



DOWNING FOUR VCT PLC

Half-Yearly Report for the six months ended
30 September 2020



Shareholder Information

Selling Shares

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

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

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

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

Financial Calendar

July 2021

Announcement of Annual Results

September 2021

Annual General Meeting

Dividends

Dividends will be paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose. Queries relating to dividends, Shareholdings, and requests for mandate forms should be directed to the Company's registrar, Link Market Services, on 0871 664 0300 (calls cost 12p per minute plus network extras, lines open 9:00am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Mandate forms can also be downloaded from Link's website (see below).

Notification of change of address

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

Share scam warning

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

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

Other information for Shareholders

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

www.downing.co.uk/d4

If you have any queries regarding your Shareholding in Downing FOUR VCT plc, please contact the registrar on the above number or visit Link's website at www.linkgroup.eu and click on "Shareholders".

Financial Highlights

	Unaudited 30 September 2020 pence	Audited 31 March 2020 pence	Unaudited 30 September 2019 pence
Generalist Share pool			
Net Asset Value per Generalist Share	61.2	61.7	77.6
Cumulative distributions	2.5	-	-
Total Return per Generalist Share	63.7	61.7	77.6
Healthcare Share pool			
Net Asset Value per Healthcare Share	65.2	68.1	77.7
Cumulative distributions	2.5	-	-
Total Return per Healthcare Share	67.7	68.1	77.7
DSO D Share pool			
Net Asset Value per DSO D Share	10.7	12.0	28.9
Cumulative distributions	94.5	94.5	76.5
Adjusted for Performance Incentive estimate ¹	(1.2)	(4.3)	(4.1)
Total Return per DSO D Share	104.0	102.2	101.3
DP67 Share pool			
Net Asset Value per DP67 Share	18.4	18.8	47.4
Cumulative distributions (since original launch)	67.8	67.8	49.8
Total Return per DP67 Share	86.2	86.6	97.2

- 1 Based on Total Return to Shareholders at 30 September 2020, a Performance Incentive is expected to become due to management. The Performance Incentive has been estimated at 1.2p per DSO D Share. No provision has been included in the accounts as the conditions of the Performance Incentive fee have not yet been met.

Chairman's Statement

Introduction

I present the Company's Half-Yearly Report for the six months ended 30 September 2020.

When the Company last reported to Shareholders in July, the economy was continuing to suffer from the severe disruption caused by the coronavirus pandemic, although it appeared that the world was starting to take the first steps back to normality. We now know that the path back to something approaching normal is longer than we had envisaged at that time.

Despite the disruption, I am pleased to report that the Company has recommenced new investment activity in recent months and both the Generalist and Healthcare Share pools have continued to build their portfolios. This has been supported by some significant enhancements to the Manager's team during the period, which has helped to generate new deal flow.

The news is less positive for the planned exit share pools, where the disruption has been a hindrance to the exit processes, compounded by the two portfolios holding assets in sectors which have fared particularly poorly as a result of the pandemic restrictions.

Share pool review

At 30 September 2020, the Company had four active share pools; the largest two being evergreen share pools and the others being planned exit share pools in the process of returning funds to Shareholders.

Evergreen Share pools

Generalist Share pool

At the period end, the Generalist Share net asset value per share ("NAV") stood at 61.2p. During the period, the share pool paid its first dividend of 2.5p per Share. Total Return (NAV plus dividends paid) at 30 September 2020 stood at 63.7p per Share, an increase of 2.0p from 31 March 2020.

During the period, the Manager invested £4.0 million across six new VCT Qualifying businesses. A further £2.2 million was also invested in five existing companies in the Generalist Venture Capital portfolio, including a reorganisation in which loan notes were converted into equity.

There has been mixed performance across the Venture Capital portfolio over the period. Businesses such as E-Fundamentals (Group) Limited and Virtual Class Limited operate in sectors that have benefitted from the pandemic (Ecommerce and Online Education), which has helped support valuation increases of £1.1m and £703,000 respectively. Conversely, modified timber manufactured, Lignia Wood Company Limited, has been badly impacted by the pandemic and is struggling to raise new funds to support its requirements. It is expected that no value will be recovered from the business and the Generalist Share pool's investment has therefore been valued at £nil.

