



DOWNING ONE VCT PLC

Report and Accounts for the year ended
31 March 2020

Downing 

Shareholder Information

Share prices

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

Latest share price at 29 July 2020: 52.0p per share

Financial calendar

15 September 2020	Annual General Meeting ("AGM")
18 September 2020	Payment of final dividend
November 2020	Announcement of half-year results

Dividends

Dividends are paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose (forms can be downloaded from www.linkassetsservices.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar, Link Asset Services, on 0871 664 0324 (calls cost 12p per minute plus network extras, lines open 9:00am to 5:30pm Monday to Friday) or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Selling shares

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

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

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

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

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

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

Notification of change of address

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

Other information for Shareholders

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

www.downing.co.uk

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

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Financial Highlights

NAV movement

The Company's performance for the year was disappointing. NAV fell by 16.7p per share (21.3%) to 57.6p per share at 31 March 2020 (after adding back dividends paid in the year). The impact of the coronavirus pandemic had a significant negative effect on the NAV immediately prior to the year end.

Dividend

The proposed final dividend of 2.0 pence per share will result in total dividends for the financial year of 4.0 pence per share (2019: 5.0 pence per share), equivalent to 5.1% based on the opening net asset value.

Continued portfolio activity

The year has seen a continued steady level of portfolio activity with additions totalling £11.2 million and 15 realisations giving rise to total proceeds of £11.0 million.

Financial Summary

	Unaudited 30 Jun 2020 Pence	Audited 31 Mar 2020 Pence	Audited 31 Mar 2019 Pence
Net asset value per share ("NAV")	59.1	57.6	78.3
Cumulative dividends paid since 12 November 2013	35.5	35.5	31.5
Total Return (net asset value plus cumulative dividends paid per share)	94.6	93.1	109.8
Dividends in respect of financial year			
Interim dividend per share		2.0	3.0
Proposed final dividend per share		2.0	2.0
		4.0	5.0

Dividend Policy

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

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

Investment Objectives

The Company's principal investment objectives are:

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

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 26 to 27.

Directors

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

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

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

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

Chairman's Statement

I write this statement during an unprecedented period for the world. The coronavirus pandemic has affected everybody. The full extent of the impact on the UK and global economies is not yet clear, although it is certain that it will be substantial and long lasting.

With the Company's financial year end falling on 31 March 2020, these results incorporate investment valuations which we believe take account of the potential impact of the pandemic and the resulting lockdown. This has produced a disappointing result for the year. With significant exposure to the leisure and hospitality sector, as well as care homes and children's nurseries, unsurprisingly, there have been some reductions in valuations. The Company also holds a portfolio of quoted stocks which, in line with markets, experienced falls in share prices at the year end (although there has since been some recovery). As a result of some significant changes to the VCT regulations in the last few years, the other element to the portfolio is the young unquoted growth businesses which are now the main focus of new investing activity. These investments are in a wide variety of sectors but are mostly still immature, and in some cases, may be vulnerable to this period of economic turmoil. The Board has sought to take a cautious approach in assessing the prospects of these businesses at the current time.

All of the above has combined to produce a set of results which show a substantial fall in net asset value over the year.

Net asset value and results

As at 31 March 2020, the net asset value per share ("NAV") stood at 57.6p, a decrease of 16.7p (21.3%) after adding back dividends of 4.0p per share which were paid during the year.

The Income Statement shows a loss attributable to equity shareholders for the year of £23.8 million comprising a revenue loss of £2.1 million and a capital loss of £21.7 million.

Investment portfolio

At the year end, the Company held a portfolio of 86 active investments. Of these, 28 are either quoted on AIM or the NEX Exchange Growth Market and have a value of £17.7 million (27.9% of the portfolio). The 30 unquoted growth investments have a value of £18.5 million and represent 29.1% of the portfolio and the 28 unquoted yield focused investments have a value of £27.4 million and represent 43.0% of the portfolio.

The year under review saw an unrealised loss of £20.8 million across the portfolio, with the unrealised losses in the unquoted portfolio totalling £13.8 million and the unrealised losses in the quoted portfolio totalling £7.0 million.

In respect of the quoted portfolio, continuing uncertainty created by the pandemic and the ongoing Brexit negotiations has created a challenging market for almost all companies. The Investment Adviser's approach with the quoted portfolio is to hold stakes of a size that allow the Adviser to work closely with those businesses and support management where required. This has provided the Adviser with some comfort that the majority of companies have taken appropriate responses to the pandemic. As a result, the Adviser believes these companies are reasonably well positioned to weather the storm and capitalise when better conditions arrive.

In the unquoted growth portfolio, as expected, some of the weaker businesses have started to show signs that they may be unlikely to ultimately achieve their business plan. It is typical in a portfolio of this type that these come to light before the stronger businesses prove themselves. The pandemic has, in some cases, accelerated this situation so the Board has made a number of write downs. The Adviser continues to work closely with all portfolio companies, including the weaker ones, to ensure that value can be recovered where possible.

The unquoted yield-focused portfolio is where the pandemic has created most disruption and a number of the businesses in this portfolio are currently closed. The Investment Adviser has ensured that they have all taken advantage of what government and other support is available and will look to resume operations when lockdown restrictions allow. The impact of this on the long-term value of these businesses is not clear, however, as a minimum they are losing revenue and a number of valuation write downs have been made accordingly.

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

Dividends

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

The Company has enough liquid funds to be able to continue with the payment of its regular dividend at the year end, of which we believe Shareholders are supportive.

Chairman's Statement (continued)

Dividends (continued)

The Board is therefore proposing to pay a final dividend of 2.0p per share on 18 September 2020, subject to Shareholder approval at the forthcoming AGM, to Shareholders on the register at 28 August 2020. This will bring total dividends in respect of the year ended 31 March 2020 to 4.0p per share (2019: 5.0p), which represents a yield based on opening NAV of 5.1% p.a.

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

Share buybacks

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

During the year, the Company purchased and subsequently cancelled 1,760,680 shares at an average price of 72.9p per share.

The Company retains Panmure Gordon as its corporate broker to assist in operating the share buyback process and ensuring that the quoted spread on the Company's shares remains at a reasonable level. Contact details for Panmure Gordon are on page 68.

Annual General Meeting ("AGM")

With the social distancing restrictions still in place as a result of the pandemic, it is difficult to make plans to hold an AGM as we would normally do. The government has recognised this problem and has made legislative changes to allow companies more flexibility in the way AGMs are held.

In line with what many companies are currently doing, we are therefore planning to hold a "closed AGM" which Shareholders will not be allowed to attend. The meeting will still comply with the minimum legal requirements for an AGM.

The closed AGM will take place on 15 September 2020 at 10:30am. Shareholders are encouraged to vote by proxy, as they will not be able to do so in person. We always welcome questions from our Shareholders at the AGM but this year, given the restrictions in place, please submit any questions for the Board or the Investment Adviser via email to d1agm@downing.co.uk by 5:00pm on 11 September 2020. The Board will seek to address topics raised in any submitted questions by publishing a statement with the AGM results. Full details are included within the notice of AGM at the back of this report.

Three items of special business are proposed at the AGM:

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

The authority to allot shares ensures the Company will be able to allot shares to monthly investors and also give the Board the opportunity to consider further fundraising options without having to necessarily incur the expense of seeking separate approval via a shareholder circular.

Any decision on future fundraising will, of course, give consideration to the level of uninvested funds already held by the Company and the rate of investment.

Fundraising

The Company launched a new offer for subscription on 19 September 2019, seeking to raise up to £15 million, with the option to raise up to a further £25 million. With a large proportion of the funds usually raised by VCTs in the last few weeks of the tax year, the fundraising was disrupted by the coronavirus lockdown, however, to date, the offer has raised £15.3 million and has now been extended to 31 August 2020.

With the new funds from the fundraising, the Company has sufficient cash reserves to support existing portfolio companies and take advantage of new opportunities.

Outlook

The overall performance for the year has been disappointing and has been compounded by the impact of the pandemic. The Investment Adviser has acted swiftly to ensure that portfolio companies are supported and have taken quick and decisive action in respect of the ongoing situation to safeguard their long-term survival.

Chairman's Statement (continued)

Outlook (continued)

Since the 31 March 2020 year end there has been some recovery of ground by the quoted stocks. At 30 June 2020, the estimated unaudited NAV was 59.1p per share, an increase of 1.5p since 31 March 2020. The next year, will no doubt, be a challenging one for many of our portfolio companies, as it will for businesses everywhere. We will look to the Investment Adviser to provide as much support as it can to guide the portfolio companies through these difficult times.

Inevitably, some may not be able to recover to the level we might hope, however we believe some continue to have the potential to deliver the outcomes that we were targeting when we first invested and some companies may even benefit from the current conditions by having to adapt their business models in a way that can ultimately deliver improved outcomes.

The Company has funds to invest and history suggests that one of the most profitable times for investing is at the bottom of the economic cycle. One of the challenges for the Investment Adviser over the next year is to continue generating high quality deal flow, within the restrictions of the VCT regulations, that can drive growth for the Company over the coming years.



Chris Kay
Chairman
30 July 2020

Investment Adviser's Report - Overview

Introduction

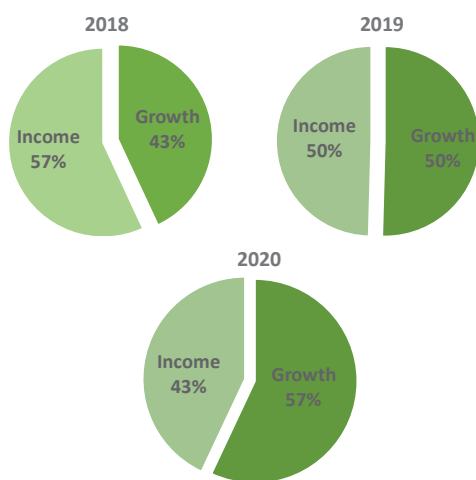
We present a review of the investment portfolio and activity over the last financial year. Our review is split into three parts comprising:

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

Portfolio Overview

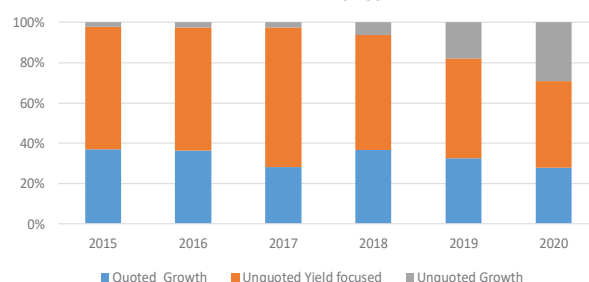
At 31 March 2020, the Company held a portfolio with a value of £63.6 million comprising 86 quoted and unquoted companies, across a diverse range of sectors in both the growth and yield-focused categories. Investment valuations at the year end have been significantly impacted by the coronavirus pandemic and lockdown. Further detail is included on the following pages.

The charts below show the continuing shift of the portfolio from yield-focused to growth investments, in line with strategy which is consistent with the current VCT regulations. There has been a 14% increase in the proportion of the funds in growth investments between 2018 and 2020.



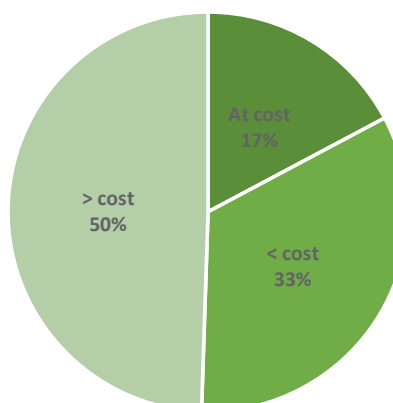
During the period to 31 March 2020, all of the 20 new investments made were growth investments, with three being quoted and the remaining 17 unquoted. This is illustrated in the chart below which shows the unquoted growth investments increasing year on year. We expect the proportion of growth investments in the portfolio to continue to increase over the coming years.

Investment by type



Several portfolio companies suffered setbacks, exacerbated by the coronavirus pandemic towards the year end, resulting in significant write downs against a number. At the year end, approximately one third of the portfolio is valued at less than cost, with half of the portfolio above cost and the remainder equal to cost. Some detail on individual investments is provided on the following pages.

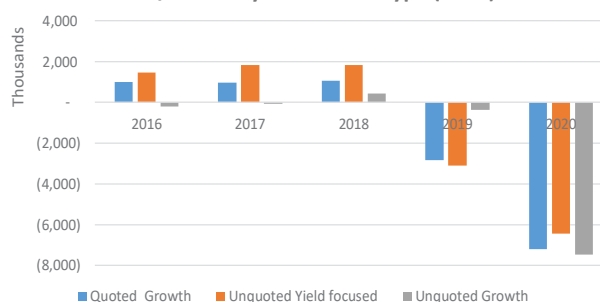
Valuation compared to cost



Portfolio Performance

The performance of the portfolio over the year has produced an unrealised loss of £20.8 million (2019: £6.3 million), with the unquoted portfolio generating an unrealised loss of £13.8 million and the quoted portfolio generating an unrealised loss of £7.0 million.

Gains/Losses by investment type (£000)



Investment Adviser's Report – Overview (continued)

Portfolio Performance (continued)

The chart above illustrates that the losses over the period are split relatively evenly across each of the three investment portfolios, quoted growth, unquoted growth and unquoted yield-focused. Each of the portfolios has been impacted by the coronavirus pandemic and effective lockdown. The unquoted yield-focused investment portfolio also suffered from some issues with specific investments earlier in the year, resulting in several valuation write-downs.

It is not unexpected to suffer some losses at a relatively early stage in a portfolio of young growth companies as the weaker businesses tend to become apparent before the stronger businesses prove themselves as such. This effect has been responsible for a proportion of the losses seen in the unquoted growth portfolio during the year.

The net unrealised losses in the quoted portfolio totalled £7.0 million. The largest unrealised losses in the quoted portfolio related to Downing Strategic Micro-Cap Investment Trust plc (£1.5 million), Bonhill Group plc (£1.0 million) and Universe Group plc (£652,000). An analysis of the unrealised gains and losses are detailed further within the report on quoted investments on pages 13 to 14.

