

DOWNING FOUR VCT PLC

Report and Accounts for the year ended
31 March 2021

Downing 

Shareholder Information

Financial Calendar

8 September 2021
24 September 2021
December 2021

Annual General Meeting
Payment of final dividend
Announcement of Half-Yearly financial results

Selling shares

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

The Company has stated that it will, from time to time, consider making market purchases of its own shares, in accordance with the policy set out in the Chairman's Statement. At present, the Company only operates a share buyback policy in respect of its Generalist and Healthcare Shares, as the other classes are in the process of returning funds to Shareholders through dividends.

Shareholders who wish to sell their shares should contact the Company's Corporate Broker, Panmure Gordon (UK) Limited ("Panmure Gordon"). Panmure Gordon can be contacted as follows:

Chris Lloyd	Paul Nolan
0207 886 2716	0207 886 2717
chris.lloyd@panmure.com	paul.nolan@panmure.com

Dividends

Dividends will be paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose. Queries relating to dividends, Shareholdings, and requests for mandate forms should be directed to the Company's registrar, whose details can be found on the Company Information page.

Notification of change of address

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

Share scam warning

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

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

Other information for Shareholders

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

www.downing.co.uk/d4

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

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Company Information

Registered number	6789187
Directors	Sir Aubrey Brocklebank Bt. (Chairman) Lord Flight (Senior Independent Director) Russell Catley
Secretary and registered office	Grant Whitehouse 6 th Floor, St. Magnus House 3 Lower Thames Street London EC3R 6HD
Investment and Administration Manager	Downing LLP 6 th Floor, St. Magnus House 3 Lower Thames Street London EC3R 6HD www.downing.co.uk
Auditor	BDO LLP 55 Baker Street London W1U 7EU
VCT status advisers	Philip Hare & Associates LLP Hamilton House 1 Temple Avenue, Temple London EC4Y 0HA
Registrar (with effect from 30 July 2021)	The City Partnership (UK) Limited The Mending Rooms Park Valley Mills Meltham Road Huddersfield HD4 7BH 01484 240 910 registrars@city.uk.com
Corporate broker	Panmure Gordon (UK) Limited Chris Lloyd 0207 886 2716 chris.lloyd@panmure.com Paul Nolan 0207 886 2717 paul.nolan@panmure.com
Bankers	Bank of Scotland plc 33 Old Broad Street London EC2N 1HZ Royal Bank of Scotland plc London Victoria Branch 119/121 Victoria Street London SW1E 6RA

Financial Highlights

	Unaudited 30 June 2021 Pence	Audited 31 March 2021 pence	Audited 31 March 2020 pence
Generalist Share pool			
Net Asset Value ("NAV") per Generalist Share	67.5	67.2	61.7
Cumulative distributions	2.5	2.5	-
Total Return per Generalist Share	70.0	69.7	61.7
Healthcare Share pool			
Net Asset Value ("NAV") per Healthcare Share	73.8	68.5	68.1
Cumulative distributions	2.5	2.5	-
Total Return per Healthcare Share	76.3	71.0	68.1
DSO D Share pool			
Net Asset Value ("NAV") per DSO D Share		10.2	12.0
Cumulative distributions		94.5	94.5
Adjusted for Performance Incentive estimate		(0.5)	(4.3)
Total Return per DSO D Share		104.2 ¹	102.2
DP67 Share pool			
Net Asset Value ("NAV") per DP67 Share		18.4	18.8
Cumulative distributions (since original launch)		67.8	67.8
Total Return per DP67 Share		86.2	86.6

¹Based on Total Return to Shareholders at 31 March 2021, a Performance Incentive is expected to become due to management. The Performance Incentive has been estimated at 0.5p per DSO D Share. No provision has been included in the accounts as the conditions of the Performance Incentive fee have not yet been met.

A full explanation of the Performance Incentive arrangements for each share pool is given on pages 51 to 52 and page 87.

Investment Objectives

The Company's principal objectives are to:

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

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 46 to 47.

Directors

Sir Aubrey Brocklebank Bt. (Chairman) qualified as a chartered accountant prior to working for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before helping to establish a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund and subsequently managed the Avon Enterprise Fund Limited. Sir Aubrey assumed his first role within the VCT industry in 1997 and has since gone on to become one of the most experienced VCT directors. Sir Aubrey maintains a wide range of business interests and has been a director of six AIM listed companies. He is currently also a non-executive director of Edge Performance VCT plc.

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

Russell Catley has over 30 years' experience in the financial sector and is a director of Catley Lakeman May Limited (trading as Catley Lakeman Securities), the UK's leading provider of institutional structured products and a founding Member of its subsidiary asset manager, Atlantic House Fund Management LLP. Its long-standing clients include JP Morgan, HSBC, Credit Suisse, UBS and Royal Bank of Canada. He was previously a director at Citigroup Global Markets and AXA Investment Managers UK Limited and was on the Board of AXA World Funds (Luxembourg), one of Europe's largest fund companies from 2001 to 2004.

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

Chairman's Statement

Introduction

I present the Company's Annual Report for the year ended 31 March 2021.

This year has resembled no other in the Company's history. It began in the midst of the first set of Covid lockdown restrictions. Since then, coronavirus has affected most of our investee companies and has understandably occupied much of the narrative in the Company's reporting to Shareholders.

The Manager has had to focus on supporting the existing businesses in the Evergreen portfolios over this difficult year, with follow-on investments having been made where appropriate. The Generalist and Healthcare Share pools were also able to resume new investment activity over the summer of 2020, and a number of new businesses were added to the portfolios.

The Board and Investment Manager are now optimistic that the Company's Evergreen and Planned Exit portfolios have largely withstood the worst of the challenges accompanying the pandemic. However, Shareholders should expect that it will take some time for the Planned Exit portfolios to realise their remaining investments, particularly those operating in the hospitality sector, as the underlying venues need to be fully operational and re-establishing trading records in order to seek optimal value for Shareholders on exit.

I am pleased to report that most of the businesses in the Evergreen portfolios have adapted well to the challenges they have faced over the past year and have been able to continue to develop in line with their plans. There has also been a first significant success in both the Generalist and Healthcare Share pools, which I will come on to discuss.

Evergreen Share pool review

Generalist Share pool

The task of building the Generalist portfolio continued during the year, with £7.0m invested in sixteen VCT Qualifying companies, six of which were new additions to the portfolio.

The Generalist Share Total Return stood at 69.7p at the year end, representing an increase of 8.0p per share or 13.0% over the year. This is inclusive of the first Generalist dividend, of 2.5p per share, which was paid on 25 September 2020.

The NAV increase is largely attributable to a combination of upward price movements within the portfolio of Liquidity Investments, from which there has also been some redemption activity, and a number valuation increases in the Venture Capital portfolio, on the back of positive developments.

Positive developments include E-Fundamentals (Group) Limited, Virtual Class Limited, Imagen Limited and Trinny London Limited, which were uplifted by a combined £3.7m at the year end.

There have, however, also been some valuation reductions, most notably Lignia Wood Company Limited, which has been badly affected by the pandemic and is unlikely to recover. A full impairment provision has been recognised as a result. Empiribox Holdings Limited and Upp Technologies Group Limited were also reduced in value by a total of £846,000 as at 31 March 2021.

There were also two full exits and two loan note conversions during the period, which are set out on page 14 and in the Investment Manager's Report on page 10. These transactions resulted in a total realised loss of £382,000.

As Shareholders will be aware, the Generalist Share pool invested a proportion of its funds awaiting deployment into qualifying investments in an investment trust and OEICs managed by Downing, which mainly focus on quoted small cap companies (together termed the 'Liquidity investments'). Since the market correction in March 2020, brought about by the coronavirus pandemic, this portfolio has recovered well, generating realised and unrealised valuation gains totalling £2.5 million for the year ended 31 March 2021. As noted in more detail in the Manager's report on pages 11 and 12, following redemptions from the Liquidity portfolio, the only significant holding remaining at the year end was that of Downing Strategic Micro-Cap Investment Trust plc, which has published some positive updates since 31 March 2021.

A more detailed review of the Generalist Share pool is included in the Investment Manager's Report on pages 9 to 12.

Healthcare Share pool

The development of the Healthcare portfolio continued during the year, with £3.5 million having been invested in eight VCT Qualifying companies, four of which were new investments.

The Healthcare Share Total Return stood at 71.0p at the year end, representing an increase of 2.9p per share or 4.3% over the year after adjusting for the first Healthcare dividend of 2.5p per share, which was paid on 25 September 2020.

The increase in the Healthcare NAV is the result of quoted price increases in respect of the portfolio of Liquidity investments, coupled with one positive development in the Venture Capital portfolio.

Chairman's Statement (continued)

Evergreen Share pools (continued)

Healthcare Share pool (continued)

As with the Generalist Share pool, the portfolio of Liquidity investments held by the Healthcare Share pool has recovered well since the March 2020 market correction, generating realised and unrealised valuation gains totalling £629,000 for the year ended 31 March 2021. As noted in more detail in the Manager's report on page 23, following redemptions from the Liquidity portfolio, the only significant holding remaining at the year end was that of Downing Strategic Micro-Cap Investment Trust plc.

Within the Healthcare Venture Capital portfolio, there is one small valuation reduction to report as at 31 March 2021, while the portfolio as a whole increased in value by £640,000. Destiny Pharma plc was uplifted in value by £638,000 as at 31 March 2021, based on the quoted share price at that date, which has increased by more than 400% on 31 March 2020. The company raised a further £10.4 million, via a placing of new shares in the market, to support the acquisition of the global rights to a drug combatting *C. difficile*. The company also successfully completed another clinical trial phase in respect of its XF-73 nasal gel, which seeks to prevent post-surgical infections.

It is disappointing to report that, after being materially behind on its plans, ADC Biotechnology was exited in full during the period, resulting in a realised loss of £473,000 against the 31 March 2020 valuation.

A more detailed review of the Healthcare Share pool is included in the Investment Manager's Report on pages 21 to 23.

Post Balance Sheet events

There is positive news to report for the Generalist and Healthcare Share pool since the year end. On 3 June 2021 Arcor undertook a successful IPO on AIM. The group raised a further £20 million as part of the IPO, taking the market capitalisation of the company to approximately £62.5 million. The fundraising proceeds will be used to accelerate research and development. On the basis of the quoted bid price as at 30 June 2021, the value of the Generalist and Healthcare share pools' investments in the business increased by approximately £355,000 and £1.3 million respectively.

The impact of these valuation increases is included in the 30 June 2021 NAVs stated in this report, shown under Financial Highlights on page 2.

Planned Exit Share pools

DSO D Share pool

The DSO D Share portfolio held four remaining investments as at 31 March 2021. As Shareholders will be aware, the coronavirus pandemic has caused significant disruption to the exit processes in respect of these remaining investments. Plans to sell the two solar businesses, Fresh Green Power Limited and Green Energy Production Limited, have been delayed as onsite inspections by the prospective buyer had not been possible due to coronavirus restrictions, but are now expected to take place in the coming months.

The realisation of the investments in Pearce and Saunders Limited and Pearce and Saunders DevCo Limited now rests on the sale of the remaining pub site in Eltham, which had been closed for much of the last year. Sale plans will resume once the remaining site has had the opportunity to achieve a period of good trading activity once restrictions are fully lifted.

The DSO D Share NAV stood at 10.2p at the year end, a decrease of 1.8p per share over the year. However, owing to the delays in exiting from the remaining investments, the estimated performance incentive has also reduced from 31 March 2020, by 3.8p per share. As the reduction in the performance incentive has exceeded the reduction in the reported NAV, the Total Return to DSO Shareholders has increased from the level stated as at 31 March 2020, by 2.0p per share, or 2.0%. Total Return (net of the estimated performance incentive) therefore now stands at 104.2p per share compared to the cost for Shareholders who invested in the original DSO D Share offer of 100.0p, or 70.0p per share net of income tax relief.

A more detailed review of the DSO D Share pool is included in the Investment Manager's Report on page 33.

DP67 Share pool

The remaining value in the DP67 Share portfolio is spread across three investments which have significant exposure to the hospitality sector. The underlying venues have been closed for a large proportion of the last year and will need to be fully operational and trading well before sales plans can be resumed. The Manager tentatively anticipates that these plans might resume within the next twelve months.

As at 31 March 2021, DP67 Share NAV stood at 18.4p and Total Return stood at 86.2p per share, a fall of 0.4p per share or 2.1% since 31 March 2020.

Chairman's Statement (continued)

Planned Exit Share pools (continued)

DP67 Share pool (continued)

A more detailed review of the DP67 Share pool is included in the Investment Manager's Report on page 38.

Share buybacks

The Company operates a general policy of buying in its own shares that become available in the market, subject to regulatory and liquidity factors. Any such purchases are undertaken at a price approximately equal to NAV (i.e. at a nil discount).

As the focus for the two remaining Planned Exit Share pools is on returning funds to Shareholders via distributions, the Company will not undertake any further buybacks in respect of those share classes.

During the year ended 31 March 2021, the Company appointed Panmure Gordon as its corporate broker to assist in operating the Share buyback process and ensure that the quoted spread on the Company's shares remains at a reasonable level. If you wish to sell or buy shares in the Company, the contact details of Panmure Gordon can be found on the Shareholder Information page.

No shares were repurchased during the year ended 31 March 2021.

Dividends

Downing FOUR has a target of seeking to pay annual dividends of at least 4% of the respective Generalist and Healthcare net asset values per annum. As the Generalist and Healthcare portfolios are still in a building phase and each has a considerable pipeline of investment opportunities, the Board considers it appropriate to propose final dividends for the year ended 31 March 2021 which are in line with the base target of 4%.

The Board is proposing to pay final dividends of 2.75p per Generalist Share and 2.75p per Healthcare Share on 24 September 2021, to Shareholders on the register as at 3 September 2021. The proposed dividends are subject to Shareholder approval at the forthcoming AGM. Following the payment of the proposed dividends, the Company will have paid cumulative dividends of 5.25p per Generalist Share and 5.25p per Healthcare Share.

Further dividends in respect of the Company's Planned Exit Share pools will be paid once the remaining realisations have taken place.

Responsible investment

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

Further detail on the Investment Manager's approach to responsible investment, including the key principles and screening approach, can be found on pages 42 and 43.

Annual General Meeting ("AGM")

With coronavirus restrictions easing over recent months, I am pleased to announce that it is the Company's intention to invite Shareholders to attend this year's AGM in person. Should restrictions imposed by the UK Government mean that this is no longer possible, the Company will communicate a revised plan to Shareholders.

The AGM is planned to take place at 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD at 11:00 a.m. on 8 September 2021.

Shareholders wishing to attend the AGM are requested to please notify Downing LLP via email, to d4agm@downing.co.uk, in case there are changes to arrangements which need to be communicated at short notice.

One item of special business is to be proposed at the AGM, in respect of the authority to buy back shares as noted above.

Shareholders are able to submit their proxy forms via email to d4agm@downing.co.uk by 11:00 a.m. on 6 September 2021.

Board Composition

The Nomination Committee is currently carrying out a review of the composition of the Board and Shareholders will be provided with an update in due course.

Outlook

Now that the most severe of the coronavirus restrictions appear to be behind us, I am optimistic that many of the businesses in the Generalist and Healthcare portfolios can progress towards delivering their potential. In line with expectations for portfolios such as these, a number of what we now know to be the weaker investments have shown that they are unlikely to be able to deliver their business plans. As these fall away we should be left with a portfolio of stronger businesses that can drive growth for Shareholders.

Chairman's Statement (continued)

Outlook (continued)

As at 30 June 2021, the Generalist and Healthcare Share pool NAVs had increased to 67.5p and 73.8p respectively.

The delays in exiting from the remaining investments in the Planned Exit share pools have been frustrating and it is still not clear when the Manager will be able to complete the process. Once the economy has fully reopened, the options for realising the hospitality investments are expected to become clearer.

Offers for subscription

During the 2021 tax year, the Company had open offers in respect of its Generalist and Healthcare Share classes, principally to allow the Company to continue to issue new shares to ongoing monthly investors. During the year ended 31 March 2021, the Company raised £1.5 million under the Generalist Offers and £552,000 under the Healthcare Offers. On 5 April 2021, the Company raised a further £495,000 from the issue of new Generalist and Healthcare Shares.

Shareholders should be encouraged that I, along with members of the Downing management team, subscribed for Generalist Shares under the recent offers.

New fundraising plans

It is intended that the current non-prospectus Offers will be replaced by a full prospectus offer in respect of both the Generalist and Healthcare Share classes. The Directors believe that there continues to be good opportunities to invest in young growth companies and the Manager reports a good level of potential deal flow.

As part of the new prospectus offer, the Company also plans to launch a new AIM Share class, which would seek to invest in a focused portfolio of VCT Qualifying companies quoted on AIM. The Manager has a well-established team with significant experience in investing in smaller quoted companies and has reported that there is a strong pipeline of potential deals which would be VCT Qualifying.

It is intended that the Generalist, Healthcare and AIM Share classes would each seek to raise an equal amount under the combined prospectus offer.

As the fundraising plans described above are subject to Shareholder approval at a General Meeting of the Company, the Company will shortly publish a circular setting out these plans in more detail.



Sir Aubrey Brocklebank Bt.
Chairman

6 July 2021

Generalist Share Pool

Share Pool Summary

Financial highlights	31 March 2021 Pence	31 March 2020 pence
Net Asset Value per Generalist Share	67.2	61.7
Cumulative distributions	2.5	-
Total Return per Generalist Share	69.7	61.7

Forthcoming Dividend

A proposed final dividend of 2.75p per Generalist Share will be paid on 24 September 2021, to Shareholders on the register at 3 September 2021.

Dividend history

Period end	Date paid	Pence per share
2020 Interim	25 September 2020	2.5
		2.5

Share prices

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

	Generalist Shares
TIDM/EPIC codes	D4G
Latest share price (6 July 2021)	61.5p per share

Performance Incentive arrangements

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

For the year ended 31 March 2021, the hurdle is met when Total Return (based on audited year end results) is in excess of £1.03 per Generalist Share. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2022 the Total Return hurdle will be £1.06, for the year ended 31 March 2023 the hurdle will be £1.09, etc. If the hurdle is met in any year, then members of the management team will receive 20% of the dividends paid. The current Total Return is 69.7p and therefore no provision for a performance incentive fee is necessary.

Investment Manager's Report - Generalist Share Pool

i. Overview

Introduction

We present a review of the investment portfolio and activity for the Generalist Share pool for the year ended 31 March 2021.

This Investment Manager's Report is split into three sections comprising this overview, a review of Venture Capital Portfolio and a report on the portfolio of Liquidity Investments.

Net Asset Value and results

As at 31 March 2021, the NAV of a Generalist Share stood at 67.2p, an increase of 8.0p (13.0%) for the year after adding back the first Generalist dividend, of 2.5p per share, which was paid on 25 September 2020.

The return on ordinary activities for the Generalist Share pool for the year was £3.7 million (2020: loss of £9.8 million), comprising a revenue loss of £91,000 (2020: £582,000) and a capital gain of £3.8 million (2020: loss of £9.2 million).

Whilst there has been some recovery in the NAV since 31 March 2020, the Total Return to Shareholders as at 31 March 2021, of 69.7p, continues to be considered an underperformance against our expectations for the Generalist Share pool.

A proposed final dividend of 2.75p per share will be paid on 24 September 2021, to Shareholders on the register at 3 September 2021. This is in line with the stated dividend target for the Generalist Share pool, to pay dividends of at least 4% of net assets per annum.

Portfolio Overview

As at 31 March 2021, the Generalist Share pool held a portfolio of 36 Venture Capital investments and two Liquidity investments, with a combined value of £28.6 million.

The year ended 31 March 2021 was one of significant challenge to businesses in the UK and the rest of the World. During this period, we have been working closely with portfolio companies to provide guidance and, where appropriate, additional funding to support these businesses in navigating the challenges brought about by the coronavirus pandemic.

As Shareholders might expect, as the Generalist Share pool has made investments in a range of different businesses, the pandemic has impacted certain companies within the portfolio more so than others.

However, we are pleased to report that the portfolio has generally weathered the pandemic well and many of the businesses within it are well positioned to continue to progress with their plans. The valuation movements during the period are discussed in more detail in the following sections of this Investment Manager's Report.

Portfolio Performance

Overall, several larger valuation reductions in the Venture Capital Portfolio were more than offset by a number of valuation uplifts during the period, resulting in a net valuation uplift on this portfolio, of £2.0 million.

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 31 March 2021. This resulted in a valuation uplift of £1.35 million for the period.

ii. Venture Capital Portfolio

Investment activity

During the period, a total of £7.0 million was invested in sixteen businesses, six of which are new VCT Qualifying investments.

New Venture Capital investments

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

Cornelis Networks, Inc. (£1.4 million), is a spin out from Intel Corporation which provides purpose-built interconnects focused on high-performance computing, data analytics and artificial intelligence. The Company's technology allows the processing of a huge volume of calculations at high speed.

Parsable, Inc. (£766,000) is a leading provider of software to manufacturing industries. Its Connected Worker platform helps improve safety, quality and productivity by connecting and empowering frontline workers to optimise processes and execute work more quickly, reducing waste and improving safety.

Ayar Labs, Inc. (£764,000) has developed components for high performance computing and data centre applications to deliver better bandwidth, better power, and reduced latency.

Carbice Corporation (£656,000) is a nanotechnology company developing technologies to dissipate heat from electronic devices such as phones and satellites that improve performance and safety.

Trinny London Limited (£219,000) is an e-commerce-based beauty and cosmetics brand launched by Trinny Woodall.

Investment Manager's Report - Generalist Share Pool (continued)

ii. Venture Capital Portfolio (continued)

Investment activity (continued)

New Venture Capital investments (continued)

MIP Diagnostics Limited (£200,000) is a manufacturer of polymer based synthetic antibodies that provide a viable alternative to antibodies for diagnostic immunoassays which are used across a variety of sectors including diagnostics, sensors, food testing and reagent purification.

Follow-on Venture Capital investments

A description of each of the follow-on investments made into existing businesses in the Venture Capital Portfolio is shown below.

During the period, the existing loan note investments (including interest thereon) in **Empiribox Holdings Limited**, a provider of equipment and training to primary schools across the UK, converted into equity as part of a restructuring. The Generalist Share pool also made a further equity investment of £250,000 during the period.

A further £525,000 was invested in **FundingXchange Limited**. The business is an SME funding platform and B2B technology provider which enables online lending.

During the period, the existing £300,000 loan note investment in **Channel Mum Limited**, the developer and operator of a community-based online platform for parents, converted into equity as part of a new funding round. At this point, the Generalist Share pool also made a further equity investment of £175,000.

£434,000 was invested in **Congenica Limited**, a company which has developed a genomics-based diagnostic decision support platform which helps doctors identify rare diseases in patients.

