

# Downing ONE VCT plc

Report & Accounts  
for the year ended  
31 March 2019



## SHAREHOLDER INFORMATION

### Share prices

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

Latest share price at 8 July 2019: 76.25p per share

### Financial calendar

29 August 2019	Annual General Meeting ("AGM")
30 August 2019	Payment of final dividend
November 2019	Announcement of half-year results

### Dividends

Dividends are paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose (forms can be downloaded from [www.linkassetsservices.com](http://www.linkassetsservices.com)). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar, Link Asset Services, on 0871 664 0324 (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.

### Selling shares

If you wish to sell your shares either you or your adviser should contact Downing on **020 7416 7780**.

Shareholders are advised to seek advice from their tax adviser before selling shares, particularly if they deferred the payment of capital gains tax in respect of shares acquired prior to 6 April 2004, took part in the Share Realisation and Reinvestment Programme or purchased Ordinary Shares within the last five years.

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

Chris Lloyd  
0207 886 2716  
[chris.lloyd@panmure.com](mailto:chris.lloyd@panmure.com)

Paul Nolan  
0207 886 2717  
[paul.nolan@panmure.com](mailto:paul.nolan@panmure.com)

### Share scam warning

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

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

### Notification of change of address

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

### Other information for Shareholders

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

**[www.downing.co.uk](http://www.downing.co.uk)**

If you have any queries regarding your shareholding in Downing ONE VCT plc, please contact the registrar on the above number or visit Link's website at [www.linkassetsservices.com](http://www.linkassetsservices.com) and click on "Share Portal".

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# FINANCIAL HIGHLIGHTS

## Dividend

The proposed final dividend of 2.0 pence per share will result in total dividends for the financial year of 5.0 pence per share (2018: 6.0 pence per share), equivalent to 5.7% based on the opening net asset value.

## Significant portfolio activity

The year has seen a continued steady level of portfolio activity with additions totalling £12.5 million and 13 realisations giving rise to total proceeds of £3.3 million.

### FINANCIAL SUMMARY

	<b>31 Mar 2019 Pence</b>	<b>31 Mar 2018 Pence</b>
Net asset value per share ("NAV")	78.3	87.5
Cumulative dividends paid since 12 November 2013	<u>31.5</u>	<u>25.5</u>
<b>Total Return</b> (net asset value plus cumulative dividends paid per share)	<u><u>109.8</u></u>	<u><u>113.0</u></u>
<b>Dividends in respect of financial year</b>		
Interim dividend per share	3.0	3.0
Proposed final dividend per share	<u>2.0</u>	<u>3.0</u>
	<u><u>5.0</u></u>	<u><u>6.0</u></u>

### DIVIDEND POLICY

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

A full dividend history for the Company can be found at [www.downing.co.uk](http://www.downing.co.uk).

## INVESTMENT OBJECTIVES

The Company's principal investment objectives are:

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

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 23 to 24.

## DIRECTORS

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

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

**Stuart Goldsmith** is chairman of Ketton Securities Limited, a firm that advises a range of companies on corporate strategy, mergers and acquisitions, which he founded in 1989. Previously, he was chairman and chief executive of two groups of financial services companies - Fredericks Place Group, which offered private client investment management and financial planning services and the Britannia Group of Investment Companies, which managed £4 billion of funds in London and the USA for institutions and private clients. He has been a non-executive director of a number of companies, including Savoy Asset Management and the Hallwood Group.

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

## CHAIRMAN'S STATEMENT

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

The year saw an increased level of investment activity as the task of employing new funds got underway, along with a number of realisations from some of the existing investments.

The general falls in stock markets in the last quarter of 2018 were reflected in the Company's quoted investments, with only limited recovery seen up to the 31 March 2019. In the first quarter of 2019, it is disappointing to note that there were also some negative developments in a small number of the unquoted investee companies. This has resulted in a decrease in net asset value (after adjusting for dividends) across the year.

### Net asset value and results

As at 31 March 2019, the net asset value per share ("NAV") stood at 78.3p, a decrease of 3.2p (3.7%) after adding back dividends of 6.0p per share which were paid during the year.

The Income Statement shows a loss attributable to equity shareholders for the year of £4.3 million comprising a revenue gain of £2.6 million and a capital loss of £6.9 million.

### Investment activity and performance

At the year end, the Company held a portfolio of 89 investments. Of these, 32 are either quoted on AIM or the NEX Exchange Growth Market and have a value of £27.6 million (32.7% of the portfolio). The 57 unquoted investments have a value of £56.8 million and represent 67.3% of the portfolio.

The year under review saw an unrealised loss of £6.3 million across the portfolio, with the unrealised losses in the unquoted portfolio totalling £4.1 million and the unrealised losses in the quoted portfolio totalling £2.2 million. The quoted investments followed the general stock market falls in late 2018. Although markets have recovered somewhat since, the prices of many of our quoted stocks remain depressed although the Investment Adviser is confident that prospects remain positive for these businesses.

In the unquoted investments, there have been some businesses where valuation reductions have been recognised at an early stage.

As the Board and Investment Adviser anticipated, a typical feature of investing in young growth companies is that the weaker businesses in a portfolio tend to become more apparent before the stronger businesses prove themselves as such. It is therefore in line with expectations that some investments have underperformed so far which have not been offset by uplifts and provisions have been made as a result.

Provisions have been required against the investments in Yamuna Renewables Limited, Glownet Limited, Jito Trading Limited and Quadrate Spa Limited, accounting for the majority of the unquoted fall. Prospects for recovery are less clear here, although the Investment Adviser is working closely with each business to that end.

Further details on the investment activity are included in the Investment Adviser's Reports on pages 5 to 11.

### Dividends

The Company has a policy of seeking to pay annual dividends of at least 4% of net assets per annum.

The Board is proposing to pay a final dividend of 2.0p per share on 30 August 2019, subject to Shareholder approval at the forthcoming AGM, to Shareholders on the register at 9 August 2019. This will bring total dividends in respect of the year ended 31 March 2019 to 5.0p per share (2018: 6.0p), which represents a yield based on opening NAV of 5.7% p.a.

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

### Share buybacks

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

During the year, the Company purchased and subsequently cancelled 2,300,328 shares at an average price of 79.8p per share.

The Company retains Panmure Gordon as its corporate broker to assist in operating the share buyback process and ensuring that the quoted spread on the Company's shares remains at a reasonable level. Contact details for Panmure Gordon are on page 62.



## CHAIRMAN'S STATEMENT (continued)

### Annual General Meeting

The Company's next Annual General Meeting ("AGM") will be held at Downing LLP, 6<sup>th</sup> floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD at 10:45 a.m. on 29 August 2019.

Three items of special business are proposed at the AGM:

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

The authority to allot shares ensures the Company will be able to allot shares to monthly investors and also give the Board the opportunity to consider further fundraising options without having to necessarily incur the expense of seeking separate approval via a shareholder circular. Any decision on future fundraising will, of course, give consideration to the level of uninvested funds already held by the Company and the rate of investment.

### Outlook

The year to 31 March 2019 has been another busy period for your Company and we expect this trend to continue throughout the next financial year.

With the backdrop of Brexit, the economic and political environment in the UK has remained uncertain over the past year and little clarity has been obtained as to the likely outcome of the continued negotiations between the UK and EU. The Board believes that this may result in some volatility in the quoted portfolio until this is resolved but that in the longer term the quoted investments can deliver good results.

Close monitoring and support of the investee companies has always been a key part of the Investment Adviser's role. With new investments tending now to be younger growth businesses, as a result of some significant changes to the VCT regulations in the last three years, this task is more important than ever and requires a wide range of skills. As the portfolio generally shifts towards a greater proportion of younger businesses, the associated risk level also increases. However, the potential rewards from such investments are also much greater and the success of those will ultimately drive the future returns of the Company.

Over the next year, we expect to see a significant number of new investments made. The Board has firm plans to undertake a new Offer for Subscription for the 2019/20 tax year to ensure that the Company has resources to continue investing. As part of the discussions with the Investment Adviser, the Board are also planning the introduction of a performance incentive scheme, changes to the investment advisory arrangements and also refreshing the investment policy in line with recent HMRC changes. Full details will be sent to Shareholders as they become available.

I look forward to meeting Shareholders at the AGM and to reporting developments in my statement with the Half- Year Report to 30 September 2019.



**Chris Kay**  
Chairman  
9 July 2019

## INVESTMENT ADVISER'S REPORT - OVERVIEW

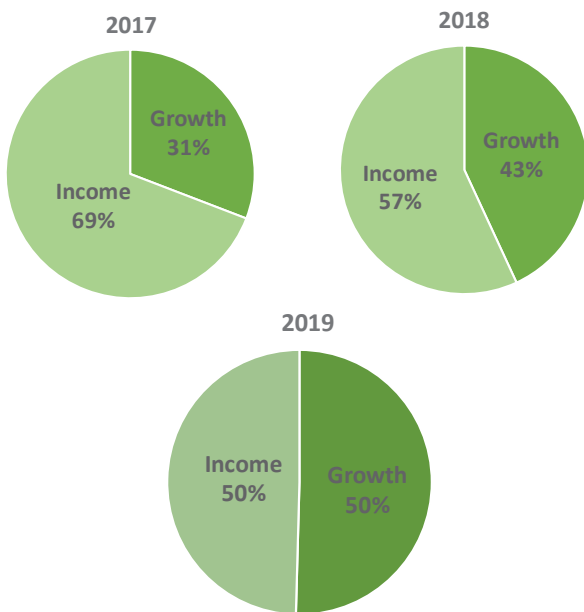
### Introduction

We are pleased to present a review of the investment portfolio and activity over the last financial year. Our review is split into three parts comprising this overview, a detailed report on the unquoted investments on pages 8 to 9 and a report on quoted investments on pages 10 to 11.

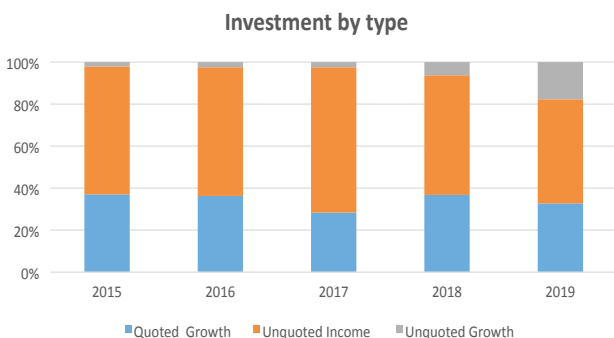
### Portfolio Overview

At 31 March 2019, the Company held a portfolio with a value of £84.5 million comprising 89 quoted and unquoted companies, across a diverse range of sectors in both growth and income-focussed investments.

The charts below illustrate how the underlying investments in the portfolio have shifted from income to growth investments, in line with changes in the VCT regulations, with there being a 50/50 split between the two categories as at the 2019 year end.



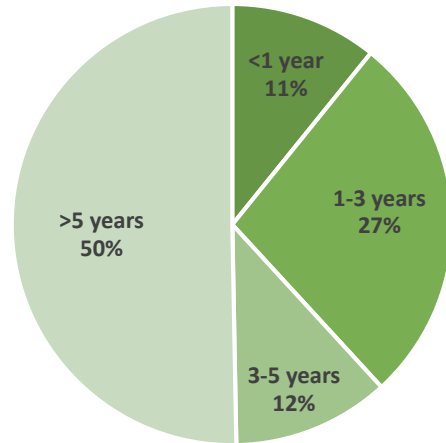
It is our expectation that the proportion of growth investments in the portfolio, particularly unquoted growth investments, will continue to increase over the coming years. By way of an example, five of the six follow on investments during the year were into growth companies.



As a result, we expect to see the portfolio benefitting from the higher rewards that can arise from backing such growth businesses going forward.

As demonstrated in the prior period, the proportion of the portfolio in maturing investments has increased further over the year, as illustrated below. This shows investment value analysed by age of investment.

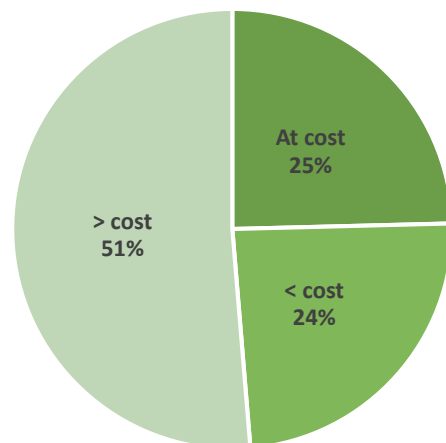
### Age of investment



### Portfolio Performance

The performance of the portfolio over the year has resulted in an unrealised loss of £6.3 million (2018: £2.3 million), with the unquoted portfolio generating an unrealised loss of £4.1 million and the quoted portfolio generating an unrealised loss of £2.2 million. Overall 76% of the portfolio is held at a valuation either equal to or above cost.

### Valuation compared to cost



The net unrealised losses in the quoted portfolio totalled £2.2 million. The largest unrealised gains in the quoted portfolio related to Craneware plc (£1.2 million), Tracsis plc (£925,000) and Pennant International Group plc (£151,000). These were offset by unrealised losses on Downing Strategic Micro Cap Investment Trust plc (£1.05 million), Anpario plc (£619,000) and Finsbury Food Group plc (£610,000). An analysis of the unrealised gains and losses are detailed further within the report on quoted investments on pages 10 to 11.



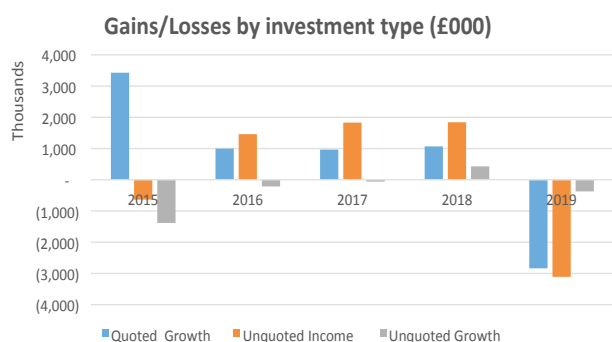
## INVESTMENT ADVISER'S REPORT – OVERVIEW (continued)

### Portfolio Performance (continued)

The unrealised losses in the unquoted portfolio totalled £4.1 million. Within the unquoted portfolio, the largest unrealised gains were in respect of Doneloans Limited (£626,000) and Pearce and Saunders Limited (£333,000). These were offset by unrealised losses on Yamuna Renewables Limited (£2.5 million), Quadrate Spa Limited (£808,000), Jito Trading Limited (£625,000) and Glownet Limited (£556,000).

Realised losses (over carrying value) in the period mostly came from the quoted portfolio with a £617,000 loss generated from the sale of Amino Technologies plc. This was offset by the realised gain on Ludorum plc of £750,000. Other net realised losses over the period totalled £163,000.