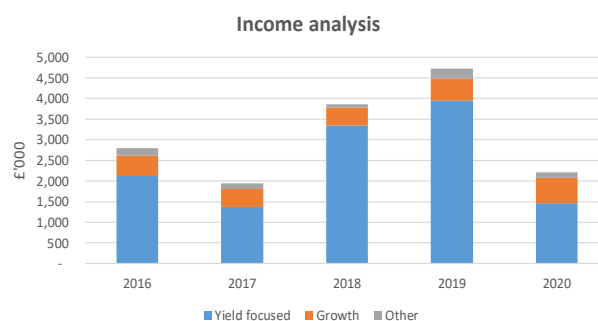
The unrealised losses in the unquoted portfolio totalled £13.8 million. Within the unquoted portfolio, the largest unrealised losses were in respect of growth investment, Xupes Limited (£2.25 million), and yield-focused investments, Jito Trading Limited (£1.9 million), Cadbury House Holdings Limited (£1.3 million) and Quadrata Catering Limited (£1.2 million). These losses were partially offset by unrealised gains on Harrogate Street LLP (£657,000) and Baron House Developments LLP (£539,000).

Realised losses (over carrying value brought forward) in the period totalled £303,000, with the two most notable contributors being quoted growth company Craneware plc (loss of £455,000), and unquoted yield-focused company Leytonstone Pub Limited (loss of £364,000), however this was a gain over cost of £1.4 million. These losses were offset by a small number of gains which are detailed on the following pages.

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

Income generation

As noted above, as the portfolio is gradually shifting away from yield-focused investments to more growth, the income generated has reduced.

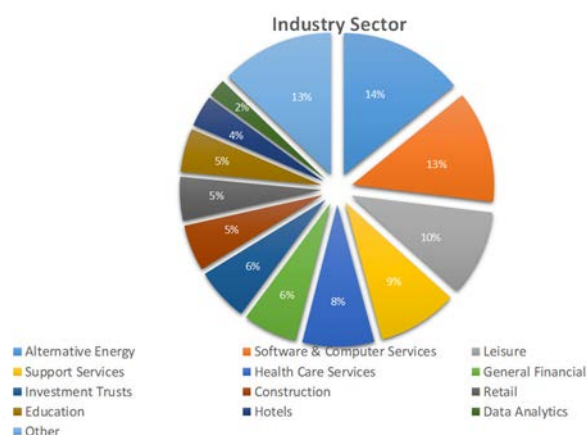


Almost half of all disposals in the year were yield-focused companies that were exited in line with standing exit plans. As a result, income has fallen from £4.7 million to £2.2 million across the period. Despite this, a steady income flow is expected from the remaining yield-focused investments held as well as some quoted growth company dividends.

Portfolio Composition

As illustrated in the following chart, the diversification of the investment portfolio continues with new unquoted growth investments made into a number of new sectors. The main sectors in which the Company has invested are alternative energy and software and computer services, albeit the maximum exposure to any sector is 14%.

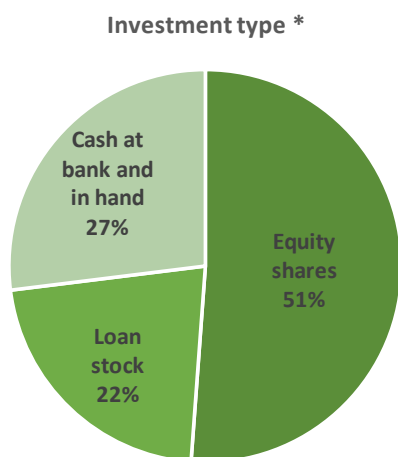
Exposure in sectors such as leisure, which includes pub companies, has decreased from 14% to 10%, whilst sectors such as retail has almost doubled to 5% following investments into this area with Ecstasy Limited, trading as ADAY (£1.0 million), and Strethub Limited, trading as Trouva (£1.3 million).



Investment Adviser's Report – Overview (continued)

Portfolio Composition (continued)

Following the 2019/20 fundraising and some significant realisations, 27% of the investment portfolio is currently held in cash. Focus for the coming year is on deploying these funds into new investments coming from our pipeline.



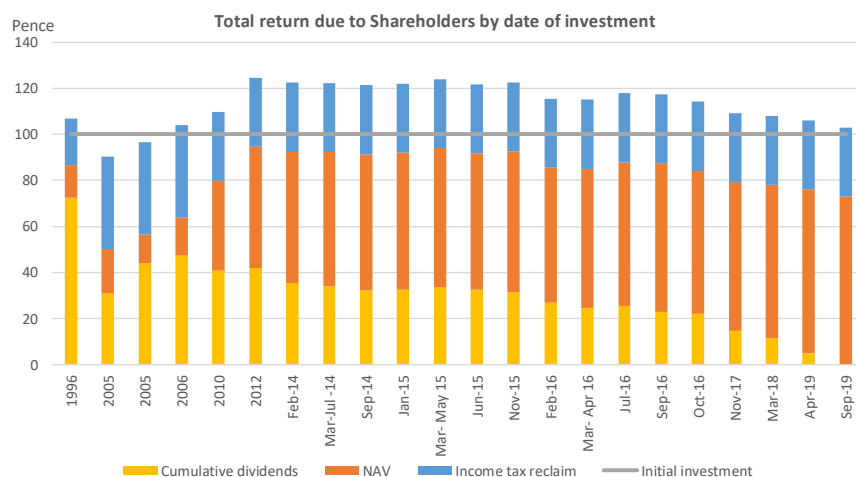
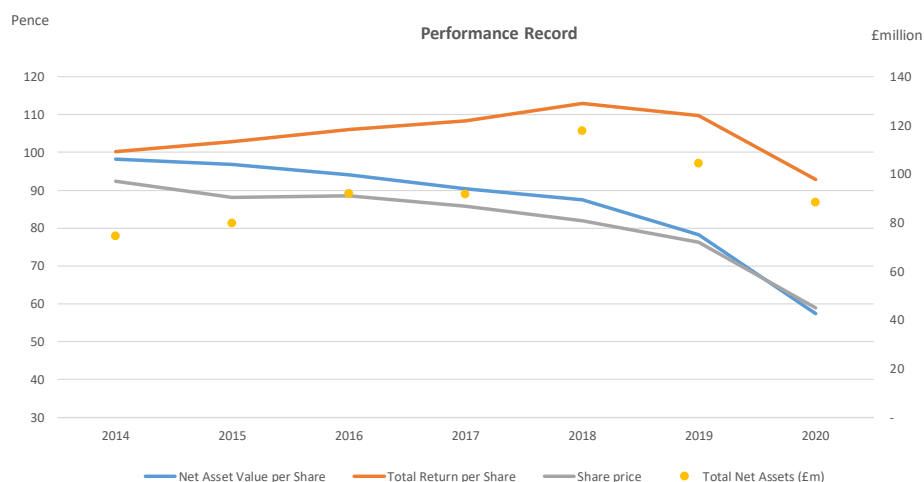
*includes cash and cash equivalents

Net asset value and results

The net asset value per Share (“NAV”) at 31 March 2020 stood at 57.6p, compared to the NAV at 31 March 2019 of 78.3p. Total Return (NAV plus cumulative dividends paid since the merger in 2013) is 93.1p, compared to the Total Return at 31 March 2019 of 109.8p.

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

The loss on ordinary activities after taxation for the year was £23.8 million (2019: profit of £4.3 million), comprising a revenue loss of £2.1 million (2019: profit of £2.6 million) and a capital loss of £21.7 million (2019: £6.9 million).



Investment Adviser's Report – Overview (continued)

Outlook

Following investment additions during the period of £11.2 million, we expect to see a similar level of activity going forward. Despite the disruption of the pandemic, we still have a developing pipeline of opportunities.

There have been some disappointing performers in the portfolio over the last year. We have dedicated substantial resources in seeking to address the issues of each of the affected companies. Businesses in the hospitality and leisure sector are suffering heavily in the coronavirus lockdown and will require significant management time to help them get through and restore operations in due course.

The fall in the share prices of the quoted growth companies mainly result from market sentiment arising from uncertainty created by the pandemic and, to some extent, also Brexit. We continue to stay close to all these businesses to ensure we provide support where we can.

Close monitoring and support of the entire portfolio is paramount in these uncertain times. As Investment Adviser, we shall ensure that all companies benefit from government aid that is available and take sensible decisions as they deal with these unprecedented conditions as we look to deliver improved returns over the long term.

Downing LLP

30 July 2020

Investment Adviser's Report – Unquoted Portfolio

We present a review of the unquoted investment portfolio for the year ended 31 March 2020.

At 31 March 2020, the unquoted portfolio of 58 investments was valued at £45.9 million. 28 of these with a value of £18.5 million are unquoted growth companies and 30 are unquoted yield focused companies with a value of £27.4m.

Unquoted Growth Investment activity

During the period, the Company invested a total of £10.2 million in unquoted growth companies, comprising nine new opportunities and eight follow-on investments.

The nine new investments were as follows: -

StreetHub Limited (£1.3 million) trading as Trouva, is an online marketplace for a curated range of homeware and lifestyle products.

Ecstase Limited (£1.0 million) trading as ADAY, is a direct to consumer women's clothing brand founded in 2014 that creates versatile and season-less garments with a low environmental footprint.

Lineten Limited (£750,000) is a software platform that connects retailers to a range of on-demand and same-day delivery fleets to facilitate customer deliveries.

FundingXchange Limited (£525,000) is an SME funding platform and B2B technology provider which enables online lending.

JRNI Limited (£525,000) is a business to business (B2B) software platform that enables companies to offer online appointment and event bookings to their customers and staff.

Hummingbird Technologies Limited (£500,000) is an advanced crop analytics platform that is powered by machine learning and aerial imagery to assess and predict crop health.

Cambridge Touch Technologies Limited (£459,000) is developing cost effective pressure sensitive multi touch technology for the screens of handheld devices.

ADC Biotechnology Limited (£421,000) is creating innovative new technology, which aims to speed up, simplify and significantly lower the costs of the processes involved in the production of new Antibody Drug Conjugates (ADCs).

FVRVS Limited (£250,000) trading as Fundamental VR, provides surgery simulation software for enterprise clients.

Follow on investments totalling £4.5 million were made into eight companies, most notably Avid Technology Group Limited (£736,000), E-Fundamentals Limited (£675,000), Lignia Wood Company Limited (£666,000) and Limitless Technology Limited (£583,000).

Details of the investment realisations during the year are set out on page 19. Total proceeds of £817,000 were generated from unquoted growth companies, producing profits over holding value of £33,000.

Ludorum plc, the owner of the intellectual property rights to various children's entertainment brands, received a liquidation distribution during the year, generating a loss against cost of £1.5 million, but a gain over opening value of £33,000.

Street Hub Limited, E-Fundamentals (Group) Limited and Avid Technologies Group Limited all converted their existing loan notes during the period into further qualifying equity.

Portfolio valuation

The unquoted growth portfolio faced a number of disappointing developments and as a result was reduced in value by £7.5 million during the year. The most significant provisions are as follows:

Xupes Limited, an online retailer of pre-owned luxury goods including designer watches and handbags has been written down to nil following uncertainty over its future as a result of operational issues and likelihood of existing investors refusing to further support the business. As the company has some borrowings, it is difficult to recover any value and as a result the investment has been fully provided against.

Avid Technologies Group Limited, a manufacturer of electrified ancillaries for internal combustion engines, is currently in the early stages of a sales process. The investment value was written down by £1.1 million in line with economic uncertainty.

Empiribox Holdings Limited, the provider of equipment and training to primary schools across the UK was reduced in value by £1.1 million as a result of a number of factors, including operational issues experienced in the company and cash restrictions within primary schools in the UK, which intensified further as a result of the effective closure of UK schools from March.

Investment Adviser's Report – Unquoted Portfolio (continued)

Portfolio valuation (continued)

Live Better With Limited, a developer of a healthcare website aiming to help people with long-term medical conditions, has been reduced in value to nil as a result of significant underperformance and the current economic environment.

Lignia Wood Company Limited, a producer of modified sustainable wood based in Barry, Wales, was written down by £617,000 as a result of expected material reductions in customer demand.

Unquoted Yield Focused Investment activity

During the period, the Company made no new investments into this portfolio, however it generated total proceeds of £6.5 million from disposals, producing a gain of £931,000 over cost and a loss of £122,000 over holding value. Details of the realisations in the year are set out on page 19.

The largest realisation related to Leytonstone Pub Limited and Leytonstone Pub No1 Limited, the owner of The Red Lion pub located in Leytonstone, London which exited in full, generating combined proceeds of £3.6 million and a gain over cost of £1.6 million.

Wickham Solar Limited, the owner of a 5.6MW ground mounted solar farm in Bourne, Lincolnshire was exited in full, realising a gain over cost of £244,000 and a gain over holding value of £56,000.

Portfolio valuation

The unquoted yield focused portfolio also encountered several disappointing developments and as a result was reduced in value by £6.3 million during the year. The most significant movements are as follows:

Jito Trading Limited was developing a wood pellet manufacturing plant in Weitra, Austria. The plant is not yet operational due to delays and issues encountered in the construction phase. We are now of the view that management will be unable to operate the plant profitably. As a result, it has been decided not to commission the plant and to seek to sell it as a turn-key project. An advisor has been appointed to sell the business and discussions with potential buyers are underway. Offers have been received, but as the company has borrowings, it is not expected that a sale would recover any value for the equity shareholders.

The investments in Quadrate Spa Limited and Quadrate Catering Limited, which own and operate a health club business and a top floor restaurant in The Cube complex in Birmingham were written down to nil, generating a combined unrealised loss of £1.9 million. A sale and leaseback transaction was due to complete in February 2020, however as a result of the coronavirus pandemic, both companies are not operational due to government-imposed lockdown measures and the offer has been withdrawn. We are monitoring the fluid situation and are assisting management where possible.

Cadbury House Holdings Limited, owns and operates a health club, restaurant and conference centre at Cadbury House, near Bristol.

The company has suffered a fall in value of £1.3 million as a result of the continuing economic uncertainty as well as a result of the government-imposed lockdown measures in March 2020, which has caused the site to close.

The period to 31 March 2020 has also seen a number of unrealised gains in the portfolio totalling £1.3 million. The most notable of these gains related to Harrogate Street LLP and Baron House Developments LLP, which increased in value by £657,000 and £539,000 respectively.

Harrogate Street LLP, a property developer was uplifted during the year by £657,000 following positive performance. Baron House Development LLP, a company created to fund the purchase of a property outside Newcastle station was uplifted by £539,000 during the year, following improved trading.

Conclusion and outlook

The falls experienced by both parts of the unquoted portfolios over the year are disappointing. Some provisions in the growth investments are not unexpected in a portfolio in this sector and the pandemic has also had a significant impact. The failure of Jito, which is not related to these factors is the most disappointing. In that case, the management team we backed was unable to deliver what originally appeared to us to be an achievable business plan.