A further £250,000 was invested in **Virtual Class Limited**, trading as **Third Space Learning**. The company has developed an online educational platform that provides mathematics tuition to pupils studying for their Key Stage 2 exams.

£250,000 was invested in **Hummingbird Technologies Limited**, the owner of an advanced crop analytics platform that is powered by machine learning and aerial imagery to assess and predict crop health.

£158,000 was invested in **Streethub Limited** (trading as **Trouva**), an online marketplace for a curated range of homeware and lifestyle products.

A further £114,000 was invested in **Arecor Limited** the developer of biopharmaceuticals and proprietary diabetes-related products, including ultra-fast acting insulin to treat type 1 and 2 diabetes. In June 2021, Arecor admitted its shares to trading on AIM and raised a further £20 million via a new placing. The proceeds will be used to facilitate the development of its internal proprietary diabetes and specialty hospital products.

£62,000 was invested in **ADC Biotechnology Limited**, in order to support the business towards an exit. Following this investment, the Generalist Share pool's holding in the company was exited in full, generating initial proceeds of £110,000, with a further £115,000 to follow should the business achieve certain milestones. As this second amount is contingent on events which are outside of the control of the Company and Downing LLP, it has not been included in the Generalist NAV or as part of the exit proceeds shown on page 14.

A further £50,000 was invested in **Exonar Limited**, a developer of software solutions which help ensure compliance with data-centric regulations and imperatives, including GDPR.

Finally, **BridgeU Corporation**, an educational technology business, was exited in full during the period, generating initial proceeds of £462,000, resulting in a gain over holding value of £48,000. It is likely that the Generalist Share pool will receive further proceeds of up to £143,000, however additional amounts have, as yet, not been recognised as their recovery is subject to events outside the Company's control.

Portfolio valuation

During the period, the Venture Capital portfolio of the Generalist Share pool was increased in value by a total of £2.0 million. Whilst there have been a number of positive developments within the Venture Capital portfolio, several companies were reduced in value due to them not progressing as we had hoped.

Lignia Wood Company Limited has experienced material reductions in demand since March 2020 as the restrictions on the movement of goods have impacted the supply chain significantly. Given the impact of coronavirus on the business' performance to date, the business has not been able to raise further funds. As a result, we believe that the business will now ultimately fail, and the value of the Generalist Share pool's investment has therefore been reduced to £nil, from £1.25 million as at 31 March 2020.

Investment Manager's Report - Generalist Share Pool (continued)

ii. Venture Capital Portfolio (continued)

Portfolio valuation (continued)

E-Fundamentals (Group) Limited has progressed well both in the UK and in the US, with recurring revenues continuing to grow. This good performance has resulted in a valuation uplift of £1.1 million as at 31 March 2021.

Virtual Class Limited, trading as Third Space Learning, which received further funding from the Generalist Share pool during the period, was uplifted in value by £1.1 million as at 31 March 2021. The business has seen an increase in demand for its online educational platform.

Imagen Limited, the developer of a cloud-based enterprise video platform, continues to have a strong revenue pipeline and has performed ahead of budget. As a result, the Generalist Share pool's investment in the business was uplifted by £828,000 as at 31 March 2021.

Trinny London Limited, the e-commerce-based beauty and cosmetics brand in which the Generalist Share pool made its first investment in the summer of 2020, has been uplifted by £738,000 at the period end as a result of the company performing significantly ahead of budget.

Destiny Pharma plc, which is listed on AIM, was uplifted by £425,000 as at 31 March 2021, in line with the prevailing quoted price at that date. The company has published several positive updates during the year. In particular, the company raised a further £10.4 million to facilitate the acquisition of the global rights to NTCD-M3, a drug preventing *Clostridium difficile* recurrence.

Upp Technologies Group Limited (previously Volo Commerce) a provider of multichannel e-commerce technology, was reduced in value by £566,000 as at 31 March 2021, on the back of its revenue performance being behind the milestones in place at the time of investment.

As noted previously, **Empiribox Holdings Limited** was restructured during the period. The valuation of the Generalist Share pool's investment in the business was reduced by £280,000 as at 31 March 2021, as the business continues to be behind on its plans following delays caused by the pandemic.

It is disappointing to report that we continue to anticipate no recovery of value from **Live Better With Limited**, a developer of a healthcare website aiming to help people with long term medical conditions.

The remaining investments in the Venture Capital Portfolio were reduced in value by a total of £68,000 as at 31 March 2021.

Outlook

There have been a number of positive developments in the portfolio over the latter months of the year ended 31 March 2021, as the vaccination rollout has progressed in the UK and restrictions have eased on the back of this. We are encouraged by many of the portfolio companies, with most having been able to adapt their operations and continue with their plans during what has been a difficult and uncertain year. We continue to actively engage with these companies, providing guidance and support to ensure they are well positioned to proceed with their milestones.

iii. Liquidity Investments

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 31 March 2021. This resulted in a total uplift of £1.4 million for the year.

Downing Strategic Micro-Cap Investment Trust plc

The value of the Generalist Share pool's holding in Downing Strategic Micro-Cap Investment Trust plc ("DSM") increased in value by £1.3 million during the period. As at 31 March 2021, DSM's mid-market share price traded at a discount to NAV of 12.81%, representing unrealised value in the company's share price. The Managers of DSM believe that the trust's portfolio also has a level of intrinsic value which is yet to be recognised by the market. The Managers estimated this to be 43% as at 10 May 2021, and believe that a return of positive sentiment to UK small company value could further enhance this.

The Managers believe the investee companies are all well financed and should benefit from the end of lockdown and a return to more normalised trading conditions. The Managers are focused, alongside strong management teams, on the catalysts in the portfolio which has now matured into a collection of well-run and relevant businesses.

Investment Manager's Report - Generalist Share Pool (continued)

iii. Liquidity Investments (continued)

Downing Monthly Income Fund

The Generalist Share pool's holding in Downing Monthly Income Fund ("DMI") was redeemed in full during the year ended 31 March 2021. The redemptions generated proceeds of £3.3 million, representing a loss against original cost of £612,000. The proceeds generated were used to fund new and follow-on investments in the Venture Capital Portfolio.

Downing UK Micro-Cap Growth Fund

As we noted in the Half-Yearly Report to 30 September 2020, in October 2020 the ACD (Associated Corporate Director) and Downing LLP took the decision to suspend Downing UK Micro-Cap Growth Fund ("DMCG") on the grounds of the fund's ongoing viability due to its small size. Subsequently, the relevant parties agreed to proceed with winding-up the fund and return capital to investors. The majority of DMCG's portfolio was therefore realised in early 2021, meaning that c.85% of the Generalist Share pool's holding was redeemed prior to 31 March 2021.

This majority redemption generated proceeds of £2.5 million for the Generalist Share pool, representing a loss over cost of £1.0 million. The remaining holding in DMCG was valued at £362,000 as at 31 March 2021. This largely represents the value of smaller unquoted holdings within the DMCG portfolio, which the Managers are seeking to realise.

Outlook

As previously highlighted, £5.8 million of value was redeemed from the Generalist Share pool's holdings in DMI and DMCG during the year. The Managers are seeking to realise the remaining value in DMCG over the remainder of 2021, to facilitate final redemptions for investors.

Once the remaining DMCG value has been realised, the only remaining holding in the Liquidity Investment Portfolio will be in DSM. Since 31 March 2021, there have been several positive developments in the DSM portfolio, most notably a significant loan redemption through a corporate event, which returned more than £5.3 million to DSM. The Managers report that DSM has a strong pipeline of new investment opportunities, some of which have already been executed.

Downing LLP

6 July 2021

Review of Investments – Generalist Share Pool

The following investments were held at 31 March 2021:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
E-Fundamentals (Group) Limited	1,342	2,408	1,066	7.6%
Virtual Class Limited (Third Space Learning)	1,053	1,876	1,080	5.9%
Imagen Limited	1,000	1,828	828	5.8%
Rated People Limited	1,282	1,584	302	5.0%
Cornelis Networks, Inc.	1,402	1,307	(95)	4.1%
Streethub Limited (t/a Trouva)	1,208	1,273	14	4.0%
FundingXchange Limited	1,050	1,050	-	3.3%
Firefly Learning Limited	1,047	1,047	-	3.3%
Ecstase Limited (t/a ADAY)	1,000	1,000	-	3.1%
Trinny London Limited	219	957	738	3.0%
Limitless Technology Limited	757	920	117	2.9%
Hackajob Limited	784	784	-	2.5%
Hummingbird Technologies Limited	750	753	85	2.4%
Congenica Limited	734	746	12	2.3%
Ayar Labs, Inc.	764	726	(38)	2.3%
Parsable, Inc.	766	678	(88)	2.1%
Masters of Pie Limited	667	667	-	2.1%
Carbice Corporation	656	609	(47)	1.9%
Destiny Pharma plc^	500	529	425	1.7%
JRNI Limited	525	525	-	1.7%
Maverick Pubs (Holdings) Limited	1,000	450	(50)	1.4%
Arecor Limited	414	414	-	1.3%
Empiribox Holdings Limited	1,563	405	(280)	1.3%
Fenkle Street LLP*	301	388	(12)	1.2%
Exonar Limited	550	379	(171)	1.2%
Cambridge Touch Technologies Limited	459	361	-	1.1%
Xupes Limited	933	291	291	0.9%
Channel Mum Limited	675	278	(197)	0.9%
FVRVS Limited (t/a Fundamental VR)	250	250	-	0.8%
Upp Technologies Group Limited (prev. Volo Commerce)	1,077	242	(566)	0.8%
Lineten Limited	400	209	(191)	0.7%
MIP Diagnostics Limited	200	200	-	0.6%
Lignia Wood Company Limited	1,778	-	(1,250)	0.0%
Live Better With Limited	1,211	-	-	0.0%
Ormsborough Limited	900	-	-	0.0%
Glownet Limited	741	-	-	0.0%
	29,958	25,134	1,973	79.2%
Liquidity investments				
MI Downing UK Micro-Cap Growth Fund*	492	362	83	1.1%
Downing Strategic Micro-Cap Investment Trust plc*^	4,269	3,137	1,264	9.8%
	4,761	3,499	1,347	10.9%
	34,719	28,633	3,320	90.1%
Cash at bank and in hand		3,141		9.9%
Total investments		31,774		100.0%

All Venture Capital investments are incorporated in England and Wales.

*non-qualifying investment

^listed and traded on the London Stock Exchange

Review of Investments – Generalist Share Pool (continued)

Investment movements for the year ended 31 March 2021

Additions	Cost £'000
Venture Capital investments	
Cornelis Networks, Inc.	1,402
Empiribox Holdings Limited***	685
Parsable, Inc.	766
Ayar Labs, Inc.	764
Carbice Corporation	656
FundingXchange Limited	525
Channel Mum Limited***	475
Congenica Limited	434
Virtual Class Limited (Third Space Learning)	250
Hummingbird Technologies Limited	250
Trinny London Limited	219
MIP Diagnostics Limited	200
Streethub Limited (t/a Trouva)	158
Arecor Limited	114
ADC Biotechnology Limited	62
Exonar Limited	50
	7,010

Disposals	Cost £'000	Valuation at 01/04/20* £'000	Proceeds £'000	Loss vs. cost £'000	Realised (loss)/gain £'000
Venture Capital investments					
Empiribox Holdings Limited***	650	325	325	(325)	-
ADC Biotechnology Limited	877	540	110	(767)	(430)
Channel Mum Limited***	300	300	300	-	-
BridgeU Corporation	810	414	462	(348)	48
Liquidity investments					
MI Downing Monthly Income Fund**	3,950	2,712	3,338	(612)	626
MI Downing UK Micro-Cap Growth Fund**	3,533	1,991	2,494	(1,039)	503
	10,120	6,282	7,029	(3,091)	747




*adjusted for additions in the year as appropriate

**non-qualifying investment

***includes Loan Note conversion




Review of Investments – Generalist Share Pool (continued)

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

E Fundamentals (Group) Limited <small>www.ef.uk.com</small> 	Cost at 31/03/21:	£1,342,000	Valuation at 31/03/21:	£2,408,000
	Cost at 31/03/20:	£1,342,000	Valuation at 31/03/20:	£1,342,000
	Date of first investment:	Dec-17	Valuation method:	Multiple
	Investment comprises:			
	Equity:	£1,342,000	% of total shares in issue/total voting rights	10.6%
Summary financial information from statutory accounts to 31 December:				
			2019	2018
	Net assets:		£10.0m	£6.2m
E-Fundamentals (Group) Limited is a Software as a Service (SaaS) analytics company, which has developed and commercialised a SaaS analytics tool sold directly to companies to enable them to accurately assess the performance of their products when being sold through third party e-commerce sites.				
Virtual Class Limited (Third Space Learning) <small>www.thirdspacelearning.com</small> 	Cost at 31/03/21:	£1,053,000	Valuation at 31/03/21:	£1,876,000
	Cost at 31/03/20:	£803,000	Valuation at 31/03/20:	£546,000
	Date of first investment:	Apr-18	Valuation method:	Multiple
	Investment comprises:			
	Equity:	£1,053,000	% of total shares in issue/total voting rights	7.8%
Summary financial information from statutory accounts to 31 July:				
			2020	2019
	Net assets:		£0.1m	£0.9m
Third Space Learning has developed an online educational platform that provides mathematics tuition to pupils studying for their exams, offering online 1-to-1 maths intervention and high-quality resources that help develop the building blocks to success in maths.				
Imagen Limited <small>www.imagenevp.com</small> 	Cost at 31/03/21:	£1,000,000	Valuation at 31/03/21:	£1,828,000
	Cost at 31/03/20:	£1,000,000	Valuation at 31/03/20:	£1,000,000
	Date of first investment:	Dec-18	Valuation method:	Multiple
	Investment comprises:			
	Equity:	£1,000,000	% of total shares in issue/total voting rights	4.9%
Summary financial information from statutory accounts to 31 May:				
			2020	2019
	Net assets:		£0.5m	£4.2m
Imagen is a SaaS video management platform which holds both current and archive footage for major sporting organisations and news outlets, including Premier League, World Tennis Association and the BBC. The platform helps sports, media and enterprise businesses to manage their expanding video and content libraries on its cloud-based technology.				




Review of Investments – Generalist Share Pool (continued)

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

Rated People Limited <small>www.ratedpeople.com</small> 	Cost at 31/03/21:	£1,282,000	Valuation at 31/03/21:	£1,584,000
	Cost at 31/03/20:	£1,282,000	Valuation at 31/03/20:	£1,282,000
	Date of first investment:	Nov-18	Valuation method:	Multiple
	Investment comprises:			
	Equity:	£1,282,000	% of total shares in issue	1.1%
			% of total voting rights	2.9%
	Summary financial information from statutory accounts to 31 December:			
			2019	2018
	Turnover:		£13.4m	£13.6m
	Loss before tax:		(£3.8m)	(£4.8m)
	Net liabilities:		(£5.2m)	(£2.7m)
	<p>Rated People is an online home services marketplace that aims to connect homeowners with high quality local tradespeople. The company offers access to more than 50,000 tradespeople, representing over 30 trades, and covering the whole of the UK.</p>			
Cornelis Networks, Inc. <small>www.cornelisnetworks.com</small> 	Cost at 31/03/21:	£1,402,000	Valuation at 31/03/21:	£1,307,000
	Date of first investment:	Sep-20	Valuation method:	Calibration to price of recent investment (in USD)
	Investment comprises:			
	Equity:	£1,402,000	% of total shares in issue/total voting rights	3.3%
	Summary financial information not publicly available.			
	<p>Cornelis Networks is a provider of purpose-built interconnects focused on high performance computing (HPC), high performance data analytics (HPDA), and artificial intelligence (AI). Cornelis Networks is an independent company spun out from Intel's Omni-Path Architecture Business. Omni-Path Architecture enables quicker processing and output with minimal lag and power consumption – a critical element with the increasing data requirements in next-gen technology.</p>			
StreetHub Limited (t/a Trouva) <small>www.trouva.com</small> 	Cost at 31/03/21:	£1,208,000	Valuation at 31/03/21:	£1,273,000
	Cost at 31/03/20:	£1,050,000	Valuation at 31/03/20:	£1,101,000
	Date of first investment:	Apr-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£1,208,000	% of total shares in issue/total voting rights	2.2%
	Summary financial information from statutory accounts to 31 July:			
			2020	2019
	Net assets/(liabilities):		£0.6m	(£11.3m)
	<p>Trouva is an online marketplace showcasing products from over 700 independent boutiques. The platform helps increase sales as boutiques have access to a global customer base, while providing software to digitise stock management and delivery logistics. Trouva came top in the prestigious Startups 100 Index for 2020, which ranks the UK's best high growth startups.</p>			


Review of Investments – Generalist Share Pool (continued)

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

<div> <div>FundingXchange Limited</div> <div>www.fundingxchange.co.uk</div> <div>  </div> </div>	Cost at 31/03/21:	£1,050,000	Valuation at 31/03/21:	£1,050,000
	Cost at 31/03/20:	£525,000	Valuation at 31/03/20:	£525,000
	Date of first investment:	Nov-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£1,050,000	% of total shares in issue/total voting rights	5.7%
	Summary financial information from statutory accounts to 30 September:			
			2020	2019
	Net assets:		£3.6m	£0.8m
	Funding Xchange (FXE) has developed a user-friendly and data-driven solution to an important problem within the under-served UK SME market. Compared to the existing solution of applying direct to lenders or via brokers, FXE cuts application times down to as little as 10 minutes, and significantly increases the transparency around the type and pricing of funding options available based on the specific business needs. The FXE has proven commercial traction for its lending marketplace solution and a clear roadmap to transition to a blended transactional/SaaS license model through white-labelling of its intelligent decisioning platform that will enable lenders to service the smaller end of the SME market in a cost-efficient manner.			
<div> <div>Firefly Learning Limited</div> <div>www.fireflylearning.com</div> <div>  </div> </div>	Cost at 31/03/21:	£1,047,000	Valuation at 31/03/21:	£1,047,000
	Cost at 31/03/20:	£1,047,000	Valuation at 31/03/20:	£1,047,000
	Date of first investment:	Jan-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£1,047,000	% of total shares in issue/total voting rights	3.5%
	Summary financial information from statutory accounts to 30 April:			
			2020	2019
	Net (liabilities)/assets:		(£0.3m)	£2.6m
	Firefly is an online education platform which allows teachers to share lesson plans, assign and review homework and communicate with students and parents online, leaving an audit trail of assignments submitted and marks received.			
<div> <div>Ecstase Limited</div> <div>(t/a ADAY)</div> <div>www.thisisaday.com</div> <div>  </div> </div>	Cost at 31/03/21:	£1,000,000	Valuation at 31/03/21:	£1,000,000
	Cost at 31/03/20:	£1,000,000	Valuation at 31/03/20:	£1,000,000
	Date of first investment:	Nov-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£1,000,000	% of total shares in issue/total voting rights	4.4%
	Summary financial information from statutory accounts to 30 June:			
			2020	2019
	Net assets:		£9.0m	£3.0m
	ADAY is an e-commerce clothing brand creating versatile, seasonless garments using fabrics and factories with a low environmental footprint. Founded in 2015, the company create and sell direct to consumer multi-functional clothes for professional women using 'technical' fabrics more commonly used for sports attire, and where possible, incorporating the latest innovation in sustainable materials and sustainable manufacturing.			

Review of Investments – Generalist Share Pool (continued)

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

Trinny London Limited <small>www.trinnylondon.com</small> 	Cost at 31/03/21:	£219,000	Valuation at 31/03/21:	£957,000
	Date of first investment:	Jul-20	Valuation method:	Multiple
	Investment comprises:			
	Equity:	£219,000	% of total shares in issue/total voting rights	0.5%
	Summary financial information from statutory accounts to 30 June:			
			2020	2019
	Net assets:		£2.8m	£2.4m
Trinny London is a premium cosmetic and skincare brand launched in 2016 by Trinny Woodall and Mark McGuinness-Smith. The business' online platform can match customers with products suiting their complexion.				

Note: net asset, turnover and pre-tax profit figures are stated where this information is publicly available. The proportion of the total shares in issue/total voting rights are stated on an individual Share pool basis.