The portfolio of non-qualifying liquidity funds, comprise two OEICs and one investment trust managed by Downing LLP, made some recovery over the period, increasing in value by £751,000.

A more detailed review of the Generalist Share pool is included in the Investment Manager's Report on page 4.

Healthcare Share pool

At the period end, the Healthcare Share net asset value per Share ("NAV") stood at 65.2p. During the period, the share pool paid its first dividend of 2.5p per Share. Total Return (NAV plus dividends paid) at 30 September 2020 stood at 67.7p per Share, compared to 68.1p at 31 March 2020.

During the period, £1.1m was invested in two new VCT Qualifying businesses, whilst a further £539,000 was invested in two of the existing businesses in the Healthcare Venture Capital portfolio.

The Healthcare Venture Capital portfolio produced unrealised losses of £196,000 for the period, the largest movement being a reduction in the value of ADC Biotechnology Limited, as a result of disappointing progress made by the company to date.

As with the Generalist Share pool, the portfolio of non-qualifying liquidity funds recovered some ground over the period, resulting in a valuation uplift of £204,000.

A more detailed review of the Healthcare Share pool is included in the Investment Manager's Report on page 9.

Planned Exit Share pools

DSO D Share pool

The DSO D Share portfolio holds five remaining investments. At the period end, the net asset value per share ("NAV"), net of the estimated performance incentive fee, stood at 9.5p. Total Return at 30 September 2020 stood at 104.0p per share, an increase of 1.8p since 31 March 2020.

The process of exiting from the remaining investments has been significantly disrupted by the coronavirus pandemic. Plans to sell the two solar businesses (Fresh Green Power Limited and Green Energy Production Limited) were delayed as onsite inspections of the assets by the buyer could not take place as planned. These plans are now being progressed again and we are hopeful this will lead to an exit in the coming months.

The share pool's pub investment, Pearce and Saunders Limited, is more challenging with the original sale plans now having fallen through. The Manager is now developing new plans to exit, although it is clear that this may take some time.

A more detailed review of the DSO D Share pool is included in the Investment Manager's Report on page 13.

Chairman's Statement (continued)

Planned Exit Share pools (continued)

DP67 Share pool

The DSO D Share portfolio holds four remaining investments. At the period end, the net asset value ("NAV") per Share stood at 18.4p. Total Return at 30 September 2020 stood at 86.2p per share, a fall of 0.4p per share since 31 March 2020.

The share pool's remaining investments all operate in the hospitality sector and, unsurprisingly, the exit plans for each have been heavily impacted by the pandemic. The Manager is continuing to work closely with these businesses to support their operations, to allow new exit plans to be formulated as restrictions are lifted. It is expected that these plans will take some time to come to fruition.

A more detailed review of the DP67 Share pool is included in the Investment Manager's Report on page 15.

Fundraising

During the period, the Company had open offers for subscription in respect of its Generalist and Healthcare Share pools, primarily to allow Shares to be allotted to existing Shareholders continuing their regular monthly applications. During the period, 1,121,210 Generalist shares and 421,679 Healthcare shares were issued at average prices of 62.9p and 69.9p respectively.

The current offers will close on 31 January 2021 and are open for new applications for the current tax year (2020/21). Members of the management team and Directors of the Company have indicated their intention to invest under the current offers. Full details can be found on the following webpage:

www.downing.co.uk/d4

Dividends

The Company will not pay any interim dividends for the period ended 30 September 2020 in respect of its Generalist and Healthcare Share classes. It is expected that the next Generalist and Healthcare dividends will be declared alongside announcement of the annual results for the year ended 31 March 2021 and paid, after being approved by Shareholders at the AGM, in September 2021.

With respect to the DSO D and DP67 Share classes, the next dividends will be declared once further realisations have taken place.

Share buybacks

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

As the planned exit share classes are in the process of returning funds to Shareholders, the Company no longer operates a share buyback policy in respect of the DSO D and DP67 Share classes.

No Shares were repurchased in the six-month period ended 30 September 2020.

Panmure Gordon now acts as the Company's corporate broker and provides assistance in operating the share buyback process, ensuring that the quoted spread on the Company's evergreen Shares remains at a reasonable level. If you wish to sell or buy Shares in the Company, Panmure Gordon can supply details of closed periods etc. Contact details can be found on the Shareholder Information page of this Half-Yearly Report.

