

Downing FOUR VCT plc

Half Yearly Report
for the six months ended
30 September 2019



FINANCIAL HIGHLIGHTS

	30 Sept 2019 Pence	31 March 2019 Pence	30 Sept 2018 Pence
Live share pools			
Generalist Share Pool			
Net Asset Value and Total Return per Generalist Share	<u>77.6</u>	<u>83.5</u>	<u>92.7</u>
Healthcare Share Pool			
Net Asset Value and Total Return per Healthcare Share	<u>77.7</u>	<u>83.3</u>	<u>88.7</u>
DSO D Share Pool			
Net Asset Value per DSO D Share	28.9	27.8	30.3
Cumulative dividends per DSO D Share	76.5	76.5	76.5
Estimated Performance Incentive *	<u>(4.1)</u>	<u>(3.9)</u>	<u>(4.4)</u>
Total Return per DSO D Share	<u>101.3</u>	<u>100.4</u>	<u>102.4</u>
DP67 Share Pool			
Net Asset Value per DP67 Share	47.4	48.5	50.5
Cumulative dividends per DP67 Share	<u>49.8</u>	<u>49.8</u>	<u>49.8</u>
Total Return per DP67 Share	<u>97.2</u>	<u>98.3</u>	<u>100.3</u>
Share pools now cancelled			
DP2011 General Share Pool			
Net Asset Value per DP2011 Gen Ord Share	-	-	-
Net Asset Value per DP2011 Gen A Share	-	13.3	13.0
Cumulative dividends per DP2011 Gen Ord Share and Gen A Share	<u>105.595</u>	<u>92.0</u>	<u>92.0</u>
Total Return per DP2011 Gen Ord Share and Gen A Share	<u>105.595</u>	<u>105.3</u>	<u>105.0</u>
DP2011 Structured Share Pool			
Net Asset Value per DP2011 Struc Ord Share	-	-	-
Net Asset Value per DP2011 Struc A Share	-	9.9	9.8
Cumulative dividends per DP2011 Struc Ord Share and Struc A Share	<u>105.059</u>	<u>95.0</u>	<u>95.0</u>
Total Return per DP2011 Struc Ord Share and Struc A Share	<u>105.059</u>	<u>104.9</u>	<u>104.8</u>

* Based on the Total Return to Shareholders at 30 September 2019, a Performance Incentive is expected to become due to management. The Performance Incentive has been estimated at 4.1p per DSO D Share.

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

SHAREHOLDER INFORMATION

Dividends

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

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

Share scam warning

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

The FCA has published information about such scams at <https://www.fca.org.uk/scamsmart>

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/D4

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

SHAREHOLDER INFORMATION (continued)

Share prices

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

Shares	TIDM	Share price (pence per share) at 11 December 2019
Generalist Shares	D4G	81.0
Healthcare Shares	D4H	80.0
DSO D Shares	DO1D	11.0
DP67 Ordinary Shares	D467	27.0

Share buyback policy

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

Selling shares

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

Notification of change of address

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

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Company's Half-Yearly Report for the six months ended 30 September 2019.

Share Pools

The Company now has four active Share Pools, two of which are evergreen pools and two are planned exit pools that are winding down. Two further planned exit Share Pools completed the task of returning funds to Shareholders during the period. This report includes sections covering each of the Share Pools which were active during the period.

Planned exit Share Pools

Of the planned exit Share Pools, two completed returning funds to investors during the period and two further pools remain.

DP2011 General Share Pool

The DP2011 General Share Pool paid a final dividend of 13.595p per DP2011 General A Share on 27 September 2019 to bring the pool to a close.

Shareholders who invested under the original offer received total dividends of 105.595p for a combined holding of one Ordinary Share and one A Share, compared to an initial cost, net of tax relief, of 70.0p. In line with the structure of the performance incentive arrangements, members of the management team received dividends equivalent to 5.1p per DP2011 General Ordinary Share. Both the DP2011 General Ordinary Shares and A Shares were cancelled on 15 November 2019.

DP2011 Structured Share Pool

The DP2011 Structured Share Pool paid a final dividend of 10.059p per DP2011 Structured A Share on 27 September 2019 to bring the pool to a close.

Shareholders who invested under the original offer received total dividends of 105.059p for a combined holding of one Ordinary Share and one A Share, compared to an initial cost, net of tax relief, of 70.0p. In line with the structure of the performance incentive arrangements, members of the management team received dividends equivalent to 5.1p per DP2011 Structured Ordinary Share. Both the DP2011 Structured Ordinary Shares and A Shares were cancelled on 15 November 2019.

DSO D Share Pool

The DSO D Share Net Asset Value ("NAV") stood at 28.9p at 30 September 2019, an increase of 1.1p per share or 4.0% over the period. Total Return now stands at 101.3p per share, compared to the cost for Shareholders who invested in the DSO D Share offer, net of income tax relief, of 70.0p. A performance fee equivalent to 4.1p per DSO D Share is estimated to become payable to the Manager on the final exit, which has been provided for in the above figures.

Realisation plans are progressing in respect of the remaining investments and we expect that this process will be completed during the first quarter of 2020, after which the Company will declare distribution of the remaining value.

DP67 Share Pool

As at 30 September 2019, the NAV of the DP67 Shares stood at 47.4p per share, a decrease of 1.1p or 2.3% over the period. Total Return for DP67 shareholders now stands at 97.2p per share, compared to the cost for Shareholders who invested in the original offers, net of income tax relief, of 70.0p.

There are plans in place to exit from each of the remaining investments in the DP67 portfolio and we anticipate that this process will be completed during the middle of 2020, after which the Company will announce a final dividend.

Evergreen Share Pools

The changes to the VCT regulations that took place in 2017 heavily refocused VCTs on young growth companies. The new Share Pools that the Company launched that year are consequently investing in a very different sector from that in which the older planned exit Share Pools invested. As a result, the Generalist and Healthcare Share Pools have a much higher risk and reward profile and are expected to exhibit different features from the relatively stable planned exit Share Pools.

CHAIRMAN'S STATEMENT (continued)

Evergreen Share Pools (continued)

The Generalist and Healthcare Share Pools are focused on investments in young growth companies, which typically reinvest any surplus cash back into their business. Therefore, as is to be expected, the costs of running the share pools exceeds the revenue income generated from the portfolio. Returns from the Generalist and Healthcare Share Pools are instead expected to be predominantly generated by capital gains on the eventual disposal of successful investments.

Generalist Share Pool

As at 30 September 2019, the Generalist Share NAV and Total Return stood at 77.6p, a decrease of 5.9p per share or 7.1% over the period. The reduction in the NAV during the period is attributable to unrealised reductions in the carrying values of the quoted and unquoted investments held by the Generalist Share Pool, as well as the impact of VCT running costs and the "cash-drag" of holding uninvested funds. Whilst a reduction in NAV is disappointing, it is not untypical of a portfolio like this where failures often come to light earlier than successes.

Further detail on the movements in the valuations of the investments held by the Generalist Share Pool can be found in the Investment Manager's Report on page 12.

Healthcare Share Pool

As at 30 September 2019, the Healthcare Share NAV and Total Return stood at 77.7p, a decrease of 5.6p per share or 6.7% over the period. The reduction in the NAV during the period is attributable to unrealised reductions in the carrying values of the quoted and unquoted investments held by the Healthcare Share Pool, as well as the impact of VCT running costs and the "cash-drag" of holding uninvested funds.