Investment Adviser's Report – Unquoted Portfolio (continued)

Conclusion and outlook (continued)

We have ensured that the portfolio companies have taken quick and decisive action in respect of the coronavirus pandemic, securing immediate survival and working to align themselves to the new normal. Some businesses will emerge leaner and stronger as a result and some will be forced to accelerate systemic changes already anticipated which may have a positive outcome.

Our role over the next year will be to provide support to all portfolio companies in a variety of ways to ensure they are as well positioned as can be to weather the current situation and have the best chance of thriving when conditions allow.

Downing LLP

30 July 2020

Investment Adviser's Report - Quoted Growth Portfolio

Investment activity

At 31 March 2020 the quoted portfolio was valued at £17.7 million comprising 28 active investments.

The Covid-19 pandemic negatively affected share prices during the reporting period, since that time share prices have improved modestly in line with the market. The Advisers have been focusing on the ability of investments to survive the pandemic and trying to estimate how the portfolio will emerge post Covid-19. It is worth noting that the majority of companies in the quoted portfolio hold net-cash and where there is debt, there is strong asset backing in the majority of cases. There is only one company where we feel there is the likelihood of a fundraise for Covid-19 reasons.

Over 48% of the quoted portfolio is accounted for in the top 10 holdings, reflecting the Adviser's focused investment strategy. The quoted portfolio saw relatively little change in the year. During the period there were two corporate actions, the takeover of Sanderson Group plc at 140p, representing a £365,000 gain over the original cost of £336,000, and a £240,000 gain on the value before the takeover. There was also a takeover of Brady plc at 18p, representing a £201,000 loss over the original cost of £272,000 and a loss of £154,000 over the value before the takeover. There were partial sales in Craneware plc and an outright sale in Finsbury Food Group plc.

The Company made a new investment of £300,000 into Immotion Group plc, a VCT qualifying investment. There were also follow-on investments into existing non-qualifying holdings of £197,000 into Downing Strategic Micro-Cap Investment Trust plc, and £500,000 into Impact Healthcare REIT plc.

Overall, the quoted portfolio produced unrealised losses of £7.0 million. The most notable movements in the portfolio over the period are discussed below.

Portfolio Movements

The main positive contributor to performance was Cohort plc, an independent technology group, and one of the top 10 holdings. The group issued a trading update and Covid-19 update post period end. Management stated that Cohort's performance was tracking broadly in line with expectations prior to the imposition of Covid-19 restrictions in the last two months of its financial year to 30 April 2020, typically its busiest period. The restrictions have affected its ability to carry out work on customer premises and customers' ability to witness acceptance tests and to place new orders. This had some impact on the 2020 fiscal year revenue and trading profit, although these still showed positive growth compared to the 2019 fiscal year.

With the benefit of a lower tax charge the group anticipate FY20 earnings per share to be in line with market expectations. The board reported that the group has a robust financial position, a strong order book underpinning 60% of expected current year revenues, and an encouraging pipeline of order opportunities across the business. The valuation of Cohort increased by 25% over the period, contributing £176,000 of unrealised gains to the portfolio.

Pressure Technologies plc, a specialist engineering group, provided an update on trading for the 26 weeks to 28 March 2020 and on the impact of Covid-19 on its operations post reporting period end. Chesterfield Special Cylinders (CSC) performed in line with management expectations for the half year and progress with key energy and defence orders has continued in line with project plans. Precision Machined Components (PMC) achieved strong order intake over the past six months across a broadening customer base. However, despite this progress, a significant delay to the output of new large complex components, the onboarding of new customers and the late commissioning of new machining centres adversely impacted gross margins in the first quarter. Management stated that while Covid-19 and a very low oil price presented an uncertain outlook, it is confident that the management and operational changes already made over the past year will help the business to navigate through this challenging period and return to cash generative growth. The valuation of Pressure Technologies increased by 3.5% over the period, contributing £2,000 of unrealised gains to the portfolio.

Investment Adviser's Report - Quoted Portfolio (continued)

Portfolio Movements (continued)

Negative contributors included Downing Strategic Micro-Cap Investment Trust (DSM), which reduced the value of the portfolio by £1.5 million, reflecting the impact of the discount that DSM experienced at the start of the Covid-19 crisis. This was in-line with other investment trusts in the sector. The net asset value (NAV) of DSM did not experience a similar decline. DSM takes strategic stakes of between 3%-25% of the underlying equity and uses its influential position in portfolio companies by applying strategic mechanisms such as helping with restructuring, refinancing, and M&A in order to unlock shareholder value. It is a focused portfolio of between 12-18 positions, with an investment horizon of 3-7 years.

DSM has endured a challenging three years since its launch in 2017. The economic backdrop and Brexit uncertainty resulted in significant negative sentiment towards both the UK micro-cap sector and the value orientated investment approach applied by the Manager.

As the political and economic situation improved at the end of 2019 and into 2020, share prices began to rally and to reflect the intrinsic value in portfolio companies. DSM had used its strategic influence to drive the necessary changes in most positions, improving the appropriate management teams and putting finance in place to execute on catalysts which should generate returns over its planned investment horizon. The NAV discount had been well managed throughout that period at c.3% discount (up until the start of the pandemic). As the Covid-19 crisis unfolded, the strategy quickly became a fundamental engagement with investees to ensure company survivability. In the annual report, issued post period end, the Managers stated that most portfolio positions are well capitalised to survive the pandemic, considering downside scenarios. They remain confident that DSM is well positioned, with more than 15% of NAV held in cash, allowing flexibility to support existing positions if appropriate, and to take advantage of market weakness in potential new positions that have been in diligence for some time.

Bonhill Group plc was also a negative contributor, reducing the value of the portfolio by £1.0 million. Bonhill is a leading B2B media business specialising in three key areas: Business Insight, Events and Data & Analytics. The group provided an update on the impact of Covid-19 in March.

Management stated that the pandemic is causing significant disruption to the financial services, technology and diversity communities in the UK, Europe, North America and Asia. The company started 2020 well, with particularly strong forward bookings in the UK and US. However, as the impact of coronavirus has increased, the vast majority of its UK, US, European and Asian events have been postponed, resulting in an expected reduction in revenue and gross profit for the first half of the group's financial year. The board has taken swift action to protect shareholder value by conserving cash, improving liquidity and reducing costs through headcount reductions.

Bonhill's brands serve communities and play an important role in connecting people and enabling business. It is using all appropriate methods to continue this vital engagement and help its clients to stay close to their communities. Management believe that the business is well-positioned to respond quickly when the end is in sight, and anticipates greater business need for events, forums and networking when the global crisis is over. Bonhill raised £2.5 million in April 2020 to ensure its survivability during the crisis.

Outlook

As fears of the potential impact of Covid-19 intensified, we conducted a thorough review of all portfolio positions to make certain that all possible risks had been identified and removed. We continue to concentrate on businesses that have strong balance sheets, to ensure survivability, and are targeting businesses that have high quality revenue streams that are unlikely to be affected by the pandemic.

Continuing uncertainty over the full global economic and social impact of Covid-19 and ongoing Brexit negotiations have created an extraordinarily challenging environment for all companies, particularly the smaller growth companies in which the portfolio invests. The Investment Adviser is working closely with management teams to ensure that they are supported and assisted where possible during these worrying times.

While there will doubtlessly be further challenges ahead, we are optimistic that as long-term investors a prudent approach in this time of volatility should allow the quoted portfolio to deliver long-term performance.

Downing LLP

30 July 2020

Review of Investments

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 March 2020:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Total invested by funds also managed by Downing LLP ¹ £'000
Top ten venture capital investments					
Doneloans Limited	5,000	5,491	(135)	6.3%	-
Tracsis plc*	1,443	4,508	(347)	5.2%	2,417
Downing Care Homes Holdings Limited	3,880	4,117	(379)	4.7%	-
Baron House Developments LLP	2,695	3,234	539	3.7%	2,055
Downing Strategic Micro-Cap Investment Trust plc***	5,197	2,226	(1,521)	2.6%	4,998
Pilgrim Trading Limited	2,593	2,120	(473)	2.4%	3,722
Harrogate Street LLP	1,400	2,057	657	2.4%	-
Anpario plc*	1,448	1,917	(62)	2.2%	1,583
Cadbury House Holdings Limited	3,081	1,749	(1,326)	2.0%	1,979
Pearce and Saunders Limited	1,320	1,507	(145)	1.7%	1,680
	28,057	28,926	(3,192)	33.2%	18,434
Other quoted growth investments					
Craneware plc*	353	1,391	(426)	1.6%	114
Impact Healthcare REIT plc***	1,518	1,302	(248)	1.5%	258
Inland Homes plc*	1,526	1,282	(519)	1.5%	2,926
Cohort plc*	394	865	176	1.0%	-
Vianet Group plc*	952	733	(438)	0.8%	-
Universe Group plc*	1,506	709	(652)	0.8%	1,794
Science in Sport plc*	1,239	611	(394)	0.7%	3,145
Pittards plc*	1,350	506	(191)	0.6%	1,217
Angle plc*	678	466	(57)	0.5%	-
Brooks Macdonald Group plc*	257	252	(39)	0.3%	2,770
SysGroup plc*	377	169	(69)	0.2%	1,518
Pennant International Group plc*	335	165	(376)	0.2%	304
Norman Broadbent plc*	906	151	(166)	0.2%	1,332
Frontier IP Group plc*	30	137	(43)	0.2%	-
Immotion Group plc*	300	77	(223)	0.1%	-
Bonhill Group plc*	1,000	75	(1,025)	0.1%	3,198
Dillistone Group plc*	411	60	(71)	0.1%	-
Pressure Technologies plc*	249	58	2	0.1%	304
Fireangel Safety Technology Group plc*	545	44	(28)	0.1%	9,772
MI Downing UK Micro-Cap Growth Fund***	50	29	(14)	0.0%	5,150
AIQ Limited	-	7	4	0.0%	-
Flowgroup plc*	385	-	-	0.0%	-
ACHP plc*	61	-	(65)	0.0%	-
Redhall Group plc*	500	-	(170)	0.0%	-
Wheelsure Holdings plc**	48	-	(18)	0.0%	-
	14,970	9,089	(5,050)	10.6%	33,802
Other unquoted growth investments					
E-Fundamentals (Group) Limited	1,342	1,342	-	1.5%	1,897
Rated People Limited	1,282	1,282	-	1.5%	2,949
Lignia Wood Company Limited	1,777	1,250	(617)	1.4%	3,614
Streethub Limited	1,050	1,101	51	1.3%	2,993
Firefly Learning Limited	1,047	1,047	-	1.2%	2,271
Avid Technologies Group Limited	1,833	1,037	(1,104)	1.2%	-

Continued over the page

Review of Investments (continued)

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Total invested by funds also managed by Downing LLP ¹ £'000
Other unquoted growth investments (continued)					
Imagen Limited	1,000	1,000	-	1.1%	2,086
Ecstase Limited	1,000	1,000	-	1.1%	2,081
Curo Compensation Limited	1,418	898	(298)	1.0%	705
Upp Technologies Group Limited	1,077	808	(269)	0.9%	1,077
Limitless Technology Limited	757	803	-	0.9%	2,283
Hackajob Limited	784	784	-	0.9%	1,324
Lineten Limited	750	750	-	0.9%	789
Virtual Class Limited	914	681	19	0.8%	1,469
Masters of Pie Limited	667	667	-	0.8%	2,304
FundingXchange Limited	525	525	-	0.6%	1,286
JRNI Limited	525	525	-	0.6%	2,815
Exonar Limited	500	500	-	0.6%	1,035
ADC Biotechnology Limited	421	421	-	0.5%	2,527
Hummingbird Technologies Limited	500	418	(82)	0.5%	1,500
BridgeU Corporation	810	414	(396)	0.5%	810
Cambridge Touch Technologies Limited	459	361	(98)	0.4%	1,397
Empiribox Holdings Limited	1,528	325	(1,072)	0.4%	2,924
Channel Mum Limited	500	300	(200)	0.3%	1,851
FVRVS Limited	250	250	-	0.3%	1,814
Ludorum plc	177	7	3	0.0%	-
Glownet Limited	741	-	(185)	0.0%	1,569
Live Better With Limited	991	-	(991)	0.0%	3,970
Tawa Associates Limited	-	-	(16)	0.0%	-
Resource Reserve Recovery Limited	6	-	-	0.0%	-
Xupes Limited	2,250	-	(2,250)	0.0%	1,551
	26,881	18,496	(7,505)	21.2%	52,891
Other unquoted yield focused investments					
Data Centre Response Limited	557	1,308	41	1.5%	-
Nomansland Biogas Limited	1,300	1,300	-	1.5%	5,260
Fenkle Street LLP	346	900	64	1.0%	1,280
Kimbolton Lodge Limited	664	815	(91)	0.9%	-
Downing Pub EIS ONE Limited	490	545	(78)	0.6%	5,862
Fresh Green Power Limited	378	462	42	0.6%	566
SF Renewables (Solar) Limited	422	342	(105)	0.4%	6,778
Rockhopper Renewables Limited	738	332	(310)	0.4%	6,470
FCT No.1 Limited	228	299	(100)	0.3%	-
Indigo Generation Limited	920	290	(354)	0.3%	8,291
Ironhide Generation Limited	920	290	(354)	0.3%	8,405
Green Energy Production UK Limited	200	108	6	0.1%	300
Pearce and Saunders DevCo Limited	88	88	-	0.1%	112
Jito Trading Limited	2,500	-	(1,875)	0.0%	7,200
London City Shopping Centre Limited	110	-	-	0.0%	-
Quadrat Catering Limited	1,500	-	(1,237)	0.0%	2,300
Quadrat Spa Limited	1,872	-	(692)	0.0%	3,258
The Thames Club Limited	175	-	-	0.0%	2,800
Top Ten Holdings plc	399	-	-	0.0%	-
Yamuna Renewables Limited	2,500	-	-	0.0%	4,510
	16,307	7,079	(5,043)	8.0%	63,392
Total investments	86,215	63,590	(20,790)	73.0%	168,519
Cash at bank and in hand		23,471		27.0%	
		87,061		100.0%	

Review of Investments (continued)

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

All venture capital investments are unquoted unless otherwise stated.