Summary of loan interest income and interest on advances

Loan interest and interest on advances receivable in the year	£'000
Empiribox Holdings Limited	119
Xupes Limited	32
Arecor Limited	4
	155

Analysis of investments by type

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

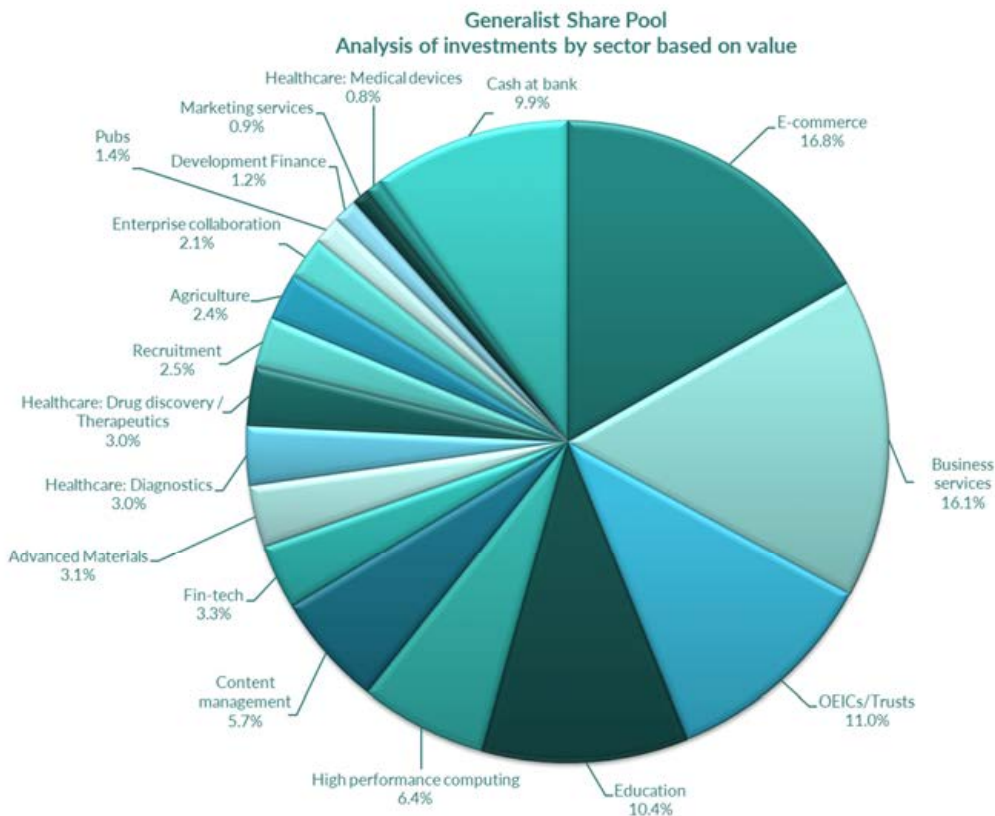
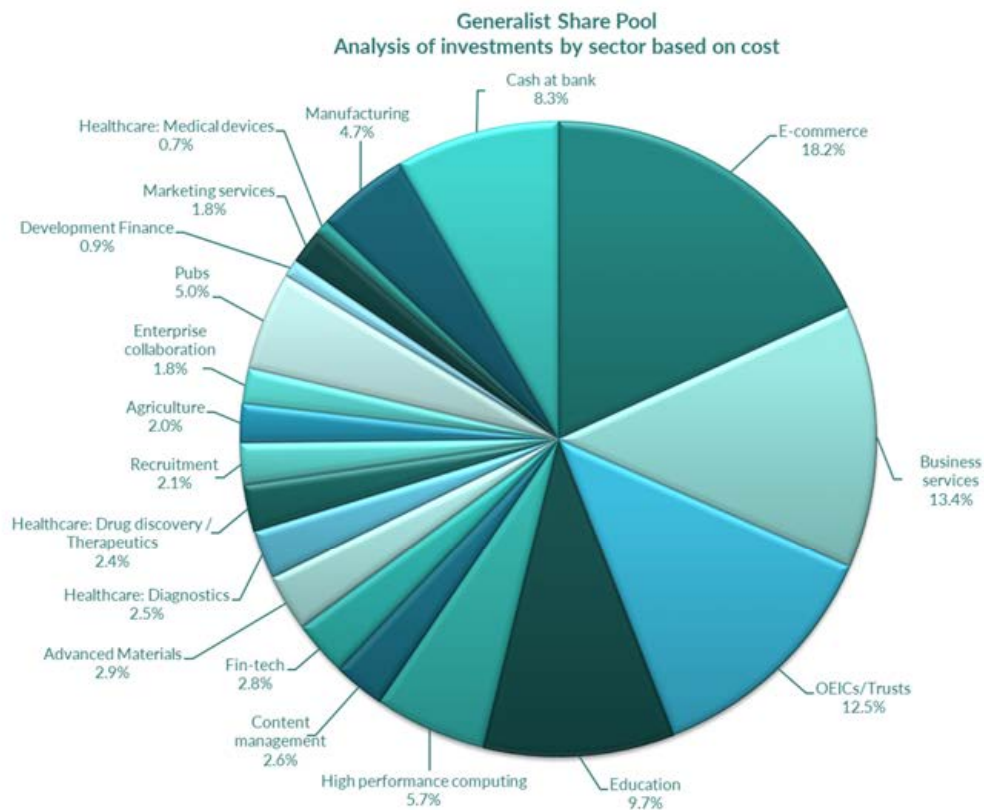
	Actual portfolio split at 31 March 2021**	Target portfolio split at 31 March 2021*
VCT Qualifying Investments		
Qualifying loans	2%	25%
Qualifying equity	96%	60%
Total	98%	85%
Non-Qualifying Investments		
Liquidity investments and Non-Qualifying loans	1%	5%
Total	99%	90%
Cash	1%	10%
	100%	100%

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

**Excludes funds to which the VCT Qualification test was yet to apply, as at 31 March 2021.

The split of the Generalist Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2021) are shown on the next page.

Review of Investments – Generalist Share Pool(continued)



Healthcare Share Pool

Share Pool Summary

Financial highlights	31 March 2021 Pence	31 March 2020 pence
Net Asset Value per Healthcare Share	68.5	68.1
Cumulative distributions	2.5	-
Total Return per Healthcare Share	71.0	68.1

Forthcoming Dividend

A proposed final dividend of 2.75p per Healthcare Share will be paid on 24 September 2021, to Shareholders on the register at 3 September 2021.

Dividend history

Period end	Date paid	Pence per share
2020 Interim	25 September 2020	2.5
		2.5

Share prices

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

	Healthcare Shares
TIDM/EPIC codes	D4H
Latest share price (6 July 2021)	69.5p per share

Performance Incentive arrangements

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

For the year ended 31 March 2021, the hurdle is met when Total Return (based on audited year end results) is in excess of £1.03 per Healthcare Share. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2022 the Total Return hurdle will be £1.06, for the year ended 31 March 2023 the hurdle will be £1.09, etc. If the hurdle is met in any year, then members of the management team will receive 20% of the dividends paid. The current Total Return is 71.0p and therefore no provision for a performance incentive fee is necessary.

Investment Manager's Report- Healthcare Share Pool

i. Overview

Introduction

We present a review of the investment portfolio and activity for the Healthcare Share pool over the year ended 31 March 2021.

This Investment Manager's Report is split into three sections comprising this overview, a review of Venture Capital Portfolio and a report on the portfolio of Liquidity Investments.

Net Asset Value and results

As at 31 March 2021, the NAV of a Healthcare share stood at 68.5p, an increase of 2.9p (4.3%) over the year after adding back the first Healthcare dividend, of 2.5p per share, which was paid on 25 September 2020.

The return on ordinary activities for the Healthcare Share pool for the year was £549,000 (2020: loss of £2.8 million), being a revenue loss of £113,000 (2020: £240,000) and a capital gain of £662,000 (2020: loss of £2.5 million).

Whilst there has been some recovery in the NAV since 31 March 2020, the Total Return to Shareholders as at 31 March 2021, of 71.0p, continues to be considered an underperformance against our expectations for the Healthcare Share pool.

A proposed final dividend of 2.75p per share will be paid on 24 September 2021, to Shareholders on the register at 3 September 2021. This is in line with the stated dividend target for the Healthcare Share pool, to pay dividends of at least 4% of net assets per annum.

Portfolio Overview

As at 31 March 2021, the Healthcare Share pool held a portfolio of 13 Venture Capital investments and two Liquidity investments, with a combined value of £9.5 million.

The year ended 31 March 2021 saw the impact of the coronavirus pandemic extend through all sectors of the UK economy. Whilst the successes of some Healthcare businesses have been accelerated due to the focus on developing coronavirus vaccines, many other Healthcare businesses, such as those developing pharmaceuticals unrelated to coronavirus, have experienced delays or disruptions.

The valuation movements during the period are discussed in more detail in the following sections of this Investment Manager's Report.

Portfolio Performance

There were several valuation movements in the Venture Capital Portfolio during the year, resulting in a net valuation uplift of £640,000 as at 31 March 2021.

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 31 March 2021, resulting in a valuation uplift of £241,000 for the year.

ii. Venture Capital Portfolio

Investment activity

During the year, a total of £3.5 million was invested in eight businesses, four of which are new VCT Qualifying investments.

New Venture Capital investments

Genincode UK Limited, trading as **GEN inCode (£900,000)**, develops products and technology that helps patients and healthcare practitioners to assess and predict the onset of cardiovascular disease, thrombosis, and the diagnosis of Familial Hypercholesterolemia.

Invizius Limited (£500,000) is seeking to improve patient outcomes in dialysis and other extra-corporeal treatments. Its core patented technology aims to reduce inflammatory responses which can otherwise reduce the life expectancy of dialysis patients.

Cambridge Respiratory Innovations Limited (£400,000) is a company that creates innovative respiratory technologies, including its award-winning N-Tidal device which helps medical professionals diagnose respiratory conditions and monitor lung function in patients.

MIP Diagnostics Limited (£200,000) is a manufacturer of polymer based synthetic antibodies that provide a viable alternative to antibodies for diagnostic immunoassays which are used across a variety of sectors including diagnostics, sensors, food testing and reagent purification.

Follow-on Venture Capital investments

£500,000 was invested in **Adaptix Limited**, the developer of a flat panel X-ray source which seeks to improve the accuracy and mobility of 3D imaging. The company's technology will make portable, low radiation dose 3D imaging more accessible and lower cost than systems currently available on the market.

Investment Manager's Report- Healthcare Share Pool (continued)

ii. Venture Capital Portfolio (continued)

Investment activity (continued)

Follow-on Venture Capital investments (continued)

A further £434,000 was invested in **Congenica Limited**, a business which has developed a genomics-based diagnostic decision support platform which helps doctors identify rare diseases in patients.

£419,000 was invested in **Areacor Limited**, the developer of biopharmaceuticals and proprietary diabetes-related products, including ultra-fast acting insulin to treat type 1 and 2 diabetes. In June 2021, Areacor admitted its shares to trading on AIM and raised a further £20 million via a new placing. The proceeds will be used to facilitate the development of its internal proprietary diabetes and specialty hospital products.

£105,000 was invested in **ADC Biotechnology Limited**, in order to support the business towards an exit. Following this investment, the Healthcare Share pool's holding in the company was exited in full, generating initial proceeds of £187,000, with a further £195,000 to follow should the business achieve certain milestones. As this second amount is contingent on events which are outside of the control of the Company and Downing LLP, it has not been included in the NAV or as part of the exit proceeds shown on page 25.

Portfolio valuation

During the period, the Venture Capital portfolio of the Healthcare Share pool increased in value by a total of £640,000.

We are pleased to report that the majority of the businesses in the portfolio have been able to navigate the challenges brought about by the pandemic and were able to continue to progress with their plans over the period.

Destiny Pharma plc, which is listed on AIM, was uplifted by £638,000 as at 31 March 2021, in line with the prevailing quoted price at that date, which has increased by over 400% year on year. The share price had stalled since early 2018 on the back of little news flow from the company and was subsequently impacted by the market correction in March 2020. However, we maintained confidence in the company's longer-term prospects and its ability to execute on its plans. During the year the company published several positive updates. Notably, the company raised a further £10.4 million to facilitate the acquisition of the global rights to NTCD-M3, a drug preventing *Clostridium difficile* recurrence.

The company also successfully recruited patients in December 2020 for its phase 2b clinical trial in respect of its XF-73 nasal gel for the prevention of post-surgical infections and is now working on plans for a phase 3 clinical study.

The Electrosin Company Limited is a supplier and manufacturer of clinical-grade biomaterials, which can be used to act as a synthetic scaffold for implantation within body tissue to promote repair post trauma or surgery. The valuation of the Healthcare Share pool's investment has been calibrated to the price of the most recent funding round and reduced by £58,000 at 31 March 2021 as a result.

Adaptix Limited and **Congenica Limited**, in which the Healthcare Share pool made follow-on investments of £500,000 and £434,000 respectively during the year, were increased in value by £29,000 and £31,000 as at 31 March 2021, in line with calibrations to the valuations set under their latest funding rounds.

There were no other valuation movements in the Venture Capital portfolio.

Outlook

With £3.5 million having been invested in eight businesses during the year, the building of the Venture Capital portfolio of the Healthcare Share pool has progressed well during the period. The focus is on working with the existing portfolio companies to help these businesses achieve their plans, whilst also continuing to add appropriate VCT Qualifying investments to the Healthcare Share pool's portfolio.

Whilst it is disappointing to report Live Better With as an early loss in the portfolio, it is typically the case with young growth companies that the failures will materialise much faster than the successes, as the performance of stronger investments tends to be more incremental and therefore takes a longer time to materialise. We are, however, pleased with how the majority of the Healthcare Venture Capital portfolio has coped with the challenges they have faced over the last year and we believe there is strong potential within a number of these businesses.

Investment Manager's Report- Healthcare Share Pool (continued)

iii. Liquidity Investments

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 31 March 2021, resulting in a total uplift of £241,000 for the year.

Downing Strategic Micro-Cap Investment Trust plc

The value of the Healthcare Share pool's holding in Downing Strategic Micro-Cap Investment Trust plc ("DSM") increased in value by £215,000 during the period. As at 31 March 2021, DSM's mid-market share price traded at a discount to NAV of 12.81%, representing unrealised value in the company's share price. The Managers of DSM believe that the trust's portfolio also has a level of intrinsic value which is yet to be recognised by the market. The Managers estimated this to be 43% as at 10 May 2021, and believe that a return of positive sentiment to UK small company value could further enhance this.

The Managers believe the investee companies are all well financed and should benefit from the end of lockdown and a return to more normalised trading conditions. The Managers are focused, alongside strong management teams, on the catalysts in the portfolio which has now matured into a collection of well-run and relevant businesses.

Downing Monthly Income Fund

The Healthcare Share pool's holding in Downing Monthly Income Fund ("DMI") was redeemed in full during the year ended 31 March 2021. The redemptions generated proceeds of £994,000, representing a loss against original cost of £106,000. The proceeds generated were used to fund new and follow-on investments in the Venture Capital Portfolio.

Downing UK Micro-Cap Growth Fund

As we noted in the Half-Yearly Report to 30 September 2020, in October 2020 the ACD (Associated Corporate Director) and Downing LLP took the decision to suspend Downing UK Micro-Cap Growth Fund ("DMCG") on the grounds of the fund's ongoing viability due to its small size. Subsequently, the relevant parties agreed to proceed with winding-up the fund and return capital to investors. The majority of DMCG's portfolio was therefore realised in early 2021, meaning that c.85% of the Healthcare Share pool's holding was redeemed prior to 31 March 2021.

This majority redemption generated proceeds of £694,000 for the Healthcare Share pool, representing a loss over cost of £275,000. The remaining holding in DMCG was valued at £115,000 as at 31 March 2021. This largely represents the value of smaller unquoted holdings within the DMCG portfolio, which the Managers are seeking to realise.

Outlook

As previously highlighted, £1.9 million of value was redeemed from the Healthcare Share pool's holdings in DMI and DMCG during the year. The Managers are seeking to realise the remaining value in DMCG over the remainder of 2021, to facilitate final redemptions for investors.

Once the remaining DMCG value has been realised, the only remaining holding in the Liquidity Investment Portfolio will be in DSM. Since 31 March 2021, there have been several positive developments in the DSM portfolio, most notably a significant loan redemption through a corporate event, which returned more than £5.3 million to DSM. The Managers report that DSM has a strong pipeline of new investment opportunities, some of which have already been executed.

Downing LLP

6 July 2021

Review of Investments – Healthcare Share Pool

The following investments were held at 31 March 2021:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
Arecor Limited	1,519	1,519	-	11.7%
Congenica Limited	1,184	1,215	31	9.3%
Adaptix Limited	1,056	1,085	29	8.3%
Open Bionics Limited	1,000	1,000	-	7.7%
Genincode UK Limited	900	900	-	6.9%
Destiny Pharma plc^	750	793	638	6.1%
Future Health Works Limited (t/a MyRecovery)	528	556	-	4.3%
FVRVS Limited	500	500	-	3.8%
Invizius Limited	500	500	-	3.8%
Cambridge Respiratory Innovations Limited	400	400	-	3.1%
The Electrospinning Company Limited	278	220	(58)	1.7%
MIP Diagnostics Limited	200	200	-	1.5%
Live Better With Limited	1,106	-	-	0.0%
	9,921	8,888	640	68.2%
Liquidity Investments				
MI Downing UK Micro-Cap Growth Fund*	156	115	26	0.9%
Downing Strategic Micro-Cap Investment Trust plc*^	729	535	215	4.1%
	885	650	241	5.0%
	10,806	9,538	881	73.2%
Cash at bank and in hand		3,491		26.8%
Total investments		13,029		100.0%

*non-qualifying investment

^listed and traded on the London Stock Exchange

Review of Investments – Healthcare Share Pool (continued)

Investment movements for the year ended 31 March 2021

	Cost £'000
Additions	
Venture Capital investments	
Genincode UK Limited	900
Adaptix Limited	500
Invizius Limited	500
Congenica Limited	434
Arecor Limited	419
Cambridge Respiratory Innovations Limited	400
MIP Diagnostics Limited	200
ADC Biotechnology Limited	105
	3,458

	Cost £'000	Valuation at 01/04/20* £'000	Proceeds £'000	Loss vs. cost £'000	Realised (loss)/gain £'000
Disposals					
Venture Capital investments					
ADC Biotechnology Limited	1,497	660	187	(1,310)	(473)
Liquidity investments					
MI Downing Monthly Income Fund**	1,100	757	994	(106)	237
MI Downing UK Micro-Cap Growth Fund**	969	543	694	(275)	151
	3,566	1,960	1,875	(1,691)	(85)

*adjusted for additions in the year as appropriate

**non-qualifying investment




Review of Investments – Healthcare Share Pool (continued)

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

Arecor Limited <small>www.arecor.com</small> 	Cost at 31/03/21:	£1,519,000	Valuation at 31/03/21:	£1,519,000
	Cost at 31/03/20:	£1,100,000	Valuation at 31/03/20:	£1,100,000
	Date of first investment:	Sep-18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity	£1,100,000	% of total shares in issue/total voting rights	6.0%
	Convertible loan notes	£419,000	Proportion of convertible loan notes held	22.0%
	Summary financial information from statutory accounts to 31 December:			
			2020	2019
	Net assets:		£0.9m	£3.1m
	<p>Arecor is a leader in developing superior biopharmaceuticals through the application of its innovative formulation technology platform. The company also provides the use of its platform as a service to drug development customers.</p> <p>On 3 June 2021, Arecor admitted its shares to trading on AIM and raised a further £20 million via a new placing. The proceeds will be used to facilitate the development of its internal proprietary diabetes and specialty hospital products.</p>			
Congenica Limited <small>www.congenica.com</small> 	Cost at 31/03/21:	£1,184,000	Valuation at 31/03/21:	£1,215,000
	Cost at 31/03/20:	£750,000	Valuation at 31/03/20:	£750,000
	Date of first investment:	Oct-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity	£1,184,000	% of total shares in issue/total voting rights	1.3%
	Summary financial information from group statutory accounts to 31 December:			
			2020	2019
	Turnover:		£1.5m	£1.7m
	Loss before tax:		(£10.7m)	(£9.1m)
	Net assets:		£35.0m	£7.4m
	<p>Congenica has developed a genomics-based diagnostic decision support platform which helps doctors identify rare diseases in patients. The platform analyses DNA sequence data to suggest a diagnosis, speed up the time to diagnosis, and support clinical trials and drug development. Congenica has partnered with leading institutions and customers in the UK, US, China and Europe to better serve different patient populations and as a result is revenue generating.</p>			




Review of Investments – Healthcare Share Pool (continued)

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

Adaptix Limited www.adaptiximaging.com 	Cost at 31/03/21:	£1,056,000	Valuation at 31/03/21:	£1,085,000
	Cost at 31/03/20:	£556,000	Valuation at 31/03/20:	£556,000
	Date of first investment:	Mar-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£1,056,000	% of total shares in issue	5.8%
			% of total voting rights	6.3%
	Summary financial information from statutory accounts to 31 March:			
			2020	2019
	Turnover:		£0.2m	£nil
	Loss before tax:		(£0.9m)	(£0.6m)
	Net assets:		£6.9m	£6.9m
	Adaptix has designed a flatpanel x-ray source to improve the accuracy and mobility of 3D imaging. The company's technology will make portable, low radiation-dose 3D imaging more accessible and less costly than systems currently available on the market. The technology will also allow hospitals to provide faster and more definitive diagnoses.			
Open Bionics Limited www.openbionics.com 	Cost at 31/03/21:	£1,000,000	Valuation at 31/03/21:	£1,000,000
	Cost at 31/03/20:	£1,000,000	Valuation at 31/03/20:	£1,000,000
	Date of first investment:	Dec-18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£1,000,000	% of total shares in issue/total voting rights	8.1%
	Summary financial information from statutory accounts to:			
			31 Dec 2019	30 Sept 2018
	Net assets:		£3.4m	£0.7m
	Open Bionics is a Bristol-based engineering start-up that designs and manufactures affordable bionic prosthetic hands by using 3D scanning and printing. Founded in 2014, their current focus is on becoming the market leader for bionic hands, before entering new higher-growth prosthetic/orthotic markets.			
Genincode UK Limited www.genincode.com 	Cost at 31/03/21:	£900,000	Valuation at 31/03/21:	£900,000
	Date of first investment:	Jul-20	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£900,000	% of total shares in issue/total voting rights	9.9%
	Summary financial information from statutory accounts to 31 December:			
			2020	2019
	Turnover:		£1.0m	£1.9m
	Loss before tax:		(£1.1m)	(0.5m)
	Net assets/(liabilities):		£1.9m	(0.3m)
	GEN inCode products combine genetic and clinical data to risk assess patients and provide healthcare practitioners with advanced clinical information to evaluate and predict the onset of cardiovascular disease. GEN inCode predictive technology provides patients and physicians with globally leading preventative care and treatment strategies.			



Review of Investments – Healthcare Share Pool (continued)

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

Destiny Pharma plc <small>www.destinypharma.com</small> 	Cost at 31/03/21:	£750,000	Valuation at 31/03/21:	£793,000
	Cost at 31/03/20:	£750,000	Valuation at 31/03/20:	£155,000
	Date of first investment:	Sep-17	Valuation method:	Quoted price
	Investment comprises:			
	Equity:	£750,000	% of total shares in issue/total voting rights	0.8%
	Summary financial information from statutory accounts to 31 December:			
			2020	2019
	Turnover:		<£0.1m	£0.3m
	Loss before tax:		(£6.5m)	(£5.5m)
	Net assets:		£13.7m	£8.6m
<p>Destiny Pharma plc is an innovative biotech company developing treatments for antibiotic-resistant bacteria (also known as superbugs). The company floated on AIM in 2017, raising more than £10 million. The capital has primarily been used to progress the development of the company's 'XF-73' drug, which has shown a capability of killing bacteria rapidly and before it can develop any resistance. The company raised an additional £10.4 million by a further placing of shares in 2020, to fund the acquisition of the global rights to NTCD-M3, a drug preventing C. difficile recurrence.</p>				
Future Health Works Limited (t/a MyRecovery) <small>www.myrecovery.ai</small> 	Cost at 31/03/21:	£528,000	Valuation at 31/03/21:	£556,000
	Cost at 31/03/20:	£528,000	Valuation at 31/03/20:	£556,000
	Date of first investment:	Nov 18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£528,000	% of total shares in issue	6.0%
			% of total voting rights	6.3%
	Summary financial information from statutory accounts to 31 December:			
			2019	2018
	Net assets:		£1.1m	£0.9m
	<p>Future Health Works has developed a mobile app called myrecovery, which informs and empowers patients through every step of their orthopaedic treatment journey, customised to their procedure and hospital. The app improves efficiency across the healthcare value chain and delivers actionable insight through data analytics. The product is designed to save money and time for both practitioners and patients.</p>			
FVRVS Limited (t/a Fundamental VR) <small>www.FundamentalVR.com</small> 	Cost at 31/03/21:	£500,000	Valuation at 31/03/21:	£500,000
	Cost at 31/03/20:	£500,000	Valuation at 31/03/20:	£500,000
	Date of first investment:	Oct-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£500,000	% of total shares in issue/total voting rights	4.3%
	Summary financial information from statutory accounts to 31 December:			
			2019	2018
	Net assets:		£3.4m	£0.8m
	<p>Fundamental VR supply virtual reality enabled surgery simulation software into hospitals, medical schools and pharmaceutical companies. The software has proprietary in-built haptics functionality (i.e. touch sensations closely mimicking real-life textures) and connects seamlessly into off-the-shelf hardware that many hospitals already have on site.</p>			

Review of Investments – Healthcare Share Pool (continued)

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

Invizius Limited <small>www.invizius.com</small> 	Cost at 31/03/21:	£500,000	Valuation at 31/03/21:	£500,000
	Date of first investment:	Mar-21	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£500,000	% of total shares in issue/total voting rights	4.7%
	Summary financial information from statutory accounts to 31 December:			
			2020	2019
	Net assets:		£1.4m	£2.6m
<p>Invizius Limited is a late pre-clinical-stage biotechnology company developing treatments to suppress unwanted innate immune responses, focused initially on reducing the life-threatening inflammatory effects of dialysis. Founded in 2017, the University of Edinburgh spin-out is developing its proprietary H-Guard® Priming Solution, comprising a novel protein that lines the inside of the dialysis filter and helps dialysis to take place undetected by the body's immune system. This suppresses the blood's foreign body response, thereby preventing a hostile inflammatory reaction. The company is looking to expand its product pipeline into other, high-value indications.</p>				
Cambridge Respiratory Innovations Limited <small>www.camresp.com</small> 	Cost at 31/03/21:	£400,000	Valuation at 31/03/21:	£400,000
	Date of first investment:	Nov-20	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£400,000	% of total shares in issue/total voting rights	5.1%
	Summary financial information from statutory accounts to:			
			31 December 2019	30 November 2018
	Net liabilities:		(£0.3m)	(£0.4m)
<p>Cambridge Respiratory Innovations (CRI), is a leading medtech company that creates ground-breaking respiratory technologies. In December 2020 it received funding from BGF and Downing Ventures to fast track research and development of its award-winning N-Tidal device to help medical professionals diagnose and monitor respiratory conditions. The N-Tidal device is a first-in-kind, connected, handheld capnometer incorporating unique patented sensor technology, that can accurately measure carbon dioxide levels in exhaled breath during normal breathing. The data is transmitted wirelessly using mobile networks and is analysed using CRI's intelligent cloud-based analytics software. This information can be used to provide novel insights into lung health.</p>				

Note: net asset, turnover and pre-tax profit figures are stated where this information is publicly available. The proportion of the total shares in issue/total voting rights are stated on an individual Share pool basis.