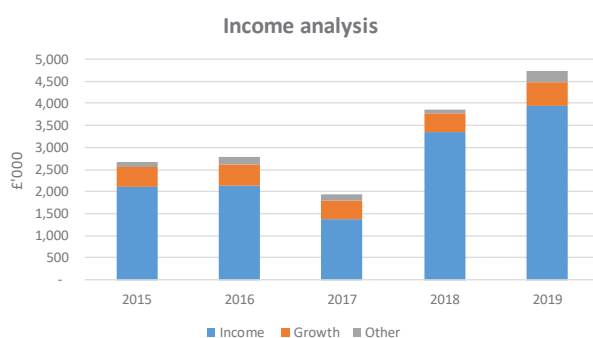
The chart below illustrates that the losses over the period have arisen mainly from the quoted portfolio and the unquoted income focussed portfolio. The quoted portfolio has fallen as a result of a sustained period of volatility and uncertainty over the year to 31 March 2019. The unquoted income focussed investment portfolio was subject to some negative developments at the period end, resulting in valuation write-downs.



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

### Continued income generation

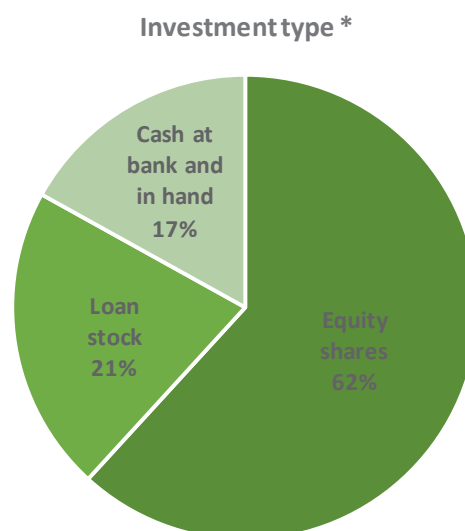
As noted above, whilst the proportion of income focussed investments by value in the portfolio continues to decline, to 50% (2018: 57%), we continue to see income generated increase to £4.7 million in 2019 (2018: £3.9 million) across the portfolio, which is higher than it has been in any year since the merger in 2013.



A main contributor to the increased revenue during the year was the receipt of large loan stock interest accruals that were previously provided for, as well as increased dividend receipts from the quoted portfolio.

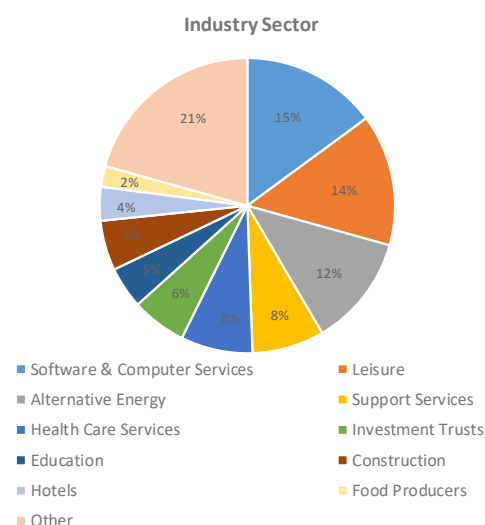
### Portfolio Composition

Following the close of the 2017/18 fundraising during the year, the level of funds held in cash fell as the Company invested a total of £12.5 million into 12 new and six follow on investments with a good pipeline in place for the remaining funds.



\*includes cash and cash equivalents

The diversified portfolio of the Company is reflected in the following chart and shows that the main sectors in which the Company has invested are Leisure, Alternative Energy and Software and Computer Services, albeit the maximum exposure to any sector is 15%.



## INVESTMENT ADVISER'S REPORT – OVERVIEW (continued)

### Net asset value and results

The net asset value per Share (“NAV”) at 31 March 2019 stood at 78.3p, compared to the NAV at 31 March 2018 of 87.5p. Total Return (NAV plus cumulative dividends paid since the merger in 2013) is 109.8p, compared to the Total Return at 31 March 2018 of 113.0p.

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

The loss on ordinary activities after taxation for the year was £4.3 million (2018: profit of £4.8 million), comprising a revenue profit of £2.6 million (2018: £2.1 million) and a capital loss of £6.9 million (2018: gain of £2.7 million).

### Outlook

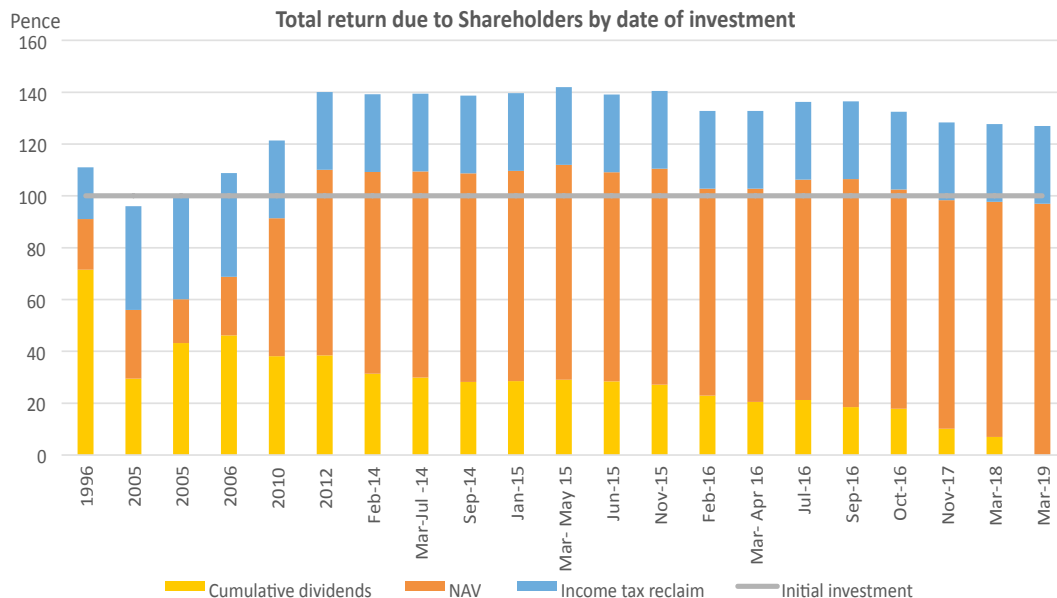
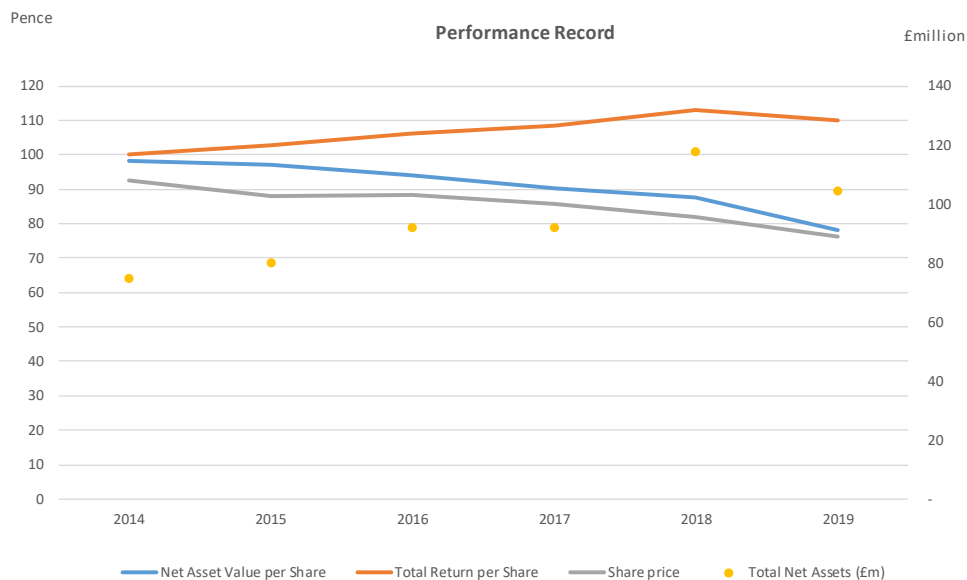
As demonstrated over the period, our pipeline of suitable investments continues to develop which we expect to maintain going forward.

The falls in value experienced at the end of the reporting period are disappointing. We have dedicated significant resources to the unquoted portfolio companies in question to address the issues that are developing. The falls in the quoted stocks are driven partly by market conditions. We remain positive on the key drivers within the quoted portfolio on the basis of the fundamentals and the valuations on which they trade. We are confident that we have a well diversified quoted and unquoted portfolio that offers upside potential, despite the current challenges faced, and we expect to see progress over the next year.

Close monitoring and support of the entire portfolio will continue to be the primary focus, as well as deploying the remaining funds held.

### Downing LLP

9 July 2019



## INVESTMENT ADVISER'S REPORT – UNQUOTED PORTFOLIO

We present a review of the unquoted investment portfolio for the year ended 31 March 2019.

### Investment activity

At 31 March 2019, the unquoted portfolio of 57 investments was valued at £56.8 million.

During the period, the Company invested a total of £11.5 million in unquoted companies, comprising 11 new opportunities and six follow-on investments.

The 11 new investments were as follows: -

**Rated People Limited (£1.3 million)** is the UK's leading home services marketplace and recommendation website, covering over 30 trade categories.

**Lignia Wood Company Limited (£1.1 million)** has developed a patented production process to turn softwood into modified wood with hardwood properties.

**Firefly Learning Limited (£1.0 million)** is an educational technology business that provides virtual learning management software to over 500 schools globally.

**Imagen Limited (£1.0 million)** has developed a cloud-based enterprise video platform that allows users to store, curate and sell video content.

**Live Better With Limited (£990,000)** is a developer of a healthcare website aiming to help people with long-term medical conditions, focusing on non-medical products that improve the quality of life for patients.

**Virtual Class Limited (£914,000)** is an educational technology business which provides online maths tuition for Key Stage 2 primary school children.

**Hackajob Limited (£784,000)** is a disruptive recruitment software business for sourcing, screening and hiring technical talent into the software industry.

**Glownet Limited (£741,000)** provides a cashless payment system for live events such as festivals, concerts and fairs.

**Exonar Limited (£500,000)** is a "SaaS" (Software as a Service) business that helps enterprises map and index data stored across various data stores and databases.

**Channel Mum Limited (£200,000)** is a digital online media company targeting millennial mums. The company has an audience of c.7 million and charges blue-chip FMCG and parenting brands for hosting video advertising content on the company's website.

**Masters of Pie Limited (£167,000)** is the software author of a collaborative virtual reality software package for Computer Aided Design ("CAD") systems that has been developed with Siemens.

Follow on investments totalling £2.8 million were made into Avid Technology Group Limited (£651,000), E-Fundamentals Limited (£639,000), Xupes Limited (£450,000), BridgeU Corporation (£417,000), Curo Compensation Limited (£330,000) and Empiribox Holdings Limited (£278,000).

Details of the investment realisation during the year are set out on page 16. Total proceeds of £2.8 million were generated, producing profits over holding value of £587,000.

Ludorum plc, the owner of the intellectual property rights to various children's entertainment brands, was the biggest disposal during the year, with its loan notes being redeemed prior to the end of 2018, generating a profit over carrying value of £750,000.

Oak Grove Renewables Limited, an anaerobic digestion plant in Norfolk, achieved proceeds of £869,000, representing a gain over opening value of £17,000.

The gains in the portfolio were offset against the loss from Tramps Night Club Limited, a night club complex in central Worcester. The loan stock was redeemed during the year at a loss over carrying value of £192,000.

### Portfolio valuation

The unquoted portfolio was reduced in value by £4.1 million (7.9% of the unquoted opening value) during the year.

Doneloans Limited, a non-qualifying investment company, was uplifted by £626,000 as a result of positive outcomes on its loan book.

Pearce and Saunders Limited, the owner of three freehold pubs in south east London, was uplifted by £333,000 in line with expected exit proceeds from site sales that are currently underway.

Avid Technologies Group Limited, a manufacturer of electrified ancillaries for internal combustion engines, was uplifted by £308,000 following a recent funding round led by Maven Capital.

The period to 31 March 2019 has also seen a number of disappointing developments, resulting in a number of valuation write downs at the period end. The most notable write down related to Yamuna Renewables Limited, the developer of a wood pelleting plant in Gars am Kamp, Austria, which suffered a fall in value of £2.5 million following some substantial operational issues experienced at the site. The facility has been brought back to full operational capability and an insurance claim is being pursued, although the interruption in supply during the key season trading period has impacted customer confidence.

## INVESTMENT ADVISER'S REPORT – UNQUOTED PORTFOLIO (continued)

### Portfolio valuation (continued)

Quadrate Spa Limited, which owns and operates a health club business in The Cube complex in Birmingham, has been written down by £808,000 following poor performance.

Jito Trading Limited, the operator of a wood pelleting plant in Weitra, Austria, has been written down by £625,000 following concerns over the future prospects of the business.

Glownet Limited, the provider of a cashless payment platform for live events has been written down by £556,000, following the requirement for further funding and significant underperformance.

Indigo Generation Limited and Ironhide Generation Limited are developing solar farms in India. Both plants were expected to complete during 2019, however due to monsoon season, construction of the sites has been delayed, leading to each company being written down by £276,000 respectively.

### Outlook

Over the year to 31 March 2019, a number of portfolio companies have faced significant challenges which has impacted performance. We continue to work closely with these companies to optimise returns and we believe the portfolio includes businesses that can deliver good rewards over time. We are confident that the current deal flow will continue throughout the next period as we continue to employ the company's funds.

**Downing LLP**

9 July 2019

## INVESTMENT ADVISER'S REPORT - QUOTED PORTFOLIO

### Investment activity

As at 31 March 2019, the quoted portfolio was valued at £27.6 million and comprised of 32 holdings. Over 46% of the quoted portfolio is accounted for in the top 10 holdings, reflecting the Manager's focused investment strategy.

The quoted portfolio saw relatively little investment activity during the year. There were three full exits in Amino Technologies plc, Avacta Group plc and Mi-Pay Group plc, and one new VCT qualifying investment in Bonhill Group plc.

Overall, the quoted portfolio produced unrealised losses of £2.2 million. The most notable movements in the portfolio over the period are discussed below.

### Portfolio Movements

The main positive contributor to performance was Craneware plc, a market leader in Value Cycle solutions for the US healthcare industry. Its latest unaudited results for the six months ended 31 December 2018 highlighted that revenues had increased by 15%, adjusted EBITDA increased by 20% and profit before tax increased by 7%. The valuation of Craneware increased by 38.6% over the period, contributing £1.2 million of unrealised gains to the portfolio. Since the year end, Craneware announced that whilst the group continues to sign new contracts with hospitals of all strata, the timing and quantity of sales closed recently has been lower than anticipated. The market has reacted negatively to this, resulting in a sharp fall in the share price.

Tracsis plc, a leading provider of transport software and services for the rail, traffic data and wider transportation industries, also delivered positive returns over the period. The group announced interim results for the six months ended 31 January 2019 which demonstrated that the group continues to trade well and has experienced a further period of profitable growth. Management reported that Tracsis has secured a five year framework agreement, its largest software contract to date, and made two acquisitions over the period. Tracsis is well placed to deliver full year results in line with market expectations, with the second half of the year expected to be stronger given the seasonality in the business and the contribution from the new acquisitions. The valuation of the company increased by 24% over the period, contributing an unrealised gain of £925,000.

