B' Share pool

	Capital redemption reserve £'000	Special reserve £'000	Share premium account £'000	Revaluation reserve £'000	Capital reserve realised £'000	Revenue reserve £'000
At 31 March 2014	-	15,540	-	43	344	438
Dividend paid	-	-	-	-	(1,792)	(696)
Gains on investments	-	-	-	(551)	64	-
Expenses capitalised	-	-	-	-	(118)	-
Transfer between reserves	-	(1,864)	-	(378)	2,242	-
Retained net revenue	-	-	-	-	-	687
At 31 March 2015	-	13,676	-	(886)	740	429

'D' Share pool

	Capital redemption reserve £'000	Special reserve £'000	Share premium account £'000	Revaluation reserve £'000	Capital reserve realised £'000	Revenue reserve £'000
At 31 March 2014	-	7,437	-	(243)	(641)	(21)
Dividends paid	-	-	-	-	(373)	(20)
Gains on investments	-	-	-	114	21	-
Expenses capitalised	-	-	-	-	(51)	-
Transfer between reserves	-	(384)	-	(39)	423	-
Retained net revenue	-	-	-	-	-	120
At 31 March 2015	-	7,053	-	(168)	(621)	79

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. The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves. The distributable reserve is reduced by losses of £2,892,000 (2014: £1,950,000) which are included in the Revaluation reserve.

14. Basic and diluted net asset value per share

	Shares in issue		2015 Net asset value		2014 Net asset value	
	2015	2014	Pence per share	£'000	Pence per share	£'000
Ordinary Shares	10,288,157	10,288,157	53.8	5,545	92.2	9,484
'A' Shares	15,506,488	15,506,488	0.1	10	0.1	15
'B' Shares	19,911,070	19,911,070	70.2	13,989	82.3	16,385
'C' Shares	29,926,070	29,926,070	0.1	20	0.1	30
'D' Shares	7,877,527	7,887,527	80.7	6,351	83.0	6,540
Net assets per Balance Sheet				25,915		32,454

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

14. Basic and diluted net asset value per share (continued)

The Directors allocate the assets and liabilities of the Company between the Ordinary Shares, 'A' Shares, 'B' Shares, 'C' Shares and 'D' Shares such that each share class has sufficient net assets to represent its dividend and return of capital rights as described in note 12.

As the Company has not issued any convertible shares or share options, there is no dilutive net asset value per Ordinary Share, per 'A' Share, per 'B' Share, per 'C' Share or per 'D' Share. The net asset value per share disclosed therefore represents both the basic and diluted net asset value per Ordinary Share, per 'A' Share, per 'B' Share, per 'C' Share and per 'D' Share.

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

	Ordinary Shares £'000	'B' Shares £'000	'D' Shares £'000	2015 Total £'000	2014 Total £'000
Return on ordinary activities before taxation	492	249	232	973	1,220
Losses/(gains) on investments	529	487	(135)	881	(383)
Decrease/(increase) in debtors	71	(156)	(44)	(129)	(69)
(Decrease)/ Increase in creditors	(17)	(28)	40	(5)	3
Net cash inflow from operating activities and returns on investments	1,075	552	93	1,720	771

16. Analysis of changes in cash at bank during the year

	2015 £'000	2014 £'000
Beginning of year	4,220	4,972
Net cash outflow	(3,763)	(752)
End of year	457	4,220

17. Financial instruments

The Company's financial instruments comprise investments held at fair value through the profit and loss account, being equity and loan stock investments in unquoted companies, Structured Products, 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 cashflow and revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors.

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

Loans and receivables and other financial liabilities, as set out in the Balance Sheet, are stated at amortised cost which the Directors consider is equivalent to fair value.

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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

17. Financial instruments (continued)

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

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 market risks is a fundamental part of investment activities undertaken by the Investment Manager and overseen by the Board. The Manager monitors investments through regular contact with management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Manager to manage the investment risk in respect of individual investments. Investment risk is also mitigated by holding a diversified portfolio spread across various business sectors and asset classes.

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

- Investment price risk; and
- Interest rate risk.

Investment price risk

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

At 31 March 2015, the Structured Product portfolio was valued at £1,505,000.

The fair values of Structured Products are influenced primarily by changes in the FTSE 100 Index. The Company's sensitivity to fluctuations in the FTSE 100 Index is summarised below.