Review of Investments – Healthcare Share Pool (continued)

Summary of loan interest income and interest on advances

	£'000
Loan interest and interest on advances receivable in the year	
Arecor Limited	14
	14

Analysis of investments by type

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

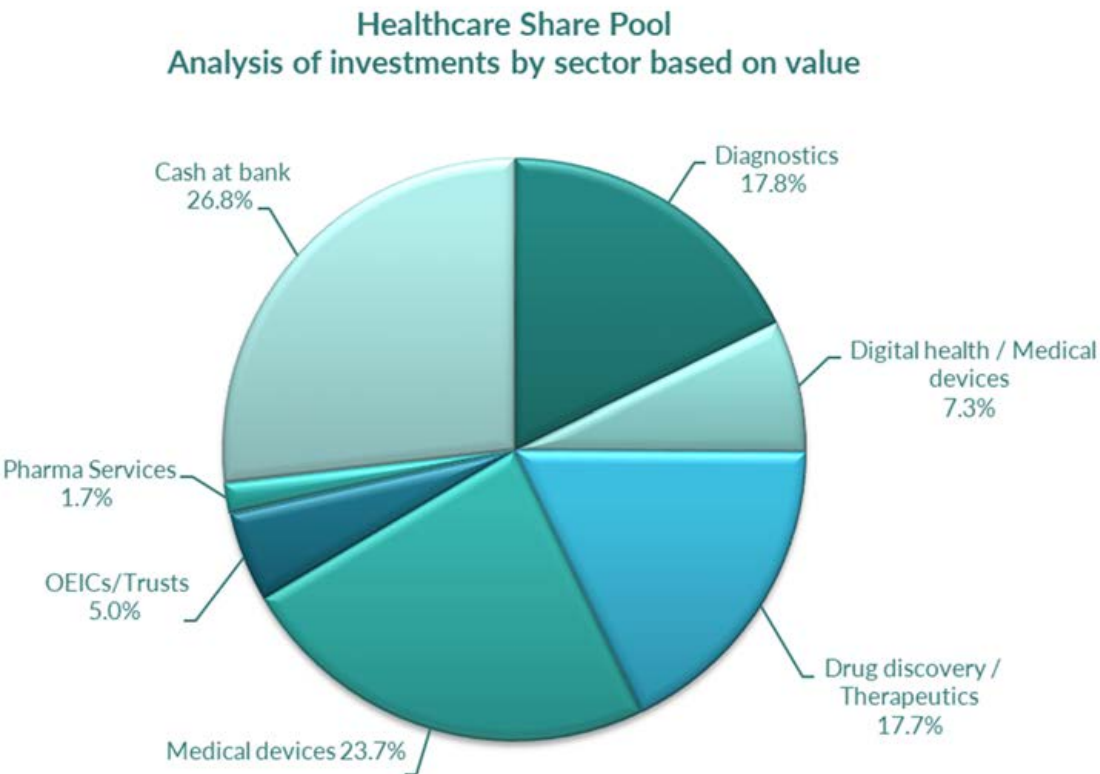
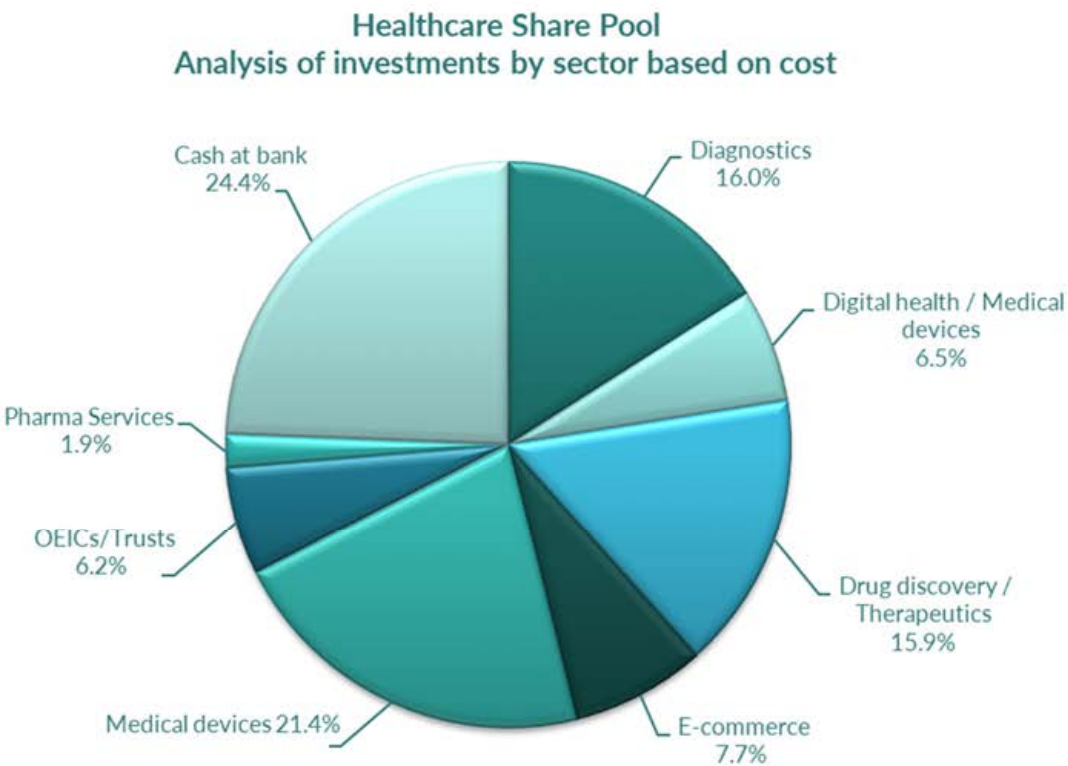
	Actual portfolio split at 31 March 2021**	Target portfolio split at 31 March 2021*
VCT Qualifying Investments		
Qualifying loans	0%	25%
Qualifying shares	81%	60%
Total	81%	85%
Non-Qualifying Investments		
Liquidity investments	0%	5%
Total	81%	90%
Cash	19%	10%
	100%	100%

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

**Excludes funds to which the VCT Qualification test was yet to apply, as at 31 March 2021.

The split of the Healthcare Share pool investment portfolio by commercial sector (by cost at 31 March 2021) is shown on the next page.

Review of Investments – Healthcare Share Pool (continued)



DSO D Share Pool

Share Pool Summary

	31 March 2021	31 March 2020
Financial highlights	Pence	Pence
Net Asset Value per DSO D Share	10.2	12.0
Cumulative distributions	94.5	94.5
Adjusted for Performance Incentive estimate	(0.5)	(4.3)
Total Return per DSO D Share	104.2	102.2

Dividend history

Period end	Date paid	Pence per share
2012 Final	28 September 2012	2.5
2013 Interim	25 January 2013	2.5
2013 Final	13 September 2013	2.5
2014 Interim	24 January 2014	2.5
2014 Final	30 September 2014	2.5
2015 Interim	30 January 2015	2.5
2015 Second interim	30 September 2015	2.5
2016 Interim	23 December 2015	2.5
2016 Final	30 September 2016	2.5
2017 Interim	6 January 2017	2.5
2017 Final	29 September 2017	2.5
2018 Special	2 November 2017	25.0
2018 Interim	13 August 2018	24.0
2020 Special	29 November 2019	18.0
		94.5

Share prices

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

	DSO D Shares
TIDM/EPIC codes	DO1D
Latest share price (6 July 2021)	9.0p per share

Structure of shareholdings

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

Performance Incentive arrangements

When cumulative dividends to DSO D Shareholders exceed 100.0p and the IRR on the Shareholders' investment exceeds 7% per annum, a Performance Incentive becomes payable to the management team. The fee is calculated at 3% on the first 100.0p of Shareholder proceeds, plus 20% of the excess above 100.0p. The fee is capped at a maximum of 7.0p per DSO D Share. Should the remaining investments be exited at their carrying value, it is estimated that a Performance Incentive of 0.5p per DSO D Share will be paid to members of the management team. No provision will be made in the accounts until the cumulative dividends exceed 100p.

Investment Manager's Report - DSO D Share Pool

Introduction

The process of realising the investments and returning funds to Shareholders remains the focus of the DSO D Share pool, although this has been subject to significant delays as a result of the coronavirus pandemic.

Net Asset Value and results

The Net Asset Value ("NAV") per DSO D Share at 31 March 2021, net of the estimated performance incentive fee, stood at 9.7p, an increase of 2.0p or 16.7% over the period. Whilst the reported NAV (prior to the deduction of the performance fee estimate) reduced by 1.8p during the year, the estimated performance incentive fee, which is expected to become due to partners and staff of Downing LLP, also reduced.

Total Return, net of the estimated performance fee, stands at 104.2p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per share. We consider this to be satisfactory performance when compared to the initial NAV of 100p.

The loss on ordinary activities after taxation for the year was £143,000 (2020: return of £175,000), comprising a revenue loss of £31,000 (2020: return of £121,000) and a capital loss of £112,000 (2020: return of £54,000).

Whilst it is unfortunate to report further delays in the realisation process, the NAV of the DSO D Share pool has not as yet been materially impacted by the coronavirus pandemic. We believe that there continue to be opportunities to exit from the remaining investments, however we expect this process will take some time to complete.

Venture Capital investments

As at 31 March 2021, the DSO D Share pool held four Venture Capital investments with a total value of £445,000.

Portfolio activity

Pearce and Saunders Limited, the owner of a freehold pub in south east London, repaid loan note principal of £25,000 during the period, along with a redemption premium of £75,000.

Pearce and Saunders DevCo Limited also repaid loan note principal of £1,000.

Apex Energy Limited, the owner of a standby electricity generation plant, was sold during the year ended 31 March 2021. The sale generated proceeds of £3,000 and a loss against cost of £397,000.

Portfolio valuation

During the year, the carrying value of the portfolio of Venture Capital investments held by the DSO D Share pool was reduced by £102,000.

Pearce and Saunders Limited has been heavily impacted by the restrictions and forced closures brought about by the coronavirus pandemic. Accordingly, the valuation has been reduced by £166,000 as at 31 March 2021.

There were two valuation increases during the year, the larger being an uplift of £51,000 in respect of **Fresh Green Power Limited**, the owner of solar panels on the rooftops of domestic properties in the UK. The business has been revalued in accordance with a potential sale, which was put on hold during the height of the pandemic.

Green Energy Production UK Limited owns a portfolio of commercial solar panels on the rooftops of Chicken sheds in Lincolnshire. The company is valued on a discounted cash flow basis and has been increased in value by £13,000, reflecting the latest assumptions on generation, energy pricing and operating costs for the remaining life of the project.

There were no other valuation movements in the DSO D Share pool portfolio.

Outlook

The focus for the DSO D Share pool continues to be on exiting from the remaining investments, however the pandemic has significantly delayed these processes. We now anticipate that these processes will be completed by the end of 2021. During this period, we will continue to monitor the companies in the portfolio and seek to maximise the proceeds for DSO D Shareholders. Further distributions will be once the final realisations have taken place.

Downing LLP

6 July 2021

Review of investments - DSO D Share Pool

The following investments were held at 31 March 2021:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
Fresh Green Power Limited	189	282	51	35.7%
Pearce and Saunders Limited	275	77	(166)	9.8%
Green Energy Production UK Limited	100	67	13	8.5%
Pearce and Saunders DevCo Limited*	19	19	-	2.4%
	583	445	(102)	56.4%
Cash at bank and in hand		344		43.6%
Total investments		789		100.0%

* non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.




Investment movements for the year ended 31 March 2021

Disposals	Cost £'000	Valuation at 01/04/20 £'000	Proceeds £'000	Gain/ (loss) vs. cost £'000	Realised loss £'000
Venture Capital investments					
Pearce and Saunders Limited	25	100	100	75	-
Apex Energy Limited	400	7	3	(397)	(4)
Pearce and Saunders DevCo Limited*	1	1	1	-	-
	426	108	104	(322)	(4)

* non-qualifying investment


Review of Investments – DSO D Share Pool (continued)

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

	Fresh Green Power Limited	Cost at 31/03/21:	£189,000	Valuation at 31/03/21:	£282,000
		Cost at 31/03/20:	£189,000	Valuation at 31/03/20:	£231,000
		Date of first investment:	Apr-12	Valuation method:	Discounted cash flow - business
		Investment comprises:			
		Equity:	£140,000	% of total shares in issue/total voting rights	20.0%
		Loan notes	£49,000	Proportion loan notes held:	20.0%
		Summary financial information from statutory accounts to 30 September:			
				2019	2018
		Net assets:		£0.7m	£0.7m
		Fresh Green Power Limited owns solar panels on the rooftops of domestic properties in the UK. The households benefit from free electricity whilst Fresh Green Power receives Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.			
	Pearce & Saunders Limited	Cost at 31/03/21:	£275,000	Valuation at 31/03/21:	£77,000
		Cost at 31/03/20:	£300,000	Valuation at 31/03/20:	£343,000
		Date of first investment:	Apr-14	Valuation method:	Discounted cash flow - investment
		Investment comprises:			
		Equity:	£216,000	% of total shares in issue	8.4%
				% of total voting rights	3.5%
		Loan notes	£59,000	Proportion loan notes held:	10.0%
		Summary financial information from statutory accounts to 31 December:			
				2018	2017
		Net assets:		£2.2m	£2.4m
		Pearce and Saunders Limited is a freehold pub company that is managed by the Antic London team and was funded by the Downing VCTs. It was incorporated to acquire the freehold pubs of three South East London sites, with two sites now having been sold during and one site remaining: The Eltham GPO.			
	Green Energy Production UK Limited	Cost at 31/03/21:	£100,000	Valuation at 31/03/21:	£67,000
		Cost at 31/03/20:	£100,000	Valuation at 31/03/20:	£54,000
		Date of first investment:	Apr-12	Valuation method:	Discounted cash flow - business
		Investment comprises:			
		Equity:	£70,000	% of total shares in issue/total voting rights	20.0%
		Loan notes:	£30,000	Proportion of loan notes held:	20.0%
		Summary financial information from statutory accounts to 30 September:			
				2020	2019
		Turnover:		£0.1m	<£0.1m
		Loss before tax:		(£0.1m)	< (£0.1m)
		Net assets:		£0.1m	£0.2m
		Green Energy Production UK Limited has installed a portfolio of commercial solar panels on the roof tops of chicken sheds in Lincolnshire. The companies benefit from free electricity whilst Green Energy receives Feed in Tariffs and payments for the surplus electricity produced and exported to the National Grid.			

Review of Investments – DSO D Share Pool (continued)

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

	Pearce & Saunders DevCo Limited	Cost at 31/03/21:	£19,000	Valuation at 31/03/21:	£19,000
		Cost at 31/03/20:	£20,000	Valuation at 31/03/20:	£20,000
		Date of first investment:	Jun-15	Valuation method:	Discounted cash flow – investment
		Investment comprises:			
		Equity:	£19,000	% of total shares in issue	8.4%
				% of total voting rights	3.5%
Summary financial information from statutory accounts to 31 August:					
				2020	2019
		Net assets:		£0.3m	£0.3m
Pearce & Saunders DevCo Limited was established for the purpose of acquiring and developing a piece of land adjacent to The Eltham GPO, a Downing-backed public house managed by Antic London and owned by Pearce & Saunders Limited.					

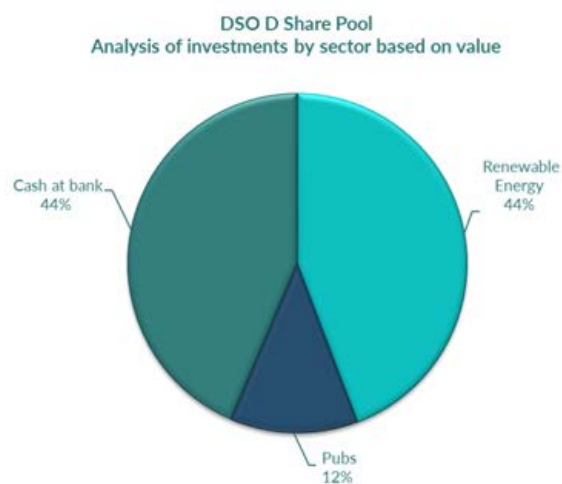
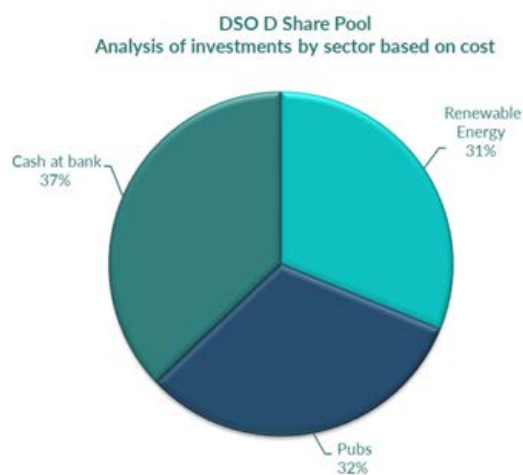
Note: net asset, turnover and pre-tax profit figures are stated where this information is publicly available.

Summary of loan interest income and interest on advances

No amounts of loan note interest were recorded as income during the year ended 31 March 2021.

Portfolio by commercial sector

The split of the DSO D Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2021) is as follows:



DP67 Share Pool

Share Pool Summary

	31 March 2021 pence	31 March 2020 pence
Financial highlights		
Net Asset Value per DP67 Share	18.4	18.8
Cumulative distributions	67.8	67.8
Total Return per DP67 Share	86.2	86.6

Dividend history

Period end	Date paid	Pence per share
Pre-merger dividends		21.8
2016 Interim	23 December 2015	2.0
2016 Final	30 September 2016	2.0
2017 Interim	6 January 2017	2.0
2017 Final	29 September 2017	2.0
2018 Special	16 March 2018	20.0
2020 Special	29 November 2019	18.0
		67.8

Share prices

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

	DP67 Shares
TIDM/EPIC codes	D467
Latest share price (6 July 2021)	17.5p per share

Structure of shareholdings

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

Performance Incentive arrangements

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

Investment Manager's Report - DP67 Share Pool

Introduction

The process of realising the investments and returning funds to DP67 Shareholders remains the focus for this Share pool, although as Shareholders will be aware, this has been subject to substantial delays as a result of the coronavirus pandemic.

Net Asset Value and results

The Net Asset Value ("NAV") per DP67 Share at 31 March 2021 stood at 18.4p, a decrease of 0.4p or 2.1% during the year. Total Return stands at 86.2p per DP67 Share, compared to initial cost to Shareholders, net of income tax relief, of 70.0p per share. Compared to the initial NAV of 100p, we consider the Total Return of 86.2p to be underperformance against the original expectations for the DP67 Share pool.

The loss on ordinary activities after taxation for the year was £31,000 (2020: loss of £1.3 million), comprising a revenue loss of £76,000 (2020: £559,000) and a capital gain of £45,000 (2020: loss of £758,000).

As DP67 Shareholders will be aware, the DP67 portfolio has a high level of exposure to the leisure and hospitality sector, which has been severely impacted by the restrictions and forced closures brought about by the pandemic. It has not been possible to exit from these types of investments during a period where the underlying businesses have had irregular and intermittent trading at reduced capacity. We continue to seek the best realisation outcomes for DP67 Shareholders but anticipate that it will take some time for these to be achieved.

Venture Capital investments

As at 31 March 2021, the DP67 Share pool held a portfolio of five Venture Capital investments, with a total value of £2.1 million.

Portfolio activity

It is disappointing to report that there were no realisations during the year ended 31 March 2021.

Portfolio valuation

The DP67 portfolio increased in value by a total of £59,000 during the year ended 31 March 2021. This movement is attributable to adjustments to the related discounted cash flow assessments conducted in respect of **Fenkle Street LLP**, and another of its corporate members, **Gatewales Limited**.

The valuations of the remaining Venture Capital investments are unchanged from 31 March 2020.

Outlook

The focus for the DP67 Share pool continues to be on exiting from the remaining investments. It is frustrating to report that we now expect these processes to be complete towards the end of 2022. During this period, we will continue to work with the portfolio companies to seek to maximise proceeds for the DP67 Share pool. Further dividends will be paid once the final realisations have taken place.