In the course of seeking to expand, it is expected that some of the businesses in the Healthcare portfolio will underperform against their plans in the short term, or ultimately fail. Whilst this is a typical feature of investing in young growth companies, for the businesses in the Healthcare portfolio there is the added challenge of operating in the complex and highly-regulated healthcare industry. The weaker businesses will tend to present themselves first, before the stronger businesses have had time to establish themselves as such. The Manager continues to support the management teams of all the Healthcare Share Pool's unquoted investments and is confident that several businesses have the potential to deliver good rewards for Shareholders.

Further detail on the movements in the valuations of the investments held by the Healthcare Share Pool can be found in the Investment Manager's Report on page 16.

Dividends

Planned Exit Share Pools dividends

On 29 November 2019, the Company paid the following dividends to its planned exit Shareholders:

DSO D Share Pool – 18.0p per DSO D Share

DP67 Share Pool – 18.0p per DP67 Share

Further dividends in respect of the Planned Exit Share Pools will be announced as and when sufficient realisations have taken place.

Evergreen Share Pool dividends

No dividends have been declared with respect to Generalist and Healthcare Share Pools, due to the effective restriction on paying dividends in the first three years following a share issue. The first Generalist and Healthcare dividends are expected to be paid during the summer of 2020.

CHAIRMAN'S STATEMENT (continued)

Share buybacks

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

The Board does not intend to buy in any DSO D or DP67 Shares, as the Company will continue to distribute funds to investors by way of dividends.

During the period the Company purchased 73,944 Generalist Shares and 19,704 Healthcare Shares, at an average price of 81.8p per Generalist Share and 80.8p per Healthcare Share. The Shares were subsequently cancelled.

Fundraising

The 2018 Generalist and Healthcare Offers closed on 31 October 2019, having raised gross proceeds of £12.0 million for the Generalist Share Pool and £5.4 million for the Healthcare Share Pool.

The Company has now launched a further Offer for subscription, to allow the Company to continue to issue Shares in the tax year to 5 April 2020.

Outlook

Over the remainder of this financial year, the Board and Manager will continue to work towards exiting from all the remaining investments held by the DSO D and DP67 Share Pools, ahead of distributing the remaining proceeds to investors.

The Board and Manager will also continue the process of building the Generalist and Healthcare portfolios, and Shareholders should expect to see a similar level of investment activity in the period to 31 March 2020.

The difficulties with Brexit combined with the imminent general election have created significant political and economic uncertainty which have made it a difficult period for public companies, particularly smaller ones. Once the outcome of the election is known we may see a period of greater stability for the economy which would be helpful.



Sir Aubrey Brocklebank Bt
Chairman

12 December 2019

INVESTMENT MANAGER'S REPORT

DSO D SHARE POOL

Portfolio valuation

As at 30 September 2019, the DSO D Share Pool had a portfolio of five investments with a value of £0.7 million.

The DSO D Share Pool portfolio was reduced in value by £7,000 during the period, this being the result of an £11,000 reduction in the carrying value of Pearce and Saunders Limited and a £4,000 increase in the carrying value of Green Energy Production UK Limited.

Portfolio activity

One realisation took place during the period. Lambridge Solar Limited, the owner of a 9MW ground-mounted photovoltaic system in Lincolnshire, was sold for £716,000, representing a gain over cost of £216,000.

Results and Net Asset Value

The Net Asset Value ("NAV") per DSO D Share at 30 September 2019 stood at 28.9p, a decrease of 1.1p or 4.0% over the period. Total Return stands at 103.0p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per Share.

The profit on ordinary activities after taxation for the period was £93,000 comprising a revenue loss of £3,000 and a capital gain of £96,000.

Dividends

On 29 November 2019 the Company paid a dividend of 18.0p per DSO D Share, bringing the cumulative dividends total to 94.5p per DSO D Share as at the date of this report.

We expect that the realisations of the remaining investments will be completed during the first quarter of 2020, after which it is expected that the Company will declare a further dividend.

Downing LLP

12 December 2019

SUMMARY OF INVESTMENT PORTFOLIO

DSO D SHARE POOL

as at 30 September 2019

	Cost £000	Valuation £000	Unrealised (loss)/gain in period £000	% of portfolio by value
Venture Capital investments				
Pearce and Saunders Limited	300	365	(11)	16.0%
Fresh Green Power Limited	189	210	-	9.2%
Green Energy Production UK Limited	100	55	4	2.4%
Apex Energy Limited	400	40	-	1.8%
Pearce and Saunders DevCo Limited*	20	20	-	0.9%
	<u>1,635</u>	<u>690</u>	<u>(7)</u>	<u>30.3%</u>
Cash at bank and in hand		1,591		69.7%
Total investments		<u>2,281</u>		<u>100.0%</u>

* non-qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS

DSO D SHARE POOL

for the period ended 30 September 2019

Disposals	Cost £000	Valuation at 31/03/2019 £000	Disposal proceeds £000	Total gain against cost £000	Realised gain in period £000
Venture Capital investments					
Lambridge Solar Limited	500	605	716	216	111
	<u>500</u>	<u>605</u>	<u>716</u>	<u>216</u>	<u>111</u>

DIVIDEND HISTORY

DSO D SHARE POOL

Period end	Date paid	Pence per share
2012 Final	28 September 2012	2.5
2013 Interim	25 January 2013	2.5
2013 Final	13 September 2013	2.5
2014 Interim	24 January 2014	2.5
2014 Final	30 September 2014	2.5
2015 Interim	30 January 2015	2.5
2015 Second interim	30 September 2015	2.5
2016 Interim	23 December 2015	2.5
2016 Final	30 September 2016	2.5
2017 Interim	6 January 2017	2.5
2017 Final	29 September 2017	2.5
2018 Special	2 November 2017	25.0
2018 Interim	13 August 2018	24.0
Cumulative dividends paid to 30 September 2019		<u>76.5</u>
2019 Interim	29 November 2019	18.0
Cumulative dividends paid to 12 December 2019		<u>94.5</u>

INVESTMENT MANAGER'S REPORT

DP67 SHARE POOL

Portfolio valuation

As at 30 September 2019, the DP67 Share Pool had a portfolio of three investments with a value of £2.9 million.

The only valuation adjustment during the period was in respect of Fenkle Street LLP, which was uplifted by £96,000. The investment is valued on a discounted cash flow basis, based on the expected profit distributions from the underlying hotel. The valuation continues to increase as the effect of the discount is unwound.

Portfolio activity

One realisation took place during the period. Snow Hill Developments LLP was exited, generating proceeds of £788,000 and a gain of £314,000 over the opening cost. The business developed a hotel in Birmingham and the DP67 Share Pool has been receiving profit share over time, based on the performance of the underlying hotel. Over the holding period of the investment in Snow Hill Developments LLP, total proceeds of £2.0 million were received, from an initial investment of £1.1 million.

Results and Net Asset Value

The Net Asset Value ("NAV") per DP67 Share at 30 September 2019 stood at 47.4p, a decrease of 1.1p (2.3%) over the period. Total Return stands at 97.2p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per share. The loss on ordinary activities after taxation for the period was £125,000 comprising a revenue loss of £250,000 and a capital profit of £125,000. Included in the revenue loss of £250,000 is a non-cash tax adjustment of £316,000, which is an accounting adjustment to eliminate the impact of the timing differences in respect of profit distributions from Snow Hill Developments LLP, in view of the disposal of the investment as discussed above.

Dividends

On 29 November 2019 the Company paid a dividend of 18.0p per DP67 Share, bringing the cumulative dividends total to 67.8p per DP67 Share as at the date of this report.

We expect that the realisations of the remaining investments will be completed during the middle of 2020, after which it is expected that the Company will declare a further dividend.