Negative contributors included Downing Strategic Micro-Cap Investment Trust plc ("DSM"), which reported a decrease in value of £1.05 million as its share price fell by 22.8%. DSM holds a concentrated portfolio of UK micro-cap investments with the target to achieve compound returns of 15% per year over a three to seven year period. DSM overlays various strategic mechanisms to unlock and realise the underlying value of holdings. The majority of these companies are experiencing some degree of change and recovery, but these are not 'quick fixes' and tend to have a natural gestation period, hence the portfolio is not expected to perform over the very short term while transformations are underway. Notably, we believe that the quantifiable unrealised intrinsic value of the portfolio is higher than at any point in its history.

Anpario plc also suffered a fall in its share price, reporting a decrease of 23.8% over the period, resulting in an unrealised loss of £619,000. Anpario is an international producer and distributor of natural animal feed additives for animal health, nutrition and biosecurity. Management reported that the challenging trading environment had held back sales, while the rapid spread of African Swine Fever in China and the strengthening of the US dollar had influenced the groups' performance. The board is focused on controlling costs while implementing development initiatives that deliver encouraging results.

### Investment activity

The one new investment to the portfolio, Bonhill Group plc, is a leading business to business (B2B) media company specialising in three key areas, business information, live events and data and insight. Recently reported operational highlights for the group include the transformational acquisition of InvestmentNews, a market-leading US brand, which completed in August 2018. Management reported that the integration plan is on track and InvestmentNews is performing well, which gives confidence in Bonhill's acquisition strategy. The company also announced the proposed acquisition of Last Word Media, a leading B2B media company supporting the global asset management industry. Last Word is aligned to the group's growth strategy and we believe that it will be an excellent partner for the InvestmentNews business.

## INVESTMENT ADVISER'S REPORT - QUOTED PORTFOLIO (continued)

### Outlook

While macro trends and political uncertainty have remained consistent features over the period, we are cautiously optimistic that once the outcome of the Brexit negotiations becomes clearer, the performance of the UK equity market will improve. While stock markets may well remain volatile in the short term, we believe the outlook for young and growing UK companies remains positive.

We are confident that we have a well diversified portfolio of attractive companies of varying maturities that offer significant upside potential.

**Downing LLP**

9 July 2019



## REVIEW OF INVESTMENTS

### Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 March 2019:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Total invested by funds also managed by Downing LLP <sup>1</sup> £'000
<b>Top ten venture capital investments</b>					
Doneloans Limited	5,000	5,626	626	5.5%	-
Tracsis plc	1,443	4,855	925	4.8%	2,343
Downing Care Homes Holdings Limited	3,881	4,495	-	4.4%	-
Craneware plc	850	4,366	1,215	4.3%	1,093
Leytonstone Pub Limited	1,911	3,686	-	3.6%	-
Downing Strategic Micro-Cap Investment Trust plc	5,000	3,550	(1,050)	3.5%	4,800
Cadbury House Holdings Limited	3,081	3,075	-	3.0%	882
Baron House Developments LLP	2,695	2,695	-	2.6%	2,055
Pilgrim Trading Limited	2,594	2,594	-	2.6%	3,827
Xupes Limited	2,250	2,250	-	2.2%	1,127
	28,705	37,192	1,716	36.5%	16,127
<b>Other quoted investments</b>					
Anpario plc*	1,448	1,979	(619)	1.9%	2,206
Inland Homes plc*	1,526	1,801	(61)	1.8%	2,283
Universe Group plc*	1,505	1,361	(340)	1.3%	1,853
Vianet Group plc*	952	1,170	(153)	1.2%	-
Bonhill Group plc*	1,000	1,100	100	1.1%	2,543
Impact Healthcare REIT plc***	1,018	1,050	50	1.0%	-
Science in Sport plc*	1,239	1,005	(453)	1.0%	3,227
Pittards plc*	1,350	698	(225)	0.7%	1,898
Cohort plc*	393	689	29	0.7%	-
Finsbury Food Group plc*	655	688	(610)	0.7%	1,301
Pennant International Group plc*	335	542	151	0.5%	1,310
Angle plc*	678	523	86	0.5%	-
Sanderson Group plc*	336	461	85	0.5%	2,240
Norman Broadbent plc*	906	316	(15)	0.3%	1,322
Brooks Macdonald Group plc*	257	290	(23)	0.3%	1,885
SysGroup plc*	377	238	(13)	0.2%	1,561
Brady Public Limited Company*	272	225	(8)	0.2%	-
Frontier IP Group plc*	30	180	(9)	0.2%	-
Redhall Group plc*	500	170	(555)	0.2%	5,845
Dillistone Group plc*	411	131	(199)	0.1%	-
Fireangel Safety Technology Group plc*	545	72	(443)	0.1%	8,224
ACHP plc*	61	65	(35)	0.1%	-
Pressure Technologies plc*	249	56	(33)	0.1%	-
MI Downing UK Micro-Cap Growth Fund***	50	43	(7)	0.0%	5,150
Wheelsure Holdings plc**	48	18	(11)	0.0%	-
AIQ Limited	-	3	3	0.0%	-
Flowgroup plc*	385	-	(1)	0.0%	-
	16,526	14,874	(3,309)	14.7%	42,848
<b>Other unquoted investments</b>					
Jito Trading Limited	2,500	1,875	(625)	1.8%	2,500
Avid Technologies Group Limited	1,350	1,659	308	1.6%	-
Pearce and Saunders Limited	1,320	1,653	333	1.6%	1,680
Pantheon Trading Limited	1,500	1,500	-	1.5%	-
Harrogate Street LLP	1,400	1,400	-	1.4%	-
Nomansland Biogas Limited	1,300	1,300	-	1.3%	5,260

Continued over the page

## REVIEW OF INVESTMENTS (continued)

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Total invested by funds also managed by Downing LLP <sup>1</sup> £'000
<b>Other unquoted investments (continued)</b>					
Rated People Limited	1,282	1,282	-	1.3%	2,949
Data Centre Response Limited	557	1,266	222	1.2%	-
Quadrat Catering Limited	1,500	1,237	(263)	1.2%	2,300
Lignia Wood Company Limited	1,111	1,200	89	1.2%	2,222
Curo Compensation Limited	1,418	1,197	38	1.2%	705
Firefly Learning Limited	1,047	1,047	-	1.0%	2,271
Imagen Limited	1,000	1,000	-	1.0%	2,086
Live Better With Limited	991	991	-	1.0%	3,970
E-Fundamentals (Group) Limited	917	917	-	0.9%	1,472
Kimbolton Lodge Limited	664	905	181	0.9%	-
Empiribox Holdings Limited	1,028	897	(131)	0.9%	1,577
Fenkle Street LLP	346	836	22	0.8%	1,300
BridgeU Corporation	810	810	-	0.8%	810
Hackajob Limited	784	784	-	0.8%	1,324
Quadrat Spa Limited	1,872	692	(808)	0.7%	3,258
Virtual Class Limited	914	663	(251)	0.7%	1,469
Wickham Solar Limited	473	660	10	0.6%	4,553
Indigo Generation Limited	920	644	(276)	0.6%	3,880
Ironhide Generation Limited	920	644	(276)	0.6%	3,880
Rockhopper Renewables Limited	738	642	(96)	0.6%	3,820
Downing Pub EIS One Limited	490	626	26	0.6%	5,862
Pabulum Pubs Limited	607	607	-	0.6%	-
Volo Commerce Limited	567	567	-	0.6%	567
Exonar Limited	500	500	-	0.5%	1,035
SF Renewables (Solar) Limited	422	447	25	0.4%	6,778
Fresh Green Power Limited	378	420	(42)	0.4%	566
FCT No.1 Limited	228	398	-	0.4%	-
Limitless Technology Limited	174	219	46	0.2%	1,076
Channel Mum Limited	200	200	-	0.2%	1,551
Glownet Limited	741	185	(556)	0.2%	1,479
Masters of Pie Limited	167	167	-	0.2%	1,000
Green Energy Production UK Limited	200	102	(57)	0.1%	300
Pearce and Saunders DevCo Limited	88	88	-	0.1%	112
Leytonstone Pub No1 Limited	81	81	-	0.1%	-
Mosaic Spa and Health Clubs Limited	706	58	(54)	0.1%	224
Ludorum plc	1,769	35	35	0.0%	-
Tawa Associates Limited	-	16	16	0.0%	-
Yamuna Renewables Limited	2,500	-	(2,500)	0.0%	2,500
London City Shopping Centre Limited	110	-	(110)	0.0%	489
The Thames Club Limited	175	-	-	0.0%	2,800
Top Ten Holdings plc	399	-	-	0.0%	-
Resource Reserve Recovery Limited	6	-	-	0.0%	-
Tramps Night Club Limited	263	-	-	0.0%	-
	<u>39,433</u>	<u>32,417</u>	<u>(4,694)</u>	<u>31.9%</u>	<u>79,625</u>
Total investments	<u>84,664</u>	<u>84,483</u>	<u>(6,287)</u>	<u>83.1%</u>	<u>138,600</u>
Cash at bank and in hand		<u>17,222</u>		<u>16.9%</u>	
		<u>101,705</u>		<u>100.0%</u>	

## REVIEW OF INVESTMENTS (continued)

The Company also invested into Golden Rock Global plc and Mining, Minerals & Metals plc. These investments were acquired at negligible value and continued to be valued at the same level.

All venture capital investments are unquoted unless otherwise stated.

\* Quoted on AIM

\*\* Quoted on the NEX Exchange Growth Market

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

<sup>1</sup> Other self-managed and discretionary managed funds also managed by Downing LLP as Investment Manager or Adviser as at 31 March 2019:

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

## REVIEW OF INVESTMENTS (continued)

### Investment movements for the year ended 31 March 2019

#### Additions

£'000

##### *Quoted*

Bonhill Group plc

1,000

1,000

##### *Unquoted*

Rated People Limited

1,282

Lignia Wood Company Limited

1,111

Firefly Learning Limited

1,047

Imagen Limited

1,000

Live Better With Limited

990

Virtual Class Limited

914

Hackajob Limited

784

Gloynet Limited

741

Avid Technology Group Limited

651

E-Fundamentals (Group) Limited

639

Exonar Limited

500

Xupes Limited

450

BridgeU Corporation

417

Curo Compensation Limited

330

Empiribox Holdings Limited

278

Channel Mum Limited

200

Masters of Pie Limited

167

11,501

12,501

## REVIEW OF INVESTMENTS (continued)


### Disposals

	Cost £'000	Value at 01/04/18* £'000	Proceeds £'000	Profit/ (loss) vs cost £'000	Realised gain/ (loss) £'000
<b>Quoted</b>					
Mi-Pay Group plc	113	22	26	(87)	4
Avacta Group plc	167	67	63	(104)	(4)
Amino Technologies plc	700	1,066	449	(251)	(617)
	980	1,155	538	(442)	(617)
<b>Unquoted (including loan note redemptions)</b>					
Ludorum plc	1,500	750	1,500	-	750
Oak Grove Renewables Limited	1,365	852	869	(496)	17
VSA Capital Limited	-	-	7	7	7
Mosaic Spa and Health Clubs Limited	19	16	19	-	3
Kidspace Adventures Holdings Limited	-	-	1	1	1
Fubar Stirling Limited	127	7	8	(119)	1
Universe Group plc	80	80	80	-	-
Chester (HH) Spa and Leisure Club Limited	297	-	-	(297)	-
Gatewales Limited	55	94	94	39	-
Tramps Night Club Limited	493	365	173	(320)	(192)
	3,936	2,164	2,751	(1,185)	587
	4,916	3,319	3,289	(1,627)	(30)

\* Adjusted for purchases in the year where applicable


## REVIEW OF INVESTMENTS (continued)

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


<b>DoneLoans Limited</b>  	Cost at 31/03/2019:	£5,000,000	Valuation at 31/03/2019:	£5,626,000	
	Cost at 31/03/2018:	£5,000,000	Valuation at 31/03/2018:	£5,000,000	
	Investment comprises:				
	Loan note:	£5,000,000	Valuation method:	Net assets	
	Equity shares:	£1			
	Unaudited accounts*:	31/03/18	31/03/17	Dividend income:	£Nil
	Turnover:	n/a	n/a	Loan note income:	£Nil
	Profit before tax:	n/a	n/a	Proportion of capital held:	50.0%
	Net assets:	£0.2m	£0.1m	Diluted equity:	50.0%

DoneLoans Limited is a non-qualifying investment company which makes secured loans.

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

<b>Tracsis plc</b> <a href="http://www.tracsis.com">www.tracsis.com</a>  	Cost at 31/03/2019:	£1,443,000	Valuation at 31/03/2019:	£4,855,000	
	Cost at 31/03/2018:	£1,443,000	Valuation at 31/03/2018:	£3,930,000	
	Investment comprises:				
	Equity shares:	£1,443,000	Valuation method:	Bid price	
	Audited accounts:	31/07/18	31/07/17	Dividend income:	£12,000
	Turnover:	£39.8m	£34.5m	Proportion of capital held:	2.7%
	Profit before tax:	£8.3m	£4.6m	Diluted equity:	2.7%
	Net assets:	£42.1m	£33.6m		

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

<b>Downing Care Homes Holdings Limited</b> <a href="http://www.downingcare.co.uk">www.downingcare.co.uk</a>  	Cost at 31/03/2019:	£3,881,000	Valuation at 31/03/2019:	£4,495,000	
	Cost at 31/03/2018:	£3,881,000	Valuation at 31/03/2018:	£4,495,000	
	Investment comprises:				
	Equity shares:	£1,958,000	Valuation method:	Multiples	
	Loan note:	£1,923,000			
	Audited accounts:	30/06/18	30/06/17	Dividend income:	£Nil
	Turnover:	£3.1m	£2.8m	Loan note income	£153,000
	Loss before tax:	(£0.1m)	(£0.2m)	Proportion of capital held:	50.0%
	Net liabilities:	(£1.1m)	(£1.0m)	Diluted equity:	50.0%

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



## REVIEW OF INVESTMENTS (continued)

**Craneware plc**  
www.craneware.com



Cost at 31/03/2019:	£850,000	Valuation at 31/03/2019:	£4,366,000	
Cost at 31/03/2018:	£850,000	Valuation at 31/03/2018:	£3,151,000	
Investment comprises:				
Equity shares:	£850,000	Valuation method:	Bid price	
Audited accounts:	30/06/18	30/06/17	Dividend income:	£64,000
Turnover:	\$67.1m	\$57.8m	Loan note income:	£Nil
Profit before tax:	\$18.9m	\$16.9m	Proportion of capital held:	0.7%
Net assets:	\$98.9m	\$97.2m	Diluted equity:	0.7%

Craneware plc provides automated revenue integrity solutions that improve financial performance for US healthcare organisations.