	Risk exposure at 31 March 2015		Risk exposure at 31 March 2014	
Structured Products (£'000)	<u>1,505</u>		<u>4,950</u>	
FTSE 100	<u>6,773</u>		<u>6,598</u>	
Movement in FTSE 100 Index	Estimated Impact on NAV £'000	Estimated Impact on NAV pence	Estimated Impact on NAV £'000	Estimated Impact on NAV pence
'B' Shares				
20% increase to 8,128 (2014: 7,918)	<u>-</u>	<u>-</u>	<u>111</u>	<u>0.7p</u>
20% decrease to 5,418 (2014: 5,278)	<u>-</u>	<u>-</u>	<u>(111)</u>	<u>(0.7p)</u>
'D' Shares				
20% increase to 8,128 (2014: 7,918)	<u>76</u>	<u>0.9p</u>	<u>135</u>	<u>2.1p</u>
20% decrease to 5,418 (2014: 5,278)	<u>(76)</u>	<u>(0.9p)</u>	<u>(135)</u>	<u>(2.1p)</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

17. Financial instruments (continued)

Investment price risk (continued)

At 31 March 2015, the unquoted portfolio was valued at £24,133,000 (2014: £23,270,000).

As many of the Company's unquoted investments are classified as 'asset backed', a fall in share prices generally would have a lesser impact on the valuation of the unlisted portfolio. A 10% movement in the valuations of all of the unquoted investments held by the Company would have an effect as follows:

10% movement in unquoted investment valuations

Unquoted investments Share pool	2015		2014	
	Impact on net assets £'000	Impact on NAV per share pence	Impact on net assets £'000	Impact on NAV per share pence
Ordinary Shares	557	5.4p	831	7.4p
'B' Shares	1,367	6.8p	1,193	6.1p
'D' Shares	490	6.2p	303	3.9p

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

Interest rate risk

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

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

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

	Average interest rate	Average period until maturity	2015 £'000	2014 £'000
Fixed rate	12.2%	448 days	15,832	14,588
Floating rate	0.5%		457	4,220
No interest rate			9,014	13,062
			<u>25,303</u>	<u>31,870</u>

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

It is estimated that an increase of 1% in interest rates would have increased total return before taxation for the year by £5,000. As the Bank of England base rate stood at 0.5% per annum throughout the year, it is not believed that a reduction from this level is likely.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

17. Financial instruments (continued)

Credit risk

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

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

	2015	2014
	£'000	£'000
Investments in loan stocks	15,832	14,588
Investments in Structured Products	1,505	4,950
Cash and cash equivalents	456	4,220
Interest and other receivables	432	598
	<u>18,225</u>	<u>24,356</u>

The Manager manages credit risk in respect of loan stock with a similar approach as described under Investment risks above. Investments in Structured Products are managed so as to limit exposure to any one counterparty and taking into account the credit rating of the counterparty. Similarly, the management of credit risk associated interest, dividends and other receivables is covered within the investment management procedures.

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

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

Liquidity risk

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

As the Company has a relatively low level of creditors, being £611,000 (2014: £584,000), and has no borrowings, the Board believes that the Company's exposure to liquidity risk is low. Also, some quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal. The Company's liquidity risk is managed by the Investment Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

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

The carrying value of loan stock investments held and at fair value through the profit and loss account at 31 March 2015, as analysed by expected maturity date, is as follows:

As at 31 March 2015	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Total £'000
Fully performing loan stock	3,714	1,120	350	259	5,443
Past due loan stock	3,956	4,711	1,721	-	10,389
	<u>7,670</u>	<u>5,831</u>	<u>2,071</u>	<u>259</u>	<u>15,832</u>
Loan interest past due	100	39	126	-	265

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2015

17. Financial instruments (continued)

Liquidity risk (continued)

As at 31 March 2014	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Total £'000
Fully performing loan stock	1,361	1,396	3,831	1,094	7,682
Past due loan stock	891	2,848	2,000	1,167	6,906
	2,252	4,244	5,831	2,261	14,588

Of the loan stock classified as “past due” above, £9,206,000 relates to the principal of loan notes where, although the principal remains within term, the investee company is not fully servicing the interest obligations under the loan note and is thus in arrears. As at the balance sheet date, the extent to which the interest giving rise to the classification of the loan notes as past due falls within the banding of one to two years past due. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

Of the loan stock classified as “past due” above, £1,183,000 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 principle is past its maturity date giving rise to the classification of the loan notes as past due falls within the banding of nil to six months past due. Notwithstanding that the principal has passed its maturity date, the Directors do not consider that the loan note itself has been impaired.

18. Capital management

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 returns for Shareholders and to provide an adequate return to the Shareholders by allocating its capital to assets commensurately with the level of risk.

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

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

19. Contingencies, guarantees and financial commitments

At 31 March 2015, the Company had no contingencies, guarantees or financial commitments.

20. Controlling party and related party transactions

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

21. Post balance sheet events

Since the year end, proposals have been issued for a merger to take place under which the assets and liabilities of three other VCTs managed by Downing will be acquired by the Company.