Downing LLP

12 December 2019

SUMMARY OF INVESTMENT PORTFOLIO

DP67 SHARE POOL

as at 30 September 2019

	Cost £000	Valuation £000	Unrealised gain in period £000	% of portfolio by value
Venture Capital investments				
Cadbury House Holdings Limited	1,409	1,613	-	31.9%
Fenkle Street LLP*	405	793	96	15.7%
Gatewales Limited*	343	527	-	10.4%
Yamuna Energy Limited	400	-	-	0.0%
London City Shopping Centre Limited*	99	-	-	0.0%
	<u>2,656</u>	<u>2,933</u>	<u>96</u>	<u>58.0%</u>
Cash at bank and in hand		2,120		42.0%
Total investments		<u>5,053</u>		<u>100.0%</u>

* non-qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS

DP67 SHARE POOL

for the period ended 30 September 2019

Disposals	Cost £000	Valuation at 31/03/2019 £000	Disposal proceeds £000	Total gain against cost £000	Realised gain in period £000
Venture Capital investments					
Snow Hill Developments LLP	474	741	788	314	47
	<u>474</u>	<u>741</u>	<u>788</u>	<u>314</u>	<u>47</u>

DIVIDEND HISTORY

DP67 SHARE POOL

Period end	Date paid	Pence per share
Pre-merger dividends		21.8
2016 Interim	23 December 2015	2.0
2016 final	30 September 2016	2.0
2017 Interim	6 January 2017	2.0
2017 Final	29 September 2017	2.0
2018 Special	16 March 2018	20.0
Cumulative dividends paid to 30 September 2019		<u>49.8</u>
2019 Interim	29 November 2019	18.0
Cumulative dividends paid to 12 December 2019		<u>67.8</u>

INVESTMENT MANAGER'S REPORT DP2011 GENERAL SHARE POOL

Introduction

The process of realising the remaining investments held by the DP2011 General Share Pool was completed during September 2019, with the final distributions of 13.595p per DP2011 General A Share having been paid on 27 September 2019.

Realisations

During the period, the three remaining investments were realised, achieving proceeds of £2.0 million and a gain over cost of £654,000.

Final results

Over the life of the DP2011 General Share Pool, Shareholders who invested under the original offer received dividends totalling 70.0p per DP2011 General Ordinary Share and 35.595p per DP2011 General A Share, equating to a Total Return of 105.595p for an original investment of 70.0p, net of income tax relief.

Following the final distributions and in accordance with the Articles of the Company, the DP2011 General Ordinary Shares and DP2011 General A Shares were converted into worthless deferred Shares on 14 November 2019 and were duly cancelled on 15 November 2019.

Downing LLP

12 December 2019

SUMMARY OF INVESTMENT MOVEMENTS

DP2011 GENERAL SHARE POOL

for the period ended 30 September 2019

Disposals	Cost £000	Valuation at 31/03/2019 £000	Disposal proceeds £000	Total gain/(loss) against cost £000	Realised gain in period £000
Venture Capital investments					
Snow Hill Developments LLP	680	1,206	1,225	545	19
Wickham Solar Limited	550	660	716	166	56
Mosaic Spa and Health Clubs Limited	86	29	29	(57)	-
	<u>1,316</u>	<u>1,895</u>	<u>1,970</u>	<u>654</u>	<u>75</u>

DIVIDEND HISTORY

DP2011 GENERAL SHARE POOL

Period end	Date paid	Pence per share
Pre-merger dividends		20.000
2016 Interim	23 December 2015	2.500
2016 Special	2 September 2016	22.500
2017 Special	14 February 2017	10.000
2018 Special	2 November 2017	30.000
2018 Interim	13 August 2018	7.000
2020 Interim	27 September 2019	13.595
		<u>105.595</u>

INVESTMENT MANAGER'S REPORT DP2011 STRUCTURED SHARE POOL

Introduction

The process of realising the remaining investments held by the DP2011 Structured Share Pool was completed during September 2019, with the final distributions of 10.059p per DP2011 General A Share having been paid on 27 September 2019.

Realisations

During the period, the two remaining investments were realised, achieving proceeds of £735,000 and a gain over cost of £127,000.

Final results

Over the life of the DP2011 Structured Share Pool, Shareholders who invested under the original offer received dividends totalling 70.0p per DP2011 Structured Ordinary Share and 35.059p per DP2011 Structured A Share, equating to a Total Return of 105.059p for an original investment of 70.0p, net of income tax relief.

Following the final distributions and in accordance with the Articles of the Company, the DP2011 Structured Shares and DP2011 Structured A Shares were converted into worthless deferred Shares on 14 November 2019 and were duly cancelled on 15 November 2019.

Downing LLP

12 December 2019

SUMMARY OF INVESTMENT MOVEMENTS

DP2011 STRUCTURED SHARE POOL

for the period ended 30 September 2019

Disposals	Cost £000	Valuation at 31/03/2019 £000	Disposal proceeds £000	Total gain/(loss) against cost £000	Realised gain in period £000
Venture Capital investments					
Wickham Solar Limited	550	660	716	166	56
Mosaic Spa and Health Clubs Limited	58	19	19	(39)	-
	<u>608</u>	<u>679</u>	<u>735</u>	<u>127</u>	<u>56</u>

DIVIDEND HISTORY

DP2011 STRUCTURED SHARE POOL

Period end	Date paid	Pence per share
Pre-merger dividends		20.0
2016 Interim	23 December 2015	2.5
2016 Special	2 September 2016	32.5
2017 Special	14 February 2017	10.0
2018 Special	2 November 2017	25.0
2018 Interim	13 August 2018	5.0
2020 Interim	27 September 2019	10.059
		<u>105.059</u>

INVESTMENT MANAGER'S REPORT

GENERALIST SHARE POOL

Introduction

As at 30 September 2019, the Generalist Share Pool held a portfolio of 28 VCT Qualifying investments and three non-qualifying investments, with a combined value of £26.5 million.

Portfolio activity

During the period to 30 September 2019, the Generalist Share Pool made 12 VCT Qualifying investments totalling £4.3 million. Of this total, £1.8 million was invested in four new VCT Qualifying businesses, with the remaining £2.5 million having been invested in eight of the existing portfolio businesses.

Also during the period, the Generalist Share Pool invested a further £1.4 million in two non-qualifying investments.

New VCT Qualifying investments

The new VCT qualifying investments made in the period are summarised as follows:

- £525,000 was invested in JRNI Limited (formerly BookingBug Limited), the developer of a customer engagement platform that can help businesses increase revenue and build customer loyalty.
- £500,000 was invested in Hummingbird Technologies Limited, an advanced crop analytics business.
- £459,000 was invested in Cambridge Touch Technologies Limited, a company which develops pressure-sensitive multi-touch technology.
- £300,000 was invested in Streethub Limited (trading as Trouva), the owner of an online marketplace for independent boutiques.

Follow-on VCT Qualifying investments

Follow-on investments completed during the period are summarised as follows:

- £583,000 was invested in Limitless Technology Limited, the developer of a crowdsourced customer service platform.
- £510,000 was invested in Volo Commerce Limited, a provider of multichannel e-commerce technology.