**Leytonstone Pub Limited**  
www.theredlionleytonstone.com



Cost at 31/03/2019:	£1,911,000	Valuation at 31/03/2019:	£3,686,000	
Cost at 31/03/2018:	£1,911,000	Valuation at 31/03/2018:	£3,686,000	
Investment comprises:				
Equity shares:	£361,000	Valuation method:	Multiples	
A Loan note:	£1,550,000			
Audited accounts*:	31/12/17	31/12/16	Dividend income:	£Nil
Turnover:	n/a	n/a	Loan note income:	£164,000
Profit before tax:	n/a	n/a	Proportion of capital held:	50.0%
Net assets:	£4.8m	£1.0m	Diluted equity:	50.0%

Leytonstone Pub owns a 12,000 sq ft pub called The Red Lion located in Leytonstone, London. The downstairs of the pub was refurbished and since reopening has been building trade satisfactorily. The pub provides both a food and beverage offering.

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

**Downing Strategic Micro-Cap Investment Trust plc**



Cost at 31/03/2019:	£5,000,000	Valuation at 31/03/2019:	£3,550,000
Cost at 31/03/2018:	£5,000,000	Valuation at 31/03/2018:	£4,600,000
Investment comprises:			
Equity shares:	£5,000,000	Valuation method:	Bid price
Audited accounts:	28/02/18	Dividend income:	£Nil
Turnover:	£0.4m	Loan note income:	£Nil
Loss before tax:	(£2.8m)	Proportion of capital held:	9.0%
Net assets:	£51.7m	Diluted equity:	9.0%

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

## REVIEW OF INVESTMENTS (continued)

**Cadbury House Holdings Limited**  
www.cadburyhotelbristol.co.uk

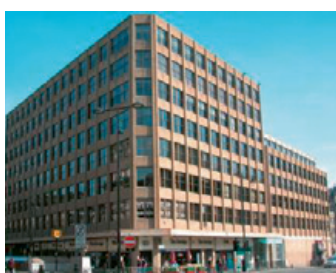


Cost at 31/03/2019:	£3,081,000	Valuation at 31/03/2019:	£3,075,000	
Cost at 31/03/2018:	£3,081,000	Valuation at 31/03/2018:	£3,075,000	
Investment comprises:				
Equity shares:	£847,000	Valuation method:	Multiples	
Convertible loan note*:	£2,170,000			
A loan note:	£64,000			
Audited accounts:	31/03/18	31/03/17	Dividend income:	£Nil
Turnover:	£9.2m	£9.1m	Loan note income:	£7,000
Profit before tax:	£0.3m	£0.3m	Proportion of capital held:	36.2%
Net assets:	£8.5m	£8.4m	Diluted equity*:	66.1%

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

\*Proportion of capital after conversion of loan notes.

**Baron House Developments LLP**



Cost at 31/03/2019:	£2,695,000	Valuation at 31/03/2019:	£2,695,000	
Cost at 31/03/2018:	£2,695,000	Valuation at 31/03/2018:	£2,695,000	
Investment comprises:				
Loan note:	£2,695,000	Valuation method:	Cost – reviewed for impairment	
Unaudited accounts:	31/03/18	31/03/17		
Turnover:	£nil	£nil	Loan note income:	£548,000
(Loss)/profit before tax:	(£0.2m)	£0.1m	Proportion of capital held:	-%
Net assets:	£4.6m	£5.3m	Diluted equity:	-%

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

**Pilgrim Trading Limited**  
www.bhdaynursery.com



Cost at 31/03/2019:	£2,594,000	Valuation at 31/03/2019:	£2,594,000	
Cost at 31/03/2018:	£2,594,000	Valuation at 31/03/2018:	£2,594,000	
Investment comprises:				
Equity shares:	£1,816,000	Valuation method:	Cost – reviewed for impairment	
Loan note:	£778,000			
Abbreviated accounts*:	31/08/18	31/08/17	Dividend income:	£Nil
Turnover:	n/a	n/a	Loan note income:	£248,000
Profit before tax:	n/a	n/a	Proportion of capital held:	43.5%
Net assets:	£2.8m	£3.0m	Diluted equity:	43.5%

Pilgrim Trading Limited has acquired two vacant properties in London, one in Twickenham and one in Brentford, which it plans to convert into two children's nurseries, one of which has recently been opened in Twickenham and the other is in the construction stage and expected to complete in 2019.

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

## REVIEW OF INVESTMENTS (continued)

**Xupes Limited**  
www.xupes.com

**XUPES**  
PRE-OWNED LUXURY

Cost at 31/03/2019:	£2,250,000	Valuation at 31/03/2019:	£2,250,000
Cost at 31/03/2018:	£1,800,000	Valuation at 31/03/2018:	£1,800,000
Investment comprises:			
Equity 'A' shares:	£1,000	Valuation method:	Price of recent investment
Equity 'B' shares:	£1,124,000		
Loan note:	£1,125,000		

Audited accounts:	30/09/18	30/09/17	Dividend income:	£Nil
Turnover:	£8.9m	£6.4	Loan note income:	£89,000
(Loss)/profit before tax:	(£0.2m)	£0.1m	Proportion of 'A' capital held:	75.0%
Net assets:	£2.4m	£2.6m	Diluted 'A' equity:	75.0%
			Proportion of 'B' capital held:	75.0%
			Diluted 'B' equity:	75.0%

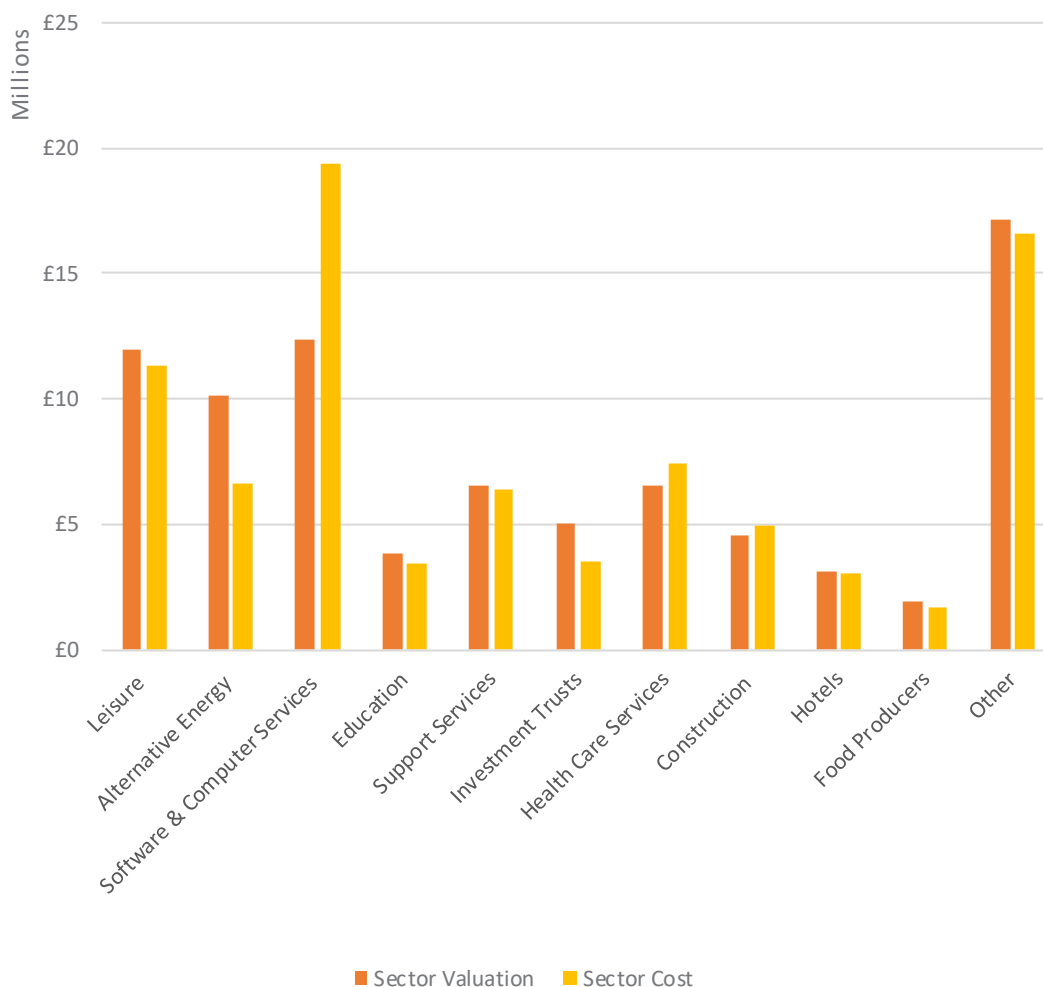
Xupes is an online retailer of pre-owned luxury goods including designer watches, handbags, jewellery and antiques. The company is one of the leading retailers of pre-owned luxury goods and has built a profitable business centred on exceptional customer service.

### Note:

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

### Analysis of investments by commercial sector

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



## REVIEW OF INVESTMENTS (continued)

### Portfolio balance

At 31 March 2019, the Company assets employed were broadly in line with the targets within the investment policy. These are summarised as follows:

#### Type of Investment

(by HMRC valuation rules)	Actual	Target
VCT qualifying investments	80.7%	>70%
Non-qualifying investments (including cash at bank)	19.3%	<30%
Total	<u>100.0%</u>	<u>100%</u>

#### Investment category (by HMRC value)

	Actual	Target
Growth	44.3%	25%-50%
Income producing	36.4%	50%-75%
Non-qualifying	19.3%	max 30%
Total	<u>100.0%</u>	

## STRATEGIC REPORT

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

### Principal objectives and strategy

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

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

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

### Business review and developments

During the year to 31 March 2019, the investments held decreased in value by £6.3 million and losses arising on investment realisations totalled £30,000.

Income over expenditure for the year resulted in a net gain, after accounting for capital expenses, of £1.9 million (2018: £1.5 million).

The total loss for the year was £4.3 million (2018: profit of £4.8 million). Net assets at the year-end were £104.6 million (2018: £117.9 million). Dividends paid during the year totalled £8.0 million (2018: £7.9 million).

The Company's business and developments during the year are reviewed further in the Chairman's Statement, the Investment Adviser's Reports and the Review of Investments on pages 5 to 21.

### Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's level of success in meeting its objectives (as shown on page 2). The Board believes the Company's key performance indicators, for comparison against similar VCTs, are Total Return (NAV plus cumulative dividends paid to date) and dividends per share (as disclosed within the financial summary).

### Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, investment, credit and liquidity risks, are summarised within note 16 to the financial statements.

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

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

### Viability statement

In accordance with C.2.1 and C.2.2 of the 2016 revision of the UK Corporate Governance Code, the Directors have carried out a robust assessment of the principal risks facing the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for a period of three years from the accounts approval date as developments are considered to be reasonably foreseeable over this period.

The three year review considers the principal risks facing the Company, which are summarised within note 16, as well as the Company's cash flows, dividend cover and VCT monitoring compliance over the period. The three year review makes assumptions about the normal level of capital recycling likely to occur, expenses, dividends and share buybacks.

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

### Business model

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

The Business of the Company is to act as an investment company, investing in a portfolio which meets the conditions set out within its Investment Policy, as shown on the next page.

## STRATEGIC REPORT (continued)

### Investment policy

Quantitative analysis of how the Company has operated in accordance with its investment policy are shown in the Review of Investments on pages 12 to 21 and in the VCT compliance section of this report on page 26.

The Company's investment policy is as follows:

#### Asset allocation

The Company will seek to maintain a minimum of 70% (80% from 1 April 2020) of its funds invested in VCT qualifying investments, with the balance held in non-qualifying investments. New funds raised will initially be held in non-qualifying investments and cash and will gradually be invested in VCT qualifying investments over a two to three year period.

#### VCT qualifying investments

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

Investment type	Target	Maximum	Target IRR
Growth	25%-50%	100%	15%
Income focused	50%-75%	100%	10%

**Growth investments** will be in companies with prospects for high capital growth and may include companies quoted on AIM or the NEX Exchange Growth market as well as unquoted companies.

**Income focused investments** will generally be in unquoted businesses (although this may include some quoted businesses), with a preference for companies which own substantial assets. These investments are likely to be structured such that they comprise significant levels of secured loan stock and/or preference shares, subject to the applicable VCT rules.

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

VCT Qualifying investments made after November 2015 will comply with new VCT regulations which introduced new restrictions including that such investments will, in most cases, be in businesses that are less than 7 years old and funds invested will not be used by the business to make an acquisition.

### Non Qualifying Investments

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

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

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

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

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

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

#### Risk diversification

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



## STRATEGIC REPORT (continued)

### Investment policy (continued)

Further investment restrictions:

Venture Capital Trust Regulations

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

### *Borrowing Limits*

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

At 31 March 2019, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £10.5 million. There are no plans to utilise this ability at the current time.

### Global greenhouse gas emissions

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

### Environmental, social and human rights policy

The Company seeks to conduct its affairs responsibly. Where appropriate, the Board and the Advisers take environmental, social and human rights factors into consideration when making investment decisions.

### Directors and senior management

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

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

### Future prospects

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

By order of the Board



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

9 July 2019

## REPORT OF THE DIRECTORS

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

### Share capital

At the beginning of the year, the Company had 119,997,574 Ordinary Shares of 1p each in issue.

The Company allotted 14,451,770 Ordinary shares at an average price of approximately 88.4p per Ordinary Share under the terms of the Offers for Subscription.

A further 1,295,791 Ordinary Shares at an average price of 82.6p per Ordinary Share were allotted under the terms of the Dividend Reinvestment Scheme ("DRIS").

At the AGM held on 22 August 2018, Shareholders unconditionally authorised the Company to make market purchases of its own Ordinary shares of 1p each, up to a maximum of 17,879,639 Ordinary Shares, representing 14.9% of the share capital in issue at the date of the last Annual Report. At the date of this report authority remains in place for 15,579,311 Ordinary Shares. A resolution to renew the authority to buy back up to approximately 14.9% of the share capital at the date of this report will be put to Shareholders at the AGM taking place on 29 August 2019.

During the year, the Company repurchased 2,300,328 Ordinary Shares of 1p each for average consideration of 79.8p per share, representing 1.9% of shares in issue at the last Annual Report. These shares were subsequently cancelled.

At the year end, the Company had 133,444,807 Ordinary Shares in issue. There were no other share classes in issue at the year end.

### Results and dividends

	£'000	Per Share
Loss on ordinary activities after tax for the year ended 31 March 2019	(4,272)	(3.2p)
<i>Distributions paid/proposed for the year</i>		
22 February 2019 – 2019 Interim	4,001	3.0p
30 August 2019 – 2019 Final	2,669	2.0p
	<u>6,670</u>	<u>5.0p</u>

The Company has a stated target for annual dividends of at least 4% of net assets per annum. In respect of the year under review this is equivalent to 3.1p. The Board is proposing a final dividend of 2.0p per share to be paid, subject to Shareholder approval at the AGM, on 30 August 2019 to Shareholders on the register at 9 August 2019, which will result in total dividends for the financial year of 5.0 pence per share (2018: 6.0 pence per share).