* Quoted on AIM

** Quoted on the NEX Exchange Growth Market

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

¹ Other self-managed and discretionary managed funds also managed by Downing LLP as Investment Manager or Adviser as at 31 March 2020:

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

Review of Investments (continued)

Investment movements for the year ended 31 March 2020

Additions

	£'000
Quoted growth investments	
Impact Healthcare REIT plc	500
Immotion Group plc	300
Downing Strategic Micro-Cap Investment Trust plc	197
	997
Unquoted growth investments	
Streethub Limited	1,300
Ecstase Limited	1,000
Lineten Limited	750
Avid Technologies Group Limited	736
E-Fundamentals (Group) Limited	675
Lignia Wood Company Limited	666
Limitless Technology Limited	583
FundingXchange Limited	525
JRNI Limited	525
Upp Technologies Limited (formerly Volo Commerce Limited)	510
Empiribox Holdings Limited	500
Hummingbird Technologies Limited	500
Masters of Pie Limited	500
Cambridge Touch Technologies Limited	459
ADC Biotechnology Limited	421
Channel Mum Limited	300
FVRVS Limited	250
	10,200
	11,197

Review of Investments (continued)


Disposals

	Cost £'000	Value at 01/04/19* £'000	Proceeds £'000	Profit/ (loss) vs cost £'000	Realised gain/ (loss) £'000
Quoted growth investments					
Sanderson Group plc	336	461	701	365	240
Finsbury Food Group plc	655	688	843	188	155
Brady plc	272	225	71	(201)	(154)
Craneware plc	497	2,550	2,095	1,598	(455)
	1,760	3,924	3,710	1,950	(214)
Unquoted growth investments (including loan note redemptions)					
Ludorum plc	1,592	31	64	(1,528)	33
Streethub Limited	250	250	250	-	-
E-Fundamentals (Group) Limited	250	250	250	-	-
Avid Technologies Group Limited	253	253	253	-	-
	2,345	784	817	(1,528)	33
Unquoted yield focused investments (including loan note redemptions)					
Leytonstone Pub No1 Limited	81	81	258	177	177
Wickham Solar Limited	472	660	716	244	56
Pantheon Trading Limited	1,500	1,500	1,509	9	9
Tramps Nightclub Limited	262	-	-	(262)	-
Mosaic Spa and Health clubs Limited	706	58	58	(648)	-
Pabulum Pubs Limited	607	607	607	-	-
Leytonstone Pub Limited	1,911	3,686	3,322	1,411	(364)
	5,539	6,592	6,470	931	(122)
	9,644	11,300	10,997	1,353	(303)

* Adjusted for purchases in the year where applicable


Review of Investments (continued)

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


	Doneloans Limited	Cost at 31/03/20:	£5,000,000	Valuation at 31/03/20:	£5,491,000	
		Cost at 31/03/19:	£5,000,000	Valuation at 31/03/19:	£5,626,000	
		Investment comprises:				
		Loan note:	£5,000,000	Valuation method:	Net assets	
		Equity shares:	£1			
		Unaudited accounts*: 31/03/19	31/03/18	Dividend income:	£Nil	
		Turnover:	n/a	n/a	Loan note income:	£Nil
		Profit before tax:	n/a	n/a	Proportion of capital held:	50.0%
		Net assets:	£0.6m	£0.2m	Diluted equity:	50.0%

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

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

	Tracsis plc	Cost at 31/03/20:	£1,443,000	Valuation at 31/03/20:	£4,508,000	
	www.tracsis.com	Cost at 31/03/19:	£1,443,000	Valuation at 31/03/19:	£4,855,000	
		Investment comprises:				
		Equity shares:	£1,443,000	Valuation method:	Bid price	
		Audited accounts: 31/07/19	31/07/18	Dividend income:	£14,000	
		Turnover:	£49.2m	£39.8m	Proportion of capital held:	2.7%
		Profit before tax:	£6.6m	£8.3m	Diluted equity:	2.7%
		Net assets:	£47.9m	£42.1m		

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

	Downing Care Homes Holdings Limited	Cost at 31/03/20:	£3,880,000	Valuation at 31/03/20:	£4,117,000	
	www.downingcare.co.uk	Cost at 31/03/19:	£3,880,000	Valuation at 31/03/19:	£4,495,000	
		Investment comprises:				
		Equity shares:	£1,958,000	Valuation method:	Multiples	
		Loan note:	£1,922,000			
		Audited accounts: 30/06/19	30/06/18	Dividend income:	£Nil	
		Turnover:	£3.2m	£3.1m	Loan note income	£155,000
		Loss before tax:	(£0.1m)	(£0.1m)	Proportion of capital held:	50.0%
		Net liabilities:	(£1.2m)	(£1.1m)	Diluted equity:	50.0%

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

Review of Investments (continued)

Baron House Developments LLP



Cost at 31/03/20:	£2,695,000	Valuation at 31/03/20:	£3,234,000
Cost at 31/03/19:	£2,695,000	Valuation at 31/03/19:	£2,695,000
Investment comprises:			
Loan note:	£2,695,000	Valuation method:	Calibration to price of recent investment
Unaudited accounts:	31/03/19	31/03/18	
Turnover:	£nil	£nil	Loan note income: £Nil
Loss before tax:	(£0.2m)	(£0.2m)	Proportion of capital held: -%
Net assets:	£3.7m	£4.6m	Diluted equity: -%

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

Downing Strategic Micro-Cap Investment Trust plc

downingstrategic.co.uk



Cost at 31/03/20:	£5,197,000	Valuation at 31/03/20:	£2,226,000
Cost at 31/03/19:	£5,000,000	Valuation at 31/03/19:	£3,550,000
Investment comprises:			
Equity shares:	£5,197,000	Valuation method:	Bid price
Audited accounts:	28/02/19	28/02/18	Dividend income: £Nil
Turnover:	£1.3m	£0.4m	Loan note income: £Nil
Loss before tax:	(£10.3m)	(£2.8m)	Proportion of capital held: 9.1%
Net assets:	£41.5m	£51.7m	Diluted equity: 9.1%

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

Pilgrim Trading Limited

www.bhdaynursery.com



Cost at 31/03/20:	£2,594,000	Valuation at 31/03/20:	£2,120,000
Cost at 31/03/19:	£2,594,000	Valuation at 31/03/19:	£2,594,000
Investment comprises:			
Equity shares:	£1,816,000	Valuation method:	Calibration to price of recent investment
Loan note:	£778,000		
Abbreviated accounts*:	31/08/18	31/08/17	Dividend income: £Nil
Turnover:	n/a	n/a	Loan note income: £256,000
Profit before tax:	n/a	n/a	Proportion of capital held: 43.5%
Net assets:	£2.8m	£3.0m	Diluted equity: 43.5%

Pilgrim Trading Limited has acquired two vacant properties in London, one in Twickenham and one in Brentford, which are now both operational as children's nurseries.

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

Review of Investments (continued)

Harrogate Street LLP



Cost at 31/03/20:	£1,400,000	Valuation at 31/03/20:	£2,057,000	
Cost at 31/03/19:	£1,400,000	Valuation at 31/03/19:	£1,400,000	
Investment comprises:				
Loan note:	£1,400,000	Valuation method:	Calibration to price of recent investment	
Audited accounts:	31/03/19	31/03/18	Dividend income:	£Nil
Turnover:	£nil	£nil	Loan note income:	£95,000
(Loss)/profit before tax:	(£0.2m)	£0.0m	Proportion of capital held:	-%
Net assets:	£1.7m	£1.6m	Diluted equity:	-%

Harrogate Street LLP was created to fund the purchase of a hotel site that is let to Premier Inn on a long-term basis, which qualifies under the Business Premises Renovation Allowance (BPR) scheme.

Anpario plc www.anpario.com



Cost at 31/03/20:	£1,448,000	Valuation at 31/03/20:	£1,917,000	
Cost at 31/03/19:	£1,448,000	Valuation at 31/03/19:	£1,979,000	
Investment comprises:				
Equity shares:	£1,448,000	Valuation method:	Bid price	
Audited accounts:	31/12/18	31/12/17	Dividend income:	£46,000
Turnover:	£28.3m	£29.2m	Loan note income:	£Nil
Profit before tax:	£4.6m	£3.4m	Proportion of capital held:	2.7%
Net assets:	£38.0m	£37.2m	Diluted equity:	2.7%

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

Cadbury House Holdings Limited www.cadburyhotelbristol.co.uk



Cost at 31/03/20:	£3,081,000	Valuation at 31/03/20:	£1,749,000	
Cost at 31/03/19:	£3,081,000	Valuation at 31/03/19:	£3,075,000	
Investment comprises:				
Equity shares:	£847,000	Valuation method:	Multiples	
Convertible loan note*:	£2,170,000			
A loan note:	£64,000			
Audited accounts:	31/03/19	31/03/18	Dividend income:	£Nil
Turnover:	£9.5m	£9.2m	Loan note income:	£Nil
Profit before tax:	£0.2m	£0.3m	Proportion of capital held:	36.2%
Net assets:	£6.5m	£8.5m	Diluted equity*:	66.1%

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

*Proportion of capital after conversion of loan notes.

Review of Investments (continued)

Pearce and Saunders Limited
elthamgpo.com



Cost at 31/03/20:	£1,320,000	Valuation at 31/03/20:	£1,507,000
Cost at 31/03/19:	£1,320,000	Valuation at 31/03/19:	£1,653,000
Investment comprises:			
Equity shares:	£950,000	Valuation method:	Calibration to price of recent investment
Loan note:	£370,000		
Abbreviated accounts*:	31/12/18	31/12/17	
Turnover:	n/a	n/a	Dividend income: £Nil
Profit before tax:	n/a	n/a	Loan note income: £260,000
Net assets:	£2.2m	£2.4m	Proportion of capital held: 44.0%
			Diluted equity: 44.0%

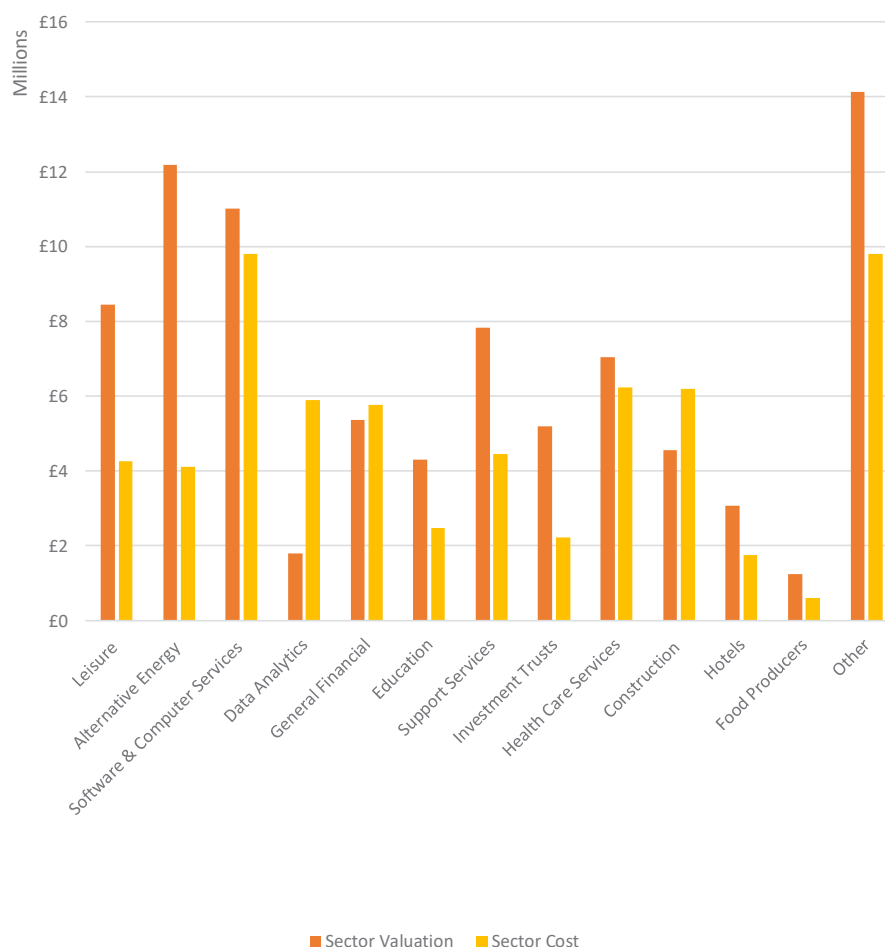
Pearce and Saunders Limited is a freehold pub company that is managed by the Antic London team and funded by Downing VCTs. It was incorporated to acquire the freehold pubs of three South East London sites, with two sites being sold during the period and one remaining: The Old Post Office in Eltham

Note:

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

Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 March 2020) is as follows:



Review of Investments (continued)

Portfolio balance

At 31 March 2020, the Company assets employed were broadly in line with the targets within the investment policy. These are summarised as follows:

Type of Investment (by HMRC valuation rules)	Actual	Target
VCT qualifying investments	82.9%	>70%*
Non-qualifying investments (including cash at bank)	17.1%	<30%
Total	100.0%	

*80% from 1 April 2020

Investment category (by HMRC value)	Actual	Target
Growth	49.3%	40%-100%
Yield focused	33.6%	0%-60%
Non-qualifying	17.1%	max 30%
Total	100.0%	

Strategic Report

The Directors present the Strategic Report for the year ended 31 March 2020. The Board have prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Principal objectives and strategy

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

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

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

Business review and developments

During the year to 31 March 2020, the investments held decreased in value by £20.8 million and losses arising on investment realisations totalled £303,000.

Income over expenditure for the year resulted in a net loss, after accounting for capital expenses, of £2.8 million (2019: gain of £1.9 million).

The total loss for the year was £23.8 million (2019: loss of £4.3 million). Net assets at the year-end were £88.7 million (2019: £104.6 million). Dividends paid during the year totalled £5.5 million (2019: £8.0 million).

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

Key performance indicators

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

Principal risks and uncertainties

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

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

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

On 11 March 2020, the World Health Organisation declared the outbreak of a strain of novel coronavirus disease, Covid-19, a global pandemic which the Board recognise has resulted in subsequent major developments and an impact on year end valuations. Although the full impact is not yet known, there is a significant risk that the pandemic may negatively impact the prospects of many businesses within the portfolio, particularly those in the hospitality and children's nursery sectors.