- £333,000 was invested in Lignia Wood Company Limited (formerly Fibre 7 UK Limited), a producer of sustainable high-performance modified timber that has applications in building and yacht construction.
- £300,000 was invested in Channel Mum Limited, the developer of a community-based website for parents.
- £250,000 was invested in Empiribox Limited, the provider of equipment, lesson plans and CPD-accredited support for teachers delivering practical science lessons to UK primary school children.
- £250,000 was invested in E-Fundamentals (Group) Limited, the provider of a data analytics service that helps brand owners improve their online revenues.
- £138,000 was invested in ADC Biotechnology Limited, a company creating a new technology which aims to speed up, simplify and lower the costs of the processes involved in the production of new Antibody Drug Conjugates (ADCs).
- £115,000 was invested in Xupes Limited, an online retailer of pre-owned luxury goods including designer watches, handbags, jewellery and antiques.

Non-qualifying investments

The Generalist Share Pool holds a non-qualifying portfolio of funds managed by Downing which mainly invests in UK equities, focussing on the small cap sector. The Share Pool added to its holding in Downing Strategic Micro-Cap Investment Trust plc, investing a further £169,000.

The Generalist Share Pool also added to its non-qualifying investment in Snow Hill Developments LLP, the developer of a hotel in Birmingham. The Generalist Share Pool acquired the DP2011 General Share Pool's interest in the business for £1.2 million. This transaction allowed the Generalist Share Pool to add a yielding asset to its growing portfolio, whilst also enabling the DP2011 General Share Pool to make its final distribution to its investors. Snow Hill Developments LLP was subsequently refinanced during the period, and the Generalist Share Pool received proceeds of £1.4 million from its total investment of £1.3 million.

INVESTMENT MANAGER'S REPORT GENERALIST SHARE POOL (continued)

Portfolio valuation

A number of adjustments were made to the valuation of the investments in the VCT qualifying portfolio, resulting in a reduction in value of £1.9 million during the period. The individual valuation movements are discussed below.

Empiribox Limited was reduced in value by £747,000, in view of the business being behind on its revenue targets, largely due to the restrictive budgets available to UK primary schools. Downing is closely monitoring the business and is providing support to its management team.

Live Better With Limited has been reduced in value by £642,000, equating to a 50% provision against cost, as the business is now behind on the performance metrics set at the time of the last investment. However, the business has now been through a cost reduction phase, which was carried out alongside the merging of its operations with Unforgettable. Downing is working closely with the management team.

Ormsborough Limited was reduced in value by £194,000 during the period and is now held at £nil. The individual pub sites have been subject to an independent valuation exercise, which has seen their expected sales values decrease. This means that it is unlikely there will be any recovery of value for equity holders.

Destiny Pharma plc has been reduced in value by £140,000 during the period, to reflect the prevailing quoted share price as at 30 September 2019. The company posted some encouraging interim results to 30 June 2019 and is making good progress on its trials, with results expected during mid-2020. However, the share price has fallen on limited trading volumes.

Glownet Limited was reduced in value by £112,000 during the period, in view of the company's underperformance against its budget.

The remaining valuation movements in the Venture Capital portfolio amounted to a net valuation reduction of £66,000.

In addition, the carrying values of the non-qualifying fund investments have been adjusted to reflect their quoted prices as at 30 September 2019, resulting in a net reduction of £483,000 over the period.

Net Asset Value and results

At 30 September 2019, the Net Asset Value ("NAV") of the Generalist Shares stood at 77.6p, a decrease of 5.9p (7.1%) over the period. This fall is attributable to a combination of the unrealised losses on the VCT and non-qualifying portfolios as well as the "cash-drag" of holding uninvested funds.

The loss on ordinary activities after taxation for the period was £2.7 million, comprising a revenue loss of £306,000 and a capital loss of £2.4 million.

Outlook

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

Although we have seen a fall in the value of the VCT qualifying portfolio since the commencement of the Generalist Share Pool, this is not untypical behaviour for this type of portfolio where weaker investments will often become visible well before the more successful investments prove their worth. An important part of our role over the remainder of the year and going forward will be to continue to support and nurture the investments, particularly those which we believe may be able to ultimately deliver good outcomes. A more stable UK political and economic outlook will be helpful to this end.

We will update Shareholders on the further progress made in building the Generalist portfolio in the Annual Report to 31 March 2020, to be published in July 2020.

Downing LLP

12 December 2019

SUMMARY OF INVESTMENT ADDITIONS GENERALIST SHARE POOL

for the period ended 30 September 2019

	Cost £'000
Venture Capital investments	
Snow Hill Developments LLP*	1,225
Limitless Technology Limited	583
JRNI Limited	525
Volo Commerce Limited	510
Hummingbird Technologies Limited	500
Cambridge Touch Technologies Limited	459
Lignia Wood Company Limited	333
Channel Mum Limited	300
Streethub Limited (t/a Trouva)	300
Empiribox Limited	250
E-Fundamentals (Group) Limited	250
ADC Biotechnology Limited	138
Xupes Limited	115
	5,488
Liquidity investments	
Downing Strategic Micro-Cap Investment Trust plc*^	169
	169
Total	5,657

* non-qualifying investment

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

All VCT Qualifying Investments are incorporated in England and Wales.

SUMMARY OF INVESTMENT DISPOSALS GENERALIST SHARE POOL

for the period ended 30 September 2019

Disposals	Cost*	Valuation at 31/03/2019*	Disposal proceeds	Total gain/(loss) against cost	Realised gain in period
	£000	£000	£000	£000	£000
Venture Capital investments					
Snow Hill Developments LLP*	1,289	1,317	1,417	128	100
Mosaic Spa and Health Clubs Limited	32	17	18	(14)	1
	1,321	1,334	1,435	114	101

*adjusted for addition

SUMMARY OF INVESTMENT PORTFOLIO GENERALIST SHARE POOL

as at 30 September 2019

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio
Venture Capital investments				
Lignia Wood Company Limited	1,444	1,533	-	4.5%
Rated People Limited	1,282	1,282	-	3.8%
E-Fundamentals (Group) Limited	1,167	1,167	-	3.4%
Volo Commerce Limited	1,077	1,077	-	3.2%
Firefly Learning Limited	1,047	1,047	-	3.1%
Imagen Limited	1,000	1,000	-	2.9%
Xupes Limited	933	933	-	2.7%
Maverick Pubs Limited	1,000	850	(50)	2.5%
Limitless Technology Limited	756	802	-	2.4%
Hackajob Limited	784	784	-	2.3%
BridgeU Limited	811	727	(84)	2.1%
Live Better With Limited	1,211	642	(642)	1.9%
Virtual Class Limited	803	544	-	1.6%
JRNI Limited	525	525	-	1.5%
Exonar Limited	500	500	-	1.5%
Channel Mum Limited	500	500	-	1.5%
Hummingbird Technologies Limited	500	500	-	1.5%
Cambridge Touch Technologies Limited	459	459	-	1.3%
Fenkle Street LLP*	301	423	51	1.2%
ADC Biotechnology Limited	550	421	17	1.2%
Empiribox Limited	1,278	400	(747)	1.2%
Arecor Limited	300	300	-	0.9%
Streethub Limited (t/a Trouva)	300	300	-	0.9%
Masters of Pie Limited	167	167	-	0.5%
Destiny Pharma plc^	500	121	(140)	0.4%
Glownet Limited	741	73	(112)	0.2%
Ormsborough Limited	900	-	(194)	0.0%
London City Shopping Centre Limited*	30	-	-	0.0%
	<u>20,866</u>	<u>17,077</u>	<u>(1,901)</u>	<u>50.2%</u>
Liquidity investments				
MI Downing Monthly Income Fund*	3,950	3,597	94	10.5%
MI Downing UK Micro-Cap Growth Fund*	4,025	3,021	(306)	8.8%
Downing Strategic Micro-Cap Investment Trust plc*^	4,269	2,809	(271)	8.2%
	<u>12,244</u>	<u>9,427</u>	<u>(483)</u>	<u>27.5%</u>
Total	<u><u>33,110</u></u>	<u><u>26,504</u></u>	<u><u>(2,384)</u></u>	<u><u>77.7%</u></u>
Cash at bank and in hand		<u>7,594</u>		<u>22.3%</u>
Total investments		<u><u>34,098</u></u>		<u><u>100.0%</u></u>

* non-qualifying investment

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

INVESTMENT MANAGER'S REPORT

HEALTHCARE SHARE POOL

Introduction

As at 30 September 2019, the Healthcare Share Pool held a portfolio of eight Venture Capital investments and three Liquidity investments, with a combined value of £7.0 million.