### Investment adviser and administration manager

Downing LLP was appointed on 1 April 2010, as Investment Adviser, for a fee payable quarterly in advance in respect of each quarter, such quarterly fee being equal to one quarter of 1.8% of the Net Asset Value of the Company as at the opening of business on the first business day of that quarter. The agreement is not for a fixed term, and may be terminated by either side giving not less than 12 months' notice in writing. During the year the investment management fees amounted to £1.9 million (2018: £1.7 million).

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

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

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

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

During the year, fees for administration services amounted to £176,000 (2018: £147,000).

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

## REPORT OF THE DIRECTORS (continued)

### Trail commission

The Company has an agreement to pay trail commission annually to Downing LLP, in connection with funds raised under original offers for subscription. Trail commission is calculated between 0.25% and 0.50% of the respective net assets attributable to the original shareholdings at each year end.

### Annual running costs cap

From 12 November 2013, the annual running costs of the Company are capped at 2.75% (including irrecoverable VAT) of the average net asset value of the Company as at the end of the relevant financial period. Any excess running costs above the cap are met by Downing LLP. The Ongoing Charges ratio was 2.2% for the year ended 31 March 2019.

Annual Running Costs are costs incurred by the Company in the ordinary course of its business and include, *inter alia*, Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders, annual trail commission and all the annual fees payable to the Company's investment adviser and administrators. Costs incurred on abortive investment proposals are the responsibility of the Investment Adviser. The fees payable by the Company to the Investment Adviser are allocated 50% to revenue and 50% to capital. This allocation may be reviewed in the future as the focus of the portfolio changes.

### Directors

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

Chris Kay  
Barry Dean  
Stuart Goldsmith

Directors generally retire at every third AGM in accordance with the requirement of the Articles of Association. At the forthcoming AGM Stuart Goldsmith will retire and offer himself for re-election. In accordance with corporate governance practice, by virtue of serving on the Board for more than nine years, Stuart Goldsmith will retire at each Annual General Meeting and being eligible, offers himself for re-election. Each of the Directors has considerable experience in the VCT sector and has continued to perform well. The Board recommends that Shareholders vote in favour of the resolutions to re-appoint Stuart Goldsmith at the AGM.

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

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

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

### VCT compliance

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

A summary of the VCT Regulations is included in the Company's Investment Policy as shown on page 23. Compliance with the main VCT regulations at 31 March 2019, and for the year then ended, is summarised as follows:

1. 70.0% (80.0% from 1 April 2020) of its investments in qualifying companies (Company as a whole); 80.7%
2. At least 70.0% of the Company's qualifying investments in "eligible shares" (investments made prior to 6 April 2018 from funds raised before 6 April 2011 are excluded); 87.7%
3. At least 10.0% of each investment in a qualifying company held in "eligible shares"; Complied
4. No investment constitutes more than 15.0% of the Company's portfolio; Complied
5. Income for the year ended 31 March 2018 is derived wholly or mainly from shares and securities; and 94.7%
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 2019, and at the date of this report, the Company was not aware of any beneficial interests exceeding three per cent of the issued share capital.

### Auditor

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

### Annual General Meeting

The AGM will be held at St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD at 10:45 a.m. on 29 August 2019. The Notice of the AGM and Form of Proxy are at the end of this document.

### Directors' responsibilities statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable UK Accounting Standards, subject to any material departures disclosed and explained in the financial statements; 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, and to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements and the Directors Remuneration Report 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 to assess the Company's position, performance, business model and strategy.

### Website publication

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

### Directors' statement pursuant to the Disclosure and Transparency Rules

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

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

## REPORT OF THE DIRECTORS (continued)

### Electronic publication

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

### Corporate governance

The Company's compliance with, and departures from, the Association of Investment Companies Code of Corporate Governance (AIC Code), is shown on pages 32 to 35. The Statement on Corporate Governance set out on pages 32 to 35 is included in the Report of the Directors by reference.

### Other matters

Information in respect of financial instruments and future developments which were previously disclosed within the Directors Report has been disclosed within the Strategic Report on pages 22 to 24.

Information in respect of greenhouse gas emissions, which is normally disclosed within the Report of the Directors has been disclosed within the Strategic Report on page 24.

### Insurance cover

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

### Events after the end of the reporting period

Following the period end, the Company allotted 142,784 Ordinary Shares of 1p each under the terms of the offers for subscription. The aggregate consideration of the shares was £118,000.

### Statement as to disclosure of information to the Auditor

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

By order of the Board



**Grant Whitehouse**

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

9 July 2019

## DIRECTORS' REMUNERATION REPORT

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

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

### Annual statement from the Remuneration Committee

The Committee comprises Chris Kay, Barry Dean and Stuart Goldsmith. The current remuneration levels for the year ended 31 March 2019 were last reviewed by the remuneration committee during its meeting on 24 February 2017.

### Remuneration policy

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

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

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

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

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

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

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

### Letters of appointment

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

### Annual report on remuneration (audited)

The following disclosure is required to be audited under the requirements of section 497. The audit opinion thereon is contained within the Auditor's Report on pages 36 to 40.



## DIRECTORS' REMUNERATION REPORT (continued)

### Annual report on remuneration (audited) (continued)

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

	2019 fee £	2018 fee £
Chris Kay	45,000	45,000
Barry Dean	30,000	30,000
Stuart Goldsmith	30,000	30,000
	<u>105,000</u>	<u>105,000</u>

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

### Statement of implementation of remuneration policy in the current financial year

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

	Annual fee £
Chris Kay	45,000
Barry Dean	30,000
Stuart Goldsmith	30,000
	<u>105,000</u>

### Directors share interests (audited)

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

	31 March 2019	31 March 2018
Chris Kay	83,300	83,300
Barry Dean	7,129	7,129
Stuart Goldsmith	7,881	7,881

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

### Statement of voting at AGM

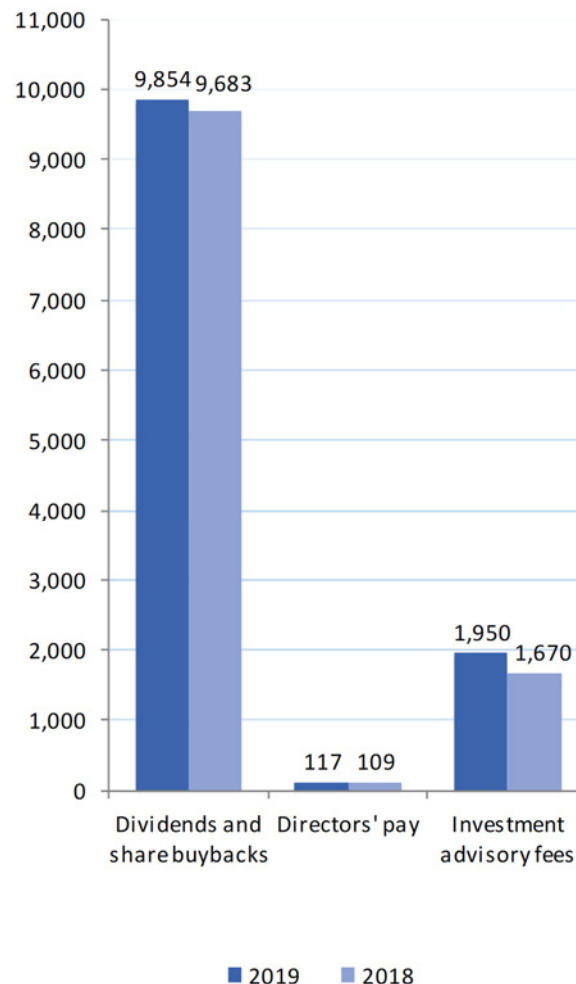
At the AGM on 22 August 2018, the votes in respect of the resolution to approve the Director's Remuneration Report were as follows:

In favour	91.6%
Against	8.4%

At the 2017 AGM, where the remuneration policy was last put to a Shareholder vote, 93.5% voted for the resolution and 6.5% voted against, showing significant Shareholder support.

### Relative importance of spend on pay

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



### Performance graph

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



**DIRECTORS' REMUNERATION REPORT (continued)**

**Performance graph (continued)**

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

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

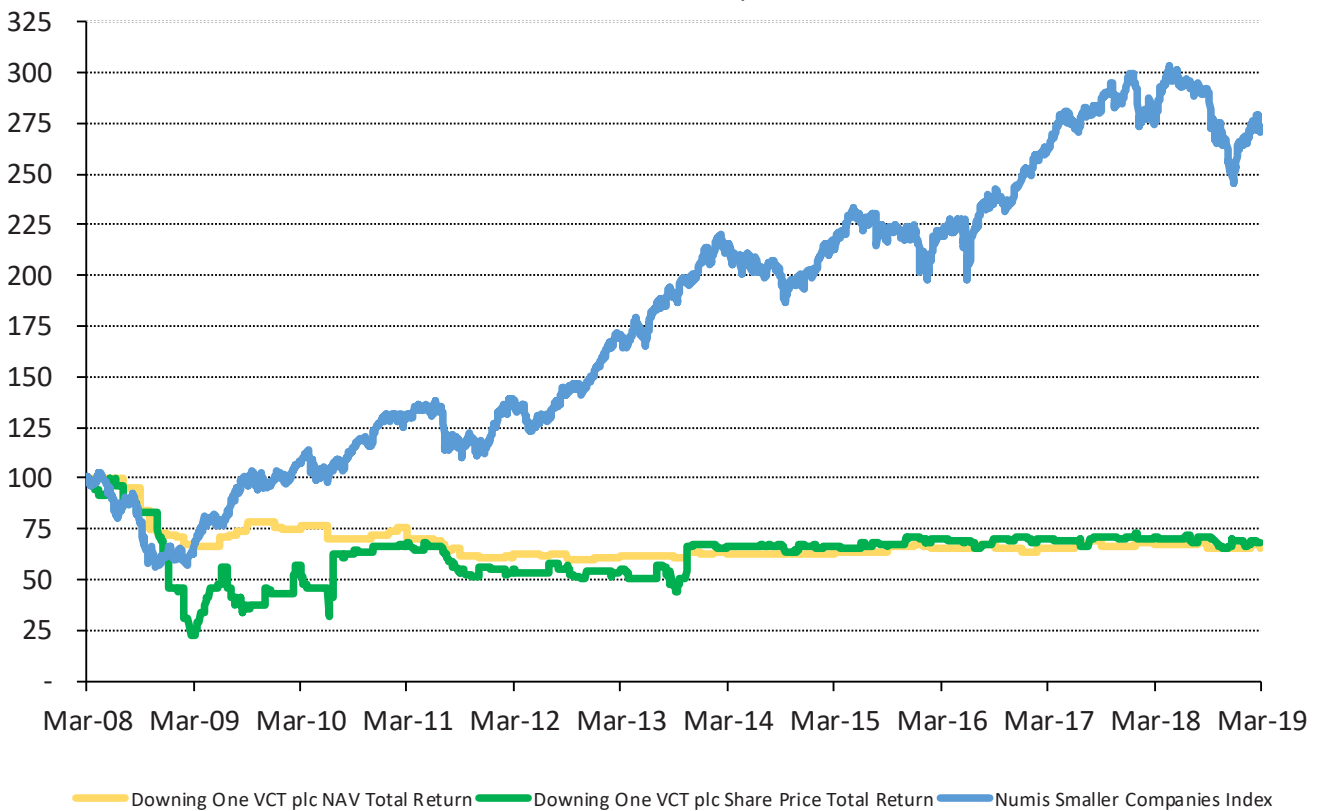
By order of the Board



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

9 July 2019

Downing One VCT plc  
 Performance Graph



## CORPORATE GOVERNANCE STATEMENT

The Directors support the relevant principles of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies (AIC Guide), being the principles of good governance and the code of best practice, as set out in the annex to the Listing Rules of the UK Listing Authority. The Board considers that reporting against principles and recommendations of the UK Corporate Governance Code in addition to the AIC Code, by reference to the AIC Guide (which incorporates The UK Corporate Governance Code), will provide better information to Shareholders.

### The Board

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

In accordance with Company policy and corporate best practice, Stuart Goldsmith offers himself for re-election at the forthcoming AGM.

Full Board meetings take place quarterly and the Board meets or communicates more regularly to address specific issues. The Board has a formal schedule of matters specifically reserved for its decision which includes, but is not limited to: considering recommendations from the Investment Adviser; and reviewing, annually, the terms of engagement of all third party advisers (including the Investment Adviser).

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

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

### Share capital

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

The capital structure of the Company is disclosed on page 25.

### Committees to the Board

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

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

Committee meetings are held in conjunction with the Board meetings. All committees have defined terms of reference and duties, which are available from [www.downing.co.uk](http://www.downing.co.uk).

### Board and Committee meetings

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

	Board meetings attended	Audit Comm. meetings attended
Chris Kay	4/4	2/2
Barry Dean	4/4	2/2
Stuart Goldsmith	4/4	2/2

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

### Audit Committee

The Audit Committee is responsible for:

- monitoring the Company's financial reporting;
- reviewing internal controls and risk management systems; and
- matters regarding audit and external auditors.

### Financial Reporting

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

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

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

## **CORPORATE GOVERNANCE STATEMENT (continued)**

### ***Internal audit and control***

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

### ***Whistleblowing procedures***

As the Company has no staff, other than directors, there are no procedures in place in respect of C.3.5 of the UK Corporate Governance Code, relating to whistleblowing. The Audit Committee understands that the Investment Adviser has whistleblowing procedures in place.

### ***External auditor***

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

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

Under the Competition and Markets Authority regulations, there is a requirement that an audit tender process be carried out every ten years and mandatory rotation at least every twenty years. The last audit tender took place for the year ended 31 March 2015 and therefore mandatory tender will be required not later than after the year ending 31 March 2024.

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

### ***Non audit services***

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

### **Nomination Committee**

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to the Board composition and balance. The Committee did not meet during the year.

### **Director tenure policy**

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

### **Diversity policy**

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

### **Remuneration Committee**

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

### **Board performance evaluation**

The Company has introduced an annual process for the evaluation of the performance of the Board, each of its Committees and of the non-executive Directors. The evaluation is undertaken using a questionnaire which covers a broad range of topics, including how the Board conducts its business and how it discharges its responsibilities. Further questions address the evaluation of the Chairman's performance.

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

### **Anti-bribery policy**

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

## CORPORATE GOVERNANCE STATEMENT (continued)

### Relations with Shareholders

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

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

Separate resolutions are proposed at the AGM on each substantially separate issue. Downing LLP collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM.

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, and are published immediately following the AGM. The notice of the next AGM, along with the proxy form, can be found at the end of these financial statements.

The conditions of appointment of non-executive Directors are available to Shareholders upon request.

### Financial reporting

The Directors' Statement of Responsibilities for preparing the accounts is set out in the Report of the Directors on page 27, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 40.

### Risk Management and Internal control

The Board has adopted an Internal Control Manual ("Manual") for which it is responsible, which has been compiled in order to comply with the 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.

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

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

### Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's Statement on pages 3 to 4, the Investment Adviser's Report on pages 5 to 11 and the Strategic Report on page 22 to 24. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 44 and the Strategic Report on page 22. In addition, notes 13 and 16 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives, details of its financial instruments; and its exposures to credit risk and liquidity risk.