Downing LLP

6 July 2021

Review of Investments – DP67 Share Pool

The following investments were held at 31 March 2021:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
Cadbury House Holdings Limited	1,409	791	-	37.0%
Fenkle Street LLP**	405	727	(23)	34.0%
Gatewales Limited*	343	609	82	28.5%
Yamuna Renewables Limited	400	-	-	0.0%
London City Shopping Centre Limited**	99	-	-	0.0%
	2,656	2,127	59	99.5%
Cash at bank and in hand		10		0.5%
Total investments		2,137		100.0%

* partially qualifying investment




** non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

There were no investment disposals during the period.

Review of Investments – DP67 Share Pool (Continued)

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

Cadbury House Holdings Limited 	Cost at 31/03/21:	£1,409,000	Valuation at 31/03/21:	£791,000
	Cost at 31/03/20:	£1,409,000	Valuation at 31/03/20:	£791,000
	Date of first investment:	Oct-06	Valuation method:	Discounted cash flow - investment
	Investment comprises:			
	Equity:	£882,000	% of total shares in issue/total voting rights:	27.5%
	Loan notes:	£527,000	% of loan notes held:	13.1%
	Summary financial information from statutory accounts to 31 March:			
			2019	2018
	Turnover:		£9.5m	£9.2m
	Operating profit:		£1.4m	£1.5m
	Net assets:		£6.5m	£8.5m
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.				
Fenkle Street LLP 	Cost at 31/03/21:	£405,000	Valuation at 31/03/21:	£727,000
	Cost at 31/03/20:	£405,000	Valuation at 31/03/20:	£750,000
	Date of first investment:	Jun-10	Valuation method:	Discounted cash flow - investment
	Investment comprises:			
	Loan capital:	£405,000	% of loan capital held:	27.9%
	Summary financial information from statutory accounts to 30 June:			
			2020	2019
	Turnover:		£nil	£nil
	Operating profit:		£0.07m	£0.04m
	Net assets:		£2.8m	£3.3m
Fenkle Street LLP was created to fund the purchase of a property in central Newcastle and carry out its subsequent refurbishment under the Business Premises Renovation Allowance (BPPRA) scheme.				
Gatewales Limited 	Cost at 31/03/21:	£343,000	Valuation at 31/03/21:	£609,000
	Cost at 31/03/20:	£343,000	Valuation at 31/03/20:	£527,000
	Date of first investment:	Mar-07	Valuation method:	Discounted cash flow - investment
	Investment comprises:			
	Equity:	£nil	% of total shares in issue/total voting rights:	7.3%
	Loan notes:	£343,000	% of loan notes held:	84.9%
	Summary financial information from statutory accounts to 31 March:			
			2020	2019
	Net liabilities:		(£6.5m)	(£5.2m)
	Gatewales Limited is a member of Fenkle Street LLP, which undertook a refurbishment contract on a hotel in Newcastle during 2011 and 2012. Payment for this contract depends on the performance of the hotel and is being paid over time as the bank debt is reduced.			

Note: net asset, turnover and pre-tax profit figures are stated where this information is publicly available.

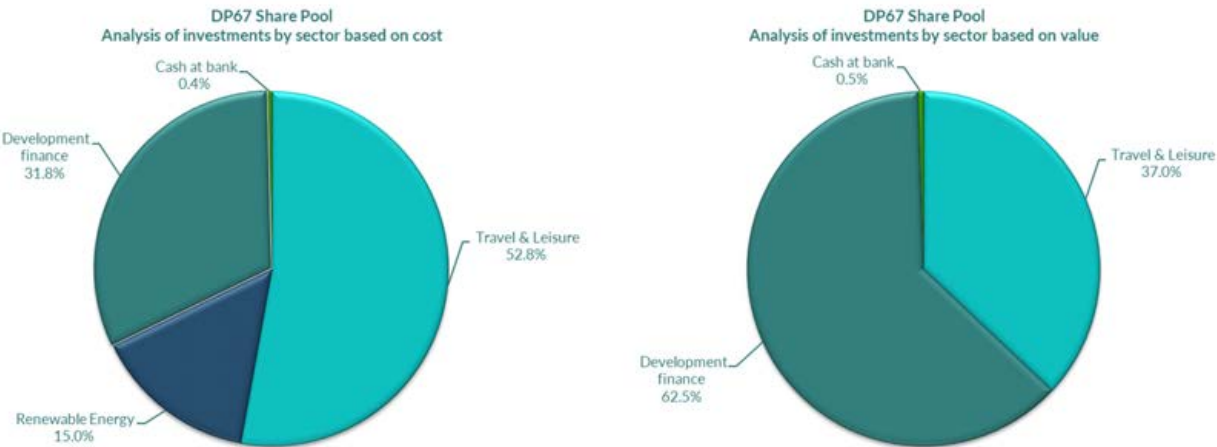
Review of Investments – DP67 Share Pool (Continued)

Summary of loan interest income and interest on advances

No amounts of loan note interest were recorded as income during the year ended 31 March 2021.

Portfolio by commercial sector

The split of the DP67 Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2021) is as follows:



Investment Manager's Approach to Responsible Investment

Introduction

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

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

Our principles

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

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

Integration

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

Influence

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

Disclosure

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

Continual Improvement

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

Screening and exclusions – our evolving approach

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

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

Investment Manager's Approach to Responsible Investment (continued)

Screening and exclusions (continued)

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

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

Downing's commitment

Senior level commitment at Downing is demonstrated by the compensation package of Downing's CEO, COO and Head of Investment being linked to Downing's ESG performance. We are also committed to high standards of disclosure and are preparing to report on climate risk in line with Taskforce for Climate-related Financial Disclosure guidelines across our investment entities for 2021.

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

Downing LLP

6 July 2021

Strategic Report

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

Principal objectives and strategy

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

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

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

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

Generalist Share pool

The Generalist Share pool began the year with £24.6 million of investments and ended the year with £28.6 million spread across a portfolio of 36 Venture Capital investments and two liquidity investments.

The Share pool began the year with cash resources of £3.4 million and ended the year with cash resources of £3.1 million, after paying dividends totalling £1.2m.

The return on ordinary activities after taxation for the year was £3.7 million, comprising a revenue loss of £91,000 and a capital gain of £3.8 million.

Healthcare Share pool

The Healthcare Share pool began the year with £7.2 million of investments and ended the year with £9.5 million spread across a portfolio of 13 Venture Capital investments and two liquidity investments.

The Share pool began the year with cash resources of £5.9 million and ended the year with cash resources of £3.5 million, after paying dividends of £471,000.

The return on ordinary activities after taxation for the year was £549,000, comprising a revenue loss of £113,000 and a capital gain of £662,000.

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

DSO D Share pool

The DSO D Share pool began the year with £655,000 million of investments and ended the year with £445,000 spread across a portfolio of four Venture Capital investments.

The loss on ordinary activities after taxation for the year was £143,000, comprising revenue loss of £31,000 and a capital loss of £112,000.

DP67 Share pool

The DP67 Share pool began the year with £2.1 million of investments and ended the year with £2.1 million spread across a portfolio of five Venture Capital investments.

The loss on ordinary activities after taxation for the year was £31,000, comprising a revenue loss of £76,000 and a capital gain of £45,000.

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its objectives. The Board believes the Company's key performance indicators are Net Asset Value, dividends per share (see Financial Highlights on page 2) and Total Return (NAV plus cumulative dividends paid to date). Further consideration of the above key performance indicators is included in the Investment Manager's reports under Net Asset Value and results.

The performance of the VCT's Share pools, measured by historic Share Price Total Return, is shown in the graphs on pages 56 to 57.

Net Asset Value per share and Total Return are defined as an Alternative Performance Measures as they are not defined or specified by FRS 102. The Board considers these two measures to be the primary indicators of future and historical performance.

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

Strategic Report (continued)

Principal risks and uncertainties

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

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

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

Investment performance

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

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

Regulatory

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

The Board receives quarterly reports from the Investment and Administration Manager, Downing LLP, and places reliance on Downing LLP to provide updates in the intervening periods. These policies have remained unchanged since the beginning of the financial year.

Philip Hare & Associates provides regular independent reviews of the Company's VCT status, as well as advice on VCT compliance issues as and when they arise.

In order to further mitigate this risk, the Board monitors regulatory and legislative developments. The Company also has a strong compliance culture and systems in place to ensure that the Company complies with all of its regulatory requirements.

Further detail on VCT Status is provided on page 50.

Operational

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

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

Economic, political and other external factors

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

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

In March 2020, the World Health Organisation declared the outbreak of a strain of novel coronavirus disease, Covid-19, a global pandemic. The Board recognises that the resulting restrictions and uncertainty have negatively impacted the operations and performance of a number of businesses in which the company has invested, particularly those in the hospitality sector. Whilst there remains uncertainty concerning new strains and the need for booster vaccinations, the UK Government's vaccination programme is well progressed.

Strategic Report (continued)

Viability statement

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

The six-year review considers the principal risks facing the Company, which are summarised on page 45 and within note 15, as well as the Company's cash flows, dividend cover and VCT monitoring compliance over the period. This includes the impact of the coronavirus pandemic and any other risks which may adversely impact its business model, future performance, solvency or liquidity. The six-year review makes assumptions about the normal level of capital recycling likely to occur, expenses, dividends and share buybacks.

The Board has considered the Company's cash flow projections and found these to be realistic and reasonable. This includes forecasting the potential impact of coronavirus on the Company's cash flows.

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

Business model

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

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

Investment policy

Asset allocation

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

For the Planned Exit Share pools, the Manager is working on plans to exit from the remaining investments, such that funds can be returned to Shareholders.

Venture Capital investments

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

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

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

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

Non-Qualifying Investments

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

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

Risk Diversification

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

Strategic Report (continued)

Investment policy (continued)

Risk Diversification (continued)

Changes to the VCT Regulations in recent years have sought to strengthen the availability of capital for innovative growth businesses in the UK. This inherently increases the risk profile of the new investments made by the Evergreen Share pools, which stand in contrast to those in which the Company's Planned Exit Share pools have historically invested. However, whilst new investments will generally be in businesses which are not asset-backed, and are therefore higher risk, these new investments will have the potential to offer greater rewards. The principal risks faced by the Company are considered in more detail on page 45.

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

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

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

Listing rules

In accordance with the listing rules:

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

Venture Capital Trust Regulations

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

An analysis of the compliance with the applicable VCT regulations for the year ended 31 March 2021 is set out on page 50.

Statement on section 172

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

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

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

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

Strategic Report (continued)

Statement on section 172 (continued)

The Investment and Administration Manager engages with Shareholders by producing half-yearly reports and reporting back to the Board. The Board also usually encourages Shareholders to attend the AGM and welcomes any other communications from Shareholders. Its main stakeholders therefore comprise the Shareholders, the Investment Manager, other service providers and investee companies.

The principal decisions made or approved by the Directors during the year include dividend declarations and, following prior Shareholder approval, the launch of offers for subscription. In taking these decisions, the Directors considered their duties under section 172 of the Act. Principal decisions have been defined as those that have a material impact to the Company and its key stakeholders.

Borrowings

Under its Articles, the Company has the ability to borrow a maximum amount equal to 15% of the aggregate amount paid on any shares issued by the Company (together with any share premium thereon), currently equal to approximately £9.0 million.

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

Environmental, social, and human rights policy

The Company seeks to conduct its affairs responsibly. Where appropriate, the Board and the Manager take environmental, social and human rights factors into consideration when making investment decisions. Further details on the Investment Manager's approach to responsible investment can be found on pages 42 to 43.

Directors and senior management

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

Events after the end of the reporting period

Important events affecting the Company since 31 March 2021 have been disclosed in the Chairman's Statement and in note 20 to the financial statements.

Future prospects

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

By order of the Board



Grant Whitehouse

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

6 July 2021

Report of The Directors

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

Share capital

At the year end, the Company had in issue 7,867,247 DSO D Shares, 11,192,136 DP67 Shares, 58,525,223 Generalist Shares (including Management Shares) and 23,835,563 Healthcare Shares (including Management Shares).

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

Class of share	Number of votes per share
DSO D Share	232
DP67 Share	375
Generalist Share	860
Healthcare Share	860

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

The Company operates a policy, subject to certain restrictions, of buying Generalist and Healthcare Shares that become available in the market at a price equal to the latest published NAV (i.e. at a nil discount). As the planned exit pools are in an exit phase, the Company does not intend to buy in shares of any other class.

No shares were repurchased during the year ended 31 March 2021.

At the AGM that took place on 9 September 2020, the Company was authorised to make market purchases of its shares up to a limit of 1,172,220 DSO D Shares, 1,667,628 DP67 Shares, 8,455,800 Generalist Shares and 3,459,558 Healthcare Shares, which represented approximately 14.9% of the issued DSO D Share capital, DP67 Share capital, Generalist Share capital and Healthcare Share capital, as at the date of the AGM.

At the current date, authority remains for 1,172,220 DSO D Shares, 1,667,628 DP67 Shares, 8,455,800 Generalist Shares and 3,459,558 Healthcare Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 8 September 2021.

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

Results and dividends

(Loss)/return for the year:	£'000	Pence per share
DSO D Share	(143)	(1.8p)
DP67 Share	(31)	(0.4p)
Generalist Share	3,721	8.0p
Healthcare Share	549	2.9p

Dividends paid during the current period:	£'000	Pence per share
Generalist Share	1,150	2.50p
Healthcare Share	471	2.50p

Final dividends proposed to be paid 24 Sept 2021		
Generalist Share	1,311	2.75p
Healthcare Share	538	2.75p

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

Report of The Directors (continued)

Directors

The Directors of the Company during the year and their beneficial interests (including connected persons) in the issued shares of the Company at 31 March 2021, and at the date of this report, are as follows:

No. of shares at 31/03/21 (audited)			
Share class	Lord Flight	Sir Aubrey Brocklebank	Russell Catley
DSO D	20,800	-	-
DP67	-	-	-
Generalist	-	32,679	-
Healthcare	-	5,000	-

In accordance with the Company's Director tenure policy and corporate governance best practice, Directors are subject to re-election at the AGM immediately following their appointment, and every three years thereafter. As a result, Sir Aubrey Brocklebank and Russell Catley do not need to offer themselves for re-election this year.

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

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

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

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 status

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

Compliance with the main VCT regulations (as described in the Investment policy) as at 31 March 2021, and for the year then ended, is summarised as follows:

- | | | |
|----|---|----------|
| 1. | 80% of its investments held in qualifying companies; | 92.1% |
| 2. | At least 70% of the Company's qualifying investments are held in "eligible shares" for funds raised on or after 6 April 2011; | 95.4% |
| 3. | At least 10% of each investment in a qualifying company is held in eligible shares; | Complied |
| 4. | At least 30% of the of the proceeds of shares issued after 1 April 2019 must be invested in VCT Qualifying companies within 12 months of the next year end; | Complied |
| 5. | No investment constitutes more than 15% of the Company's portfolio; | Complied |
| 6. | Income for the year is derived wholly or mainly from shares and securities; and | 93.4% |
| 7. | The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained. | Complied |

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

Report of The Directors (continued)

Investment management and administration fees

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

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

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

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

During the year, a total of £822,000 (2020: £1.2 million) was payable to Downing for investment management and administration fees.

During the year, the Generalist Share pool received arrangement fee rebates of £2,000 (2020: £69,000) from Downing. These amounts were paid to ensure that, where applicable, a fee of no more than 3.0% of the original investment amount has been charged by Downing, on each of the investments made by the Generalist and Healthcare Share pools during the year.

Downing also receives arrangement and monitoring (non-executive directorship) fees from the investee companies. During the year, Downing received arrangement fees from Downing FOUR portfolio companies of £288,000 (2020: £797,000) and monitoring fees of £729,000 (2020: £410,000). These fees also relate to investments made into these companies by other funds managed by Downing and so are only partly attributable to Downing FOUR investments.

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

The Ongoing Charges value for the Company as a whole for the year (calculated in accordance with the AIC guidance) was 2.7%.

Performance Incentives

DSO D Share pool

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

No Performance Incentive will be payable until Shareholders:

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

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

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

As at 31 March 2021, it is estimated that a Performance Incentive of 0.5p will become payable to members of the management team. No fee is payable until cumulative dividends to Shareholders exceed 100.0p and accordingly no provision for the fee is included in the accounts as this hurdle has not yet been met.

Generalist and Healthcare Share pools

A Performance Incentive scheme is in place in respect of the Generalist and Healthcare Management Shares, which will represent 20% of the total number of Generalist and Healthcare Shares in issue. As part of the arrangement, in order to prevent dilution to the Shareholders of the Generalist and Healthcare Shares, the management team will waive their voting rights granted by these Management Shares at any general meeting of the Company and income or capital distributions otherwise payable on these Management Shares will be waived unless the Total Return hurdle is met.

Report of The Directors (continued)

Performance Incentives (continued)

Generalist and Healthcare Share pools (continued)

For the year ended 31 March 2021, the hurdle is met when Total Return (based on audited year end results) is in excess of £1.03 per share. For subsequent years, the Total Return hurdle increases by 3.0p per annum, such that for the year ended 31 March 2022 the Total Return hurdle will be £1.06, and for the year ended 31 March 2023 the hurdle will be £1.09.

Further details of the Performance Incentive arrangements are set out on page 87.

Ongoing promoter fee (trail fee)

The Company has an agreement to pay an ongoing promoter fee (trail fee) annually to Downing in connection with applicable funds raised under the Company's previous offers for subscription, out of which Downing has an obligation to pay a trail commission to intermediaries. The trail fee is calculated at between 0.25% and 0.5% of the Net Asset Value of those offer shares in respect of which adviser commission is payable at each period end.

Going Concern

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for at least the next 12 months, as further detailed in the Corporate Governance Statement report on page 61.

Substantial interests

As at 31 March 2021, and the date of this report, the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Auditor

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

Annual General Meeting

The AGM will be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD at 11:00 a.m. on 8 September 2021. Full details of this are included in the Notice of the Annual General Meeting and Form of Proxy, which can be found at the back of this document.

Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

The Directors are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

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

In preparing these financial statements the Directors are required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and accounting estimates that are reasonable and prudent;
- ▶ state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- ▶ prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006; and
- ▶ carry out a robust assessment of the principal risks facing the Company, as set out in the Strategic Report on page 45.

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

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

Report of The Directors (continued)

Directors' responsibilities (continued)

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

Directors' statement pursuant to the Disclosure Guidance and Transparency Rules

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

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

Website publication

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

Corporate Governance

The Company's compliance with, and departures from, the AIC Code of Corporate Governance (www.theaic.co.uk) is shown on page 61.

Responsible Investing

The day-to-day management of the Company's investments is delegated to the Investment Manager, Downing LLP ("Downing"). Downing's report on its approach to responsible investment is included on pages 42 to 43.

Streamlined Energy and Carbon Reporting ('SECR')

As the company has no employees and primarily conducts its business at the London office of the Investment and Administration Manager, Downing LLP, the company is not directly responsible for the consumption of electricity and gas in the UK, nor is the company directly responsible for greenhouse gas emissions related to transport in the UK. As the company did not consume more than 40,000 kWh of energy during the year ended 28 February 2021, it has nothing to report under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Global greenhouse gas emissions

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

Insurance cover

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

Other matters

Information in respect of financial instruments, principal risks, future prospects, dividends and subsequent events, which were previously disclosed within the Directors Report, has been disclosed within the Strategic Report on pages 44 to 48.

Statement as to disclosure of information to Auditors

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

By order of the Board



Grant Whitehouse

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

6 July 2021

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Sections 420 to 422 of the Companies Act 2006. A resolution to approve this report will be put to the Shareholders at the AGM to be held on 8 September 2021.

Under the requirements of Section 497, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on pages 62 to 67.

Directors' remuneration policy

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

In accordance with regulations, Shareholders must vote on the remuneration policy every three years or sooner if the Company wants to make changes to the policy. The policy will next be put to Shareholders at the AGM in 2023.

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

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

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

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

Service contracts

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

Directors' remuneration (audited)

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

	Current annual fee (excl. VAT) £'000	% Change in gross fee ¹	2021 fee £'000	2020 fee £'000
Sir Aubrey Brocklebank	20	-	20	20
Lord Flight	20	-	23	23
Russell Catley	18	-	18	18
	58	-	61	61

¹between the years ending 31 March 2021 and 31 March 2020

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

Statement of voting at AGM

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

At the last AGM on 9 September 2020, the votes in respect of the resolution to approve the Directors' Remuneration Report were as follows:

In favour	92.3%
Against	7.7%
Withheld	-

At the 2020 AGM, when the remuneration policy was last put to a Shareholder vote, 92.3% voted for the resolution and 7.7% against, showing significant Shareholder support.

Directors' Remuneration Report (continued)

Relative importance of spend on pay

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

Performance graphs

The charts on the following pages represent the performance of the DSO D, DP67, Generalist and Healthcare Share pools over the period since the shares were first listed on the London Stock Exchange, and compare the Total Return of the Company (Net Asset Value plus dividends) to a rebased Numis Smaller Companies Index, including dividends reinvested. The index has been rebased to 100.0p at the launch date of each respective pool.

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

Statement by the Chairman of the Remuneration Committee: Lord Flight

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

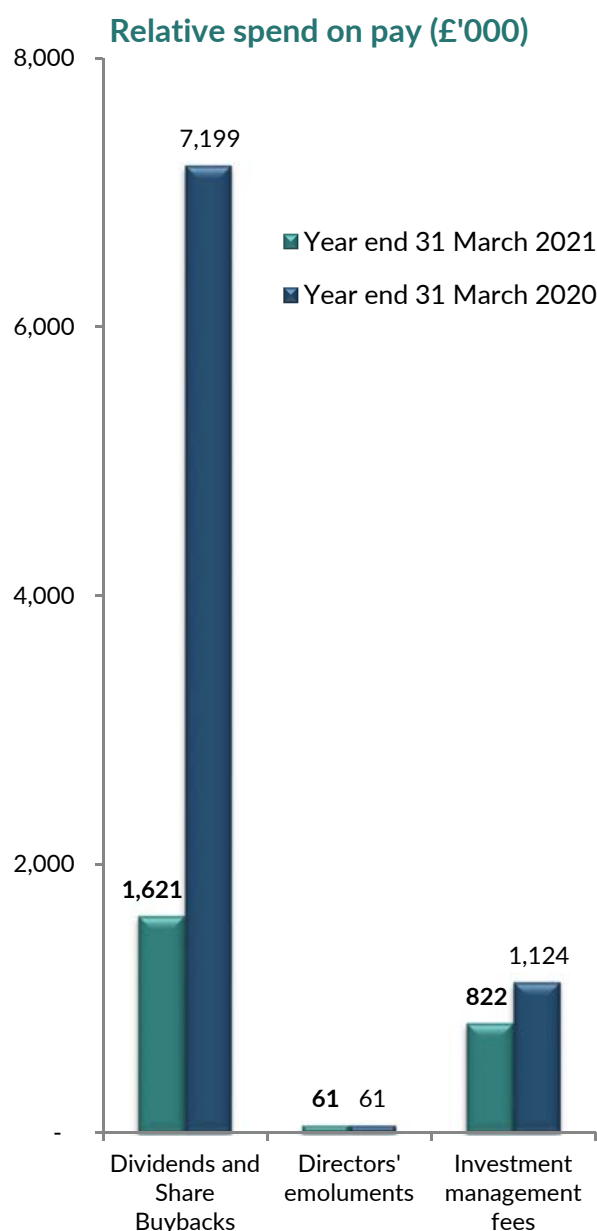
The committee reviews the fee structure as and when required, to ensure that the levels in place are commensurate with the size of the Company and the time commitments required of each of the Directors.