Portfolio activity

During the period to 30 September 2019, the Healthcare Share Pool made two investments in VCT Qualifying businesses totalling £416,000.

Also, during the period the Healthcare Share Pool added to its liquidity portfolio, with a further investment of £29,000.

VCT Qualifying investments

£278,000 was invested in The Electrospinning Company Limited, a business which designs, develops and manufactures nanofibrous biomaterials for use in tissue-regenerative devices.

A further £138,000 was invested in ADC Biotechnology Limited, a company creating a new technology which aims to speed up, simplify and lower the costs of the processes involved in the production of new Antibody Drug Conjugates (ADCs).

Portfolio valuation

The carrying values of the Public Equity investments have been adjusted to reflect their quoted prices as at 30 September 2019, resulting in a net reduction of £105,000.

Live Better With Limited has been reduced in value by £590,000, equating to a 50% provision against cost, as the business is now behind on the performance metrics set at the time of the last investment. However, the business has now been through a cost reduction phase, which was carried out alongside the merging of its operations with Unforgettable. Downing are working closely with the management team.

Destiny Pharma plc has been reduced in value by £211,000 during the period, to reflect the prevailing quoted share price as at 30 September 2019. The company posted some encouraging interim results to 30 June 2019 and is making good progress on its trials, with results expected during mid-2020. However, the share price has fallen on limited trading volumes.

The remaining valuation movements in the Venture Capital portfolio amounted to a net valuation uplift of £94,000.

Net Asset Value and results

At 30 September 2019, the Net Asset Value ("NAV") of a Healthcare Share stood at 77.7p, a decrease of 5.6p (6.7%) over the period. As with the Generalist Share Pool, the fall is attributable to a combination of the unrealised losses on the VCT and non-qualifying portfolios as well the "cash-drag" of holding uninvested funds.

The loss on ordinary activities after taxation for the period was £1.0 million, comprising a revenue loss of £119,000 and a capital loss of £889,000.

Outlook

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

As noted for the Generalist Share Pool, the overall fall in the value of the VCT qualifying investments since the commencement of the Healthcare Share Pool is not an uncommon feature of this type of portfolio. In the Healthcare growth sector, the effect of weaker investments becoming evident at a much earlier stage than stronger investments proving themselves is perhaps even more pronounced than in the Generalist sector. Additionally, this and the non-qualifying portfolio have exposure to the AIM market and so the uncertainty about Brexit and the UK political situation in general has had a negative impact on valuations. We welcome the prospect of a clearer path ahead in the coming weeks and months which we believe could support growth in the valuations of the underlying AIM stocks.

Over the remainder of the year and onwards we will continue to secure new investments to further develop the VCT qualifying portfolio and also work with the existing investments to provide ongoing support to help them towards achieving their goals. We will next update Shareholders on the progress made in investing the Healthcare funds in the Annual Report to 31 March 2020, to be published in July 2020.

Downing LLP

12 December 2019

SUMMARY OF INVESTMENT ADDITIONS HEALTHCARE SHARE POOL

for the period ended 30 September 2019

	Cost £'000
Venture Capital investments	
The Electrospinning Company Limited	278
ADC Biotechnology Limited	138
	<u>416</u>
Liquidity investments	
Downing Strategic Micro-Cap Investment Trust plc*^	29
	<u>29</u>
Total	<u><u>445</u></u>

* non-qualifying investment

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

All VCT Qualifying Investments are incorporated in England and Wales.

SUMMARY OF INVESTMENT PORTFOLIO HEALTHCARE SHARE POOL

as at 30 September 2019

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio
Venture Capital investments				
Arecor Limited	1,100	1,100	-	7.8%
Open Bionics Limited	1,000	1,000	-	7.1%
ADC Biotechnology Limited	1,192	701	29	5.0%
Live Better With Limited	1,106	589	(590)	4.2%
Adaptix Limited	556	556	65	3.9%
Future Health Works Limited	278	278	-	2.0%
The Electrospinning Company Limited	278	278	-	2.0%
Destiny Pharma plc^	750	181	(211)	1.3%
	<u>6,260</u>	<u>4,683</u>	<u>(707)</u>	<u>33.3%</u>
Liquidity investments				
MI Downing UK Micro-Cap Growth Fund*	1,125	841	(85)	6.0%
Downing Strategic Micro-Cap Investment Trust plc*^	729	480	(46)	3.3%
MI Downing Monthly Income Fund*	1,100	1,004	26	7.1%
	<u>2,954</u>	<u>2,325</u>	<u>(105)</u>	<u>16.4%</u>
Total	<u><u>9,214</u></u>	<u><u>7,008</u></u>	<u><u>(812)</u></u>	<u><u>49.7%</u></u>
Cash at bank and in hand		<u>7,099</u>		<u>50.3%</u>
Total investments		<u><u>14,107</u></u>		<u><u>100.0%</u></u>

* non-qualifying investment

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

All VCT Qualifying Investments are incorporated in England and Wales.

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2019

Company Total	Six months ended 30 Sep 2019			Six months ended 30 Sep 2018			Year ended 31 Mar 2019
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
Income	156	59	215	215	115	330	608
Net losses on investments	-	(2,717)	(2,717)	-	(1,363)	(1,363)	(5,091)
	156	(2,658)	(2,502)	215	(1,248)	(1,033)	(4,483)
Investment management fees	(286)	(286)	(572)	(203)	(203)	(406)	(772)
Other expenses	(279)	-	(279)	(197)	-	(197)	(468)
(Loss)/return on ordinary activities before tax	(409)	(2,944)	(3,353)	(185)	(1,451)	(1,636)	(5,723)
Tax on total comprehensive income and ordinary activities	(306)	-	(306)	(19)	-	(19)	7
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the period	(715)	(2,944)	(3,659)	(204)	(1,451)	(1,655)	(5,716)
Return per DSO D Share	-	1.2p	1.2p	(0.4p)	0.3p	(0.1p)	2.6p
Return per DP67 Share	(2.2p)	1.1p	(1.1p)	0.7p	(0.2p)	0.5p	(1.5p)
Return per DP2011 Gen Ordinary Share	-	-	-	-	-	-	-
Return per DP2011 Gen A Share	(0.1p)	0.3p	0.2p	(0.1p)	(0.2p)	(0.3p)	-
Return per DP2011 Struc Ordinary Share	-	-	-	-	-	-	-
Return per DP2011 Struc A Share	(0.1p)	0.4p	0.3p	-	(0.2p)	(0.2p)	(0.3p)
Return per Generalist Share	(0.7p)	(5.8p)	(6.5p)	(0.5p)	(2.9p)	(3.4p)	(12.0p)
Return per Healthcare Share	(0.7p)	(5.1p)	(5.8p)	(1.2p)	(8.5p)	(9.7p)	(11.3p)