Outlook

With the first vaccinations having been administered in the UK, we can now perhaps start to look ahead to a world where coronavirus will eventually be brought under control and businesses may be able to return to normal functioning. This will, of course, not happen overnight and some businesses will be able to recover more successfully than others.

The Generalist and Healthcare Share pools mostly hold investments in young businesses. The respective Venture Capital portfolios may have already suffered most of the damage that will arise from the coronavirus pandemic. Some of the weaker businesses may not be able to recover from the crisis and ultimately go on to produce the returns that we had hoped for, however we believe that the portfolios contain a number of investments which have good prospects, particularly those recent new investments where the potential impact of the pandemic was already considered at the time of investment.

The planned exit share pools still face some significant challenges due to their exposure to sectors heavily impacted by the pandemic. The task of working towards exits from their remaining investments will continue, although it may be some time before these can be achieved at acceptable prices.

I look forward to updating all Shareholders in my statement with the Annual Report, which we expect to be published in July 2021.



Sir Aubrey Brocklebank Bt.
Chairman

18 December 2020

Investment Manager's Report - Generalist Share Pool

i. Overview

Introduction

We present a review of the investment portfolio and activity for the Generalist Share pool over the six-month period to 30 September 2020.

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

Net Asset Value and results

As at 30 September 2020, the NAV of a Generalist share stood at 61.2p, an increase of 2.0p from 31 March 2020, after adding back the dividend of 2.5p which was paid during the period.

The profit on ordinary activities for the Generalist Share pool for the period was £939,000, comprising a revenue profit of £172,000 and a capital profit of £767,000.

Whilst there has been some recovery in the NAV since 31 March 2020, the Total Return to Shareholders as at 30 September 2020, of 64.2p, continues to be considered an underperformance against our expectations for the Generalist Share pool.

Portfolio Overview

As at 30 September 2020, the Generalist Share Pool held a portfolio of 38 Venture Capital investments and three Liquidity investments, with a combined value of £31.0 million.

The period to 30 September 2020 has been one of significant challenge to the livelihoods of businesses in the UK and the rest of the World. During this period, we have been working closely with portfolio companies to provide guidance and, where appropriate, additional funding to support these businesses in navigating the challenges brought about by the coronavirus pandemic.

As is to be expected, as the Generalist Share pool holds investments in a range of different businesses, the pandemic has impacted certain portfolio companies more severely than others. The valuation movements during the period are discussed in more detail in the following sections of this Investment Manager's Report.

Portfolio Performance

Overall, the valuation reductions in the Venture Capital Portfolio were largely offset by several valuation uplifts during the period, resulting in a net valuation reduction on this portfolio of £198,000.

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 30 September 2020. This resulted in a valuation uplift of £751,000 for the period.

ii. Venture Capital Portfolio

Investment activity

During the period, a total of £6.2 million was invested in eleven businesses, six of which are new VCT Qualifying investments, with five being existing portfolio companies.

New Venture Capital investments

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

Cornelis Networks, Inc. (£1.4 million) has developed purpose-built high-performance fabrics used within commercial, scientific, academic and government organisations.

Parsable, Inc. (£766,000) has developed mobile-centric applications and web admin system software to improve operational efficiency within the corporate and manufacturing industry.

Ayar Labs, Inc. (£764,000) has developed components for high performance computing and data centre applications.

Carbice Corporation (£656,000) has developed a suite of products based on carbon nanotube with their products primarily used as thermal management solutions.

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

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

Follow-on Venture Capital investments

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

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

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

ii. Venture Capital Portfolio (continued)

Investment activity (continued)

Follow-on Venture Capital investments (continued)

A further £525,000 was invested in **FundingXchange Limited**, bringing the Generalist Share pool's total investment to date to £1.1 million. The business is an SME funding platform and B2B technology provider which enables online lending.

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

A further £125,000 was invested in **Virtual Class Limited**, trading as **Third Space Learning**. The company has developed an online educational platform that provides mathematics tuition to pupils studying for their Key Stage 2 exams.