The 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.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of the financial statements. For this reason, they believe the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

In addition, the Directors have carried out a robust assessment of the principal risks facing the Company over a longer period than the 12 months required by the 'Going concern' provision, as set out in the viability statement on page 22.

### Compliance statement

The Listing Rules require the Board to report on compliance with the UK Corporate Governance Code throughout the accounting period. The preamble to the UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies, adding that the AIC Code and AIC Guide can assist in meeting the obligations under the UK Corporate Governance Code. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 March 2019 with the provisions set out in the UK Corporate Governance Code.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Compliance statement (continued)

- a) New Directors do not receive a full, formal and tailored induction on joining the Board, nor does the Chairman review and agree training and development needs. Such matters are addressed on an individual basis as they arise. Also the Company has no major Shareholders, therefore 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) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts. (B.2.3) The Directors do have letters of appointment in place which the Company considers to be sufficient. In the Directors' opinion, this does not make a substantive difference to the circumstances of the Company.
- c) A Senior Independent Director has not been appointed. (A.4.1)

By order of the Board



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

9 July 2019

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

### Opinion

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

In our opinion the financial statements:

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

### Basis for opinion

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

### Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on page 22 that describes the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 22 in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 34 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

### Key audit matters

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



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

### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of unquoted investments (note 2 on page 45 and note 10 on page 49):</b></p> <p>There is a high level of estimation uncertainty involved in determining the unquoted investment valuations.</p> <p>The Investment Manager's fee is based on the value of the net assets of the fund.</p> <p>As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations. The existence of an expense cap in the management agreement increases this risk.</p>	<p>We tested a sample of 88% of the unquoted investment portfolio by value of investment holdings. 44% of the unquoted portfolio is based on valuations using cost (where the investment was recently acquired), the price of a recent investment, or an offer to acquire the investee company. For such investments, we checked the cost, recent investment price or third party offer to supporting documentation and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 March 2019. The remaining 56% of the investment portfolio is valued with reference to more subjective techniques including discounted cash flow models or using multiples of revenue or earnings. Our detailed testing for such investments, performed on all investments within our sample comprised:</p> <ul style="list-style-type: none"> <li>- Forming a determination of whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines obtaining management explanations</li> <li>- Re-performed the calculation of the multiples-based investment valuations;</li> <li>- Benchmarked key inputs and estimates to independent information and our own research;</li> <li>- Challenged the assumptions inherent in the valuation of unquoted investments and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;</li> <li>- Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation;</li> <li>- Developed our own point estimates where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.</li> </ul> <p>For investments not included in our detailed testing, we performed the following procedures where relevant:</p> <ul style="list-style-type: none"> <li>- Considered whether the valuation had been prepared by a suitably qualified individual.</li> <li>- Considered whether a valid IPEV methodology had been adopted;</li> <li>- Considered whether the valuation used up to date trading information;</li> <li>- Ensured our findings were suitable for our testing.</li> </ul>
<p><b>Revenue recognition (note 1 on page 46 and note 3 on page 47):</b></p> <p>Revenue consists of loan stock interest, dividends receivable from investee companies and interest earned on cash balances. Revenue recognition is considered to be significant audit risk as it is the key driver of dividend returns to investors and judgement is required in determining whether accrued income should be regarded as recoverable and therefore appropriately recognised as income.</p>	<p>We recalculated expected income from loan stock investments in line with the underlying agreements and confirmations from investee companies. We traced a sample of interest receipts to bank and have considered the recoverability of loan stock interest with reference to post year end receipts.</p> <p>We also reviewed the recognition and classification of accrued fixed income receipts to ascertain whether it meets the definition of realised income under the Companies Act, or whether it should be recognised as an unrealised capital gain.</p>



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

### Key audit matters (continued)

#### Our application of materiality

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

<b>Materiality measure</b>	<b>Purpose</b>	<b>Key considerations and benchmarks</b>	<b>Quantum (£)</b>
<i>Financial statement materiality (1.75% of gross investments)</i>	Assessing whether the financial statements as a whole present a true and fair view.	<ul style="list-style-type: none"> <li>- The value of gross investments</li> <li>- The level of judgement inherent in the valuation</li> <li>- The range of reasonable alternative valuations</li> </ul>	£1,525,000 (2018: £1,450,000)
<i>Performance materiality (72% of the financial statement materiality)</i>	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	<ul style="list-style-type: none"> <li>- Financial statement materiality</li> <li>- Risk and control environment</li> <li>- History of prior errors (if any)</li> </ul>	£1,110,000 (2018: £1,100,000)
<i>Specific materiality – classes of transactions and balances which impact on net realised returns. (10% of gross expenditure)</i>	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> <li>- Level of net revenue returns to shareholder</li> </ul>	£270,000 (2018: £120,000)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £30,000 (2018: £30,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

#### An overview of the scope of our audit

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

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

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

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

### An overview of the scope of our audit (continued)

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

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

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

### Other information

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable (set out on page 27)** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting (set out on page 32)** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code (set out on pages 34 to 35)** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

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

### Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

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

### Matters on which we are required to report by exception (continued)

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

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

### Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Company on 3 February 2015 to audit the financial statements for the year ending 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ending 31 March 2015 to 31 March 2019.

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

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

### Use of our report

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

*BDO LLP*

Stuart Collins (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London  
UK  
9 July 2019

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

**INCOME STATEMENT**  
for the year ended 31 March 2019

	Note	Year ended 31 March 2019			Year ended 31 March 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	3	4,593	134	4,727	3,858	-	3,858
Gains on investments	10	-	(6,317)	(6,317)	-	3,336	3,336
		4,593	(6,183)	(1,590)	3,858	3,336	7,194
Investment management fees	4	(975)	(975)	(1,950)	(835)	(835)	(1,670)
Other expenses	5	(732)	-	(732)	(687)	-	(687)
<b>Return/(loss) on ordinary activities before tax</b>		2,886	(7,158)	(4,272)	2,336	2,501	4,837
Tax on total comprehensive income and ordinary activities	7	(252)	252	-	(238)	238	-
<b>Return/(loss) attributable to equity shareholders</b>	9	2,634	(6,906)	(4,272)	2,098	2,739	4,837
<b>Basic and diluted return per share</b>	9	2.0p	(5.2p)	(3.2p)	2.0p	2.6p	4.6p

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS 102"). There are no other items of comprehensive income. The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 and updated in February 2018 by the Association of Investment Companies ("AIC SORP").

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

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2019

	Called up Share Capital £'000	Capital redemption reserve £'000	Share premium account £'000	Funds held in respect of shares not yet allotted £'000	Special reserve £'000	Capital reserve realised £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
<b>For the year ended 31 March 2019</b>									
<b>At 1 April 2018</b>	1,200	1,574	31,661	12,876	64,859	-	4,909	828	117,907
Total comprehensive income	-	-	-	-	-	(618)	(6,287)	2,634	(4,271)
Realisation of revaluations from previous years*	-	-	-	-	-	(1,598)	1,598	-	-
Realisation of impaired valuations	-	-	-	-	-	(1,123)	1,123	-	-
Transfer between reserves*	-	-	-	-	(10,018)	10,018	-	-	-
<i>Transactions with owners</i>									
Dividends paid	-	-	-	-	-	(6,679)	-	(1,341)	(8,020)
Unallotted shares	-	-	-	(12,762)	-	-	-	-	(12,762)
Issue of new shares	157	-	13,854	-	-	-	-	-	14,011
Share issue costs	-	-	-	-	(470)	-	-	-	(470)
Purchase of own shares**	(23)	23	-	-	(1,845)	-	-	-	(1,845)
<b>At 31 March 2019</b>	<b>1,334</b>	<b>1,597</b>	<b>45,515</b>	<b>114</b>	<b>52,526</b>	<b>-</b>	<b>1,343</b>	<b>2,121</b>	<b>104,550</b>
<b>For the year ended 31 March 2018</b>									
<b>At 1 April 2017</b>	1,016	1,553	13,387	-	77,049	-	(1,002)	(133)	91,870
Total comprehensive income	-	-	-	-	-	440	2,299	2,098	4,837
Realisation of revaluations from previous years*	-	-	-	-	-	(3,213)	3,213	-	-
Realisation of impaired valuations	-	-	-	-	-	(399)	399	-	-
Transfer between reserves*	-	-	-	-	(9,958)	9,958	-	-	-
<i>Transactions with owners</i>									
Dividends paid	-	-	-	-	-	(6,786)	-	(1,137)	(7,923)
Unallotted shares	-	-	-	12,876	-	-	-	-	12,876
Issue of new shares	205	-	18,274	-	-	-	-	-	18,479
Share issue costs	-	-	-	-	(464)	-	-	-	(464)
Purchase of own shares**	(21)	21	-	-	(1,768)	-	-	-	(1,768)
<b>At 31 March 2018</b>	<b>1,200</b>	<b>1,574</b>	<b>31,661</b>	<b>12,876</b>	<b>64,859</b>	<b>-</b>	<b>4,909</b>	<b>828</b>	<b>117,907</b>

\* A transfer of £1,598,000 representing previously recognised unrealised losses on disposal of investments during the year ended 31 March 2019 (2018: £3,213,000) has been made from the Capital Reserve-realised to the Revaluation reserve. A transfer of £7.3 million representing realised gains on disposal of investments, less capital expenses and capital dividends in the year (2018: £6.3 million) has been made from Capital Reserve – realised to the Special reserve.

\*\* These shares were subsequently cancelled.

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

**BALANCE SHEET**  
as at 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Investments	10	<u>84,483</u>	<u>81,588</u>
<b>Current assets</b>			
Debtors	11	3,228	1,574
Cash at bank and in hand		<u>17,222</u>	<u>35,456</u>
		20,450	37,030
<b>Creditors: amounts falling due within one year</b>	12	<u>(383)</u>	<u>(711)</u>
<b>Net current assets</b>		<u>20,067</u>	<u>36,319</u>
<b>Net assets</b>		<u>104,550</u>	<u>117,907</u>
<b>Capital and reserves</b>			
Called up share capital	13	1,334	1,200
Capital redemption reserve	14	1,597	1,574
Share premium account	14	45,515	31,661
Funds held in respect of shares not yet allotted	14	114	12,876
Special reserve	14	52,526	64,859
Revaluation reserve	14	1,343	4,909
Revenue reserve	14	<u>2,121</u>	<u>828</u>
<b>Total equity shareholders' funds</b>	15	<u>104,550</u>	<u>117,907</u>
<b>Basic and diluted net asset value per share</b>	15	78.3p	87.5p

The financial statements on pages 41 to 60 were approved and authorised for issue by the Board of Directors on 9 July 2019 and were signed on its behalf by:



**Chris Kay**  
Chairman  
Company number: 3150868

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

**CASH FLOW STATEMENT**  
for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>			
(Loss)/profit on ordinary activities after taxation		(4,272)	4,837
Loss/(gains) on investments		6,317	(3,336)
(Increase) in debtors		(1,654)	(1,126)
(Decrease)/increase in creditors		(76)	38
<b>Net cash generated from operating activities</b>		<u>315</u>	<u>413</u>
<b>Cash flow from investing activities</b>			
Purchase of investments	10	(12,501)	(10,627)
Proceeds from disposal of investments	10	3,289	18,772
<b>Net cash (outflow)/inflow from investing activities</b>		<u>(9,212)</u>	<u>8,145</u>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		14,011	18,479
Funds held in respect of shares not yet allotted		(12,762)	12,876
Share issue costs		(470)	(464)
Purchase of own shares		(2,096)	(1,593)
Equity dividends paid	8	(8,020)	(7,923)
<b>Net cash (outflow)/inflow from financing activities</b>		<u>(9,337)</u>	<u>21,375</u>
<b>(Decrease)/increase in cash</b>		<u>(18,234)</u>	<u>29,933</u>
<b>Net movement in cash</b>			
Beginning of year		35,456	5,523
Net cash (outflow)/inflow		<u>(18,234)</u>	<u>29,933</u>
End of year		<u><u>17,222</u></u>	<u><u>35,456</u></u>

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



## **NOTES TO THE ACCOUNTS**

### **for the year ended 31 March 2019**

#### **1. General information**

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

#### **2. Accounting policies**

##### **Basis of accounting**

The Company has prepared its financial statements in accordance with the Financial Reporting Standard 102 (“FRS 102”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” issued November 2014 and updated February 2018 (“SORP”).

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

##### **Presentation of income statement**

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

##### **Investments**

Venture capital investments are designated as “fair value through profit or loss” assets due to investments being managed and 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.

##### **Judgements in applying accounting policies and key sources of estimation uncertainty**

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

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

The valuation methodologies for unlisted instruments (comprising equity and loan notes), 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 the underlying business);
- Discounted cash flows (from the investment); and
- Industry valuation benchmarks.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value, as explained in the investment accounting policy above and addressed further in note 10.

Where an investee company has gone into receivership, liquidation or administration and there is little likelihood of a recovery, the loss on the investment, although not physically disposed of, is treated as being realised.

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

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

## **NOTES TO THE ACCOUNTS (continued)**

### **for the year ended 31 March 2019**

#### **2. Accounting policies (continued)**

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

#### **Income**

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

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

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

#### **Expenses**

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

#### **Taxation**

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

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

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

#### **Cash and cash equivalents**

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

#### **Other debtors and other creditors**

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

#### **Share issue costs**

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

#### **Segmental reporting**

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

#### **Dividends payable**

Dividends payable are recognised as distributions in the financial statements when the company's liability to make payment has been established.

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

**2. Accounting policies (continued)**

**Funds held in respect of shares not yet allotted**

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

**3. Income**

	Revenue £'000	Capital £'000	2019 Total £'000	2018 Total £'000
<b>Income from investments</b>				
Loan stock interest	3,820	-	3,820	3,346
Dividend income	528	-	528	432
LLP income	-	134	134	-
	<u>4,348</u>	<u>134</u>	<u>4,482</u>	<u>3,778</u>
<b>Other income</b>				
Other income	97	-	97	45
Deposit interest	148	-	148	35
	<u>4,593</u>	<u>134</u>	<u>4,727</u>	<u>3,858</u>

**4. Investment management fees**

	2019 £'000	2018 £'000
Investment management fees	<u>1,950</u>	<u>1,670</u>

The annual running costs of the Company for the year were subject to a cap of 2.75% of the Company's net assets. The expense cap has not been breached for the year under review or the year ended 31 March 2018. Downing LLP also provides administration services. Fees in relation to these services are shown within note 5 below.

**5. Other expenses**

	2019 £'000	2018 £'000
Administration services	176	147
Directors' remuneration	109	109
Social security costs (key management personnel)	8	5
Trail commission	175	203
Auditor's remuneration for statutory audit	37	34
Auditor's remuneration for non-audit services (taxation)	-	4
Legal and professional fees	9	9
Custodian charges	22	27
Registrars fees	66	56
Other expenses	<u>130</u>	<u>93</u>
	<u>732</u>	<u>687</u>

**6. Directors' remuneration**

The Directors of the Company are considered to be the only key management personnel. Details of remuneration (excluding employer's NIC) are given in the Directors' Remuneration Report on page 30. The Company had no employees (other than Directors) during the year (2018: none). No other emoluments and pension contributions were paid by the Company to, or on behalf of, any Directors. There were no amounts outstanding at the year end.