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

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2019

	Six months ended 30 Sep 2019			Six months ended 30 Sep 2018			Year ended 31 Mar 2019
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
D Share Pool							
Income	6	-	6	2	-	2	14
Gains/(losses) on investments	-	104	104	-	38	38	(141)
	6	104	110	2	38	40	(127)
Investment management fees	(8)	(8)	(16)	(16)	(16)	(32)	(34)
Other expenses	(11)	-	(11)	(15)	-	(15)	(46)
(Loss)/return on ordinary activities before taxation	(13)	96	(83)	(29)	22	(7)	(207)
Taxation	10	-	-	-	-	-	-
(Loss)/return attributable to equity Shareholders	(3)	96	(93)	(29)	22	(7)	(207)

	Six months ended 30 Sep 2019			Six months ended 30 Sep 2018			Year ended 31 Mar 2019
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
DP67 Share Pool							
Income	107	-	107	117	75	192	326
Gains/(losses) on investments	-	143	143	-	(75)	(75)	(372)
	107	143	250	117	-	117	(46)
Investment management fees	(18)	(18)	(36)	(19)	(19)	(38)	(66)
Other expenses	(23)	-	(23)	(2)	-	(2)	(26)
Return/(loss) on ordinary activities before taxation	66	125	191	96	(19)	77	(138)
Taxation	(316)	-	(316)	(19)	-	(19)	(28)
(Loss)/return attributable to equity Shareholders	(250)	125	(125)	77	(19)	58	(166)

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2019

	Six months ended 30 Sep 2019			Six months ended 30 Sep 2018			Year ended 31 Mar 2019
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
DP2011 General Share Pool							
Income	-	-	-	9	-	9	4
Gains/(losses) on investments	-	75	75	-	(19)	(19)	71
	-	75	75	9	(19)	(10)	75
Investment management fees	(11)	(11)	(22)	(17)	(17)	(34)	(40)
Other expenses	(8)	-	(8)	(14)	-	(14)	(31)
(Loss)/return on ordinary activities before taxation	(19)	64	45	(22)	(36)	(58)	4
Taxation	-	-	-	-	-	-	-
(Loss)/return attributable to equity Shareholders	(19)	64	45	(22)	(36)	(58)	4

	Six months ended 30 Sep 2019			Six months ended 30 Sep 2018			Year ended 31 Mar 2019
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
DP2011 Structured Share Pool							
Income	-	-	-	9	-	9	3
Gains/(losses) on investments	-	56	56	-	(17)	(17)	-
	-	56	56	9	(17)	(8)	3
Investment management fees	(6)	(6)	(12)	(9)	(9)	(18)	(14)
Other expenses	(12)	-	(12)	(7)	-	(7)	(15)
(Loss)/return on ordinary activities before taxation	(18)	50	32	(7)	(26)	(33)	(26)
Taxation	-	-	-	-	-	-	-
(Loss)/return attributable to equity Shareholders	(18)	50	32	(7)	(26)	(33)	(26)

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2019

	Six months ended 30 Sep 2019			Six months ended 30 Sep 2018			Year ended 31 Mar 2019
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
Generalist Share Pool							
Income	21	59	80	61	40	101	232
Losses on investments	-	(2,283)	(2,283)	-	(729)	(729)	(3,572)
	21	(2,224)	(2,203)	61	(689)	(628)	(3,340)
Investment management fees	(166)	(166)	(332)	(77)	(77)	(154)	(360)
Other expenses	(161)	-	(161)	(114)	-	(114)	(252)
Losses on ordinary activities before taxation	(306)	(2,390)	(2,696)	(130)	(766)	(896)	(3,952)
Taxation	-	-	-	-	-	-	35
Losses attributable to equity Shareholders	(306)	(2,390)	(2,696)	(130)	(766)	(896)	(3,917)

	Six months ended 30 Sep 2019			Six months ended 30 Sep 2018			Year ended 31 Mar 2019
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
Healthcare Share Pool							
Income	22	-	22	17	-	17	29
Losses on investments	-	(812)	(812)	-	(561)	(561)	(1,077)
	22	(812)	(790)	17	(561)	(544)	(1,048)
Investment management fees	(77)	(77)	(154)	(65)	(65)	(130)	(258)
Other expenses	(64)	-	(64)	(45)	-	(45)	(98)
Losses on ordinary activities before taxation	(119)	(889)	(1,008)	(93)	(626)	(719)	(1,404)
Taxation	-	-	-	-	-	-	-
Losses attributable to equity Shareholders	(119)	(889)	(1,008)	(93)	(626)	(719)	(1,404)

UNAUDITED BALANCE SHEET

as at 30 September 2019

	Note	As at 30 September 2019 £'000	As at 30 September 2018 £'000	As at 31 March 2019 £'000
Fixed assets				
Investments	9	37,135	39,470	39,394
Current assets				
Debtors		558	572	800
Cash at bank and in hand		18,437	11,554	18,443
		<u>18,995</u>	<u>12,126</u>	<u>19,243</u>
Creditors: amounts falling due within one year		<u>(481)</u>	<u>(211)</u>	<u>(485)</u>
Net current assets		<u>18,514</u>	<u>11,915</u>	<u>18,758</u>
Net assets		<u>55,649</u>	<u>51,385</u>	<u>58,152</u>
Capital and reserves				
Called up Share capital		149	130	138
Capital redemption reserve	8	-	31	-
Special reserve	8	45,762	4,463	47,040
Share premium account	8	17,102	44,621	7,172
Funds held in respect of shares not yet allotted	8	167	234	4,772
Revaluation reserve	8	(8,395)	(1,637)	(4,158)
Capital reserve – realised	8	3,733	4,855	4,940
Revenue reserve	8	<u>(2,869)</u>	<u>(1,312)</u>	<u>(1,752)</u>
Total equity Shareholders' funds		<u>55,649</u>	<u>51,385</u>	<u>58,152</u>
Basic and diluted Net Asset Value per Share:				
DSO D Share		28.9p	30.3p	27.8p
DP67 Share		47.4p	50.5p	48.5p
DP2011 General Ordinary Share		-	-	-
DP2011 General A Share		-	13.0p	13.3p
DP2011 Structured Ordinary Share		-	-	N/A
DP2011 Structured A Share		-	9.8p	9.9p
Generalist Share		77.6p	92.7p	83.5p
Healthcare Share		77.7p	88.7p	83.3p

The comparative balance sheet as at 30 September 2018 includes the Share Pools in existence at that date.