Strategic Report (continued)

Viability statement

In accordance with provisions 33 and 36 of the AIC Code of Corporate Governance, the Directors have carried out a robust assessment of the emerging and principal risks facing the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for a period of three years from the accounts approval date as developments are considered to be reasonably foreseeable over this period and is considered reasonable for a business of its nature and size. The three-year review considers the principal risks facing the Company, which are summarised within note 16, as well as the Company's cash flows, dividend cover and VCT monitoring compliance over the period. 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 three-year review makes assumptions about the normal level of capital recycling likely to occur, expenses, dividends and share buybacks.

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

Business model

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

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

Investment policy

Quantitative analysis of how the Company has operated in accordance with its investment policy are shown in the Review of Investments on pages 15 to 24 and in the VCT compliance section of this report on page 30.

The Company's investment policy is as follows:

Asset allocation

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

VCT qualifying investments

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

Investment type	Target	Maximum	Target IRR
Growth	40%-100%	100%	15% and above
Yield focused	0%-60%	100%	10%

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

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

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

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

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

Non Qualifying Investments

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

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

Strategic Report (continued)

Investment policy (continued)

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

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

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

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

Risk diversification

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

Venture Capital Trust Regulations

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

Borrowing Policy

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

At 31 March 2020, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £8.9 million. There are no plans to utilise this ability at the current time.

Performance incentive fees

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

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

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

Statement on s172

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

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

Strategic Report (continued)

Statement on s172 (continued)

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

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

The Investment Adviser regularly engages with major shareholders, by producing half yearly reports and reporting back to the Board. The Board also encourage all Shareholders to attend the AGM and welcomes any other communications from Shareholders. Its main stakeholders therefore comprise of the shareholders, the Investment Adviser, other service providers and investee companies.

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

Global greenhouse gas emissions

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

Environmental, social and human rights policy

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

Directors and senior management

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

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

Future prospects

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

By order of the Board



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

30 July 2020

Report of the Directors

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2020.

Share capital

At the beginning of the year, the Company had 133,444,807 Ordinary Shares of 1p each in issue.

The Company allotted 11,268,382 Ordinary shares at an average price of approximately 77.9p per Ordinary Share under the terms of the Offers for Subscription.

A further 1,031,631 Ordinary Shares at an average price of 74.4p per Ordinary Share were allotted under the terms of the Dividend Reinvestment Scheme ("DRIS").

At the AGM held on 29 August 2019, Shareholders unconditionally authorised the Company to make market purchases of its own Ordinary shares of 1p each, up to a maximum of 19,883,276 Ordinary Shares, representing 14.9% of the share capital in issue at the date of the last Annual Report. At the date of this report authority remains in place for 18,122,596 Ordinary Shares. A resolution to renew the authority to buy back up to approximately 14.9% of the share capital at the date of this report will be put to Shareholders at the AGM taking place on 15 September 2020.

During the year, the Company repurchased 1,760,680 Ordinary Shares of 1p each for average consideration of 72.9p per share, representing 1.3% of shares in issue at the last Annual Report. These shares were subsequently cancelled.

At the year end, the Company had 143,984,140 Ordinary Shares in issue. There were no other share classes in issue at the year end.

Results and dividends

	£'000	Per Share
Loss on ordinary activities after tax for the year ended 31 March 2020	(23,816)	(17.7p)
<i>Distributions paid/proposed for the year</i>		
28 February 2020 – 2020 Interim	2,868	2.0p
18 September 2020 – 2020 Final	3,059	2.0p
	5,927	4.0p

The Company has a stated target for annual dividends of at least 4% of net assets per annum. In respect of the year under review this is equivalent to 2.3p. The Board is proposing a final dividend of 2.0p per share to be paid, subject to Shareholder approval at the AGM, on 18 September 2020 to Shareholders on the register at 28 August 2020, which will result in total dividends for the financial year of 4.0 pence per share (2019: 5.0 pence per share).

Investment adviser and administration manager

Downing LLP was appointed on 1 April 2010, as Investment Adviser, for a fee payable quarterly in advance in respect of each quarter, such quarterly fee being equal to one quarter of 1.8% of the Net Asset Value of the Company as at the opening of business on the first business day of that quarter. Following approval at the General Meeting on 6 November 2019, Downing LLP's annual management charge was increased from 1.8% to 2.0% per annum, with effect from 1 October 2019. The agreement is not for a fixed term, and may be terminated by either side giving not less than 12 months' notice in writing. During the year the investment management fees amounted to £1.9 million (2019: £1.9 million). The fees payable by the Company to the Investment Adviser are allocated 50% to revenue and 50% to capital. This allocation may be reviewed in the future as the focus of the portfolio changes.

Downing LLP also receives arrangement and monitoring (non-executive directorship) fees from the investee companies. During the year, Downing LLP was due arrangement fees of £410,000 (2019: £909,000) and monitoring fees of £797,000 (2019: £866,000). These fees also relate to investments made by other funds managed by Downing LLP.

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

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

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

Report of the Directors (continued)

Investment adviser and administration manager (continued)

During the year, fees for administration services amounted to £163,000 (2019: £176,000).

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

Ongoing trail fee

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

Annual running costs cap

The Ongoing Charges figure (calculated in accordance with the AIC's methodology) was 2.44% for the year ended 31 March 2020.

Downing LLP provides a cap on annual running costs of the Company. Any annual running costs above this level are met by Downing LLP. Until 30 September 2019, the cap was set at 2.75% of net assets per annum. From 1 October 2019, the cap was reduced to 2.6% of net assets per annum. The annual running costs cap for this purpose is calculated based on the net asset value at the end of each quarter and certain costs are excluded such as fees in connection with the listing of the Company's shares and AIC membership fees. The calculation for the year ended 31 March 2020 was also adjusted for ongoing promoter fees/trail commission which relate to earlier years.

Directors

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

Chris Kay
Barry Dean
Stuart Goldsmith

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

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

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

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

VCT compliance

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

Report of the Directors (continued)

A summary of the VCT Regulations is included in the Company's Investment Policy as shown on page 26. Compliance with the main VCT regulations at 31 March 2020, and for the year then ended, is summarised as follows:

1. 70.0% (80.0% from 1 April 2020) of its investments in qualifying companies (Company as a whole); 82.9%
2. At least 70.0% of the Company's qualifying investments in "eligible shares" (investments made prior to 6 April 2018 from funds raised before 6 April 2011 are excluded); 90.0%
3. At least 10.0% of each investment in a qualifying company held in "eligible shares"; Complied
4. No investment constitutes more than 15.0% of the Company's portfolio; Complied
5. Income for the year ended 31 March 2020 is derived wholly or mainly from shares and securities; and 93.5%
6. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities, in any one year, is retained. Complied

Substantial interests

As at 31 March 2020, and at the date of this report, the Company was not aware of any beneficial interests exceeding three per cent of the issued share capital.

Auditor

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

Annual General Meeting

In view of the social distancing restrictions, the AGM will be held as a closed meeting at 10:30 a.m. on 15 September 2020. Full details are included in the Notice of the AGM and Form of Proxy at the end of this document.

Directors' responsibilities statement

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements and the Directors Remuneration Report comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors (continued)

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

Website publication

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

Directors' statement pursuant to the Disclosure and Transparency Rules

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

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

Electronic publication

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

Corporate governance

The Company's compliance with, and departures from, the Association of Investment Companies Code of Corporate Governance (AIC Code), is shown on page 39. The Statement on Corporate Governance set out on pages 36 to 39 is included in the Report of the Directors by reference.

Other matters

Information in respect of financial instruments and future developments which were previously disclosed within the Directors Report has been disclosed within the Strategic Report on pages 25 to 28.

Information in respect of greenhouse gas emissions, which is normally disclosed within the Report of the Directors has been disclosed within the Strategic Report on page 28.

Insurance cover

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

Events after the end of the reporting period

Following the period end, the Company allotted 9,359,451 Ordinary Shares of 1p each under the terms of the offers for subscription. The aggregate consideration of the shares was £5.3 million.

Statement as to disclosure of information to the Auditor

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

By order of the Board



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

30 July 2020

Directors' Remuneration Report

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

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

Annual statement from the Remuneration Committee

The Committee comprises Chris Kay, Barry Dean and Stuart Goldsmith. The current remuneration levels for the year ended 31 March 2020 were last reviewed by the remuneration committee during its meeting on 24 February 2017.

Remuneration policy

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

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

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

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

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

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

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

Letters of appointment

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

Annual report on remuneration (audited)

The following disclosure is required to be audited under the requirements of section 497. The audit opinion thereon is contained within the Auditor's Report on pages 40 to 45.

Directors' Remuneration Report (continued)

Annual report on remuneration (audited) (continued)

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

	2020 fee £	2019 fee £
Chris Kay	45,000	45,000
Barry Dean	30,000	30,000
Stuart Goldsmith	30,000	30,000
	105,000	105,000

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

Statement of implementation of remuneration policy in the current financial year

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

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

Directors share interests (audited)

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

	31 March 2020	31 March 2019
Chris Kay	83,300	83,300
Barry Dean	7,129	7,129
Stuart Goldsmith	7,881	7,881

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

Statement of voting at AGM

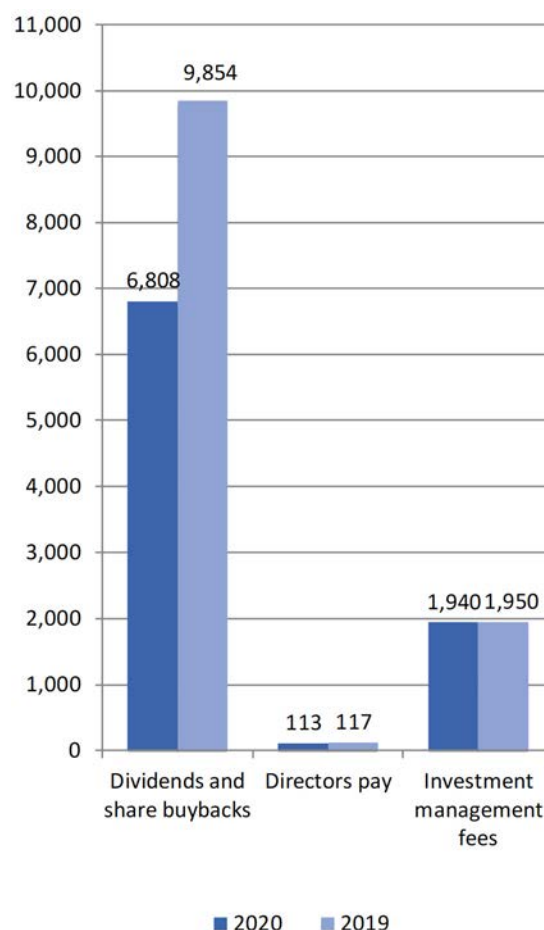
At the AGM on 29 August 2019, the votes in respect of the resolution to approve the Director's Remuneration Report were as follows:

In favour	93.3%
Against	6.7%

At the 2017 AGM, where the remuneration policy was last put to a Shareholder vote, 91.6% voted for the resolution and 8.4% voted against, showing significant Shareholder support.

Relative importance of spend on pay

The difference in actual spend between 31 March 2020 and 31 March 2019 on remuneration for all employees, in comparison to distributions (dividends and share buybacks) and other significant spending, are set out in the tabular graph below.



Performance graph

The graph on the next page charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) ("NAV Total Return") and Total Return of the Company's Share Price ("Share Price Total Return") over the past 12 years, compared to the Numis Smaller Companies Index (Total Return, excluding investment companies), each of which has been rebased to 100 pence. Shareholders should note that the Company has undergone some substantial changes over that period.

Directors' Remuneration Report (continued)

Performance graph (continued)

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

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

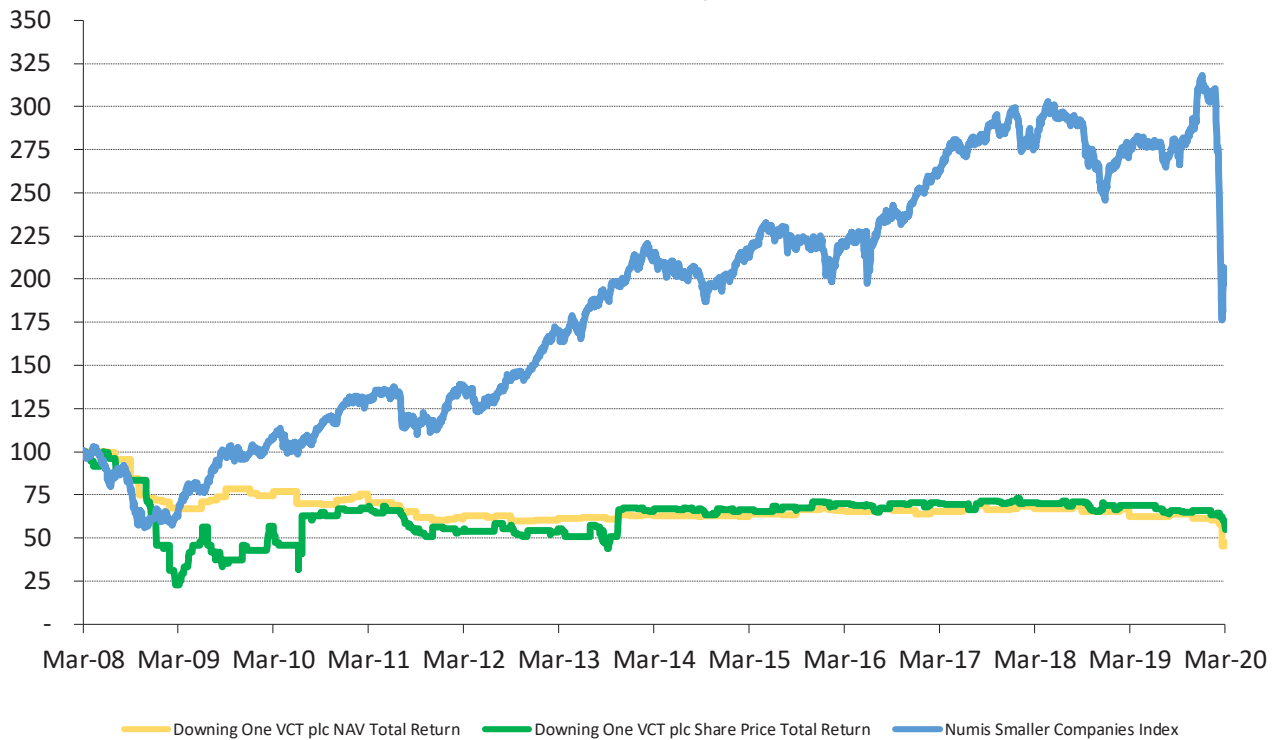
By order of the Board



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

30 July 2020

Downing One VCT plc
 Performance Graph



Corporate Governance Statement

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

The Board

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

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

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

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

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

Share capital

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

The capital structure of the Company is disclosed on page 29.