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING OF DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC

NOTICE IS HEREBY GIVEN that the fifth Annual General Meeting of Downing Structured Opportunities VCT 1 plc will be held at Fifth floor, Ergon House, Horseferry Road, London SW1P 2AL at 11.30 a.m. on 29 September 2015 for the transaction of the following business:

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

1. To receive and adopt the Report of the Directors and Accounts of the Company for the year ended 31 March 2015 together with the report of the Auditor thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of final dividend of 2.5p per 'D' 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, Lord Flight, who retires and, being eligible, offers himself for re-election.
6. To re-elect as Director, Robin Chamberlayne, who retires and, being eligible, offers himself for re-election.
7. To re-elect as Director, Mark Mathias, who retires and, being eligible, offers himself for re-election.

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

8. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of Ordinary Shares of 0.1p each ("Ordinary Shares"), 'A' Shares of 0.1p each ("A' Shares"), 'B' Shares of 0.1p each ("B' Shares"), 'C' Shares of 0.1p each ("C' Shares") and 'D' Shares of 0.1p each ("D' Shares") in the capital of the Company provided that:
 - (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 1,532,935 representing approximately 14.9% of the issued Ordinary Share capital, 2,310,467 representing approximately 14.9% of the issued 'A' Share capital, 2,966,749 representing approximately 14.9% of the issued 'B' Share capital, 4,458,984 representing approximately 14.9% of the issued 'C' Share capital and 1,173,751 representing approximately 14.9% of the issued 'D' Share capital of the Company from time to time;
 - (ii) the minimum price which may be paid for an Ordinary Share, 'A' Share, 'B' Share, 'C' Share or 'D' Share is 0.1p, exclusive of all expenses;
 - (iii) the maximum price which may be paid for an Ordinary Share, 'A' Share, 'B' Share, 'C' Share or 'D' Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the relevant share as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the share is contracted to be purchased; and
 - (iv) the Company may validly make a contract to purchase its own Ordinary Shares, 'A' Shares, 'B' Shares, 'C' Shares or 'D' Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Ordinary Shares, 'A' Shares, 'B' Shares, 'C' Shares or 'D' Shares in pursuance of any such contract;

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

By order of the Board



Grant Whitehouse

Company Secretary

Registered office:

Ergon House

Horseferry Road

London, SW1P 2AL

10 July 2015

Notes

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointor. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, Fifth floor, Ergon House, Horseferry Road, London, SW1P 2AL or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, Fifth floor, Ergon House, Horseferry Road, London, SW1P 2AL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - by sending an e-mail to proxy@downing.co.uk.
- In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (excluding weekends and public holidays) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11.30 a.m. on 25 September 2015 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 11.30 a.m. on 25 September 2015 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (g) As at 9 a.m. on 9 July 2015, the Company's issued share capital comprised 10,288,157 Ordinary Shares, 15,506,488 'A' Shares, 19,911,070 'B' Shares, 29,926,070 'C' Shares, and 7,877,527 'D' Shares and the total number of voting rights in the Company was 38,076,754. The website referred to above will include information on the number of shares and voting rights.

Notes (continued)

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

FORM OF PROXY

DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC

For use at the Annual General Meeting of the above-named Company to be held on 29 September 2015 at Fifth floor, Ergon House, Horseferry Road, London, SW1P 2AL at 11.30 a.m.

I/We*(in BLOCK CAPITALS please)

of.....
being the holder(s)* of Ordinary Shares of 0.1p each/'B' Shares of 0.1p each/'D' Shares of 0.1p each* in the capital of the above-named Company, hereby appoint the Chairman of the Meeting (see note 1)

or.....

of.....
as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at Fifth floor, Ergon House, Horseferry Road, London, SW1P 2AL on 29 September 2015 or at any adjournment thereof.

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

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

ORDINARY BUSINESS	FOR	AGAINST	WITHHELD
1. To receive and adopt the Directors' report and accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the payment of the final dividend of 2.5p per D Share.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To appoint the Auditor and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Lord Flight as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Robin Chamberlayne as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Mark Mathias as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS	FOR	AGAINST	WITHHELD
8. To authorise the Company to make market purchases of its shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature..... Date.....2015

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

* Delete as appropriate

PLEASE RETURN TO DOWNING LLP IN THE PRE-PAID ENVELOPE PROVIDED.



NOTES AND INSTRUCTIONS:

1. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointor. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, this Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, Fifth floor, Ergon House, Horseferry Road, London, SW1P 2AL not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Meeting or adjourned meeting at which the person named in this Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, and be delivered at the meeting at which the demand is made.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on their behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.



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