UNAUDITED BALANCE SHEET (ANALYSED BY SHARE POOL)

as at 30 September 2019

DSO D Share Pool

	As at 30 September 2019 £'000	As at 30 September 2018 £'000	As at 31 March 2019 £'000
Fixed assets			
Investments	690	1,489	1,302
Current assets			
Debtors	18	4	1
Cash at bank and in hand	1,591	921	910
	<u>1,609</u>	<u>925</u>	<u>911</u>
Creditors: amounts falling due within one year	(21)	(31)	(28)
Net current assets	<u>1,588</u>	<u>894</u>	<u>883</u>
Net assets	<u>2,278</u>	<u>2,383</u>	<u>2,185</u>
Capital and reserves			
Called up share capital	8	8	8
Special reserve	2,356	2,629	2,259
Revaluation reserve	41	(39)	153
Capital reserve – realised	(37)	(148)	(148)
Revenue reserve	(90)	(67)	(87)
Total equity Shareholders' funds	<u>2,278</u>	<u>2,383</u>	<u>2,185</u>

DP67 Share Pool

	As at 30 September 2019 £'000	As at 30 September 2018 £'000	As at 31 March 2019 £'000
Fixed assets			
Investments	2,933	4,564	3,578
Current assets			
Debtors	333	627	669
Cash at bank and in hand	2,120	501	1,251
	<u>2,453</u>	<u>1,128</u>	<u>1,920</u>
Creditors: amounts falling due within one year	(83)	(40)	(70)
Net current assets	<u>2,370</u>	<u>1,088</u>	<u>1,850</u>
Net assets	<u>5,303</u>	<u>5,652</u>	<u>5,428</u>
Capital and reserves			
Called up share capital	11	11	11
Capital redemption reserve	-	31	-
Special reserve	783	861	534
Revaluation reserve	376	504	547
Capital reserve – realised	3,669	3,581	3,622
Revenue reserve	464	664	714
Total equity Shareholders' funds	<u>5,303</u>	<u>5,652</u>	<u>5,428</u>

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

as at 30 September 2019

DP2011 General Share Pool

	As at 30 September 2019 £'000	As at 30 September 2018 £'000	As at 31 March 2019 £'000
Fixed assets			
Investments	-	2,224	1,895
Current assets			
Debtors	-	1	1
Cash at bank and in hand	19	208	594
	<u>19</u>	<u>209</u>	<u>595</u>
Creditors: amounts falling due within one year	<u>(19)</u>	<u>(36)</u>	<u>(31)</u>
Net current assets	<u>-</u>	<u>173</u>	<u>564</u>
Net assets	<u>-</u>	<u>2,397</u>	<u>2,459</u>
Capital and reserves			
Called up share capital – Ordinary Shares	16	16	16
Called up share capital – A Shares	18	18	18
Special reserve	(34)	903	652
Revaluation reserve	-	334	636
Capital reserve – realised	-	831	867
Revenue reserve	-	295	270
Total equity Shareholders' funds	<u>-</u>	<u>2,397</u>	<u>2,459</u>

DP2011 Structured Share Pool

	As at 30 September 2019 £'000	As at 30 September 2018 £'000	As at 31 March 2019 £'000
Fixed assets			
Investments	-	1,028	679
Current assets			
Debtors	-	3	3
Cash at bank and in hand	14	215	566
	<u>14</u>	<u>218</u>	<u>569</u>
Creditors: amounts falling due within one year	<u>(14)</u>	<u>(20)</u>	<u>(15)</u>
Net current assets	<u>-</u>	<u>198</u>	<u>554</u>
Net assets	<u>-</u>	<u>1,226</u>	<u>1,233</u>
Capital and reserves			
Called up share capital – Ordinary Shares	11	11	11
Called up share capital – A Shares	13	13	13
Special reserve	(24)	566	332
Revaluation reserve	-	(136)	109
Capital reserve – realised	-	591	599
Revenue reserve	-	181	169
Total equity Shareholders' funds	<u>-</u>	<u>1,226</u>	<u>1,233</u>

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

as at 30 September 2019

Generalist Share Pool

	As at 30 September 2019 £'000	As at 30 September 2018 £'000	As at 31 March 2019 £'000
Fixed assets			
Investments	26,504	23,555	24,565
Current assets			
Debtors	201	94	124
Cash at bank and in hand	7,594	5,396	8,661
	<u>7,795</u>	<u>5,490</u>	<u>8,785</u>
Creditors: amounts falling due within one year	<u>(218)</u>	<u>(129)</u>	<u>(220)</u>
Net current assets	<u>7,577</u>	<u>5,361</u>	<u>8,565</u>
Net assets	<u>34,081</u>	<u>28,916</u>	<u>33,130</u>
Capital and reserves			
Called up share capital	51	38	43
Special reserve	30,711	(331)	31,111
Share premium account	11,889	32,058	4,692
Revaluation reserve	(6,606)	(1,407)	(4,209)
Capital reserve – realised	101	-	-
Funds held in respect of shares not yet allotted	144	199	3,396
Revenue reserve	(2,209)	(1,641)	(1,903)
Total equity Shareholders' funds	<u>34,081</u>	<u>28,916</u>	<u>33,130</u>

Healthcare Share Pool

	As at 30 September 2019 £'000	As at 30 September 2018 £'000	As at 31 March 2019 £'000
Fixed assets			
Investments	7,008	6,610	7,375
Current assets			
Debtors	6	3	2
Cash at bank and in hand	7,099	4,313	6,461
	<u>7,105</u>	<u>4,316</u>	<u>6,463</u>
Creditors: amounts falling due within one year	<u>(126)</u>	<u>(115)</u>	<u>(121)</u>
Net current assets	<u>6,979</u>	<u>4,201</u>	<u>6,342</u>
Net assets	<u>13,987</u>	<u>10,811</u>	<u>13,717</u>
Capital and reserves			
Called up share capital	21	15	18
Special reserve	11,970	(165)	12,152
Share premium account	5,213	12,563	2,480
Revaluation reserve	(2,206)	(893)	(1,394)
Funds held in respect of shares not yet allotted	23	35	1,376
Revenue reserve	(1,034)	(744)	(915)
Total equity Shareholders' funds	<u>13,987</u>	<u>10,811</u>	<u>13,717</u>

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2019

	Called up Share capital	Capital Redemption reserve	Special reserve	Share premium account	Funds held in respect of Shares not yet allotted	Revaluation Reserve (Note 9)	Capital reserve - realised	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2018	188	31	8,021	43,904	420	234	4,641	(1,104)	56,335
Total comprehensive income	-	-	-	-	-	(5,250)	3	(469)	(5,716)
Transfer between reserves*	-	-	(4,960)	-	-	858	4,102	-	-
Unallotted Shares	-	-	-	-	4,352	-	-	-	4,352
Transactions with owners									
Dividends paid	-	-	-	-	-	-	(3,806)	-	(3,806)
Cancellation of Share Premium/ Capital Redemption Reserve	-	(89)	43,993	(43,904)	-	-	-	-	-
Cancellation of Shares	(58)	58	-	-	-	-	-	-	-
Purchase of own Shares	-	-	(14)	-	-	-	-	-	(14)
Issue of Shares	8	-	-	7,172	-	-	-	-	7,180
Share issue costs	-	-	-	-	-	-	-	(179)	179
At 31 March 2019	138	-	47,040	7,172	4,772	(4,158)	4,940	(1,752)	58,152
Total comprehensive income	-	-	-	-	-	(3,107)	163	(715)	(3,659)
Transfer between reserves*	-	-	(867)	-	-	(1,130)	2,399	(402)	-
Unallotted Shares	-	-	-	-	(4,605)	-	-	-	(4,605)
Transactions with owners									
Dividends paid	-	-	-	-	-	-	(3,769)	-	(3,769)
Purchase of own Shares	-	-	(76)	-	-	-	-	-	(76)
Issue of Shares	11	-	-	9,930	-	-	-	-	9,941
Share issue costs	-	-	(335)	-	-	-	-	-	(335)
At 30 September 2019	149	-	45,762	17,102	167	(8,395)	3,733	(2,869)	55,649

*A transfer of £1,130,000 (31 March 2019: £858,000) representing previously recognised realised gains and losses on disposal of investments during the period has been made between the Revaluation Reserve to the Capital reserve-realised. A transfer of £867,000 (31 March 2019: £4,960,000) representing realised gains on disposal of investments, less capital expenses and capital dividends in the period has been made between the Capital Reserve – realised and the Special reserve. A transfer of £402,000 (31 March 2019: £nil), representing the balance on the Revenue reserve relating to the two cancelled share classes, has been made from the revenue reserve to the Special reserve.