£62,000 was invested in **ADC Biotechnology Limited**, a company creating innovative new technology which aims to speed up, simplify and lower the costs of the processes involved in the production of new Antibody Drug Conjugates (ADCs).

Portfolio valuation

During the period, the Venture Capital portfolio of the Generalist Share pool was reduced in value by a total of £198,000. Whilst there have been several positive developments within the Venture Capital portfolio, a number of companies were reduced in value due to them not progressing as we had hoped.

Lignia Wood Company Limited has experienced material reductions in demand over the previous six months as the restrictions on the movement of goods have impacted the supply chain significantly. Given the impact of coronavirus on the business' performance to date, coupled with the ongoing uncertainty caused by the pandemic, the business has not been able to raise further funds. As a result, we believe there is a significant risk that the business may now ultimately fail and the value of the Generalist Share pool's investment has therefore been reduced to £nil.

As noted previously, **Empiribox Holdings Limited** was restructured during the period. The valuation of the Generalist Share pool's investment in the business was reduced by £403,000 during the period. This unrealised valuation reduction was partially offset by a realised gain of £325,000 on the conversion of the Generalist Share pool's loan notes, giving a net loss of £83,000 for the period, in respect of this investment.

ADC Biotechnology Limited is significantly behind on its plans and has been written down by a further £309,000 as a result. The recent follow-on investment was made with the aim of supporting the business in the short-term.

The transformation of **Upp Technologies Group Limited** is yet to result in the achievement of the revenue targets set out at the time of the most recent investment. The coronavirus pandemic has created further challenges in this regard and the investment has been reduced in value by £298,000 as a result.

Exonar Limited has been reduced in value by £204,000, to reflect the valuation set at the company's most recent funding round.

Whilst it is disappointing to report these valuation reductions for the period, there were several positive developments in the portfolio.

E-Fundamentals (Group) Limited has progressed well both in the UK and in the US, with recurring revenues continuing to grow. This good performance has resulted in a valuation uplift of £1.1 million as at 30 September 2020.

Virtual Class Limited, which received further funding from the Generalist Share pool during the period, was uplifted in value by £703,000 as at 30 September 2020. The business has seen an increase in demand for its online educational platform.

Rated People Limited has also progressed well, and the valuation of the Generalist Share pool's investment in the business was uplifted by £302,000 as at 30 September 2020

Other smaller valuation movements in the Venture Capital Portfolio amounted to a net uplift of £195,000 for the period.

Outlook

It is frustrating to report further valuation reductions in the Generalist Venture Capital Portfolio. The far reaching and continuing impacts of coronavirus have intensified the challenges faced by young growth companies. However, we are encouraged that many of these companies have been able to adapt their operations and continue with their plans during these difficult and uncertain times. This is demonstrated by some of the recent investments made by the Generalist Share pool and the valuation uplifts at the half-year date.

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

ii. Venture Capital Portfolio (continued)

Outlook (continued)

Our focus for the Venture Capital Portfolio is on working with management teams to help these businesses achieve their milestones, whilst adding new investments to the portfolio where we feel the opportunity is appropriate.

iii. Liquidity Investments

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 30 September 2020. This resulted in a total uplift of £751,000 for the period.

Downing Strategic Micro-Cap Investment Trust plc

The value of the Generalist Share pool's holding in Downing Strategic Micro-Cap Investment Trust plc ("DSM") was increased in value by £44,000 during the period. The Managers of DSM believe that the discount, and the underlying share prices, materially undervalue the prospects of the company and its investments. The Managers are also confident that the company has a strong portfolio of fundamentally good companies with strong balance sheets and the crucial 'survivability' factor. DSM intends to add to those positions that it is currently building, and perhaps introduce one or two other investments over time. The Managers' focus is also on driving the catalysts for value in DSM's more mature portfolio.

Downing Monthly Income Fund

The value of the Generalist Share pool's investment in Downing Monthly Income Fund ("DMI") increased by £331,000, or 12.2% during the period. This compares to 7.44% returned by the IA UK Equity Income Sector. The period was very challenging as markets sold off indiscriminately as coronavirus caused chaos globally. Over the summer there were some signs of normality as lockdown restrictions were eased and markets began to recover. However, volatility has been a constant theme throughout the period as fears over a second wave of the pandemic, and latterly Brexit and the US elections, impacted on both investor and market sentiment.