By order of the Board



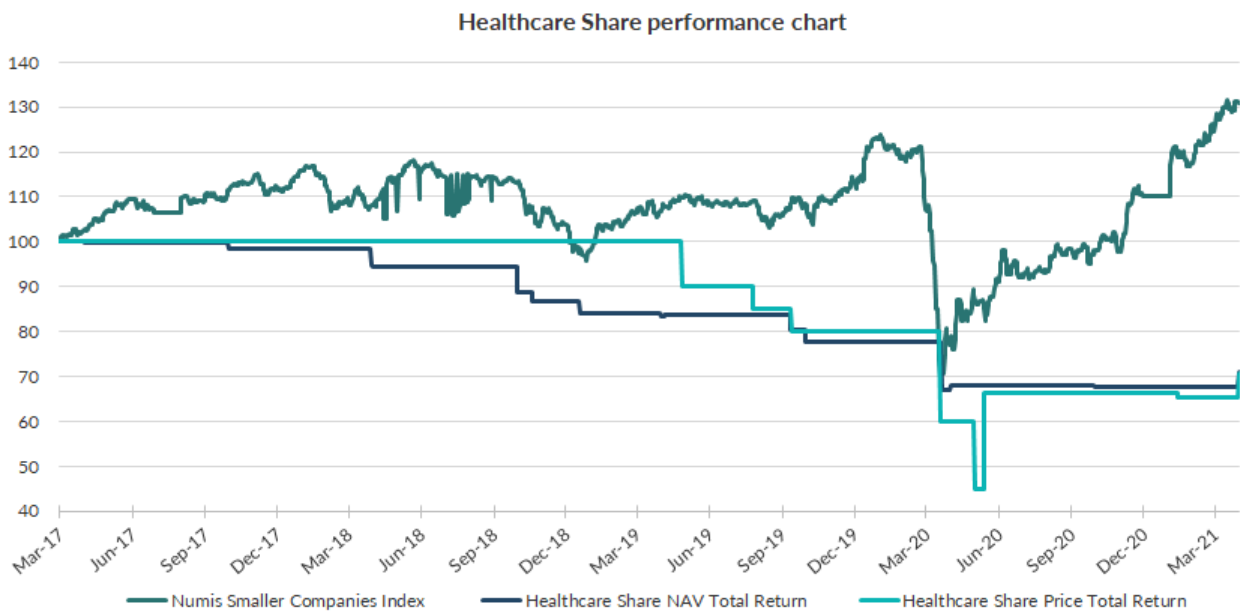
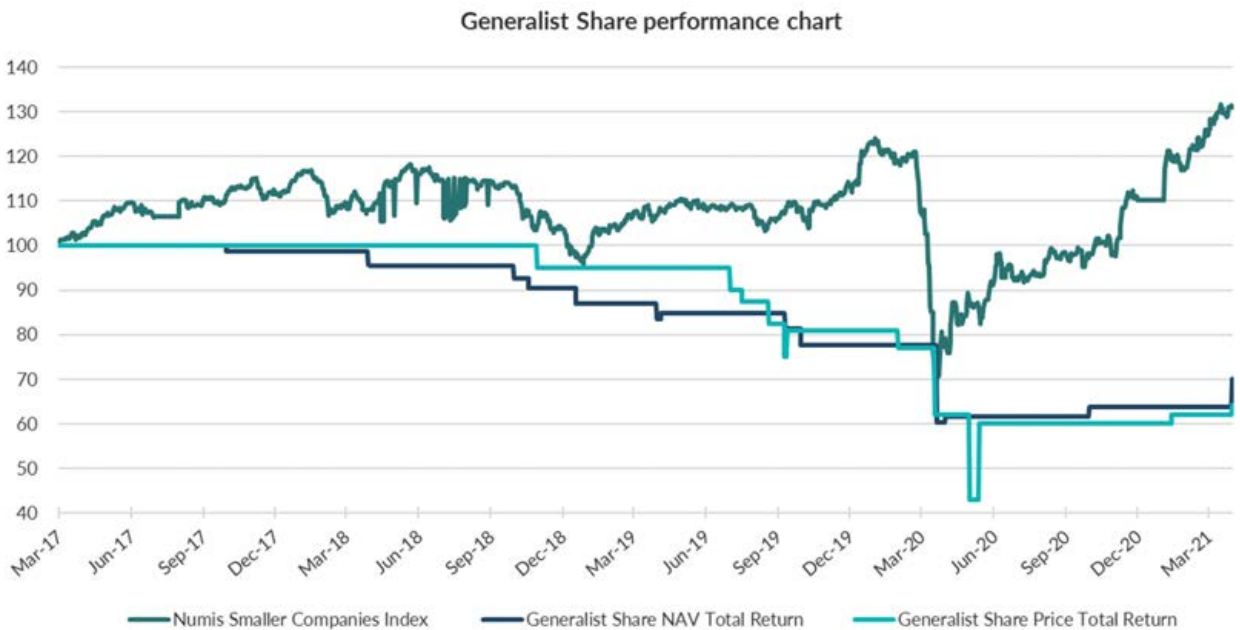
Grant Whitehouse
Company Secretary
6th Floor, St. Magnus House
3 Lower Thames Street
London, EC3R 6HD

6 July 2021



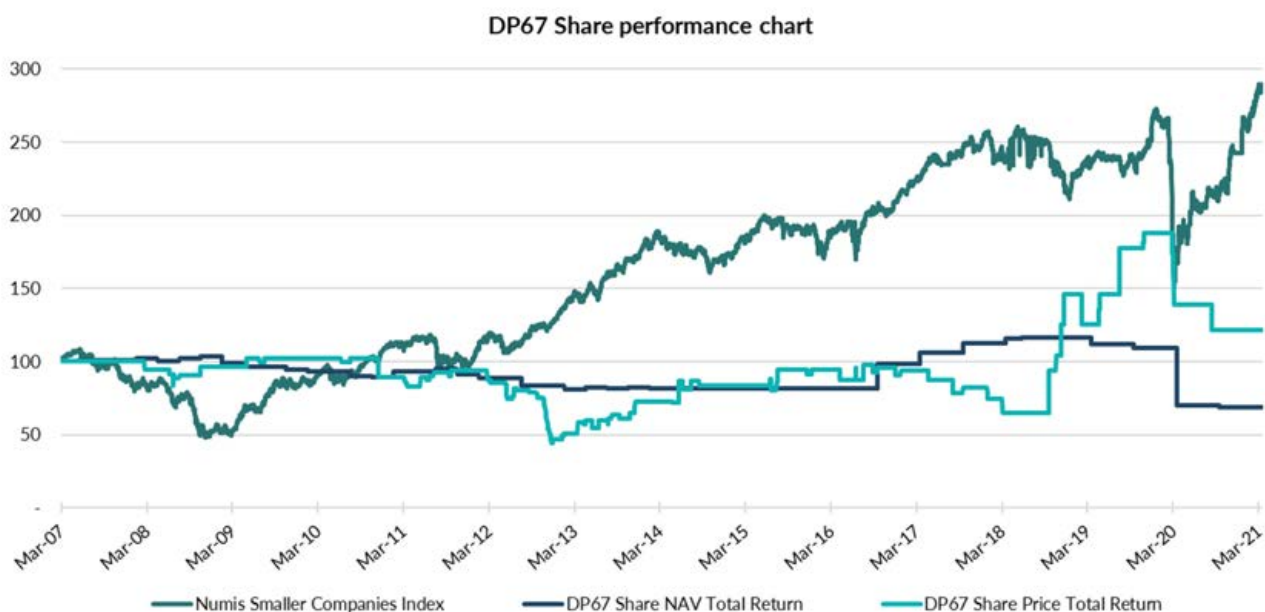
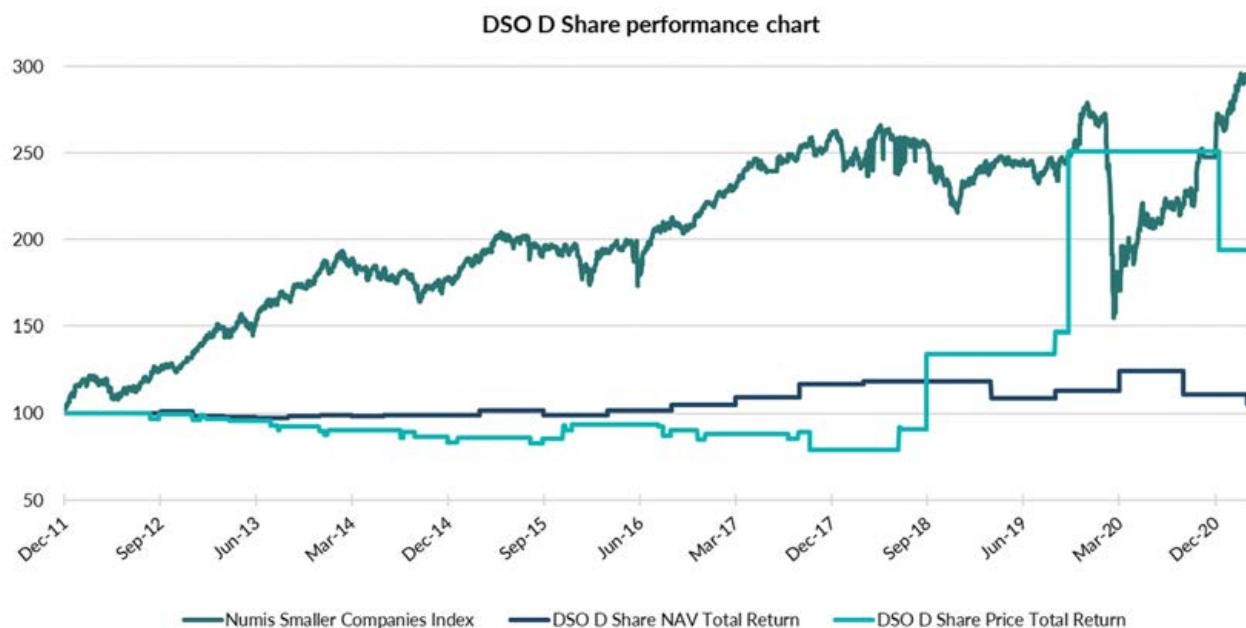
Directors’ Remuneration Report (continued)

Performance graphs (continued)



Directors' Remuneration Report (continued)

Performance graphs (continued)



Note: It is a requirement to show the above charts including Share Price Total Return with dividends reinvested at the prevailing share price at the time of the dividend. This method can give a distorted result for the Planned Exit Share pools, as they are in the process of returning funds to Shareholders.

Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code"), being the principles of good governance and the code of best practice, as set out in the annex to the Listing Rules of the UK Listing Authority. The AIC Code addresses all principles and provisions set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, will provide better information to Shareholders.

The Board

The Company has a Board comprising three non-executive Directors. The Chairman is Sir Aubrey Brocklebank and the Senior Independent Director is Lord Flight. Biographical details of all Board members are shown on page 3.

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

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

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

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

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

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

The Board has authority to make market purchases of the Company's own shares. This authority for up to 14.9% of the Company's issued share capital was granted at the AGM on 9 September 2020. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

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

Audit Committee

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

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

The Audit Committee is responsible for:

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

Financial Reporting

The Committee is responsible for reviewing and agreeing the Half-Yearly and Annual Reports (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 Manager, for presentation within the Half-Yearly and Annual Reports.

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)

Audit Committee (continued)

Financial Reporting (continued)

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

Internal audit and control

The Committee has considered the need for an internal audit function and has concluded that such a function is not appropriate for a company of this size and structure. The Committee seeks to satisfy itself 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 Manager. 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 relating to whistleblowing. The Audit Committee understands that the Investment Manager 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 the valuation of unquoted investments. The Committee also carefully examines the treatment of quoted investments and loan note interest revenue recognition.

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

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 in respect of the year ended 31 March 2020 and therefore mandatory tender will be required in respect of the year ended 31 March 2030. Following assurances received from the Managers at completion of the audit for the year ended 31 March 2021, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be re-appointed at the forthcoming AGM.

Non-audit services

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

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

Conflicts of interest

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

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

There were no Nomination committee meetings during the year.

Remuneration Committee

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

Nomination Committee

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

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

Corporate Governance Statement (continued)

Director tenure policy

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

Relations with Shareholders

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

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

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

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

Financial reporting

The Directors' responsibilities for preparing the financial statements are set out in the Report of the Directors on pages 52 to 53, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on page 66.

Risk management and internal control

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

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

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

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

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

Anti-bribery policy

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

Corporate Governance Statement (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 4, the Investment Manager's Reports on pages 9, 21, 33, and 38, the Strategic Report on page 44 and the Report of the Directors on page 49. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Balance Sheet on page 71, Cash Flow Statement on page 75 and the Strategic Report on page 48. In addition, note 15 to the financial statements includes the Company's objectives, policies and processes for managing its capital and financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk.

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

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

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

The coronavirus pandemic resulted in a significant correction in global markets prices in March 2020. Whilst market prices have generally improved, conditions remain volatile. However, the Company has a limited level of exposure to public markets, with cash and unquoted investments making up approximately 88% of the of the Company's net assets as at 31 March 2021. Delays to the vaccination rollout in the UK or the reintroduction of restrictions could create challenges for the unquoted businesses in which the Company has invested, particularly those in the hospitality sector. However, data released by the UK Government suggests that infections in the UK peaked in early 2021.

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

Share capital

The company has four classes of share capital: DSO D Shares, DP67 Shares, Generalist Shares and Healthcare Shares. The rights and obligations attached to those shares, including the power of the Company to buy back shares, and details of any significant shareholdings, are set out in the Report of the Directors on page 49 to 53.

Compliance statement

The Listing Rules require the Board to report on compliance with the provisions of the UK Corporate Governance Code throughout the accounting period. The Financial Reporting Council (FRC) confirmed that member companies who report against the AIC Code will be meeting their obligations in relation to the UK Corporate Governance Code and paragraph 9.8.6 of the Listing Rules.

With the exception of the limited items outlined below, the Company has complied, throughout the accounting year ended 31 March 2021, with the Provisions set out in the AIC Code of Corporate Governance:

- ▶ The Company has no major Shareholders, so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the Annual General Meeting. (5.2.3);
- ▶ The Board does not monitor the level of share price discount or premium in respect of the DSO D Shares or DP67 Shares, as Share buybacks are not in operation in respect of these Share classes. As noted on page 49, the Company has a general policy of buying in Generalist and Healthcare Shares which become available in the market at a nil discount to NAV. The Board continues to monitor the discount or premium in respect of the Generalist and Healthcare Shares and has delegated the day to day management of this to Panmure Gordon. (6.2.15);
- ▶ Due to the size of the Board and the nature of the Company's business, a formal and rigorous performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. (7.2.22, 8.2.29, 9.2.37).

By order of the Board



Grant Whitehouse

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

6 July 2021

Independent Auditor's Report to the Members of Downing FOUR VCT Plc

Opinion on the financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of the Company's profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Downing FOUR VCT plc (the 'Company') for the year ended 31 March 2021 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 March 2010 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 12 years, covering the years ended 31 March 2010 to 31 March 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to principal risks, going concern and viability statement

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

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

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

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

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

Independent Auditor's Report to the Members of Downing FOUR VCT Plc (continued)

Overview

	2021	2020
Key audit matters: Valuation of unquoted investments	Yes	Yes
Materiality: £712,000 (2020: £580,000) based on 1.75% (2020: 1.75%) of value of gross investments		

An overview of the scope of our audit

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. 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 this matter.

Key Audit Matter		How the scope of our audit addressed the key audit matter
Valuation of unquoted investments (Note 9 to the financial statements)	There is a high level of estimation uncertainty involved in determining the unquoted investment valuations; consisting of both equity and loan stock instruments.	<p>We tested a sample of 91% of the unquoted investment portfolio by value of investment holdings.</p> <p>54% of the unquoted portfolio is based on valuations using net assets, cost (where the investment was recently acquired), the price of a recent investment, or an offer to acquire the investee company. For such investments, we checked the cost or net assets or third party offer to supporting evidence, reviewed the calibration of fair value and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 March 2021. This is particularly pertinent in those circumstances where the impact of COVID-19 subsequent to the transaction date may call into question whether the price of recent investment remains reflective of fair value.</p>
	The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 3.	<p>The remaining 46% of the investment portfolio is valued with reference to more subjective techniques with 42% supported by a valuation performed using multiples of revenue or earnings. The remaining 4% of the portfolio is valued using discount cash flows.</p>
	As the Investment Manager is also responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.	<p>Our sample for unquoted equity investments valuation testing was stratified according to risk, having regard to the subjectivity of the inputs to the valuations. Our procedures performed on the remaining 46% of the population for the sample selected for detailed testing included:</p> <ul style="list-style-type: none"> ▶ Considering whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEVCV") Guidelines; ▶ Re-performing the calculation of the investment value; ▶ Verifying and benchmarking key inputs and estimates including revenue and earnings multiples and discount rates, to independent information from our own research valuations and against metrics from the most recent investments; ▶ Challenging the assumptions inherent to the valuation of unquoted investments and assessment of impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements; ▶ Considering the economic environment in which the investment operates to identify factors that could impact the investment valuations; ▶ Where appropriate, performing sensitivity analysis on the valuation calculations where there is sufficient evidence to suggest reasonable alternative inputs might exist; and

Independent Auditor's Report to the Members of Downing FOUR VCT Plc (continued)

Key audit matters (continued)

Key Audit Matter	How the scope of our audit addressed the key audit matter
	<ul style="list-style-type: none"> ▶ We had particular attention on specific areas surrounding Covid-19. This was addressed by considering management's assessment of the impact of Covid-19 on the key assumptions made in the valuation and checking that the valuation methodology applied remains applicable given the economic impact of Covid-19. <p>For a sample of loans held at fair value included above, we:</p> <ul style="list-style-type: none"> ▶ Vouched security held to documentation; ▶ Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition and considering the "unit of account" concept; and ▶ Reviewed the treatment of accrued redemption premium/other fixed returns in line with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP"). <p>Key observations:</p> <ul style="list-style-type: none"> ▶ Based on the procedures performed we found the methodology and assumptions used by the Investment Manager in their valuations to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

Company Financial statements		
	2021	2020
Materiality	£712,000	£580,000
Basis for determining materiality	1.75% of gross investments	
Rationale for the benchmark applied	In setting materiality, we have had regard to the nature and composition of the investment portfolio. Given that the VCT's portfolio is comprised of quoted and unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 1.75% of invested assets.	
Performance materiality	£534,000	£435,000
Basis for determining performance materiality	75% of materiality	
	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Lower Threshold

Profit before tax could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. Thus, we have set a lower testing threshold for those items impacting revenue return of £89,000 (2020: £36,000) which is based on 10% (2020: 2%) of gross expenditure.

Independent Auditor's Report to the Members of Downing FOUR VCT Plc (continued)

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £14,000 (2020: £11,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Corporate governance statement

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

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

Going concern and longer-term viability	▶ The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
	▶ The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	▶ Directors' statement on fair, balanced and understandable;
	▶ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
	▶ The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
	▶ The section describing the work of the audit committee.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit:
	▶ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
	▶ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.
	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.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of Downing FOUR VCT Plc (continued)

Other Companies Act 2006 reporting (continued)

Corporate Governance statement	<p>In our opinion, based on the work undertaken in the course of the audit, the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.</p> <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information.</p> <p>In our opinion, based on the work undertaken in the course of the audit, information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.</p> <p>We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">▶ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or▶ the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or▶ certain disclosures of Directors' remuneration specified by law are not made; or▶ we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation.

Independent Auditor's Report to the Members of Downing FOUR VCT Plc (continued)

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

Our procedures included, but were not limited to:

- ▶ Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- ▶ agreement of the financial statement disclosures to underlying supporting documentation;
- ▶ enquiries of management with those charged with governance;
- ▶ Obtaining the VCT compliance reports during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status; and
- ▶ review of minutes of board meetings throughout the period.

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

Our tests included, but were not limited to:

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

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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.



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

6 July 2021

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

Audited Income Statement

for the year ended 31 March 2021

		Year ended 31 March 2021			Year ended 31 March 2020		
		Revenue	Capital	Total	Revenue	Capital	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income	2	266	2	268	272	69	341
Gain/(loss) on investments	9	-	4,816	4,816	-	(11,837)	(11,837)
		266	4,818	5,084	272	(11,768)	(11,496)
Investment management fees	3	(411)	(411)	(822)	(561)	(562)	(1,123)
Other expenses	4	(97)	-	(97)	(711)	-	(711)
(Loss)/return on ordinary activities before tax		(242)	4,407	4,165	(1,000)	(12,330)	(13,330)
Tax on total comprehensive income and ordinary activities	6	(69)	-	(69)	(300)	-	(300)
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year		(311)	4,407	4,096	(1,300)	(12,330)	(13,630)
Basic and diluted return per share:							
DSO D Share	8	(0.4p)	(1.4p)	(1.8p)	1.5p	0.7p	2.2p
DP67 Share	8	(0.8p)	0.4p	(0.4p)	(5.0p)	(6.8p)	(11.8p)
Generalist Share	8	(0.2p)	8.2p	8.0p	(1.4p)	(22.6p)	(24.0p)
Healthcare Share	8	(0.6p)	3.5p	2.9p	(1.3p)	(13.7p)	(15.0p)

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standard 102 ("FRS 102"). The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in October 2019 by the Association of Investment Companies ("AIC SORP").