Committees to the Board

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

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

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

Board and Committee meetings

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

	Board meetings attended	Audit Comm. meetings attended
Chris Kay	6/6	2/2
Barry Dean	6/6	2/2
Stuart Goldsmith	6/6	2/2

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

Audit Committee

The Audit Committee is responsible for:

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

Financial Reporting

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

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

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

Corporate Governance Statement (continued)

Internal audit and control

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

Whistleblowing procedures

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

External auditor

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

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

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

Following assurances received from the Investment Adviser at the completion of the audit for the year to 31 March 2020, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be re-appointed at the forthcoming AGM.

Non audit services

The Committee will approve the provision of ad-hoc work and maximum expected fee before being

undertaken, to ensure the Auditors objectivity and independence are safeguarded.

Nomination Committee

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

Director tenure policy

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

Diversity policy

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

Remuneration Committee

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

Board performance evaluation

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

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

Corporate Governance Statement (continued)

Anti-bribery policy

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

Relations with Shareholders

In view of the social distancing restrictions this year, Shareholders are encouraged to send any questions for the Board via email ahead of the AGM. The Board is also happy to respond to any written queries made by Shareholders during the course of the year, or to meet with Shareholders if so requested. As disclosed in the Report of the Directors, there were no Shareholders with a substantial interest in the Company at the year-end or at the date of this report.

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

Separate resolutions are proposed at the AGM on each substantially separate issue. Downing LLP collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. Proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called, and are published immediately following the AGM. The notice of the next AGM, along with the proxy form, can be found at the end of these financial statements.

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

Financial reporting

The Directors' Statement of Responsibilities for preparing the accounts is set out in the Report of the Directors on page 31, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 45.

Risk Management and Internal control

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

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

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

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's Statement on pages 3 to 5, the Investment Adviser's Report on pages 16 to 14 and the Strategic Report on page 25 to 25. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 49 and the Strategic Report on page 27. In addition, notes 13 and 16 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives, details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Board have undertaken a review of the prospects of the Company over a 12-month period. The major cash outflows of the Company (most notably investments, share buybacks and dividends) are within the Company's control. The Company has considerable financial resources at the year end and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully, despite the uncertain economic outlook.

In addition, the Directors have carried out a robust assessment of the principal risks facing the Company over a longer period than the 12 months required by the 'Going concern' provision, as set out in the viability statement on page 26.

The result of the EU referendum in 2016 has resulted in a UK withdrawal from the EU. Whilst the details of the EU withdrawal agreement are yet unknown, the impact of Brexit might 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.

Corporate Governance Statement (continued)

Going Concern (continued)

On 11 March 2020, the World Health Organisation declared the outbreak of a strain of novel coronavirus disease, Covid-19, a global pandemic. Although the full impact of the unprecedented situation is not yet known, there is a significant risk that the pandemic will negatively impact the prospects of many businesses within the portfolio and as such see a fall in investee valuations and net asset values.

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

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

Compliance statement

The Listing Rules require the Board to report on compliance with the UK Corporate Governance Code throughout the accounting period. The preamble to the UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies, adding that the AIC Code can assist in meeting the obligations under the UK Corporate Governance Code. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 March 2020 with the provisions set out in the AIC Code of Corporate Governance.

- a) The Company has no major Shareholders, so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the Annual General Meeting. (5.2.3)
- b) Due to the size of the Board and nature of the VCT's business, the Board considers it appropriate for the entire Board, including the chair, to fulfil the role of the nomination, audit and the remuneration committee. (7.2.22, 9.2.37, 8.2.29)
- c) A Senior Independent Director has not been appointed. (6.2.14)

By order of the Board



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

30 July 2020

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

Opinion

We have audited the financial statements of Downing ONE VCT plc (the "company") for the year ended 31 March 2020 which comprise the income statement, the balance sheet, the statement of changes in equity and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss 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.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

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

Key audit matters

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

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

Key audit matters (continued)

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
<p>Valuation of unquoted investments (Note 2 and 10 to the financial statements)</p> <p>There is a high level of estimation uncertainty involved in determining the unquoted investment valuations; consisting both equity and loan stock portions.</p> <p>The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 4.</p> <p>As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.</p>	<p>We tested a sample of 98% of the unquoted investment portfolio by value of investment holdings. 40% of the unquoted portfolio is based on valuations using a multiples to calibrate the 'price of recent investments'. For such investments, we checked the cost, recent funding round price or third party offer to supporting documentation and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 March 2020. The remaining 60% of the investment portfolio is valued with reference to more subjective techniques including discounted cash flow models or using multiples of revenue or earnings.</p> <p>Our detailed testing for such investments, performed on all investments within our sample comprised:</p> <ul style="list-style-type: none"> • Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines obtaining management explanations • Re-performed the calculation of the multiples-based investment valuations • Benchmarked key inputs and estimates to independent information and our own research. • Challenged the assumptions inherent in the valuation of unquoted investments and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements • Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation • Developed our own point estimates where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased. <p>For investments not included in our detailed testing, we performed the following procedures where relevant:</p> <ul style="list-style-type: none"> • Considered whether the valuation had been prepared by a suitably qualified individual • Considered whether a valid IPEV methodology had been adopted • Considered whether the valuation used up to date trading information. • Performed analytical procedures, by considering any changes to the valuation methodology from the prior year. <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 (i.e. the investment as a whole) • Reviewed the treatment of accrued redemption premium/other fixed returns in line with the SORP. <p><i>Key observations</i></p> <p>Based on the procedures performed we concluded that the valuation of the portfolio of investments was not materially misstated.</p>

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

Key audit matters (continued)

Our application of materiality

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

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
<i>Financial statement materiality.</i> (1.75% of gross investments)	Assessing whether the financial statements as a whole present a true and fair view.	<ul style="list-style-type: none"> The value of gross investments The level of judgement inherent in the valuation The range of reasonable alternative valuations 	£1,110,000 (31 March 2019: £1,525,000)
<i>Performance materiality.</i> (75% of materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	<ul style="list-style-type: none"> Financial statement materiality Risk and control environment History of prior errors (if any) 	£834,000 (31 March 2019: £1,110,000)

We have set a lower testing threshold for those items impacting revenue returns of £105,000 (2019: £270,000), with a performance threshold of £78,000 (2019: £200,000) which is based on 2% (2019: 10%) of the gross expenditure and 75% (2019: 75%) of this respectively.

We agreed with the Audit Committee that we would report to them all audit differences in excess of £22,000 (2019 - £30,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the company's activities, and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

How the audit was considered capable of detecting irregularities, including fraud

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. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102. We also considered the company's qualification as a VCT under UK tax legislation.

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

An overview of the scope of our audit (continued)

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

How the audit was considered capable of detecting irregularities, including fraud

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. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102. We also considered the company's qualification as a VCT under UK tax legislation.

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

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Other information (continued)

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 3 February 2015 to audit the financial statements for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ending 31 March 2015 to 31 March 2020.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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



Vanessa-Jayne Bradley (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
30 July 2020

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

Income Statement

for the year ended 31 March 2020

	Note	Year ended 31 March 2020			Year ended 31 March 2019		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	3	2,118	100	2,218	4,593	134	4,727
Losses on investments	10	-	(21,094)	(21,094)	-	(6,317)	(6,317)
		2,118	(20,994)	(18,876)	4,593	(6,183)	(1,590)
Investment management fees	4	(970)	(970)	(1,940)	(975)	(975)	(1,950)
Other expenses	5	(3,000)	-	(3,000)	(732)	-	(732)
Return/(loss) on ordinary activities before tax		(1,852)	(21,964)	(23,816)	2,886	(7,158)	(4,272)
Tax on total comprehensive income and ordinary activities	7	(257)	257	-	(252)	252	-
Return/(loss) attributable to equity shareholders	9	(2,109)	(21,707)	(23,816)	2,634	(6,906)	(4,272)
Basic and diluted return/(loss) per share	9	(1.6)	(16.1)	(17.7)	2.0p	(5.2p)	(3.2p)

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

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

Statement of Changes in Equity

for the year ended 31 March 2020

	Called up Share Capital £'000	Capital redemption reserve £'000	Share premium account £'000	Funds held in respect of shares not yet allotted £'000	Special reserve £'000	Capital reserve realised £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2019									
At 1 April 2018	1,200	1,574	31,661	12,876	64,859	-	4,909	828	117,907
Total comprehensive income	-	-	-	-	-	(618)	(6,287)	2,634	(4,271)
Realisation of revaluations from previous years*	-	-	-	-	-	(1,598)	1,598	-	-
Realisation of impaired valuations	-	-	-	-	-	(1,123)	1,123	-	-
Transfer between reserves*	-	-	-	-	(10,018)	10,018	-	-	-
<i>Transactions with owners</i>									
Dividends paid	-	-	-	-	-	(6,679)	-	(1,341)	(8,020)
Unallotted shares	-	-	-	(12,762)	-	-	-	-	(12,762)
Issue of new shares	157	-	13,854	-	-	-	-	-	14,011
Share issue costs	-	-	-	-	(470)	-	-	-	(470)
Purchase of own shares**	(23)	23	-	-	(1,845)	-	-	-	(1,845)
At 31 March 2019	1,334	1,597	45,515	114	52,526	-	1,343	2,121	104,550
For the year ended 31 March 2020									
At 1 April 2019	1,334	1,597	45,515	114	52,526	-	1,343	2,121	104,550
Total comprehensive income	-	-	-	-	-	(917)	(20,790)	(2,109)	(23,816)
Realisation of revaluations from previous years*	-	-	-	-	-	2,488	(2,488)	-	-
Realisation of impaired valuations	-	-	-	-	-	(13,431)	13,431	-	-
Transfer between reserves*	-	-	-	-	(16,499)	16,499	-	-	-
<i>Transactions with owners</i>									
Dividends paid	-	-	-	-	-	(4,639)	-	(886)	(5,525)
Utilised in share issue	-	-	-	(114)	-	-	-	-	(114)
Unallotted shares	-	-	-	5,775	-	-	-	-	5,775
Issue of new shares	124	-	9,188	-	-	-	-	-	9,312
Share issue costs	-	-	-	-	(151)	-	-	-	(151)
Purchase of own shares**	(18)	18	-	-	(1,289)	-	-	-	(1,289)
At 31 March 2020	1,440	1,615	54,703	5,775	34,587	-	(8,504)	(874)	88,742

* A transfer of £2,488,000 representing previously recognised unrealised losses on disposal of investments during the year ended 31 March 2020 (2019: £1,598,000) has been made from the Revaluation reserve to the Capital Reserve-realised. A transfer of £16.5 million representing realised gains on disposal of investments, less net investment impairments and the excess of capital expenses over capital income and capital dividends in the year (2019: £7.3 million) has been made from the Special reserve to the Capital Reserve – realised.

** These shares were subsequently cancelled.

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

Balance Sheet

as at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	10	63,590	84,483
Current assets			
Debtors	11	1,944	3,228
Cash at bank and in hand		23,471	17,222
		25,415	20,450
Creditors: amounts falling due within one year	12	(263)	(383)
Net current assets		25,152	20,067
Net assets		88,742	104,550
Capital and reserves			
Called up share capital	13	1,440	1,334
Capital redemption reserve	14	1,615	1,597
Share premium account	14	54,703	45,515
Funds held in respect of shares not yet allotted	14	5,775	114
Special reserve	14	34,587	52,526
Revaluation reserve	14	(8,504)	1,343
Revenue reserve	14	(874)	2,121
Total equity shareholders' funds	15	88,742	104,550
Basic and diluted net asset value per share	15	57.6p	78.3p

The financial statements on pages 46 to 66 were approved and authorised for issue by the Board of Directors on 30 July 2020 and were signed on its behalf by:



Chris Kay

Chairman

Company number: 3150868

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

Cash Flow Statement

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Cash flow from operating activities			
(Loss) on ordinary activities after taxation		(23,816)	(4,272)
Loss on investments		21,094	6,317
Decrease/(increase) in debtors		1,284	(1,654)
(Decrease) in creditors		(28)	(76)
Net cash generated from operating activities		(1,466)	315
Cash flow from investing activities			
Purchase of investments	10	(11,197)	(12,501)
Proceeds from disposal of investments	10	10,997	3,289
Net cash inflow/(outflow) from investing activities		(200)	(9,212)
Cash flows from financing activities			
Proceeds from share issue		9,312	14,011
Funds held in respect of shares not yet allotted		5,661	(12,762)
Share issue costs		(151)	(470)
Purchase of own shares		(1,382)	(2,096)
Equity dividends paid	8	(5,525)	(8,020)
Net cash inflow/(outflow) from financing activities		7,915	(9,337)
Increase/(decrease) in cash		6,249	(18,234)
Net movement in cash			
Beginning of year		17,222	35,456
Net cash inflow/(outflow)		6,249	(18,234)
End of year		23,471	17,222

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

Notes to the Accounts

for the year ended 31 March 2020

1. General information

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

2. Accounting policies

Basis of accounting

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

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

Going concern

After reviewing the Company's forecasts and projections, the Directors have a reasonable expectation that the major cash outflows of the Company (most notably investments, share buybacks and dividends) are within the Company's control and therefore the Company has sufficient cash to meet its expenses and liabilities when they fall due. The impact of COVID-19 has been considered. More detail on these considerations can be found within the Corporate Governance report. As such, the Board confirms that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements as noted further within the Corporate Governance Report on page 38.

Presentation of income statement

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

Investments

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

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

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2020

2. Accounting policies (continued)

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

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

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

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

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

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

Income

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

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

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

Expenses

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2020

2. Accounting policies (continued)

Taxation

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

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

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

Cash and cash equivalents

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

Other debtors and other creditors

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

Share issue costs

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

Segmental reporting

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

Dividends payable

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

Funds held in respect of shares not yet allotted

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

3. Income

	Revenue £'000	Capital £'000	2020 Total £'000	2019 Total £'000
Income from investments				
Loan stock interest	1,497	-	1,497	3,820
Dividend income	481	-	481	528
LLP income	-	100	100	134
	1,978	100	2,078	4,482
Other income				
Other income	32	-	32	97
Deposit interest	108	-	108	148
	2,118	100	2,218	4,727

Notes to the Accounts (continued)

for the year ended 31 March 2020

4. Investment management fees

	2020 £'000	2019 £'000
Investment management fees	1,940	1,950

The annual running costs of the Company for the year were subject to a cap. During the year the cap on the annual running costs was reduced from 2.75% of the Company's net assets to 2.6%, with effect from 1 October 2019. The expense cap has not been breached for the year under review or the year ended 31 March 2019. Downing LLP also provides administration services. Fees in relation to these services are shown within note 5 below.