The Managers of DMI have positioned the portfolio defensively and have focused on improving the quality of the portfolio, concentrating on companies with resilient earnings and strong capital positions. The Managers believe that the fund is well positioned for the more protracted economic headwinds that the UK economy undoubtedly faces over the coming months.

Downing Micro-Cap Growth Fund

The value of the Generalist Share pool's investment in Downing Micro-Cap Growth Fund ("DMCG") increased by £376,000 or 16.6% over the six-month period to 30 September 2020. Over the period under review, DMCG outperformed the NSCI Small Value segment by 9.14% which the Managers believe reflects successful stock picking under the new mandate, which allows the managers to invest in up to 40 companies with a market cap of under £350 million at initial investment.

Since the period end the ACD (Associated Corporate Director), and Downing LLP have taken the decision to suspend DMCG (meaning that shares cannot be purchased or sold), on the grounds of the funds ongoing viability due to its small size. Options are being explored for the fund which include an orderly winding up and a return of capital to shareholders.

Outlook

The coronavirus crisis has hit all parts of the UK market but large cap companies have held up slightly better than their smaller company peers as they are considered more exposed to the UK domestic economy. The Managers are encouraged by the actions management teams have taken and believe that the portfolio companies are now structurally in a better position than they were pre-coronavirus, and that they are now more resilient to a second wave of the pandemic. The Managers report that these companies have strong balance sheets, more resilient earnings, better returns on capital and less debt, but on considerably more attractive valuations than the broader market.

The Managers believe that markets will continue to be volatile given the ongoing challenges caused both by coronavirus and the political uncertainties due to the Brexit transition and the US elections. While it is difficult to be positive in the short term, the Managers believe the portfolios are well positioned to continue to grow over the medium to longer term.

Downing LLP

18 December 2020

Review of Investments – Generalist Share Pool

The following investments were held at 30 September 2020:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
E-Fundamentals (Group) Limited	1,342	2,408	1,066	7.8%
Rated People Limited	1,282	1,584	302	5.1%
Cornelis Networks, Inc.	1,402	1,402	-	4.5%
Virtual Class Limited (Third Space Learning)	928	1,374	703	4.4%
StreetHub Limited (Trouva)	1,050	1,101	-	3.5%
FundingXchange Limited	1,050	1,050	-	3.4%
Firefly Learning Limited	1,047	1,047	-	3.4%
Imagen Limited	1,000	1,000	-	3.2%
Ecstase Limited	1,000	1,000	-	3.2%
Limitless Technology Limited	757	803	-	2.6%
Hackajob Limited	784	784	-	2.5%
Parsable, Inc.	766	766	-	2.5%
Ayar Labs, Inc.	764	764	-	2.5%
Congenica Limited	734	746	12	2.4%
Masters of Pie Limited	667	667	-	2.1%
Carbice Corporation	656	656	-	2.1%
Empiribox Holdings Limited	1,888	607	(403)	2.0%
JRNI Limited	525	525	-	1.7%
Upp Technologies Group Limited (previously Volo Commerce)	1,077	510	(298)	1.6%
Hummingbird Technologies Limited	500	503	85	1.6%
Maverick Pubs (Holdings) Limited	1,000	500	-	1.6%
BridgeU Corporation	810	462	48	1.5%
Lineten Limited	400	400	-	1.3%
Fenkle Street LLP*	301	385	(15)	1.2%
Cambridge Touch Technologies Limited	459	361	-	1.2%
Channel Mum Limited	500	300	-	1.0%
Arecor Limited	300	300	-	1.0%
Exonar Limited	500	296	(204)	1.0%
FVRVS Limited	250	250	-	0.8%
ADC Biotechnology Limited	877	231	(309)	0.7%
Trinny London Limited	219	219	-	0.7%
MIP Diagnostics Limited	200	200	-	0.6%
Destiny Pharma plc^	500	169	65	0.5%
Lignia Wood Company Limited	1,778	-	(1,250)	0.0%
Live Better With Limited	1,211	-	-	0.0%
Xupes Limited	933	-	-	0.0%
Ormsborough Limited	900	-	-	0.0%
Glownet Limited	741	-	-	0.0%
	31,098	23,370	(198)	75.2%
Liquidity investments				
MI Downing Monthly Income Fund*	3,950	3,043	331	9.8%
MI Downing UK Micro-Cap Growth Fund*	4,025	2,646	376	8.5%
Downing Strategic Micro-Cap Investment Trust plc*^	4,269	1,917	44	6.2%
	12,244	7,606	751	24.5%
	43,342	30,976	553	99.7%
Cash at bank and in hand		79		0.3%
Total investments		31,055		100.0%

All Venture Capital investments are incorporated in England and Wales.