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

**7. Tax on ordinary activities**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>a) Tax charge for the year</b>		
Current year:		
UK Corporation tax (charged to the Revenue Account)	252	238
Tax credited to Capital Account	<u>(252)</u>	<u>(238)</u>
	<u>-</u>	<u>-</u>
<b>b) Factors affecting tax charge for the year</b>		
(Loss)/profit on ordinary activities before taxation	<u>(4,272)</u>	<u>4,837</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 19.0% (2018: 19.0%)	(812)	919
Effects of:		
Gains on investments	1,200	(634)
UK dividend income	(100)	(82)
LLP income	151	-
Disallowable expenses	2	2
Partnership trading losses utilised	(56)	-
Excess management fees (utilised)/carried forward on which deferred tax asset is not recognised	<u>(385)</u>	<u>(205)</u>
	<u>-</u>	<u>-</u>

- c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £78,000 (2018: £2.9 million). The associated deferred tax asset has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future.

Due to the Company's status as a Venture Capital Trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

A deferred tax asset of £215,000 arising from investments in LLP companies has not been recognised as it is uncertain whether the losses carried forward will be offset against future taxable profits of the same trade in the foreseeable future.

**8. Dividends**

	<b>Year ended 31 March 2019</b>			<b>Year ended 31 March 2018</b>		
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Dividends paid in year</b>						
2019 Interim: 3.0p	-	4,001	4,001	-	-	-
2018 Final: 3.0p	1,341	2,678	4,019	-	-	-
2018 Interim: 3.0p	-	-	-	-	3,374	3,374
2017 Final: 4.5p	-	-	-	1,137	3,412	4,549
	<u>1,341</u>	<u>6,679</u>	<u>8,020</u>	<u>1,137</u>	<u>6,786</u>	<u>7,923</u>
<b>Dividends proposed</b>						
2019 Final: 2.0p (2018: 3.0p)	<u>890</u>	<u>1,779</u>	<u>2,669</u>	<u>1,200</u>	<u>2,400</u>	<u>3,600</u>

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

**9. Basic and diluted return per share**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Return per share based on:</b>		
Net revenue return/(loss) for the financial year	2,634	2,098
Net capital (loss)/gain for the financial year	<u>(6,906)</u>	<u>2,739</u>
Total (loss)/return for the financial year	<u>(4,272)</u>	<u>4,837</u>
Weighted average number of shares in issue	<u>133,474,895</u>	<u>105,306,924</u>

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

**10. Investments**

	<b>Unquoted investments £'000</b>	<b>Quoted on NEX Growth Market £'000</b>	<b>Quoted on Main Market £'000</b>	<b>Quoted on AIM £'000</b>	<b>Total £'000</b>
<b>Opening cost at 1 April 2018</b>	53,278	48	6,017	17,735	77,078
Unrealised (losses)/gains at 1 April 2018	(1,709)	(19)	(417)	6,655	4,510
<b>Opening fair value at 1 April 2018</b>	<u>51,569</u>	<u>29</u>	<u>5,600</u>	<u>24,390</u>	<u>81,588</u>
<b>Movement in the year:</b>					
Purchased at cost	11,501	-	-	1,000	12,501
Disposal proceeds	(2,751)	-	-	(538)	(3,289)
Realised gains/(losses) in the income statement	587	-	-	(617)	(30)
Unrealised (losses)/gains in the income statement	(4,068)	(11)	(1,000)	(1,208)	(6,287)
<b>Closing fair value at 31 March 2019</b>	<u>56,838</u>	<u>18</u>	<u>4,600</u>	<u>23,027</u>	<u>84,483</u>
Closing cost at 31 March 2019	60,842	48	6,017	17,755	84,662
Unrealised (losses)/gains at 31 March 2019	(2,482)	(30)	(1,417)	5,272	1,343
Realised losses arising on impairment	(1,522)	-	-	-	(1,522)
<b>Closing fair value at 31 March 2019</b>	<u>56,838</u>	<u>18</u>	<u>4,600</u>	<u>23,027</u>	<u>84,483</u>

A schedule disclosing the additions and disposals during the year and other information on investments can be found within the Review of Investments on pages 15 to 16.

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 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 (unquoted equity investments and loan note investments).

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

**10. Investments (continued)**

	Level 1	Level 2	Level 3	2019	Level 1	Level 2	Level 3	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Quoted on AIM	23,027	-	-	23,027	24,390	-	-	24,390
Quoted on NEX	18	-	-	18	29	-	-	29
Quoted on Main market	4,600	-	-	4,600	5,600	-	-	5,600
Loan notes	-	-	21,645	21,645	-	-	22,477	22,477
Unquoted	-	-	35,193	35,193	-	-	29,092	29,092
	<u>27,645</u>	<u>-</u>	<u>56,838</u>	<u>84,483</u>	<u>30,019</u>	<u>-</u>	<u>51,569</u>	<u>81,588</u>

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

	Unquoted shares £'000	Loan notes £'000	Total £'000
Balance at 31 March 2018	29,092	22,477	51,569
<i>Movements in the income statement:</i>			
Unrealised (losses)/gains in the income statement	(3,643)	(425)	(4,068)
Realised gains in the income statement	25	562	587
	<u>(3,618)</u>	<u>137</u>	<u>(3,481)</u>
Purchases at cost	10,595	906	11,501
Disposal proceeds	<u>(876)</u>	<u>(1,875)</u>	<u>(2,751)</u>
Balance at 31 March 2019	<u>35,193</u>	<u>21,645</u>	<u>56,838</u>

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

The Board and the Investment Manager believe that the valuations as at 31 March 2019 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 16.

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

**10. Investments (continued)**

**Significant interests**

Details of shareholdings in those companies where the Company's holding, at 31 March 2019, represents greater than 20% of the nominal value of any class of the allotted shares in the portfolio company are included within the review of investments on pages 17 to 20. Relevant companies which are not included within the review of investments are disclosed below. All of the companies named are incorporated in Great Britain. The percentage holding does not reflect the percentage voting rights in the Company as a whole.

<b>Company</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Number held</b>	<b>Proportion of class held</b>
Xupes Limited	CM23 3AR	Ordinary 'A' Shares	128,356	75.0%
Xupes Limited	CM23 3AR	Ordinary 'B' Shares	1,124,212	75.0%
Yamuna Renewables Limited	YO8 6EL	Ordinary 'B' Shares	2,551,020	50.0%
Pearce and Saunders Limited	EC3R 6HD	Ordinary 'A' Shares	950,400	37.1%
Pantheon Trading Limited	EC3R 6HD	Ordinary 'A' Shares	1,500,000	100%
Rated People Limited	SE1 8NW	Ordinary 'C' Shares	30,171	21.4%
Data Centre Response Limited	SN6 8TY	Ordinary 'A' Shares	1,477	100%
Data Centre Response Limited	SN6 8TY	Ordinary 'B' Shares	181,048	100%
Quadrat Catering Limited	EC3R 6HD	Ordinary 'A' Shares	257	39.5%
Quadrat Catering Limited	EC3R 6HD	Ordinary 'B' Shares	1,049,654	39.5%
Curo Compensation Limited	EC3H 8EH	Ordinary 'A' Shares	462,315	42.5%
Empiribox Holdings Limited	OX11 0QX	Ordinary 'C' Shares	1,495,596	36.4%
Empiribox Holdings Limited	OX11 0QX	Ordinary 'D' Shares	867,146	27.9%
E-Fundamentals (Group) Limited	RG1 8LS	Ordinary 'A' Shares	604,263	38.4%
Kimbolton Lodge Limited	EC3R 6HD	Ordinary 'A' Shares	603,500	50.0%
BridgeU Corporation	N1 8LN	Ordinary 'C' Shares	14,540	50.0%
Hackajob Limited	EC1V 3RS	Preference 'B' Shares	87,677	52.5%
Quadrat Spa Limited	EC3R 6HD	Ordinary 'A' Shares	257	39.5%
Quadrat Spa Limited	EC3R 6HD	Ordinary 'B' Shares	1,049,654	39.5%
Virtual Class Limited	E1 8EW	Ordinary 'B' Shares	3,283	50.0%
Virtual Class Limited	E1 8EW	Ordinary 'C' Shares	4,662	30.1%
Fresh Green Power Limited	EC3R 6HD	Ordinary 'A' Shares	40	40.0%
Fresh Green Power Limited	EC3R 6HD	Ordinary 'C' Shares	279,960	40.0%
Glownet Limited	NW6 1BB	Ordinary 'A' Shares	3,615,584	33.3%
Green Energy Production UK Limited	EC3R 6HD	Ordinary 'A' Shares	20	40.0%
Green Energy Production UK Limited	EC3R 6HD	Ordinary 'C' Shares	139,980	40.0%
Pearce and Saunders DevCo Limited	SW1P 2AL	Ordinary 'A' Shares	83,600	44.0%
Leytonstone Pub No1 Limited	EC3R 6HD	Ordinary 'A' Shares	1	100%
Mosaic Spa and Health Clubs Limited	NR9 3DL	Ordinary 'A' Shares	743,030	45.1%
Tramps Night Club Limited	WR1 3QN	Ordinary 'A' Shares	450,000	50.0%



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

**11. Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Other debtors	1	250
Income tax recoverable	3	3
Prepayments and accrued income	3,224	1,321
	<u>3,228</u>	<u>1,574</u>

**12. Creditors: amounts falling due within one year**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Taxation and social security	14	12
Other creditors	103	410
Accruals and deferred income	266	289
	<u>383</u>	<u>711</u>

**13. Called up share capital**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Issued, allotted, called up and fully paid:</b>		
133,444,807 (2018: 119,997,574) Ordinary Shares of 1p each	<u>1,334</u>	<u>1,200</u>

The Company allotted 14,451,770 Ordinary Shares of 1p each at an average price of 88.4p per Ordinary Share under the terms of the offers for subscription. The aggregate consideration of the shares was £12.9 million, which excludes costs of £470,000.

Under the terms of the Company's Dividend Reinvestment scheme, the Company allotted 1,295,791 Ordinary Shares of 1p each at an average price of 82.6p, to subscribing shareholders in respect of the dividends paid on 24 August 2018 and 22 February 2019 respectively.

During the year, the Company repurchased 2,300,328 Ordinary Shares of 1p each for an average consideration of 79.8p per share, representing 1.9% of those shares in issue at the last Annual Report. These shares were subsequently cancelled.

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

**13. Called up share capital (continued)**

*Management of capital*

The Company's capital is managed in accordance with its investment policy, as shown in the Strategic Report on pages 23 to 24, in pursuit of its principal investment objectives as stated on page 2. The Company has the authority to buy back shares as described in the Corporate Governance Statement on page 32.

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

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 the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets if so required to maintain a level of liquidity to remain a going concern.

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

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

**14. Reserves**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Capital redemption reserve	1,597	1,574
Share premium account	45,515	31,661
Funds held in respect of shares not yet allotted	114	12,876
Special reserve	52,526	64,859
Revaluation reserve	1,343	4,909
Revenue reserve	2,121	828
	<u>103,216</u>	<u>116,707</u>

Distributable reserves are calculated as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Special reserve	52,526	64,859
Revenue reserve	2,121	828
Unrealised (losses)/gains (excluding unrealised unquoted gains)	<u>(5,989)</u>	<u>523</u>
	<u>48,658</u>	<u>66,210</u>

## **NOTES TO THE ACCOUNTS (continued)**

### **for the year ended 31 March 2019**

#### **14. Reserves (continued)**

##### *Capital redemption reserve*

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

##### *Share premium account*

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

##### *Funds held in respect of shares not yet allotted*

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

##### *Special reserve*

The Special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay capital distributions. Share issue costs are also charged to the special reserve.

##### *Capital reserve - realised*

The following are disclosed in this reserve:

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

##### *Revaluation reserve*

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

##### *Revenue reserve*

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

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

**15. Basic and diluted net asset value per share**

	Shares in issue	Net assets £'000	NAV per share pence
<b>As at 31 March 2019</b>			
Ordinary Shares	113,444,807	<u>104,550</u>	78.3
		<u>104,550</u>	
<b>As at 31 March 2018</b>			
Ordinary Shares	119,997,574	<u>117,907</u>	87.5
		<u>117,907</u>	

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

The Company's net assets as at 31 March 2019 included funds held in respect of shares not yet allotted of £114,000.

**16. Financial instruments**

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

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

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

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

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

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

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

**16. Financial instruments (continued)**

**Market risks**

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

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

- Investment price risk; and
- Interest rate risk.

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

**Investment price risk**

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

**Quoted investments**

The Company's sensitivity to fluctuations in the share prices of its quoted investments, excluding fixed interest bonds, is summarised below. A 25% movement in the share price in each of the quoted stocks held by the Company, which is considered to be a reasonable maximum movement in a year, would have an effect as follows:

Sensitivity	2019			2018		
	25% movement			25% movement		
	Risk exposure £'000	Impact on net assets/ return £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on net assets/ return £'000	Impact on NAV per share Pence
Quoted shares	27,645	6,911	5.2	30,019	7,505	6.3

**Unquoted investments**

At 31 March 2019, the unquoted portfolio was valued at £56,838,000 (31 March 2018: £51,569,000). A breakdown of the unquoted portfolio by valuation method used is as follows:

	2019 £'000
Price of recent investment	25,934
Multiples	16,274
Discounted cash flows or earnings (of underlying business)	9,824
Discounted cash flows (from the investment)	4,806
	<hr/>
	56,838
	<hr/>

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

**16. Financial instruments (continued)**

***Investment price risk (continued)***

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

Sensitivity	2019			2018		
	10% movement			10% movement		
	Risk exposure £'000	Impact on net assets/ return £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on net assets/ return £'000	Impact on NAV per share Pence
Unquoted investments	56,838	5,684	4.3	51,569	5,157	4.3

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 investment price risk in isolation.

***Interest risk***

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

***Interest rate profile of financial assets and financial liabilities***

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

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

**Interest rate risk profile of financial assets and financial liabilities**

	Weighted average interest rate	Weighted average period until maturity	2019 £'000	2018 £'000
Fixed rate	18.4%	835 days	21,645	22,477
Floating rate	0.25%		17,222	35,456
No interest rate			65,683	59,974
			<u>104,550</u>	<u>117,907</u>

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

**16. Financial instruments (continued)**

***Interest risk (continued)***

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

The Bank of England base rate increased from 0.5% per annum to 0.75% per annum in August 2018. Any potential change in the base rate at the current level wouldn't have a material impact on the net assets and total return of the Company.