5. Other expenses

	2020 £'000	2019 £'000
Administration services	163	176
Directors' remuneration	117	109
Social security costs (key management personnel)	8	8
Trail fee	243	175
Auditor's remuneration for statutory audit	38	37
Auditor's remuneration for non-audit services (taxation)	-	-
Legal and professional fees	5	9
Custodian charges	9	22
Registrars fees	61	66
Provision for doubtful income	2,174	-
Other expenses	182	130
	3,000	732

6. Directors' remuneration

The Directors of the Company are considered to be the only key management personnel. Details of remuneration (excluding employer's NIC) are given in the Directors' Remuneration Report on page 34. The Company had no employees (other than Directors) during the year (2019: none). No other emoluments and pension contributions were paid by the Company to, or on behalf of, any Directors. There were no amounts outstanding at the year end.

Notes to the Accounts (continued)

for the year ended 31 March 2020

7. Tax on ordinary activities

	2020 £'000	2019 £'000
a) Tax charge for the year		
Current year:		
UK Corporation tax (charged to the Revenue Account)	257	252
Tax credited to Capital Account	(257)	(252)
	-	-
b) Factors affecting tax charge for the year		
Loss on ordinary activities before taxation	(23,816)	(4,272)
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 19.0% (2019: 19.0%)	(4,525)	(812)
Effects of:		
Gains on investments	4,008	1,200
UK dividend income	(91)	(100)
LLP income	184	151
Disallowable expenses	1	2
Partnership trading losses utilised	(89)	(56)
Excess management fees carried forward/(utilised) on which deferred tax asset is not recognised	512	(385)
	-	-

- c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £3.2 million (2019: £78,000). The associated deferred tax asset has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future.

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

A deferred tax asset of £220,000 arising from investments in LLP companies has not been recognised as it is uncertain whether the losses carried forward will be offset against future taxable profits of the same trade in the foreseeable future.

8. Dividends

	Year ended 31 March 2020			Year ended 31 March 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividends paid in year						
2020 Interim: 2.0p	-	2,868	2,868	-	-	-
2019 Final: 2.0p	886	1,771	2,657	-	-	-
2019 Interim: 3.0p	-	-	-	-	4,001	4,001
2018 Final: 3.0p	-	-	-	1,341	2,678	4,019
	886	4,639	5,525	1,341	6,679	8,020
Dividends proposed						
2020 Final: 2.0p (2019: 2.0p)	1,020	2,039	3,059	890	1,779	2,669

Notes to the Accounts (continued)

for the year ended 31 March 2020

9. Basic and diluted return per share

	2020 £'000	2019 £'000
Return per share based on:		
Net revenue (loss)/return for the financial year	(2,109)	2,634
Net capital (loss) for the financial year	(21,707)	(6,906)
Total (loss) for the financial year	(23,816)	(4,272)
Weighted average number of shares in issue	134,726,743	133,474,895

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

10. Investments

	Unquoted investments £'000	Quoted on NEX Growth Market £'000	Quoted on Main Market £'000	Quoted on AIM £'000	Total £'000
Opening cost at 1 April 2019	60,842	48	6,017	17,755	84,662
Unrealised (losses)/gains at 1 April 2019	(2,482)	(30)	(1,417)	5,272	1,343
Realised (losses) arising on impairment	(1,522)	-	-	-	(1,522)
Opening fair value at 1 April 2019	56,838	18	4,600	23,027	84,483
Movement in the year:					
Purchased at cost	10,201	-	696	300	11,197
Disposal proceeds	(7,286)	-	-	(3,711)	(10,997)
Realised (losses) in the income statement	(90)	-	-	(213)	(303)
Unrealised (losses) in the income statement	(13,811)	(18)	(1,768)	(5,193)	(20,790)
Closing fair value at 31 March 2020	45,852	-	3,528	14,210	63,590
Closing cost at 31 March 2020	63,157	48	6,714	16,296	86,215
Unrealised (losses) at 31 March 2020	(3,185)	(48)	(3,186)	(2,086)	(8,505)
Realised (losses) arising on impairment	(14,120)	-	-	-	(14,120)
Closing fair value at 31 March 2020	45,852	-	3,528	14,210	63,590

A schedule disclosing the additions and disposals during the year and other information on investments can be found within the Review of Investments on pages 18 to 19.

Notes to the Accounts (continued)

for the year ended 31 March 2020

10. Investments (continued)

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2020 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2019 £'000
Quoted on AIM	14,210	-	-	14,210	23,027	-	-	23,027
Quoted on NEX	-	-	-	-	18	-	-	18
Quoted on Main market	3,528	-	-	3,528	4,600	-	-	4,600
Loan notes	-	-	19,039	19,039	-	-	21,645	21,645
Unquoted	-	-	26,813	26,813	-	-	35,193	35,193
	17,738	-	45,852	63,590	27,645	-	56,838	84,483

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

	Unquoted shares £'000	Loan notes £'000	Total £'000
Balance at 31 March 2019	35,193	21,645	56,838
<i>Movements in the income statement:</i>			
Unrealised (losses) in the income statement	(12,701)	(1,110)	(13,811)
Realised (losses) in the income statement	(10)	(80)	(90)
	(12,711)	(1,190)	(13,901)
Purchases at cost	8,648	1,553	10,201
Disposal proceeds	(4,317)	(2,969)	(7,286)
Balance at 31 March 2020	26,813	19,039	45,852

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

The Board and the Investment Manager believe that the valuations as at 31 March 2020 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 16.

Significant interests

Details of shareholdings in those companies where the Company's holding, at 31 March 2020, represents greater than 20% of the nominal value of any class of the allotted shares in the portfolio company are included within the review of investments on pages 15 to 24.

Relevant companies which are not included within the review of investments are disclosed on the next page. Although the Company, through the Investment Adviser will, in some cases, be represented on the Board of the portfolio company, it will not take a controlling interest in the company.

Notes to the Accounts (continued)

for the year ended 31 March 2020

10. Investments (continued)

Significant interests (continued)

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

Company	Registered office	Class of shares	Number held	Proportion of class held	Proportion of total voting rights
Avid Technologies Group Limited	NE23 1WG	Preference 'S1' Shares	482,214,720	20.8%	-
Curo Compensation Limited	EH3 8EH	Ordinary 'A' Shares	462,315	42.5%	12.6%
Data Centre Response Limited	SN6 8TY	Ordinary 'A' Shares	1,477	100%	49.6%
Data Centre Response Limited	SN6 8TY	Ordinary 'B' Shares	181,048	80.1%	-
E-Fundamentals (Group) Limited	RG1 8LS	Ordinary 'A' Shares	604,263	38.4%	8.1%
Empiribox Holdings Limited	OX11 0QX	Ordinary 'C' Shares	1,495,596	36.4%	23.7%
Empiribox Holdings Limited	OX11 0QX	Ordinary 'D' Shares	867,146	37.7%	-
Fresh Green Power Limited	EC3R 6HD	Ordinary 'A' Shares	40	40.0%	30.0%
Fresh Green Power Limited	EC3R 6HD	Ordinary 'C' Shares	279,960	40.0%	-
Funding Xchange Limited	N12 0DR	Ordinary 'B1' Shares	72,816	28.0%	24.2%
Glownet Limited	EC3R 6HD	Ordinary 'B' Shares	3,615,584	33.3%	7.9%
Green Energy Production UK Limited	EC3R 6HD	Ordinary 'A' Shares	20	40.0%	30.0%
Green Energy Production UK Limited	EC3R 6HD	Ordinary 'C' Shares	139,980	40.0%	-
Jito Trading Limited	YO8 6EL	Ordinary 'B' Shares	2,551,020	50.0%	25.0%
Kimbolton Lodge Limited	EC3R 6HD	Ordinary 'A' Shares	603,500	50.0%	50.0%
Lineten Limited	EC3M 6BN	Preference 'A' Shares	28,823	50.0%	3.2%
Pearce and Saunders DevCo Limited	EC3R 6HD	Ordinary 'A' Shares	83,600	44.0%	4.4%
Quadrat Catering Limited	EC3R 6HD	Ordinary 'A' Shares	257	39.5%	25.7%
Quadrat Catering Limited	EC3R 6HD	Ordinary 'B' Shares	1,049,654	39.5%	-
Quadrat Spa Limited	EC3R 6HD	Ordinary 'A' Shares	257	39.5%	24.4%
Quadrat Spa Limited	EC3R 6HD	Ordinary 'B' Shares	1,049,654	39.5%	-
Rated People Limited	SE1 8NW	Ordinary 'C' Shares	30,171	21.4%	1.1%
The Thames Club Limited	EC3R 6HD	Preference 'A' Shares	875,000	77.8%	1.4%
Virtual Class Limited	E1 8EW	Ordinary 'B' Shares	3,283	50.0%	2.6%
Virtual Class Limited	E1 8EW	Ordinary 'C2' Shares	4,662	30.1%	3.7%
Xupes Limited	CM23 3AR	Ordinary 'A' Shares	128,536	75.0%	18.2%
Xupes Limited	CM23 3AR	Ordinary 'B' Shares	1,124,212	75.0%	-
Yamuna Renewables Limited	YO8 6EL	Ordinary 'B' Shares	2,551,020	50.0%	25.0%

Notes to the Accounts (continued)

for the year ended 31 March 2020

11. Debtors

	2020 £'000	2019 £'000
Other debtors	384	1
Income tax recoverable	3	3
Prepayments and accrued income	1,557	3,224
	1,944	3,228

12. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Taxation and social security	14	14
Other creditors	10	103
Accruals and deferred income	239	266
	263	383

13. Called up share capital

	2020 £'000	2019 £'000
Issued, allotted, called up and fully paid:		
143,984,140 (2019: 133,444,807) Ordinary Shares of 1p each	1,440	1,334

The Company allotted 11,268,382 Ordinary Shares of 1p each at an average price of 77.9p per Ordinary Share under the terms of the offers for subscription. The aggregate consideration of the shares was £8.5 million, which excludes costs of £151,000.

Under the terms of the Company's Dividend Reinvestment scheme, the Company allotted 1,031,631 Ordinary Shares of 1p each at an average price of 74.4p, to subscribing shareholders in respect of the dividends paid on 30 August 2019 and 28 February 2020 respectively.

During the year, the Company repurchased 1,760,680 Ordinary Shares of 1p each for an average consideration of 72.9p per share, representing 1.3% of those shares in issue at the last Annual Report. These shares were subsequently cancelled.

Management of capital

The Company's capital is managed in accordance with its investment policy, as shown in the Strategic Report on pages 26 to 27, in pursuit of its principal investment objectives as stated on page 2. The Company has the authority to buy back shares as described in the Corporate Governance Statement on page 36.

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

As a Venture Capital Trust, the Company has an amount of capital, at least 70% (80% from 1 April 2020, as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets if so required to maintain a level of liquidity to remain a going concern.

Notes to the Accounts (continued)

for the year ended 31 March 2020

13. Called up share capital (continued)

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

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

14. Reserves

	2020 £'000	2019 £'000
Capital redemption reserve	1,615	1,597
Share premium account	54,703	45,515
Funds held in respect of shares not yet allotted	5,775	114
Special reserve	34,587	52,526
Revaluation reserve	(8,504)	1,343
Revenue reserve	(874)	2,121
	87,302	103,216

Distributable reserves are calculated as follows:

	2020 £'000	2019 £'000
Special reserve	34,587	52,526
Revenue reserve	(874)	2,121
Unrealised (losses)/gains (excluding unrealised unquoted gains)	(12,381)	(5,989)
	21,332	48,658

Capital redemption reserve

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

Share premium account

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

Funds held in respect of shares not yet allotted

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

Special reserve

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

Capital reserve - realised

The following are disclosed in this reserve:

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

Notes to the Accounts (continued)

for the year ended 31 March 2020

14. Reserves (continued)

Revaluation reserve

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

Revenue reserve

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

15. Basic and diluted net asset value per share

	Shares in issue	Net assets £'000	NAV per share pence
As at 31 March 2020			
Ordinary Shares	143,984,140	88,742	57.6
		88,742	
As at 31 March 2019			
Ordinary Shares	113,444,807	104,550	78.3
		104,550	

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

The Company's net assets as at 31 March 2020 included funds held in respect of shares not yet allotted of £5,775,000.

16. Financial instruments

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

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

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

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

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2020

16. Financial instruments (continued)

Investment risks

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

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

- Investment price risk; and
- Interest rate risk.