*non-qualifying investment

^listed and traded on the London Stock Exchange

Review of Investments – Generalist Share Pool (continued)

Investment movements for the period ended 30 September 2020

Additions	Cost £'000
Venture Capital investments	
Cornelis Networks, Inc.	1,402
Empiribox Holdings Limited	1,010
Parsable, Inc.	766
Ayar Labs, Inc.	764
Carbice Corporation	656
FundingXchange Limited	525
Congenica Limited	434
Trinny London Limited	219
MIP Diagnostics Limited	200
Virtual Class Limited (Third Space Learning)	125
ADC Biotechnology Limited	62
	6,163

Disposals	Cost £'000	Valuation at 01/04/20 £'000	Proceeds £'000	Profit/(loss) vs. cost £'000	Realised gain £'000
Venture Capital investments					
Empiribox Holdings Limited	650	325	650	-	325
	650	325	650	-	325

Investment Manager's Report- Healthcare Share Pool

i. Overview

Introduction

We present a review of the investment portfolio and activity for the Healthcare Share pool over the six-month period to 30 September 2020.

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

Net Asset Value and results

As at 30 September 2020, the NAV of a Healthcare share stood at 65.2p, a decrease of 0.4p from 31 March 2020, after adding back the dividend of 2.5p which was paid during the period.

The loss on ordinary activities for the Healthcare Share pool for the period was £85,000, comprising a revenue loss of £21,000 and a capital loss of £64,000.

The Total Return to Healthcare Shareholders, as at 30 September 2020, was 67.7p. This underperformance against our expectations for the Healthcare Share pool is disappointing to report.

Portfolio Overview

As at 30 September 2020, the Healthcare Share Pool held a portfolio of 12 Venture Capital investments and three Liquidity investments, with a combined value of £9.7 million.

The period to 30 September 2020 saw the impact of the coronavirus pandemic extend through all sectors of the UK economy. Whilst some Healthcare businesses have been positively impacted by the efforts to contain the virus, reduce the burden on the NHS and develop a vaccine, others have been negatively impacted by the delays in both elective surgeries and the trials of certain pharmaceuticals.

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

Portfolio Performance

There were several valuation movements in the Venture Capital Portfolio during the period, resulting in a net valuation reduction of £196,000.

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 30 September 2020. This resulted in a valuation uplift of £204,000 for the period.

ii. Venture Capital Portfolio

Investment activity

During the period, a total of £1.6 million was invested in four businesses, two of which are new VCT Qualifying investments and the remaining two being existing portfolio companies.

New Venture Capital investments

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

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

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

Follow-on Venture Capital investments

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

£105,000 was also invested in **ADC Biotechnology Limited**, a company creating innovative new technology which aims to speed up, simplify and lower the costs of the processes involved in the production of new Antibody Drug Conjugates (ADCs).

Portfolio valuation

During the period, Venture Capital portfolio of the Healthcare Share pool was reduced in value by a total of £196,000.

Whilst the majority of the businesses in the Healthcare Share pool's Venture Capital portfolio were able to progress with their plans over the period, we are disappointed to report that ADC Biotechnology Limited is significantly behind on its plans and has been written down by a further £267,000 as a result. The recent follow-on investment noted above was made with the aim of supporting the business in the short-term.

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

ii. Venture Capital Portfolio (continued)

Portfolio valuation (continued)

The Electrosinning Company Limited is a supplier and manufacturer of clinical-grade biomaterials, which can be used to act as a synthetic scaffold for implantation within body tissue to promote repair post trauma or surgery. The carrying value of the Healthcare Share pool's investment was reduced by £58,000 as at 30 September 2020, to reflect the valuation set at the latest funding round.