**Credit risk**

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

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<i>Fair value through profit or loss assets:</i>		
Investments in loan stocks	21,645	22,477
<i>Loans and receivables:</i>		
Cash and cash equivalents	17,222	35,456
Interest, dividends and other receivables	3,190	1,558
	<u>42,057</u>	<u>59,491</u>



## **NOTES TO THE ACCOUNTS (continued)**

### **for the year ended 31 March 2019**

#### **16. Financial instruments (continued)**

##### **Credit risk (continued)**

The Investment Adviser manages credit risk in respect of loan notes with a similar approach as described under investment risks above. In addition, with the exception of new investments, credit risk is mitigated by registering floating charges, covering the full par value of the loan stock in the form of fixed and floating charges over the assets of the investee companies. The strength of this security in each case is dependent on the nature of the investee company's business and its identifiable assets. The level of security is a key means of managing credit risk. Similarly, the management of credit risk associated with interest, dividends and other receivables is covered within the investment management procedures referred to on page 55.

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

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

As at 31 March 2019, of the loan stock classified as "past due", on the next page, £2,695,000 relates to the principal of loan notes where, although the principal remains within the term, the investee company is not fully servicing the interest obligations under the loan note and is in arrears. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

As at 31 March 2019, of the loan stock classified as "past due", on the next page, £2,134,000 relates to the principal of loan notes where the principal has passed its maturity date. As at the balance sheet date, the extent to which the principal is past its maturity date, £2.1 million falls within the banding of nil to 2 years past due and £58,000 is 3 to 4 years past due. Notwithstanding this information, the Directors do not consider the loan notes to be impaired at the current time or that maturity dates of the principal have altered.

As at 31 March 2018, of the loan stock classified as "past due", on the next page, £3,158,000 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 in arrears. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

As at 31 March 2018, of the loan stock classified as "past due", on the next page, £2,690,000 relates to the principal of loan notes where the principal has passed its maturity date. As at the balance sheet date, the extent to which the principal is past its maturity date, the total falls within the banding of nil to 2 years past due. Notwithstanding this information, the Directors do not consider the loan notes to be impaired at the current time or that the maturity dates of the principals have altered.

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

**16. Financial instruments (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. The Company normally has a relatively low level of creditors (2019: £383,000, 2018: £711,000) and has no borrowings. Most of the quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons the Board believes that the Company's exposure to liquidity risk is minimal.

The Company's liquidity risk is managed by the Investment Adviser in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

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

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

<b>As at 31 March 2019</b>	<b>Not later than 1 year £'000</b>	<b>Between 1 and 2 years £'000</b>	<b>Between 2 and 3 years £'000</b>	<b>Between 3 and 5 years £'000</b>	<b>Over 5 years £'000</b>	<b>Passed maturity date £'000</b>	<b>Total £'000</b>
Fully performing loan stock	3,308	960	2,403	2,421	5,000	2,724	16,816
Past due loan stock	2,695	-	-	-	-	2,134	4,829
	<b>6,003</b>	<b>960</b>	<b>2,403</b>	<b>2,421</b>	<b>5,000</b>	<b>4,858</b>	<b>21,645</b>

<b>As at 31 March 2018</b>	<b>Not later than 1 year £'000</b>	<b>Between 1 and 2 years £'000</b>	<b>Between 2 and 3 years £'000</b>	<b>Between 3 and 5 years £'000</b>	<b>Over 5 years £'000</b>	<b>Passed maturity date £'000</b>	<b>Total £'000</b>
Fully performing loan stock	1,689	2,673	960	3,853	5,000	2,454	16,629
Past due loan stock	463	2,695	-	-	-	2,690	5,848
	<b>2,152</b>	<b>5,368</b>	<b>960</b>	<b>3,853</b>	<b>5,000</b>	<b>5,144</b>	<b>22,477</b>

**17. Contingencies, guarantees and financial commitments**

There were no contingencies, guarantees or financial commitments of the Company at the year-end (2018: nil).

**18. Controlling party and related party transactions**

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

**19. Events after the end of the reporting period**

Since the year end, the Company allotted 142,784 Ordinary Shares of 1p each at an average price of 82.9p per Ordinary Share, under the terms of the offers for subscription. The aggregate consideration for the shares was £118,000.

## UNAUDITED PERFORMANCE SUMMARY FOR VARIOUS INVESTOR GROUPS

The Company undertook a merger with five other VCTs followed by a share reorganisation on 12 November 2013. Full details, including share conversion ratios, can be found on Downing's website, [www.downing.co.uk](http://www.downing.co.uk).

The figures in the table below show the performance of the various groups of investors who make up the Company's current shareholder base and grouped by the VCTs that participated in the merger in November 2013.

Share issue	Year of launch (pence)	Initial income tax relief (%)	Equivalent dividends received (pence)	Equivalent NAV (pence)	(Loss)/gain (ignoring income tax relief) (%)	Gain/(loss) (after initial income tax relief) (note 1) (%)	Gain/(loss) (after initial and SRRP tax relief) (note 2) (%)
<b>Downing ONE VCT plc ("DDV1")</b>							
AIM Distribution Trust plc	1996	20%	71.52p	19.5p	-9.0%	13.8%	23.5%
AIM Distribution Trust plc - top up	2005	40%	21.72p	19.5p	-43.9%	-6.6%	11.1%
Pennine AIM VCT 5 plc	2005	40%	43.17p	17.0p	-39.8%	0.3%	11.6%
Pennine AIM VCT 6 plc	2006	40%	46.21p	22.6p	-31.1%	14.8%	29.8%
Downing Distribution VCT 1 plc - top up	2010	30%	39.96p	55.8p	-8.6%	30.5%	n/a
Downing Distribution VCT 1 plc - top up	2012	30%	29.96p	55.8p	10.1%	57.4%	n/a
Downing ONE VCT plc	Feb 2014	30%	31.50p	78.3p	9.3%	56.0%	n/a
Downing ONE VCT plc	Mar-Jul 2014	30%	29.50p	78.3p	9.4%	56.2%	n/a
Downing ONE VCT plc	Sep 2014	30%	27.50p	78.3p	8.7%	55.4%	n/a
Downing ONE VCT plc	Jan 2015	30%	27.50p	78.3p	9.6%	56.5%	n/a
Downing ONE VCT plc	Mar-May 2015	30%	27.50p	78.3p	12.0%	59.8%	n/a
Downing ONE VCT plc	Jul-2015	30%	27.50p	78.3p	9.2%	56.0%	n/a
Downing ONE VCT plc	Sep-Nov-2015	30%	25.50p	78.3p	10.5%	58.0%	n/a
Downing ONE VCT plc	Feb-2016	30%	22.50p	78.3p	2.8%	46.7%	n/a
Downing ONE VCT plc	Mar-Apr 2016	30%	19.50p	78.3p	2.8%	46.8%	n/a
Downing ONE VCT plc	Jul 2016	30%	19.50p	78.3p	6.3%	51.9%	n/a
Downing ONE VCT plc	Sep 2016	30%	16.50p	78.3p	6.5%	52.2%	n/a
Downing ONE VCT plc	Oct 2016	30%	16.50p	78.3p	2.5%	46.3%	n/a
Downing ONE VCT plc	Nov 2017	30%	9.00p	78.3p	-1.7%	40.4%	n/a
Downing ONE VCT plc	Mar 2018	30%	6.00p	78.3p	-2.3%	39.6%	n/a
Downing ONE VCT plc	Mar 2019	30%	0.00p	78.3p	-3.0%	38.6%	n/a
<b>Downing Income VCT 3 plc ("DI3")</b>							
Pennine AIM VCT plc	1996	20%	105.03p	25.2p	30.3%	62.8%	73.1%
Pennine AIM VCT II plc	1997	20%	63.78p	16.8p	-19.4%	0.7%	7.6%
Pennine Downing AIM VCT plc	1998	20%	48.49p	22.2p	-29.3%	-11.6%	-2.6%
The Ethical AIM VCT plc	1999	20%	29.66p	14.3p	-56.0%	-45.0%	-39.2%
Pennine Downing AIM VCT 2 plc	2001	20%	42.34p	22.6p	-35.0%	-18.8%	-9.6%
Pennine AIM VCT plc (C share)	2002	20%	41.94p	35.4p	-22.7%	-3.3%	11.0%
Pennine AIM VCT plc (D share)	2006	30%	49.69p	41.7p	-8.6%	30.6%	59.9%
Downing Distribution VCT 2 plc - top up	2010	30%	43.85p	71.7p	6.6%	52.3%	n/a
Downing Income VCT 3 plc - top up	2013	30%	31.35p	71.7p	13.7%	62.5%	n/a
Downing Income VCT 3 plc (E share)	2011	30%	34.91p	68.1p	3.0%	47.2%	n/a
<b>Downing Income VCT plc ("DI")</b>							
Framlington AIM VCT 2 plc	2005	40%	39.12p	27.6p	-33.2%	11.3%	26.1%
Downing Income VCT plc	2013	30%	11.12p	27.6p	12.2%	60.3%	n/a
<b>Downing Income VCT 4 plc ("DI4")</b>							
Framlington AIM VCT plc	2006	40%	45.69p	30.3p	-24.0%	26.7%	42.0%
Downing Income VCT 4 plc	2013	30%	12.19p	30.3p	17.7%	68.2%	n/a
<b>Downing Absolute Income VCT 1 plc ("DAI1")</b>							
Downing Healthcare Protected VCT plc	1996	20%	94.92p	65.9p	60.9%	101.1%	131.0%
Downing Protected VCT 1 plc - top up	2010	30%	37.52p	65.9p	13.4%	62.0%	n/a
Downing Absolute Income VCT 1 plc - top up	2010	30%	37.52p	65.9p	13.2%	61.7%	n/a
Downing Absolute Income VCT 1 plc - top up	2012	30%	31.52p	65.9p	5.5%	50.7%	n/a
Downing Absolute Income VCT 1 plc (C share)	2010	30%	34.71p	55.2p	-10.1%	28.4%	n/a
<b>Downing Absolute Income VCT 2 plc ("DAI2")</b>							
Downing Absolute Income VCT 2 plc	2010	30%	39.17p	53.9p	-7.0%	32.9%	n/a

### Note 1

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

### Note 2

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

## COMPANY INFORMATION

### Directors

Chris Kay (Chairman)  
Barry Dean  
Stuart Goldsmith  
all of  
St. Magnus House  
3 Lower Thames Street  
London EC3R 6HD

### Company number

03150868

### Secretary and Registered Office

Grant Whitehouse  
St. Magnus House  
3 Lower Thames Street  
London EC3R 6HD  
Tel No: 020 7416 7780

### Investment Adviser and Administration Manager

Downing LLP  
St. Magnus House  
3 Lower Thames Street  
London EC3R 6HD  
Tel No: 020 7416 7780  
[www.downing.co.uk](http://www.downing.co.uk)

### Auditor

BDO LLP  
55 Baker Street  
London W1U 7EU

### VCT status advisers

Philip Hare & Associates LLP  
Suite C – First Floor  
4-6 Staple Inn  
London WC1V 7QH

### Registrar

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Tel No: 0871 664 0324  
(calls cost 12p per minute plus network extras  
lines open Mon-Fri from 9.00am to 5.30pm)  
[www.linkassetservices.com](http://www.linkassetservices.com)

### Bankers

Royal Bank of Scotland plc  
119-121 Victoria Street  
London SW1E 6RA

Bank of Scotland plc  
33 Old Broad Street  
London BX2 1LB

### Corporate Broker

Panmure Gordon (UK) Limited  
Chris Lloyd  
0207 886 2716  
[chris.lloyd@panmure.com](mailto:chris.lloyd@panmure.com)  
Paul Nolan  
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## **NOTICE OF ANNUAL GENERAL MEETING OF DOWNING ONE VCT PLC**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Downing ONE VCT plc will be held at **St. Magnus House, 3 Lower Thames Street, London EC3R 6HD** at 10:45 a.m. on 29 August 2019 for the transaction of the following business:

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

1. To receive and adopt the Report of the Directors and Accounts of the Company for the year ended 31 March 2019, together with the Independent Auditors' Report thereon.
2. To approve the Directors' Remuneration Report.
3. To approve a final dividend of 2.0p per Ordinary Share.
4. To re-appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the accounts of the Company are presented and to authorise the Directors to determine their remuneration.
5. To re-elect as Director, Stuart Goldsmith, who retires and, being eligible, offers himself for re-election.

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

### **Ordinary Resolution**

6. That, in addition to existing authorities, the Directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("CA 2006") to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £20,000 (representing approximately 2% of the share capital in issue at today's date, provided that the authority conferred by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry.

### **Special Resolutions**

7. That, the Directors of the Company be and hereby are empowered pursuant to Sections 570(1) of the CA 2006 to allot or make offers to or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the CA 2006) for cash pursuant to the authority given pursuant to resolution 6 above, as if Section 561(1) of the CA 2006 (pre-emption rights) did not apply to such allotment, provided that the power provided by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require equity securities to be allotted after such expiry.

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

### **Special resolutions (continued)**

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

- (a) the maximum number of shares hereby authorised to be purchased is 19,883,276 representing approximately 14.9% of the present issued share capital of the Company;
- (b) the minimum price (exclusive of expenses) which may be paid for such shares is 1p the nominal amount thereof;
- (c) the maximum price (exclusive of expenses) which may be paid for such shares shall be an amount equal to 5 per cent. above the average of the middle market quotations for such class of the Company's shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days immediately preceding the day on which the purchase was made;
- (d) the Company may make a contract to purchase its own shares under this authority prior to the expiry of this authority, and such contract will or may be executed wholly or partly after the expiry of this authority, and the Company may make a purchase of its own shares in pursuance of any such contract;

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

By order of the Board



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

9 July 2019

**Note:**

Information regarding the Annual General Meeting, including the information required by section 311A of the CA 2006, is available from [www.downing.co.uk](http://www.downing.co.uk).

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

### Notes

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. 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 CA2006, 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, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD 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, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
  - by sending an e-mail to 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 Ordinary 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 10:45 a.m. on 29 August 2019 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 10:45 a.m. on 27 August 2019 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 9:00 a.m. on 9 July 2019, the Company's issued share capital comprised 133,587,591 Ordinary Shares and the total number of voting rights in the Company was 133,587,591. The Company website, www.downing.co.uk will include information on the number of shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the CA2006 to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
  - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
  - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (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.



**DOWNING ONE VCT PLC  
FORM OF PROXY**

For use at the Annual General Meeting of the above named Company, to be held on 29 August 2019 at St. Magnus House, 3 Lower Thames Street, London EC3R 6HD at 10:45 a.m.

I/We\* ..... (in BLOCK CAPITALS please)

of .....  
being the holder(s)\* of Ordinary Shares of 1p each in the above-named Company, hereby appoint the Chairman of the meeting (see note 1 overleaf)

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 St. Magnus House, 3 Lower Thames Street, London EC3R 6HD on 29 August 2019 or at any adjournment thereof.

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

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

**ORDINARY BUSINESS**

	<b>FOR</b>	<b>AGAINST</b>	<b>WITHHELD</b>
1. To receive and adopt the Report of the Directors and Accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the payment of a final dividend of 2.0p per Ordinary Share.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint the Auditor and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Stuart Goldsmith as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**SPECIAL BUSINESS**

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

Signature(s)\* ..... Date.....2019

\* Delete as appropriate

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



## NOTES AND INSTRUCTIONS:

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





St Magnus House  
3 Lower Thames Street  
London EC3R 6HD

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



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