UNAUDITED STATEMENT OF CASH FLOWS

Six months ended 30 September 2019

	DSO D Share pool £'000	DP67 Share pool £'000	DP2011 General Share Pool £'000	DP2011 Structured Share Pool £'000	Generalist Share Pool £'000	Healthcare Share Pool £'000	Total £'000
Cash flows from operating activities							
Return on ordinary activities before taxation	83	191	45	32	(2,697)	(1,008)	(3,354)
(Gains)/losses on investments	(104)	(143)	(75)	(56)	2,284	812	2,718
Increase/(decrease) in creditors	3	(347)	(12)	(1)	(1)	5	(353)
(Increase)/decrease in debtors	(17)	220	1	3	(79)	(3)	125
Net cash outflow from operating activities	(35)	(79)	(41)	(22)	(493)	(194)	(704)
Corporation tax paid	-	160	-	-	-	-	-
Net cash generated from operating activities	(35)	81	(41)	(22)	(493)	(194)	(704)
Cash flow from investing activities							
Purchase of investments	-	-	-	-	(5,657)	(445)	(6,102)
Proceeds from disposal of investments	716	788	1,970	735	1,435	-	5,644
Net cash inflow/(outflow) from investing activities	716	788	1,970	735	(4,222)	(445)	(458)
Net cash inflow/(outflow) before financing	681	869	1,929	713	(4,715)	(639)	(1,162)
Cash flows from financing activities							
Repurchase of shares	-	-	-	-	(60)	(16)	(76)
Issue of share capital	-	-	-	-	7,205	2,736	9,941
Share issue costs	-	-	-	-	(246)	(89)	(335)
Unallotted shares	-	-	-	-	(3,251)	(1,354)	(4,605)
Equity dividends paid (Note 7)	-	-	(2,504)	(1,265)	-	-	(3,769)
Net cash (outflow)/inflow from financing activities	-	-	(2,504)	(1,265)	3,648	1,277	1,156
Net movement in cash	681	869	(575)	(552)	(1,067)	638	(6)
Cash and cash equivalents at start of period	910	1,251	594	566	8,661	6,461	18,443
Cash and cash equivalents at end of period	1,591	2,120	19	14	7,594	7,099	18,437
Cash and cash equivalents comprise							
Cash at bank and in hand	1,591	2,120	19	14	7,594	7,099	18,437
Total cash and cash equivalents	1,591	2,120	19	14	7,594	7,099	18,437

UNAUDITED STATEMENT OF CASH FLOWS (continued)

Six months ended 30 September 2018

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. General Information

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

2. Basis of accounting

The unaudited half-yearly financial results cover the six months to 30 September 2019 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 March 2019, which were prepared in accordance with the Financial Reporting Standard 102 (“FRS 102”) and the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” issued in November 2014 (revised in February 2018) (“SORP”).

3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
4. The comparative figures are in respect of the six months ended 30 September 2018 and the year ended 31 March 2019 respectively.
5. Net Asset Value per share at the period end has been calculated on the number of shares in issue at the period end as follows:

DSO D Shares	7,867,247	DP2011 Structured Shares	10,678,725
DP67 Shares	11,192,136	DP2011 Structured A Shares	12,572,817
DP2011 General Shares	15,644,066	Generalist Shares*	43,752,827
DP2011 General A Shares	18,418,614	Healthcare Shares*	17,982,727

**Excludes Management Shares*

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

DSO D Shares	7,867,247	DP2011 Structured Shares	10,678,725
DP67 Shares	11,192,136	DP2011 Structured A Shares	12,572,817
DP2011 General Shares	15,644,066	Generalist Shares*	41,328,481
DP2011 General A Shares	18,418,614	Healthcare Shares*	17,296,874

**Excludes Management Shares*

7. Dividends

	Six months ended 30 September 2019		
	Revenue £000	Capital £000	Total £000
Paid in period			
DP2011 General A Shares	-	2,504	2,504
DP2011 Structured A Shares	-	1,265	1,265

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

8. Reserves

	30 Sep 2019 £'000	30 Sep 2018 £'000	31 Mar 2019 £'000
Capital redemption reserve	-	31	-
Special reserve	45,762	4,463	47,040
Share premium account	17,102	44,621	7,172
Funds held in respect of shares not yet allotted	167	234	4,772
Capital reserve – realised	3,733	4,855	4,940
Revaluation reserve	(8,395)	(1,637)	(4,158)
Revenue reserve	(2,869)	(1,312)	(1,752)
Total reserves	<u>55,500</u>	<u>51,255</u>	<u>58,014</u>

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves and are reduced by revaluation losses of £9.5 million. Distributable reserves at 30 September 2019 were £37.1 million.

9. Fixed assets - investments

	Liquidity investments £'000	Quoted VC investments £'000	Unquoted VC investments £'000	Total £'000
Opening cost at 1 April 2019	15,000	1,250	28,332	44,582
Unrealised losses at 1 April 2019	(2,858)	(597)	(703)	(4,158)
Impairment losses at 1 April 2019	-	-	(1,030)	(1,030)
Opening fair value at 1 April 2019	<u>12,142</u>	<u>653</u>	<u>26,599</u>	<u>39,394</u>
Movements in the year:				
Purchased at cost	198	-	5,904	6,102
Disposals - proceeds	-	-	(5,644)	(5,644)
- realised gains on disposals	-	-	390	390
Unrealised losses in the Income Statement	(588)	(351)	(2,168)	(3,107)
Closing value at 30 September 2019	<u>11,752</u>	<u>302</u>	<u>25,081</u>	<u>37,135</u>
Closing cost at 30 September 2019	15,198	1,250	30,017	46,465
Unrealised losses at 30 September 2019	(3,446)	(948)	(4,002)	(8,396)
Impairment losses at 30 September 2019	-	-	(934)	(934)
Closing value at 30 September 2019	<u>11,752</u>	<u>302</u>	<u>25,081</u>	<u>37,135</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. Fixed assets – investments (continued)

The fair value of investments is determined using the detailed accounting policy as shown in the audited financial statements for the year ended 31 March 2019. The Company has categorised its financial instruments using the fair value hierarchy as follows:

- Level 1 Reflects financial instruments quoted in an active market (quoted companies, investment funds and fixed interest bonds);
- Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and
- Level 3 Reflects financial instruments that use valuation techniques that are not based on observable market data (investments in unquoted shares and loan note investments).

	Level 1	Level 2	Level 3	30 Sep	Level 1	Level 2	Level 3	31 Mar
	£000	£000	£000	2019	£000	£000	£000	2019
				£000				£000
Liquidity investments	11,752	-	-	11,752	12,142	-	-	12,142
Quoted equity	302	-	-	302	653	-	-	653
Unquoted loan notes	-	-	4,124	4,124	-	-	2,971	2,971
Unquoted equity	-	-	20,957	20,957	-	-	23,628	23,759
	<u>12,054</u>	<u>-</u>	<u>25,081</u>	<u>37,135</u>	<u>12,795</u>	<u>-</u>	<u>26,599</u>	<u>39,394</u>

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

11. Risk and uncertainties

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

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

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

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

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

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

12. Going concern

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

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

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

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

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

PERFORMANCE INCENTIVE ARRANGEMENTS

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

DSO D Shares

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

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

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

As at 30 September 2019, the estimated performance fee is 4.1p per DSO D Share.

Generalist and Healthcare Share Pools

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

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

Directors

Sir Aubrey Brocklebank (Chairman)
Lord Flight
Russell Catley

Company Secretary and Registered Office

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