Destiny Pharma plc ("Destiny Pharma"), which is listed on London's Alternative Investment Market (AIM), was uplifted by £98,000 as at 30 September 2020, in line with the prevailing quoted price at that date. There has been some recovery in the share price since the market correction in March 2020, however the company's latest clinical trial in respect of its XF-73 drug, which seeks to reduce the incidence of post-surgical infections, has been delayed because of the coronavirus pandemic. The company recently reported that trial recruitment has resumed, and it expects the results of this trial to be reported in Q1 2021. In November, the company also announced an £11.5 million funding round to facilitate the acquisition of the global rights to NTCD-M3, a drug combating *C. difficile*.

Congenica Limited was uplifted in value by £31,000 as at 30 September 2020. This slight uplift reflects the share price set under the most recent funding round, in which the Healthcare Share pool partook.

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

Outlook

The building of the Venture Capital portfolio of the Healthcare Share pool has progressed well during the period. The focus for the Manager is on working with the existing portfolio companies to help these businesses achieve their plans, whilst also continuing to add appropriate VCT Qualifying investments to the Healthcare Share pool's portfolio.

Whilst it is disappointing to report an early loss in the portfolio, it is typically the case with young growth companies that the weaker investments will come to the forefront first, before the performance of stronger investments has the opportunity to materialise. We are, however, pleased with how the majority of the Venture Capital portfolio has coped with the challenges brought about by the coronavirus pandemic and remain optimistic about the future prospects of these businesses.

iii. Liquidity Investments

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 30 September 2020. This resulted in a total uplift of £204,000 for the period.

Downing Strategic Micro-Cap Investment Trust plc

The value of the Healthcare Share pool's holding in Downing Strategic Micro-Cap Investment Trust plc ("DSM") was increased in value by £7,000 during the period. The Managers of DSM believe that the discount, and the underlying share prices, materially undervalue the prospects of the company and its investments. The Managers are also confident that the company has a strong portfolio of fundamentally good companies with strong balance sheets and the crucial 'survivability' factor. DSM intends to add to those positions that it is currently building, and perhaps introduce one or two other investments over time. The Managers' focus is also on driving the catalysts for value in DSM's more mature portfolio.

Downing Monthly Income Fund

The value of the Healthcare Share pool's investment in Downing Monthly Income Fund ("DMI") increased by £92,000, or 12.2% during the period. This compares to 7.44% returned by the IA UK Equity Income Sector. The period was very challenging as markets sold off indiscriminately as coronavirus caused chaos globally. Over the summer there were some signs of normality as lockdown restrictions were eased and markets began to recover. However, volatility has been a constant theme throughout the period as fears over a second wave of the pandemic, and latterly Brexit and the US elections, impacted on both investor and market sentiment.

The Managers of DMI have positioned the portfolio defensively and have focused on improving the quality of the portfolio, concentrating on companies with resilient earnings and strong capital positions. The Managers believe that the fund is well positioned for the more protracted economic headwinds that the UK economy undoubtedly faces over the coming months.

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

iii. Liquidity Investments continued

Downing Micro-Cap Growth Fund

The value of the Healthcare Share pool's investment in Downing Micro-Cap Growth Fund ("DMCG") increased by £105,000 or 16.6% over the six-month period to 30 September 2020. Over the period under review, DMCG outperformed the NSCI Small Value segment by 9.14% which the Managers believe reflects successful stock picking under the new mandate which allows the managers to invest in up to 40 companies with a market cap of under £350 million at initial investment.

Since the period end the ACD (Associated Corporate Director), and Downing LLP have taken the decision to suspend DMCG (meaning that shares cannot be purchased or sold), on the grounds of the funds ongoing viability due to its small size. Options are being explored for the fund which include an orderly winding up and a return of capital to shareholders.

Outlook

The coronavirus crisis has hit all parts of the UK market but large cap companies have held up slightly better than their smaller company peers as they are considered more exposed to the UK domestic economy. The Managers are encouraged by the actions management teams have taken and believe that the portfolio companies are now structurally in a better position than they were pre-coronavirus, and that they are now more resilient to a second wave of the pandemic. The Managers report that these companies have strong balance sheets, more resilient earnings, better returns on capital and less debt, but on considerably more attractive valuations than the broader market.