Income Statement

Analysed by Share pool – unaudited and non-statutory

for the year ended 31 March 2021

Split as:

	Year ended 31 March 2021			Year ended 31 March 2020		
	Revenue	Capital	Total	Revenue	Capital	Total
DSO D Share pool	£'000	£'000	£'000	£'000	£'000	£'000
Income	-	-	-	142	-	142
Net (loss)/gain on investments	-	(106)	(106)	-	69	69
	-	(106)	(106)	142	69	211
Investment management fees	(6)	(6)	(12)	(15)	(15)	(30)
Other expenses	(25)	-	(25)	(16)	-	(16)
(Loss)/return on ordinary activities before tax	(31)	(112)	(143)	111	54	165
Tax on total comprehensive income and ordinary activities	-	-	-	10	-	10
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(31)	(112)	(143)	121	54	175

	Year ended 31 March 2021			Year ended 31 March 2020		
	Revenue	Capital	Total	Revenue	Capital	Total
DP67 Share pool	£'000	£'000	£'000	£'000	£'000	£'000
Income	-	-	-	20	-	20
Net gain/(loss) on investments	-	59	59	-	(722)	(722)
	-	59	59	20	(722)	(702)
Investment management fees	(14)	(14)	(28)	(36)	(36)	(72)
Other expenses	(32)	-	(32)	(229)	-	(229)
(Loss)/return on ordinary activities before tax	(46)	45	(1)	(245)	(758)	(1,003)
Tax on total comprehensive income and ordinary activities	(30)	-	(30)	(314)	-	(314)
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(76)	45	(31)	(559)	(758)	(1,317)

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

Income Statement (continued)

Analysed by Share pool – unaudited and non-statutory

for the year ended 31 March 2021

	Year ended 31 March 2021			Year ended 31 March 2020		
	Revenue	Capital	Total	Revenue	Capital	Total
Generalist Share pool	£'000	£'000	£'000	£'000	£'000	£'000
Income	230	2	232	64	69	133
Net gain/(loss) on investments	-	4,067	4,067	-	(8,952)	(8,952)
	230	4,069	4,299	64	(8,883)	(8,819)
Investment management fees	(257)	(257)	(514)	(334)	(334)	(668)
Other expenses	(25)	-	(25)	(316)	-	(316)
(Loss)/return on ordinary activities before tax	(52)	3,812	3,760	(586)	(9,217)	(9,803)
Tax on total comprehensive income and ordinary activities	(39)	-	(39)	4	-	4
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(91)	3,812	3,721	(582)	(9,217)	(9,799)

	Year ended 31 March 2021			Year ended 31 March 2020		
	Revenue	Capital	Total	Revenue	Capital	Total
Healthcare Share pool	£'000	£'000	£'000	£'000	£'000	£'000
Income	36	-	36	43	-	43
Net gain/(loss) on investments	-	796	796	-	(2,363)	(2,363)
	36	796	832	43	(2,363)	(2,320)
Investment management fees	(134)	(134)	(268)	(163)	(163)	(326)
Other expenses	(15)	-	(15)	(120)	-	(120)
(Loss)/return on ordinary activities before tax	(113)	662	549	(240)	(2,526)	(2,766)
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(113)	662	549	(240)	(2,526)	(2,766)

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

Audited Balance Sheet

as at 31 March 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments	9	40,743	34,464
Current assets			
Debtors	10	701	548
Cash at bank and in hand		6,986	9,614
		7,687	10,162
Creditors: amounts falling due within one year	11	(381)	(801)
Net current assets		7,306	9,361
Net assets		48,049	43,825
Capital and reserves			
Called up Share capital	12	102	98
Capital redemption reserve	13	58	58
Special reserve	13	29,417	39,433
Share premium account	13	20,010	17,971
Funds held in respect of shares not yet allotted	13	241	535
Revaluation reserve	13	(1,143)	(13,302)
Capital reserve – realised	13	3,132	2,483
Revenue reserve	13	(3,768)	(3,451)
Total equity Shareholders' funds	14	48,049	43,825
Basic and diluted Net Asset Value per share:			
DSO D Share	14	10.2p	12.0p
DP67 Share	14	18.4p	18.7p
Generalist Share	14	67.2p	61.7p
Healthcare Share	14	68.5p	68.1p

The financial statements on pages 68 to 95 were approved and authorised for issue by the Board of Directors on 6 July 2021 and were signed on its behalf by:



Sir Aubrey Brocklebank Bt.
Chairman

Company number: 06789187

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

Balance Sheet

Analysed by Share pool – unaudited and non-statutory

as at 31 March 2021

Split as:

DSO D Share pool	Note	2021 £'000	2020 £'000
Fixed assets			
Investments		445	655
Current assets			
Debtors		29	50
Cash at bank and in hand		344	272
		373	322
Creditors: amounts falling due within one year		(17)	(33)
Net current assets		356	289
Net assets		801	944
Capital and reserves			
Called up share capital	12	8	8
Special reserve		966	900
Revaluation reserve		(138)	39
Capital reserve – realised		(37)	(37)
Revenue reserve		2	34
Total equity Shareholders' funds		801	944

DP67 Share pool	Note	2021 £'000	2020 £'000
Fixed assets			
Investments		2,127	2,068
Current assets			
Debtors		1	49
Cash at bank and in hand		10	62
		11	111
Creditors: amounts falling due within one year		(74)	(83)
Net current assets		(63)	28
Net assets		2,064	2,096
Capital and reserves			
Called up share capital	12	11	11
Special reserve		(400)	-
Revaluation reserve		(30)	(489)
Capital reserve – realised		2,406	2,419
Revenue reserve		77	155
Total equity Shareholders' funds		2,064	2,096

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

Balance Sheet (continued)

Analysed by Share pool – unaudited and non-statutory

as at 31 March 2021

Generalist Share pool	Note	2021 £'000	2020 £'000
Fixed assets			
Investments		28,633	24,584
Current assets			
Debtors		464	442
Cash at bank and in hand		3,141	3,350
		3,605	3,792
Creditors: amounts falling due within one year		(238)	(266)
Net current assets		3,367	3,526
Net assets		32,000	28,110
Capital and reserves			
Called up share capital	12	59	56
Capital redemption reserve		58	58
Special reserve		20,195	27,666
Share premium account		14,009	12,505
Funds held in respect of shares not yet allotted		222	410
Revaluation reserve		(814)	(10,201)
Capital reserve – realised		847	101
Revenue reserve		(2,576)	(2,485)
Total equity Shareholders' funds		32,000	28,110

Healthcare Share pool	Note	2021 £'000	2020 £'000
Fixed assets			
Investments		9,538	7,157
Current assets			
Debtors		254	7
Cash at bank and in hand		3,491	5,930
		3,745	5,937
Creditors: amounts falling due within one year		(99)	(419)
Net current assets		3,646	5,518
Net assets		13,184	12,675
Capital and reserves			
Called up share capital	12	24	23
Special reserve		8,656	10,867
Share premium account		6,001	5,466
Funds held in respect of shares not yet allotted		19	125
Revaluation reserve		(161)	(2,651)
Capital reserve – realised		(84)	-
Revenue reserve		(1,271)	(1,155)
Total equity Shareholders' funds		13,184	12,675

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

Statement of Changes in Equity

for the year ended 31 March 2021

	Called up Share capital	Capital Redemption reserve	Special reserve	Share premium account	Funds held in respect of shares not yet allotted	Revaluation Reserve (note 9)	Capital reserve -realised	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2019	138	-	47,040	7,172	4,772	(4,158)	4,940	(1,752)	58,152
Total comprehensive income	-	-	-	-	-	(12,227)	(103)	(1,300)	(13,630)
Transfer between reserves*	-	-	(7,530)	-	-	3,083	4,843	(399)	-
Unallotted shares	-	-	-	-	535	-	-	-	535
Transactions with owners									
Dividend paid	-	-	-	-	-	-	(7,200)	-	(7,200)
Cancellation of shares	(58)	58	-	-	-	-	-	-	-
Purchase of own shares	-	-	(77)	-	-	-	-	-	(77)
Issue of shares	18	-	-	11,178	(4,772)	-	-	-	6,424
Share issue costs	-	-	-	(379)	-	-	-	-	(379)
At 31 March 2020	98	58	39,433	17,971	535	(13,302)	2,483	(3,451)	43,825
Total comprehensive income	-	-	-	-	-	4,158	249	(311)	4,096
Transfer between reserves*	-	-	(10,016)	-	-	8,001	2,021	(6)	-
Unallotted shares	-	-	-	-	(294)	-	-	-	(294)
Transactions with owners									
Dividend paid	-	-	-	-	-	-	(1,621)	-	(1,621)
Cancellation of shares	-	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-	-
Issue of shares	4	-	-	2,097	-	-	-	-	2,101
Share issue costs	-	-	-	(58)	-	-	-	-	(58)
At 31 March 2021	102	58	29,417	20,010	241	(1,143)	3,132	(3,768)	48,049

* A transfer of £8,001,000 (2020: £3,083,000) representing previously recognised realised gains and losses on disposal of investments during the period has been made between the Revaluation Reserve and the Capital reserve - realised. A transfer of £10,022,000 (2020: £7,929,000) representing the total of: realised losses on the disposal of investments, cumulative impairment losses, capital expenses and capital dividends in the period, has been made between the Capital Reserve - realised and the Special reserve. A transfer of £6,000 (2020: £399,000), representing the balance on the Revenue reserve relating to previously cancelled share classes, has been made from the revenue reserve to the Special reserve.

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

Cash Flow Statement

for the year ended 31 March 2021

	Unaudited non-statutory analysis				Audited
	DSO D Share pool £'000	DP67 Share pool £'000	Generalist Share pool £'000	Healthcare Share pool £'000	Company £'000
Cash flows from operating activities					
(Loss)/return on ordinary activities before taxation	(143)	(1)	3,760	549	4,165
Losses/(gains) on investments	106	(59)	(4,067)	(796)	(4,816)
(Decrease)/increase in creditors	(16)	(8)	(28)	(321)	(420)
Decrease/(increase) in debtors	21	16	(61)	(248)	(225)
Net cash (outflow)/inflow from operating activities	(32)	(52)	(396)	(816)	(1,296)
Corporation tax paid	-	-	-	-	-
Net cash generated from operating activities	(32)	(52)	(396)	(816)	(1,296)
Cash flow from investing activities					
Purchase of investments (note 9)	-	-	(7,010)	(3,458)	(10,468)
Proceeds from disposal of investments (note 9)	104	-	7,029	1,875	9,008
Net cash inflow/(outflow) from investing activities	104	-	19	(1,583)	(1,460)
Net cash inflow/(outflow) before financing	72	(52)	(377)	(2,399)	(2,756)
Cash flows from financing activities					
Issue of share capital	-	-	1,549	552	2,101
Cost of issue of share capital	-	-	(42)	(16)	(58)
Funds held in respect of shares not yet allotted	-	-	(189)	(105)	(294)
Equity dividends paid (note 7)	-	-	(1,150)	(471)	(1,621)
Net cash outflow from financing activities	-	-	168	(40)	128
Net change in cash	72	(52)	(209)	(2,439)	(2,628)
Cash and cash equivalents at start of the year	272	62	3,350	5,930	9,614
Cash and cash equivalents at end of the year	344	10	3,141	3,491	6,986
Cash and cash equivalents comprise					
Cash at bank and in hand	344	10	3,141	3,491	6,986
Total cash and cash equivalents	344	10	3,141	3,491	6,986

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

Cash Flow Statement

for the year ended 31 March 2020

	Unaudited non-statutory analysis						Audited
	DSO D Share pool £'000	DP67 Share pool £'000	DP2011 General Share pool £'000	DP2011 Structured Share pool £'000	Generalist Share pool £'000	Health- care Share pool £'000	Company £'000
Cash flows from operating activities							
Return/(loss) on ordinary activities before taxation	165	(1,003)	45	32	(9,803)	(2,766)	(13,330)
(Gains)/losses on investments	(69)	722	(75)	(56)	8,952	2,363	11,837
Increase/(decrease) in creditors	15	13	(31)	(15)	46	298	326
(Increase)/decrease in debtors	(49)	(147)	1	3	(314)	(5)	(217)
Net cash inflow/(outflow) from operating activities	62	(121)	(60)	(36)	(1,119)	(110)	(1,384)
Corporation tax paid	-	159	-	-	-	-	159
Net cash generated from operating activities	62	38	(60)	(36)	(1,119)	(110)	(1,225)
Cash flow from investing activities							
Purchase of investments	-	-	-	-	(10,565)	(2,145)	(12,801)
Proceeds from disposal of investments	716	788	1,970	735	1,685	-	5,894
Net cash inflow/(outflow) from investing activities	716	788	1,970	735	(8,971)	(2,145)	(6,907)
Net cash inflow/(outflow) before financing	778	826	1,910	699	(10,090)	(2,255)	(8,132)
Cash flows from financing activities							
Repurchase of shares	-	-	-	-	(61)	(16)	(77)
Issue of share capital	-	-	-	-	4,707	1,715	6,424
Cost of issue of share capital	-	-	-	-	(277)	(102)	(379)
Funds held in respect of shares not yet allotted	-	-	-	-	410	125	535
Equity dividends paid	(1,416)	(2,015)	(2,504)	(1,265)	-	-	(7,200)
Net cash (outflow)/inflow from financing activities	(1,416)	(2,015)	(2,504)	(1,265)	4,779	1,724	(697)
Net change in cash	(638)	(1,189)	(594)	(566)	(5,311)	(531)	(8,829)
Cash and cash equivalents at start of the year	910	1,251	594	566	8,661	6,461	18,443
Cash and cash equivalents at end of the year	272	62	-	-	3,350	5,930	9,614
Cash and cash equivalents comprise							
Cash at bank and in hand	272	62	-	-	3,350	5,930	9,614
Total cash and cash equivalents	272	62	-	-	3,350	5,930	9,614

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

Notes to the Accounts

for the year ended 31 March 2021

1. Accounting policies

Basis of accounting

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

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

Going concern

The Directors have made an assessment of the company's ability to continue as a going concern and are satisfied that the company has the resources to continue in business for the foreseeable future, being a period of 12 months from the date these Financial Statements were approved. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern, having taken into account the liquidity of the company's investment portfolio and the company's financial position in respect of its cash flows and investment commitments. Therefore, the Financial Statements have been prepared on the going concern basis.

Presentation of Income Statement

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

Reportable segments

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

Investments

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

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

Liquidity investments are measured using bid prices.

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

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2021

1. Accounting policies (continued)

Investments (continued)

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

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

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

A price sensitivity analysis of the unquoted investments is provided in note 15, under Investment price risk.

Income

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

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

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2021

1. Accounting policies (continued)

Income (continued)

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

Expenses

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

- ▶ Expenses which are incidental to the 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.

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

Taxation

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

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

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

Other debtors and other creditors

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

Issue costs

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

Performance Incentive

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

Dividends

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

Notes to the Accounts (continued)

for the year ended 31 March 2021

1. 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.

2. Income

	2021 £'000	2020 £'000
Income from investments		
Loan interest	170	191
Dividend income	80	-
	250	191
Other income		
Bank interest	16	81
Fee income	2	69
	268	341

3. Investment management fees

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

	2021 £'000	2020 £'000
Investment management fees	822	1,123

4. Other expenses

	2021 £'000	2020 £'000
Administration services	94	116
Trail fee	(243)	109
Directors' remuneration	61	61
Auditor's remuneration for audit	46	32
Registrars	33	44
London Stock Exchange	3	17
FCA	7	7
Printing and Postage	13	24
Wind up costs	-	4
Bad debt expense	30	248
Other	53	49
	97	711

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

Notes to the Accounts (continued)

for the year ended 31 March 2021

5. Directors' remuneration

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

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

6. Taxation

	2021 £'000	2020 £'000
(a) Tax charge for the year		
UK corporation tax at 19% (2020: 19%)	-	(1)
Deferred tax movement	69	301
Charge for the year	69	300
(b) Factors affecting tax charge for the year		
Return on ordinary activities before taxation	4,165	(13,330)
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 19% (2020: 19%)	791	(2,532)
Effects of:		
Expenses disallowed for tax purposes	-	1
(Gains)/losses on investments	(916)	2,236
UK dividend income	(15)	-
Provision against LLP profits	-	(43)
Adjustment for prior years	-	-
Losses carried forward	140	640
Other	-	(2)
Tax on total comprehensive income and ordinary activities	69	300

Excess management expenses, which are available to be carried forward and set off against future taxable income, amounted to £4.1 million (2020: £3.4 million). The associated deferred tax asset of £699,000 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.

7. Dividends

	2021 Pence per share	2020 Pence per share	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Dividends paid								
DSO D Shares								
2020 Special	-	18.0	-	-	-	-	1,416	1,416
	-	18.0	-	-	-	-	1,416	1,416
DP67 Shares								
2020 Special	-	18.0	-	-	-	-	2,015	2,015
	-	18.0	-	-	-	-	2,015	2,015
DP2011 General Shares								
2020 Special – A	-	13.6	-	-	-	-	2,504	2,504
	-	13.6	-	-	-	-	2,504	2,504

Notes to the Accounts (continued)

for the year ended 31 March 2021

7. Dividends (continued)

	2021	2020	2021			2020		
	Pence per share		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
DP2011 Structured Shares								
2020 Special – A	-	10.1	-	-	-	-	1,265	1,265
	-	10.1	-	-	-	-	1,265	1,265
Generalist Shares								
2020 Interim	-	2.5	-	1,150	1,150	-	-	-
	-	2.5	-	1,150	1,150	-	-	-
Healthcare Shares								
2020 Interim	-	2.5	-	471	471	-	-	-
	-	2.5	-	471	471	-	-	-
Dividends proposed								
Generalist Shares								
2021 Final	2.75	-	-	1,311	1,311	-	-	-
	2.75	-	-	1,311	1,311	-	-	-
Healthcare Shares								
2021 Final	2.75	-	-	538	538	-	-	-
	2.75	-	-	538	538	-	-	-

8. Basic and diluted return per share

	Weighted Average number of shares in issue*	Revenue (loss)/ return £'000	Capital (loss)/ gain £'000	Total Comprehensive income £'000	Basic and diluted return per share pence
Return per share is calculated on the following:					
Year ended 31 March 2021					
DSO D Shares	7,867,247	(31)	(112)	(143)	(1.8p)
DP67 Shares	11,192,136	(76)	45	(31)	(0.4p)
Generalist Shares	45,988,062	(91)	3,812	3,721	8.0p
Healthcare Shares	18,803,854	(113)	662	549	2.9p
Year ended 31 March 2020					
DSO D Shares	7,867,247	121	54	175	2.2p
DP67 Shares	11,192,136	(559)	(758)	(1,317)	(11.7p)
DP2011 General Ordinary Shares	15,644,066	-	-	-	-
DP2011 General A Shares	18,418,614	(20)	65	45	0.3p
DP2011 Structured Ordinary Shares	10,678,725	-	-	-	-
DP2011 Structured A Shares	12,572,817	(20)	52	32	0.2p
Generalist Shares	40,797,371	(582)	(9,217)	(9,799)	(24.0p)
Healthcare Shares	18,483,433	(240)	(2,526)	(2,766)	(15.0p)

*Excluding Management Shares

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

Notes to the Accounts (continued)

for the year ended 31 March 2021

9. Fixed assets – investments

	Liquidity investments £'000	Quoted VC investments £'000	Unquoted VC investments £'000	Total £'000
Opening cost at 1 April 2020	15,198	1,250	36,466	52,914
Unrealised valuation losses at 1 April 2020	(6,634)	(991)	(5,677)	(13,302)
Impairment losses at 1 April 2020	-	-	(5,148)	(5,148)
Opening fair value at 1 April 2020	8,564	259	25,641	34,464
Movements in the year:				
Purchased at cost	-	-	10,468	10,468
Disposals - proceeds	(7,520)	-	(1,488)	(9,008)
- realised gains/(losses) on disposals	1,517	-	(859)	658
Unrealised foreign exchange losses	-	-	(266)	(266)
Unrealised valuation gains in the Income Statement	1,588	1,063	1,776	4,427
Closing value at 31 March 2021	4,149	1,322	35,272	40,743
Closing cost at 31 March 2021	5,646	1,250	42,374	49,270
Unrealised valuation (losses)/gains at 31 March 2021	(1,497)	72	548	(877)
Unrealised foreign exchange losses at 31 March 2021	-	-	(266)	(266)
Impairment losses at 31 March 2021	-	-	(7,384)	(7,384)
Closing value at 31 March 2021	4,149	1,322	35,272	40,743

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

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

- Level 1 Reflects financial instruments quoted in an active market;
- Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and
- Level 3 Reflects financial instruments that use valuation techniques which are not based on observable market data (unquoted equity investments and loan note investments).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2021 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2020 £'000
Liquidity investments	4,149	-	-	4,149	8,564	-	-	8,564
Quoted equity	1,322	-	-	1,322	259	-	-	259
Unquoted loan notes	-	-	3,667	3,667	-	-	3,319	3,319
Unquoted equity	-	-	31,605	31,605	-	-	22,322	22,322
	5,471	-	35,272	40,743	8,823	-	25,641	34,464

Notes to the Accounts (continued)

for the year ended 31 March 2021

9. Fixed assets investments (continued)

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

	Unquoted equity £'000	Unquoted loan notes £'000	Total £'000
Balance at 1 April 2020	22,322	3,319	25,641
<i>Movements in the Income Statement:</i>			
Unrealised valuation gains in the income statement	1,486	290	1,776
Unrealised foreign exchange losses	(266)	-	(266)
Realised losses in the income statement	(859)	-	(859)
	22,683	3,609	26,292
Purchases at cost	9,684	784	10,468
Sales proceeds	(762)	(726)	(1,488)
	8,922	58	8,980
Balance at 31 March 2021	31,605	3,667	35,272

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 judgment in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments.

The Board and the Investment Manager believe that the valuations as at 31 March 2021 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 15.

Significant interests

Details of shareholdings in portfolio companies where the Company's holding, as at 31 March 2021, represents greater than 20% of the nominal value of any share class. The figures shown below represent the financial position and performance as of the latest available financial statements. The Company does not have significant influence over any of its portfolio companies.

Company	Registered office	Share class	Number	Proportion of class held	Capital and reserves	Profit/ (loss) for the year
Arecor Limited	CB10 1XL	C Ordinary	212,121	23.2%	£0.9m	*
Cadbury House Holdings Limited	EC3R 6HD	Ordinary	678,522	27.5%	£6.5m	(£2.0m)
Channel Mum Limited	RG1 1PL	D1 Ordinary	57,022	26.3%	£0.3m	*
Empiribox Holdings Limited	OX14 4RT	C Ordinary	2,515,592	40.9%	£1.7m	*
		D Ordinary	1,377,144	41.5%		
		E Ordinary	8,882,082	24.5%		
Genincode UK Limited	M2 3DE	B Ordinary	11,371	30.0%	£1.9m	(£1.2m)
Glownet Limited	EC3R 6HD	A Ordinary	3,615,584	33.3%	£1.3m	*
JRNI Limited	RG41 5RB	A1 Ordinary	76,896	32.6%	£6.3m	(£3.4m)
Lineten Limited	EC3M 6BN	A Preferred	15,372	26.7%	£2.6m	*
Live Better With Limited	N1 8XB	A Ordinary	119,892	68.1%	£1.7m	*
		B Ordinary	383,796	21.6%		
Rated People Limited	EC3A 7LP	C Ordinary	30,171	21.4%	(£5.2m)	(£3.5m)
Virtual Class Limited	E1 8EW	B Ordinary	3,282	50.0%	£0.6m	*
		C2 Ordinary	3,428	22.1%		
Xupes Limited	CM23 3AR	A Ordinary	42,847	25.0%	(£1.2m)	(£2.3m)
		B Ordinary	374,738	25.0%		

* Profit figures not publicly available.