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

Investment price risk

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

Quoted investments

The Company's sensitivity to fluctuations in the share prices of its quoted investments, excluding fixed interest bonds, is summarised below. In light of the current volatile market conditions arising from the coronavirus pandemic, the Board has considered the reasonably possible market movements that should be illustrated with sensitivity analysis. A positive 20% movement and negative 50% movement (2019: 25% movement) in the share price in each of the quoted stocks held by the Company is considered to be a reasonable maximum movement in a year and would have an effect as follows:

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

Sensitivity	Year Ended 31 March 2019				
			+25% movement		-25% movement
	Risk exposure £'000	Impact on net assets/ return £'000	Impact on NAV per share Pence	Impact on net assets/ return £'000	Impact on NAV per share Pence
Quoted shares	27,645	6,911	5.2	(6,911)	(5.2)

Notes to the Accounts (continued)

for the year ended 31 March 2020

16. Financial instruments (continued)

Investment price risk (continued)

Unquoted investments

At 31 March 2020, the unquoted portfolio was valued at £45,852,000 (31 March 2019: £56,838,000). A breakdown of the unquoted portfolio by valuation method used is as follows:

	2020 £'000
Price of recent investment	17,950
Multiples	9,495
Discounted cash flows or earnings (of underlying business)	9,314
Net Assets	5,491
Discounted cash flows (from the investment)	3,602
	45,852

As many of the Company's unquoted investments are valued using revenue or earnings multiples of comparable companies or sectors, a change in the relevant market sectors could impact on the valuation of the equity investments held in the unquoted portfolio. As the unquoted investments are across a broad range of sectors and valued using different valuation techniques, it is not possible to create a meaningful analysis by changing one input or discount factor. As unquoted investments are typically structured as partly equity and partly loan notes, investment price risk of the unquoted investments is considered as a whole. The Board has considered the current volatile market conditions arising from the coronavirus pandemic in determining the reasonably possible market movements that should be illustrated within sensitivity analysis. A positive 20% and negative 50% movement (2019: 10% movement) in the price of these investments is considered to be a reasonable maximum level in a year and would have an effect as shown below:

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

Sensitivity	Year Ended 31 March 2019				
		+10% movement		-10% movement	
	Risk exposure £'000	Impact on net assets/ return £'000	Impact on NAV per share Pence	Impact on net assets/ return £'000	Impact on NAV per share Pence
Unquoted investments	56,838	5,684	4.3	(5,684)	(4.3)

Notes to the Accounts (continued)

for the year ended 31 March 2020

16. Financial instruments (continued)

Investment price risk (continued)

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

Interest rate risk

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

Interest rate profile of financial assets and financial liabilities

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

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

Interest rate risk profile of financial assets and financial liabilities

	Weighted average interest rate	Weighted average period until maturity	2020 £'000	2019 £'000
Fixed rate	6.7%	899 days	19,039	21,645
Floating rate	0.25%		23,471	17,222
No interest rate			46,232	65,683
			88,742	104,550

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2020

16. Financial instruments (continued)

Credit risk

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

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

	2020 £'000	2019 £'000
<i>Fair value through profit or loss assets:</i>		
Investments in loan stocks	19,039	21,645
<i>Loans and receivables:</i>		
Cash and cash equivalents	23,471	17,222
Interest, dividends and other receivables	1,535	3,190
	44,045	42,057

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

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

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

As at 31 March 2020, of the loan stock classified as "past due", on the next page, £1,103,000 relates to the principal of loan notes where, although the principal remains within the term, the investee company is not fully servicing the interest obligations under the loan note and is in arrears. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

As at 31 March 2020, of the loan stock classified as "past due", on the next page, £7,420,000 relates to the principal of loan notes where the principal has passed its maturity date. As at the balance sheet date, the extent to which the principal is past its maturity date, £5.5 million falls within the banding of nil to 2 years past due and £1.9 million is 3 to 5 years past due. Notwithstanding this information, the Directors do not consider the loan notes to be impaired at the current time or that maturity dates of the principal have altered.

Notes to the Accounts (continued)

for the year ended 31 March 2020

16. Financial instruments (continued)

Credit risk (continued)

As at 31 March 2019, of the loan stock classified as “past due”, on the next page, £2,695,000 related to the principal of loan notes where, although the principal remained within term, the investee company was not fully servicing the interest obligations under the loan note and was in arrears. Notwithstanding the arrears of interest, the Directors did not consider that the loan note itself had been impaired or the maturity of the principal had altered.

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

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. The Company normally has a relatively low level of creditors (2020: £263,000, 2019: £383,000) and has no borrowings. Most of the quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons the Board believes that the Company’s exposure to liquidity risk is minimal.

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

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

The carrying value of loan stock investments held at fair value through the profit and loss account at 31 March 2020, as analysed by expected maturity date, is as follows:

	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Over 5 years £'000	Passed maturity date £'000	Total £'000
As at 31 March 2020							
Fully performing loan stock	360	2,057	-	521	5,000	2,578	10,516
Past due loan stock	325	778	-	-	-	7,420	8,523
	685	2,835	-	521	5,000	9,998	19,039
As at 31 March 2019							
Fully performing loan stock	3,308	960	2,403	2,421	5,000	2,724	16,816
Past due loan stock	2,695	-	-	-	-	2,134	4,829
	6,003	960	2,403	2,421	5,000	4,858	21,645

Notes to the Accounts (continued)

for the year ended 31 March 2020

17. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year-end (2019: nil).

18. Controlling party and related party transactions

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

19. Events after the end of the reporting period

Since the year end, the Company allotted 9,359,451 Ordinary Shares of 1p each at an average price of 56.8p per Ordinary Share, under the terms of the offers for subscription. The aggregate consideration for the shares was £5.3 million.

Unaudited Performance Summary for Investor Groups

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

Share issue	Year of launch	Initial income tax relief	Equivalent dividends received	Equivalent NAV	(Loss)/gain (ignoring income tax relief)	Gain/(loss) (after initial income tax relief) (note 1)	Gain/(loss) (after initial and SRRP tax relief) (note 2)
	(pence)	(%)	(pence)	(pence)	(%)	(%)	(%)
Downing ONE VCT plc ("DDV1")							
AIM Distribution Trust plc	1996	20%	72.51p	14.4p	-13.1%	8.6%	18.4%
AIM Distribution Trust plc - top up	2005	40%	22.71p	14.4p	-49.6%	-16.0%	1.7%
Pennine AIM VCT 5 plc	2005	40%	44.04p	12.5p	-43.5%	-5.8%	5.6%
Pennine AIM VCT 6 plc	2006	40%	47.37p	16.7p	-36.0%	6.7%	21.9%
Downing Distribution VCT 1 plc - top up	2010	30%	42.81p	41.1p	-20.0%	14.3%	n/a
Downing Distribution VCT 1 plc - top up	2012	30%	32.81p	41.1p	-5.2%	35.6%	n/a
Downing ONE VCT plc	Feb 2014	30%	35.50p	57.6p	-7.4%	32.2%	n/a
Downing ONE VCT plc	Mar-Jul 2014	30%	33.50p	57.6p	-7.5%	32.0%	n/a
Downing ONE VCT plc	Sep 2014	30%	31.50p	57.6p	-8.4%	30.8%	n/a
Downing ONE VCT plc	Jan 2015	30%	31.50p	57.6p	-7.7%	31.8%	n/a
Downing ONE VCT plc	Mar-May 2015	30%	31.50p	57.6p	-5.7%	34.6%	n/a
Downing ONE VCT plc	Jul-2015	30%	31.50p	57.6p	-8.0%	31.4%	n/a
Downing ONE VCT plc	Sep-Nov-2015	30%	29.50p	57.6p	-7.2%	32.6%	n/a
Downing ONE VCT plc	Feb-2016	30%	26.50p	57.6p	-14.3%	22.4%	n/a
Downing ONE VCT plc	Mar-Apr 2016	30%	23.50p	57.6p	-14.7%	21.8%	n/a
Downing ONE VCT plc	Jul 2016	30%	23.50p	57.6p	-11.8%	25.9%	n/a
Downing ONE VCT plc	Sep 2016	30%	20.50p	57.6p	-12.2%	25.4%	n/a
Downing ONE VCT plc	Oct 2016	30%	20.50p	57.6p	-15.6%	20.5%	n/a
Downing ONE VCT plc	Nov 2017	30%	13.00p	57.6p	-20.5%	13.5%	n/a
Downing ONE VCT plc	Mar 2018	30%	10.00p	57.6p	-21.7%	11.9%	n/a
Downing ONE VCT plc	Apr 2019	30%	4.00p	57.6p	-23.7%	9.0%	n/a
Downing ONE VCT plc	Sep 2019	30%	0.00p	57.6p	-26.7%	4.7%	n/a
Downing Income VCT 3 plc ("DI3")							
Pennine AIM VCT plc	1996	20%	106.32p	18.6p	24.9%	56.1%	66.5%
Pennine AIM VCT II plc	1997	20%	64.64p	12.4p	-23.0%	-3.7%	3.2%
Pennine Downing AIM VCT plc	1998	20%	49.63p	16.4p	-34.0%	-17.5%	-8.3%
The Ethical AIM VCT plc	1999	20%	30.39p	10.5p	-59.1%	-48.8%	-42.9%
Pennine Downing AIM VCT 2 plc	2001	20%	43.50p	16.6p	-39.9%	-24.8%	-15.5%
Pennine AIM VCT plc (C share)	2002	20%	43.75p	26.0p	-30.2%	-12.8%	1.9%
Pennine AIM VCT plc (D share)	2006	30%	51.82p	30.7p	-17.5%	17.9%	37.6%
Downing Distribution VCT 2 plc - top up	2010	30%	47.52p	52.8p	-7.5%	32.2%	n/a
Downing Income VCT 3 plc - top up	2013	30%	35.02p	52.8p	-3.1%	38.4%	n/a
Downing Income VCT 3 plc (E share)	2011	30%	38.39p	50.1p	-11.5%	26.4%	n/a
Downing Income VCT plc ("DI")							
Framlington AIM VCT 2 plc	2005	40%	40.53p	20.3p	-39.1%	1.4%	16.5%
Downing Income VCT plc	2013	30%	12.53p	20.3p	-4.8%	35.9%	n/a
Downing Income VCT 4 plc ("DI4")							
Framlington AIM VCT plc	2006	40%	47.24p	22.3p	-30.5%	15.9%	31.6%
Downing Income VCT 4 plc	2013	30%	13.74p	22.3p	-0.2%	42.6%	n/a
Downing Absolute Income VCT 1 plc ("DAI1")							
Downing Healthcare Protected VCT plc	1996	20%	98.29p	48.5p	46.8%	83.5%	114.0%
Downing Protected VCT 1 plc - top up	2010	30%	40.89p	48.5p	-2.0%	40.0%	n/a
Downing Absolute Income VCT 1 plc - top up	2010	30%	40.89p	48.5p	-2.2%	39.7%	n/a
Downing Absolute Income VCT 1 plc - top up	2012	30%	34.89p	48.5p	-9.8%	28.9%	n/a
Downing Absolute Income VCT 1 plc (C share)	2010	30%	37.53p	40.6p	-21.9%	11.6%	n/a
Downing Absolute Income VCT 2 plc ("DAI2")							
Downing Absolute Income VCT 2 plc	2010	30%	41.92p	39.6p	-18.4%	16.5%	n/a

Note 1

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

Note 2

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

Company Information

Registered number	03150868
Directors	Chris Kay (Chairman) Barry Dean Stuart Goldsmith
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
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0300 (calls cost 12p per minute plus network extras, lines open 9:00am to 5:30pm Monday to Friday) www.linkassetservices.com
Corporate broker	Panmure Gordon (UK) Limited Chris Lloyd 0207 886 2716 chris.lloyd@panmure.com Paul Nolan 0207 886 2717 paul.nolan@panmure.com
Bankers	Bank of Scotland plc 33 Old Broad Street London EC2N 1HZ Royal Bank of Scotland plc London Victoria Branch 119/121 Victoria Street London SW1E 6RA

NOTICE OF ANNUAL GENERAL MEETING OF DOWNING ONE VCT PLC

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Downing ONE VCT plc will be held at 10.30 a.m. on 15 September 2020. With social distancing still a significant issue and new government legislation introduced to give flexibility regarding general meetings, this year's AGM will be run as a closed meeting and Shareholders will not be able to attend in person. Shareholders are encouraged to vote by proxy (details given in the notes) 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 2020, together with the Independent Auditors' Report thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the Directors' Remuneration policy.
4. To approve a final dividend of 2.0p per Ordinary Share.
5. 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.
6. To re-elect as Director, Chris Kay, who retires and, being eligible, offers himself for re-election.
7. To re-elect as Director, Stuart Goldsmith, who retires and, being eligible, offers himself for re-election.

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

Ordinary Resolution

8. That, in addition to existing authorities, the Directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("CA 2006") to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,000,000 (representing approximately 65% of the share capital in issue at today's date), provided that the authority conferred by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry.

Special Resolutions

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

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

Special resolutions (continued)

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

- (a) the maximum number of shares hereby authorised to be purchased is 22,787,820 representing approximately 14.9% of the present issued share capital of the Company;
- (b) the minimum price (exclusive of expenses) which may be paid for such shares is 1p the nominal amount thereof;
- (c) the maximum price (exclusive of expenses) which may be paid for such shares shall be an amount equal to 5% above the average of the middle market quotations for such class of the Company's shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days immediately preceding the day on which the purchase was made;
- (d) the Company may make a contract to purchase its own shares under this authority prior to the expiry of this authority, and such contract will or may be executed wholly or partly after the expiry of this authority, and the Company may make a purchase of its own shares in pursuance of any such contract;

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

By order of the Board



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

30 July 2020

Note:

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

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

Notes

- (a) A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman as his proxy although the Chairman will not speak for the member.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD or electronically at d1agm@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote.
- (c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - by sending an e-mail to d1agm@downing.co.uk.
- In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 10:30 a.m. on 11 September 2020 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 10:30 a.m. on 11 September 2020 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (e) As at 9:00 a.m. on 30 July 2020, the Company's issued share capital comprised 152,938,371 Ordinary Shares and the total number of voting rights in the Company was 152,938,371. The Company website, www.downing.co.uk will include information on the number of shares and voting rights.
- (f) If you are a person who has been nominated under section 146 of the CA2006 to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (g) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

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

- (h) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (i) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.
- (j) Members may not use any email address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

DOWNING ONE VCT PLC

FORM OF PROXY

For use at the closed Annual General Meeting of the above-named Company, to be held on 15 September 2020 at 10.30 a.m.

I/We* (in BLOCK CAPITALS please)

of

being the holder(s)* of Ordinary Shares of 1p each in the above-named Company, hereby appoint the Chairman of the meeting (see note 1 overleaf) as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held on 15 September 2020 or at any adjournment thereof.

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

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

ORDINARY BUSINESS	FOR	AGAINST	WITHHELD
1. To receive and adopt the Report of the Directors and Accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the Directors' Remuneration policy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To approve the payment of a final dividend of 2.0p per Ordinary Share.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint the Auditor and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Chris Kay as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Stuart Goldsmith as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS			
8. To authorise the Directors to allot shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Directors to disapply pre-emption rights.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the Company to make market purchases of its shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s)* Date.....2020

* Delete as appropriate

Please return to Downing LLP in the pre-paid envelope provided, or e-mail a scanned copy of the signed form to d1agm@downing.co.uk

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



NOTES AND INSTRUCTIONS:

1. This year attendees of the meeting will be limited to directors who are shareholders of the Company. Any member of the Company entitled to vote at the Annual General Meeting is encouraged to appoint the chairman of the meeting to vote instead of that member.
2. Any alterations to the Form of Proxy should be initialled.
3. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD or electronically at **d1agm@downing.co.uk**, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered, as aforesaid, not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
4. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
5. 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.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.



St Magnus House
3 Lower Thames Street
London EC3R 6HD

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



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