Notes to the Accounts (continued)

for the year ended 31 March 2021

9. Fixed assets investments (continued)

The following summary shows the valuation of investments made by other funds managed or advised by Downing, alongside the aggregated valuations for all Share pools within Downing FOUR VCT plc. All amounts shown are stated as at 31 March 2021.

	Total investment across all Downing FOUR VCT plc Share pools £'000	Total investment across other Downing funds* £'000
Downing Strategic Micro-Cap Investment Trust plc	3,672	3,816
E-fundamentals (Group) Limited	2,408	3,352
Congenica Limited	1,961	1,094
Arecor Limited	1,933	-
Virtual Class Limited (Third Space Learning)	1,876	2,809
Imagen Limited	1,828	3,656
Rated People Limited	1,584	3,484
Destiny Pharma plc	1,322	529
Cornelis Networks, Inc.	1,307	3,051
Streethub Limited (t/a Trouva)	1,273	4,440
Fenkle Street LLP	1,115	1,487
Adaptix Limited	1,085	2,089
FundingXchange Limited	1,050	2,450
Firefly Learning Limited	1,047	2,271
Ecstase Limited (t/a ADAY)	1,000	2,081
Open Bionics Limited	1,000	1,066
Trinny London Limited	957	12,087
Limitless Technology Limited	920	2,897
Genincode UK Limited	900	600
Cadbury House Holdings Limited	791	1,801
Hackajob Limited	784	784
Hummingbird Technologies Limited	753	3,664
FVRVS Limited (t/a Fundamental VR)	750	1,314
Ayar Labs, Inc.	726	2,179
Parsable, Inc.	678	2,590
Masters of Pie Limited	667	2,304
Carbice Corporation	609	3,785
Gatewales Limited	609	94
MyRecovery Limited	556	2,228
JRNI Limited	525	2,815
Invizius Limited	500	535
MI Downing UK Micro-Cap Growth Fund	477	6
Maverick Pubs (Holdings) Limited	450	1,800
Empiribox Holdings Limited	405	607
Cambridge Respiratory Innovations Limited	400	892
MIP Diagnostics Limited	400	467
Exonar Limited	379	744
Cambridge Touch Technologies Limited	361	1,749
Xupes Limited	291	459
Fresh Green Power Limited	282	1,128
Channel Mum Limited	278	278
Upp Technologies Group Limited (prev. Volo Commerce)	242	242
The Electrospinning Company Limited	220	502
Lineten Limited	209	575
Pearce and Saunders Limited	77	691
Green Energy Production UK Limited	67	266
Pearce and Saunders DevCo Limited	19	171
Lignia Wood Company Limited	-	-
Live Better With Limited	-	-
Ormsborough Limited	-	-
Glownet Limited	-	-
Yamuna Renewables Limited	-	-
London City Shopping Centre Limited	-	-
	40,743	87,929

* Includes the value of investments made by all other self-managed and discretionary managed funds to which Downing LLP acted as Investment Manager or Adviser as at 31 March 2021.

Notes to the Accounts (continued)

for the year ended 31 March 2021

10. Debtors

	2021 £'000	2020 £'000
Prepayments and accrued income	42	48
Other debtors	659	431
Deferred taxation (note 16)	-	69
	701	548

11. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Taxation and social security	1	1
Other creditors	7	298
Accruals and deferred income	373	502
	381	801

12. Called up share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid:		
7,867,247 (2020: 7,867,247) DSO D Shares of 0.1p each	8	8
11,192,136 (2020: 11,192,136) DP67 Shares of 0.1p each	11	11
58,525,223 (2020: 56,081,959) Generalist Shares of 0.1p each	59	56
23,835,563 (2020: 23,027,361) Healthcare Shares of 0.1p each	24	23
	102	98

The Company's capital is managed in accordance with its investment policy, as shown in the Strategic Report, in pursuit of its principal investment objective, as stated on page 44. There have been no significant changes in the objectives, policies or processes for managing capital from the previous period.

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

During the year ended 31 March 2021, the Company issued 2,443,265 Generalist Shares of 0.1p each at an average price of 62.5p per Ordinary Share and 808,202 Healthcare Shares of 0.1p each at an average price of 68.3p per Ordinary Share. No Generalist or Healthcare Management Shares were issued during the year.

During the year ended 31 March 2021, the Company did not repurchase any of its issued Generalist or Healthcare Shares.

Notes to the Accounts (continued)

for the year ended 31 March 2021

12. Called up share capital (continued)

Generalist and Healthcare Share pools

A Performance Incentive scheme is in place in respect of the Generalist and Healthcare Management Shares, which will represent 20% of the total number of Generalist and Healthcare Shares in issue. As part of the arrangement, in order to prevent dilution to the Shareholders of the Generalist and Healthcare Shares, the management team will waive their voting rights granted by these Management Shares at any general meeting of the Company and income or capital distributions otherwise payable on these Management Shares will be waived unless the relevant share class has achieved the relevant Total Return hurdle (based on audited results) at each year end date.

The Performance Incentive arrangements are structured such that the Generalist and Healthcare Management Shares will receive 20% of dividends paid in respect of the Company's Generalist and Healthcare Share pools, only when the Total Return hurdle is met. For the hurdle to be met, the Total Return to Generalist or Healthcare Shareholders must exceed £1.03 per share for the year ended 31 March 2021. For subsequent years, the Total Return hurdle increases by 3.0p per annum such that for the year ended 31 March 2022 the hurdle is £1.06, and for the year ended 31 March 2023 the hurdle is £1.09. The performance incentive arrangements in respect of the Generalist and Healthcare Share pools are assessed on each of the two Share pools individually.

DSO D Share pool

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

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

If the hurdle is met, the fee will be 3.0p per DSO D Share plus 20% of Shareholder proceeds above 100.0p per D Share. The maximum performance fee is limited to 7.0p per D Share.

As at 31 March 2021, the estimated performance incentive is 0.5p per DSO D Share. As the first hurdle (i) has not yet been achieved, no provision for the performance incentive is included in the accounts.

The Company does not have any externally imposed capital requirements.

Notes to the Accounts (continued)

for the year ended 31 March 2021

13. Reserves

	2021 £'000	2020 £'000
Capital redemption reserve	58	58
Special reserve	29,417	39,433
Share premium account	20,010	17,971
Revaluation reserve	(1,143)	(13,302)
Capital reserve – realised	3,132	2,483
Revenue reserve	(3,768)	(3,451)
Funds held in respect of shares not yet allotted	241	535
	47,947	43,727

Note: called up share capital not included above

The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves. The distributable reserves are reduced by unrealised holding losses of £13.5 million (2020: £20.0 million), which are included in the Revaluation reserve.

Capital redemption reserve

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

Special reserve

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

Share premium account

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

Revaluation reserve

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

Capital reserve - realised

The following are disclosed in this reserve:

- ▶ gains and losses on the disposal of investments;
- ▶ foreign exchange differences of a capital nature;
- ▶ expenses, together with the related taxation effect, charged in accordance with the above accounting policies; and
- ▶ dividends paid to Shareholders.

Revenue reserve

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

Funds held in respect of shares not yet allotted

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

Notes to the Accounts (continued)

for the year ended 31 March 2021

14. Basic and diluted Net Asset Value per share

	Shares in issue		2021 Net Asset Value		2020 Net Asset Value	
	2021	2020	Pence per share	£'000	Pence per share	£'000
DSO D Shares	7,867,247	7,867,247	10.2	801	12.0	944
DP67 Shares	11,192,136	11,192,136	18.4	2,064	18.8	2,096
Generalist Shares	47,308,832	44,865,567	67.2	31,778	61.7	27,700
Generalist Management Shares	11,216,391	11,216,391	-	-	-	-
Healthcare Shares	19,230,091	18,421,889	68.5	13,165	68.1	12,550
Healthcare Management Shares	4,605,472	4,605,472	-	-	-	-
Funds held in respect of shares not yet allotted				241		535
Net assets per Balance Sheet				48,049		43,825

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

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

15. Financial instruments

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

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

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

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

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2021

15. Financial instruments (continued)

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

Market risks

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

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

- ▶ Investment price risk;
- ▶ Foreign exchange risk; and
- ▶ Interest rate risk.

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

Investment price risk

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

Quoted investments

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

	Risk exposure at 31 March 2021	Risk exposure at 31 March 2020
Liquidity investments (£'000)	4,149	8,564
Quoted Venture Capital investments (£'000)	1,322	259
FTSE 100 Index at the reporting date	6,714	5,672

Movement in FTSE 100 Index	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence
Generalist Shares				
20% increase to 4,834 (2020: 8,351)	806	1.7p	1,392	3.1p
20% decrease to 3,222 (2020: 5,567)	(806)	(1.7p)	(1,392)	(3.1p)
Healthcare Shares				
20% increase to 1,732 (2020: 2,237)	289	1.5p	373	2.0p
20% decrease to 1,154 (2020: 1,491)	(289)	(1.5p)	(373)	(2.0p)

Notes to the Accounts (continued)

for the year ended 31 March 2021

15. Financial instruments (continued)

Market risks (continued)

Investment price risk (continued)

At 31 March 2021, the unquoted portfolio was valued at £35,272,000 (2020: £25,641,000). A breakdown of the unquoted portfolio by valuation method used is as follows:

	2021 £'000
Calibration to price of recent investment	19,794
Discounted cash flows (from the investment)	3,352
Discounted cash flows or earnings (of underlying business)	349
Multiples	11,777
	35,272

As the majority of the Company's unquoted investments are valued using calibration to price of recent investment, a change in market conditions could impact on the valuation of the equity investments held in the unquoted portfolio. As the unquoted investments are across a broad range of sectors and valued using different valuation techniques, it is not possible to create a meaningful analysis by changing one input or discount factor. As unquoted investments are typically structured as partly equity and partly loan notes, investment price risk of the unquoted investments is considered as a whole. The Board has considered the current volatile market conditions arising from the coronavirus pandemic in determining the reasonably possible market movements that should be illustrated with sensitivity analysis. A positive 20% and negative 50% movement in the carrying value of the unquoted portfolio as a whole is considered to be a reasonable maximum level in a given year and would have the following impact:

Movement in unquoted investment valuations				
	31 March 2021			
	+20% movement		-50% movement	
Share pool	Impact on net assets £'000	Impact on NAV per share pence	Impact on net assets £'000	Impact on NAV per share pence
DSO D Shares	89	1.1p	(222)	(2.8p)
DP67 Shares	425	3.8p	(1,063)	(9.5p)
Generalist Shares	4,921	10.4p	(12,303)	(26.0p)
Healthcare Shares	1,619	8.4p	(4,047)	(21.0p)

	31 March 2020			
	+20% movement		-50% movement	
Share pool	Impact on net assets £'000	Impact on NAV per share pence	Impact on net assets £'000	Impact on NAV per share pence
DSO D Shares	131	1.7p	(328)	(4.2p)
DP67 Shares	578	5.2p	(1,445)	(12.9p)
Generalist Shares	3,525	7.9p	(8,813)	(19.6p)
Healthcare Shares	1,059	5.6p	(2,647)	(14.4p)

The sensitivity analysis for unquoted valuations above assumes that each of the sub categories of financial instruments (ordinary shares and loans) held by the Company produces an overall movement of plus 20% or minus 50%. Shareholders should note that equal correlation between these sub categories is unlikely to be the case in reality, particularly in the case of loan instruments. Where share prices are falling, the equity instrument could fall in value before the loan instrument. It is not considered practical to assess the sensitivity of the loan instruments to market price risk in isolation.

Notes to the Accounts (continued)

for the year ended 31 March 2021

15. Financial instruments (continued)

Market risks (continued)

Foreign exchange risk

The Company has exposure to fluctuations in the prevailing market rates of exchange between the US Dollar ("USD") and the British Pound ("GBP"), as a result of holding investments in companies which use USD as their functional and reporting currency. The valuations of such investments are first performed in USD and subsequently converted to the equivalent GBP values at each reporting date. As at 31 March 2021, cumulative unrealised foreign exchange losses of £266,000 (2020: nil) had been recognised in the Income Statement, representing the movements in the USD:GBP exchange rates between the date of each relevant investment and the reporting date. The Board continues to review the exposure to fluctuations in foreign currencies but has not sought to mitigate the exposure at this time. The Company does however have relationships with foreign exchange service providers and will seek to reduce the impact of foreign exchange fluctuations on future cash flows as they arise.

Interest rate risk

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

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

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

	Average interest rate	Average period until maturity	2021 £'000	2020 £'000
Fixed rate	5.1%	Past due	3,667	3,319
Floating rate	nil		6,986	9,614
No interest rate			37,396	30,414
			48,049	43,347

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

The Bank of England base rate has been set at 0.1% per annum since 19 March 2020. Any potential change in the base rate, at the current level, would have an immaterial impact on the net assets and Total Return of the Company.

Credit risk

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

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

	2021 £'000	2020 £'000
Investments in loan notes	3,667	3,319
Cash and cash equivalents	6,986	9,614
Interest and other receivables	701	548
	11,354	13,481

Notes to the Accounts (continued)

for the year ended 31 March 2021

15. Financial instruments (continued)

Credit risk (continued)

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

Cash is mainly held with Royal Bank of Scotland plc, an A-rated financial institution. Consequently, the Directors consider that the credit risk associated with cash deposits is low.

There have been limited changes in fair value during the year that are directly attributable to changes in credit risk.

Liquidity risk

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

The Company has a relatively low level of creditors, being £381,000 (2020: £801,000), all of which are payable within one year. The Company has no borrowings, and accordingly the Board believes that the Company's exposure to liquidity risk is low. Also, the quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal. The Company's liquidity risk is managed by the Investment Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

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

The carrying values of loan note investments held and at fair value through profit or loss as at 31 March 2021, analysed by expected maturity date, are as follows:

As at 31 March 2021	Passed maturity date £'000	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Total £'000
Fully performing loans	-	541	335	138	-	1,014
Past due loans	2,653	-	-	-	-	2,653
	2,653	541	335	138	-	3,667

As at 31 March 2020	Passed maturity date £'000	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Total £'000
Fully performing loans		300	-	-	-	300
Past due loans	3,019	-	-	-	-	3,019
	3,019	300	-	-	-	3,319

As at 31 March 2021, of the loans classified as "past due", £2,653,000 (2020: £3,019,000) relates to the principal of loans where the principal had passed its maturity date. The total of £2,653,000 (2020: £3,019,000) is comprised of £nil (2020: £3,019,000) which is within 1 year of the expected maturity date and £2,653,000 (2020: £nil) relating to principal which is between 1 and 2 years past due. Notwithstanding that the principal remained outstanding passed its maturity date, the Directors did not consider that the loan principal amounts had been impaired.

Notes to the Accounts (continued)

for the year ended 31 March 2021

16. Deferred taxation

	2021 £'000	2020 £'000
At the beginning of the year	69	370
Charged to the income statement	(69)	(301)
At the end of the year	-	69

	2021 £'000	2020 £'000
Timing differences in respect of LLP profits	-	69
	-	69

17. Capital management

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

By its nature, the Company has an amount of capital, at least 80% (as measured under the tax legislation) of which is, and must 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 sufficient level of liquidity in order for the Company to remain a going concern.

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

18. Contingencies, guarantees and financial commitments

As at 31 March 2021, the Company's Generalist and Healthcare Share pools had exited from ADC Biotechnology Limited. The total sales consideration comprised deferred elements of £115,000 and £195,000 respectively, the receipt of which is contingent on certain events taking place which, although considered probable, are outside of the control of the Company. In accordance with FRS 102 (Section 10.11.3), these amounts have not been recorded as receivables in these financial statements, nor as part of the exit proceeds shown on pages 14 and 25, as the Directors consider that the receipt of the amounts is not virtually certain.

As at 31 March 2021, the Company's Generalist Share pool had also exited from BridgeU Corporation. Of the total sales consideration, £143,000 had been withheld from the Company pending warranty claims. Whilst the Directors consider it unlikely that any such claims will be made, the remaining funds will not be released to the Company until the expiry of the warranty period. As such, in accordance with FRS 102 (Section 10.11.3), this amount has not been recorded as a receivable in these financial statements, nor as part of the exit proceeds shown on page 14.

At 31 March 2021, the Company had no other contingencies, guarantees or financial commitments.

Notes to the Accounts (continued)

for the year ended 31 March 2021

19. Controlling party and related party transactions

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

Fees payable during the year to the Directors and their interest in shares of the Company are disclosed within the Directors' Remuneration Report on page 54 and in the Report of the Directors on page 50. There were no amounts outstanding and due to the Directors as at 31 March 2021 (2020: nil).

Further related party transactions include Investment Management and Administration fees payable to Downing LLP, as disclosed in notes 3 and 4. In addition, Downing LLP was also paid promoter fees in connection with the offers for subscription which were open during the year. The total paid to Downing LLP during the year ended 31 March 2021 was £32,000 (2020: £286,000).

The Company also has an agreement to pay an ongoing trail fee annually to Downing LLP, in connection with applicable proceeds raised under previous offers for subscription, out of which Downing LLP has an obligation to pay trail commission to intermediaries. The total trail fee payable to Downing in respect of the year ended 31 March 2021 was £24,000, all of which was unpaid as at 31 March 2021. During the year the Company also received £267,000 from Downing LLP in respect of excess trail fees paid, relating to the years ending 31 March 2018, 31 March 2019 and 31 March 2020. The corrected trail fee in respect of the year ended 31 March 2020 was £24,000.

20. Events after the end of the reporting period

In the period between 31 March 2021 and the date of this report, the Company issued the following shares:

- ▶ 375,458 Generalist Shares, at an average price of 68.04p per share; and
- ▶ 330,796 Healthcare Shares, at an average price of 72.56p per share.

At the date of this report, there were 58,900,681 Generalist Shares and 24,166,359 Healthcare Shares in issue, including Management Shares.

On 3 June 2021, Generalist and Healthcare portfolio company Arecor undertook a successful IPO on AIM. The group raised a further £20 million as part of the IPO, taking the market capitalisation of the company to approximately £62.5 million. The fundraising proceeds will be used to accelerate research and development. On the basis of the quoted bid price as at 30 June 2021, the value of the Generalist and Healthcare share pools' investments in the business increased by approximately £355,000 and £1.3 million, respectively.

Notice of the Annual General Meeting of Downing FOUR VCT Plc

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Downing FOUR VCT plc will be held at St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD at 11:00 a.m. on 8 September 2021 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 2021, together with the report of the Auditor thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of final dividends of 2.75p per Generalist Share and 2.75p per Healthcare Share.
4. To re-appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the accounts of the Company are presented and to authorise the Directors to determine their remuneration.
5. To re-elect as Director, Lord Flight, who retires and, being eligible, offers himself for re-election.

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

6. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of DSO D Shares of 0.1p each ("DSO D Shares"), DP67 Shares of 0.1p each ("DP67 Shares"), Generalist Shares of 0.1p each ("Generalist Shares") and Healthcare Shares of 0.1p each ("Healthcare Shares") in the capital of the Company provided that:
 - (i) the maximum number of 1,172,220 representing approximately 14.9% of the issued DSO D Share capital, 1,667,628 representing approximately 14.9% of the issued DP67 Share capital, 8,776,201 representing approximately 14.9% of the issued Generalist Share capital and 3,600,787 representing approximately 14.9% of the issued Healthcare Share capital of the Company;
 - (ii) the minimum price which may be paid for a DSO D Share, DP67 Share, Generalist Share or Healthcare Share is 0.1p, exclusive of all expenses;
 - (iii) the maximum price which may be paid for a DSO D Share, DP67 Share, Generalist Share or Healthcare Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the relevant share, as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the share is contracted to be purchased; and
 - (iv) the Company may validly make a contract to purchase its own DSO D Shares, DP67 Shares, Generalist Shares or Healthcare Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of DSO D Shares, DP67 Shares, Generalist Shares or Healthcare Shares in pursuance of any such contract;

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

Shareholders wishing to attend the AGM are requested to please notify Downing LLP via email, to d4agm@downing.co.uk, in case there are changes to arrangements which need to be communicated at short notice.

By order of the Board



Grant Whitehouse
Company Secretary
Registered office:
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

6 July 2021

Notice of the Annual General Meeting of Downing FOUR VCT Plc (continued)

Notes

- (a) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD or electronically to d4agm@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.
- (b) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- ▶ by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice; or
 - ▶ by sending an e-mail to d4agm@downing.co.uk.

In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequent thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (c) directly below, the proxy appointment will remain valid.

- (c) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11:00 a.m. on 6 September 2021 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours (excluding weekends and public holidays) before the time of any adjourned meeting, shall be entitled to vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 11:00 a.m. on 6 September 2021 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours (excluding weekends and public holidays) before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (d) As at 9:00 a.m. on 6 July 2021, the Company's issued share capital comprised 7,867,247 DSO D Shares, 11,192,136 DP67 Shares, 58,900,681 Generalist Shares and 24,166,359 Healthcare Shares and the total number of voting rights in the Company, excluding management shares, was 63,853,104,524. Information on the number of shares and voting rights is included at www.downing.co.uk.
- (e) 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.
- (f) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out on the previous page.
- (g) Members may not use any email address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

Form of Proxy

DOWNING FOUR VCT PLC

For use at the Annual General Meeting of the above-named Company, to be held on 8 September 2021 at 11:00 a.m at St Magnus House, 3 Lower Thames Street, London EC3R 6HD

I/We*(in BLOCK CAPITALS please)

of.....
being the holder(s)* of DSO D Shares of 0.1p each/DP67 Shares of 0.1p each/Generalist Shares of 0.1p each/Healthcare Shares of 0.1p each* in the capital of the above-named Company, hereby appoint the Chairman of the Meeting (see note 1) as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD on 8 September 2021 or at any adjournment thereof.

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

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

ORDINARY BUSINESS	FOR	AGAINST	WITHHELD
1. To receive and adopt the Directors' report and accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the payment of final dividends of 2.75p per Generalist Share and 2.75p per Healthcare Share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To reappoint the Auditor and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Lord Flight as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS			
6. To authorise the Company to make market purchases of its shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature..... Date.....2021

* Delete as appropriate

Please return to Downing LLP in the pre-paid envelope provided,
or e-mail a scanned copy of the signed form to d4agm@downing.co.uk

If you have any questions for the Board or Investment Manager,
please also send them by email to d4agm@downing.co.uk.

If you wish intend to attend the AGM, please also notify Downing LLP by email to d4agm@downing.co.uk, in case there are any changes to arrangements that need to be communicated at short notice.



NOTES AND INSTRUCTIONS:

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



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