The Managers believe that markets will continue to be volatile given the ongoing challenges caused both by coronavirus and the political uncertainties due to the Brexit transition and the US elections. While it is difficult to be positive in the short term, the Managers believe the portfolios are well positioned to continue to grow over the medium to longer term.

Downing LLP

18 December 2020

Review of Investments – Healthcare Share Pool

The following investments were held at 30 September 2020:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
Congenica Limited	1,184	1,215	31	12.5%
Arecor Limited	1,100	1,100	-	11.3%
Open Bionics Limited	1,000	1,000	-	10.3%
Genincode UK Limited	900	900	-	9.3%
MyRecovery Limited	528	556	-	5.7%
Adaptix Limited	556	556	-	5.7%
FVRVS Limited	500	500	-	5.2%
ADC Biotechnology Limited	1,497	393	(267)	4.0%
Destiny Pharma plc [^]	750	253	98	2.6%
The Electrospinning Company Limited	278	220	(58)	2.3%
MIP Diagnostics Limited	200	200	-	2.1%
Live Better With Limited	1,106	-	-	0.0%
	9,599	6,893	(196)	71.0%
Liquidity Investments				
MI Downing Monthly Income Fund*	1,100	849	92	8.8%
MI Downing UK Micro-Cap Growth Fund*	1,125	737	105	7.6%
Downing Strategic Micro-Cap Investment Trust plc* [^]	729	327	7	3.4%
	2,954	1,913	204	19.8%
	12,553	8,806	8	90.8%
Cash at bank and in hand		890		9.2%
Total investments		9,696		100.0%

*non-qualifying investment

[^]listed and traded on the London Stock Exchange

Investment movements for the period ended 30 September 2020

Additions	Cost £'000
Venture Capital investments	
Genincode UK Limited	900
Congenica Limited	434
MIP Diagnostics Limited	200
ADC Biotechnology Limited	105
	1,639

Investment Manager's Report DSO D Share Pool

Introduction

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

Net Asset Value and results

The Net Asset Value ("NAV") per DSO D Share at 30 September 2020, net of the estimated performance incentive fee, stood at 10.7p, an increase of 1.8p over the period. Whilst the reported NAV (prior to the deduction of the performance fee estimate) reduced by 1.3p during the period, the estimated performance incentive fee, which is expected to become due to partners and staff of Downing LLP, also reduced during the period.

Total Return, net of the estimated performance fee, stands at 104.0p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per Share. We consider this to be satisfactory performance when compared to the initial NAV of 100p.

The loss on ordinary activities after taxation for the period was £104,000, comprising a revenue loss of £3,000 and a capital loss of £101,000.

Whilst it is unfortunate to report further delays in the realisation process, the NAV of the DSO Share pool has, to date, been materially unaffected by the widespread implications of the coronavirus pandemic. We believe that there continue to be opportunities to exit from the remaining investments, however we expect this process will take some time to complete.

Venture Capital investments

As at 31 March 2020, the DSO D Share Pool held five Venture Capital investments with a total value of £458,000.

Portfolio activity

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

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

Portfolio valuation

During the year, the carrying value of the portfolio of Venture Capital investments held by the DSO D Share pool was reduced by £97,000.

Pearce and Saunders Limited has been heavily impacted by the restrictions and forced closures brought about by the coronavirus pandemic. Accordingly, the valuation has been reduced by £149,000 as at 30 September 2020.

There were two small increases in value the period, the larger being an uplift of £42,000 on **Fresh Green Power Limited**, the owner of solar panels on the rooftops of domestic properties in the UK, which has been revalued as part of a potential sale.

Green Energy Production UK Limited owns a portfolio of commercial solar panels on the rooftops of Chicken sheds in Lincolnshire. The company is valued on a discounted cash flow basis and has been increased in value by £10,000, in accordance with the unwinding of the discount inherent in the valuation.

Outlook

The focus for the DSO D Share pool continues to be on realising the remaining investments. The coronavirus pandemic has further delayed these exit processes, which we had originally hoped to complete by the end of this year. We now anticipate that these processes will be completed by the end of 2021. During this period, we will continue to support the companies in the portfolio and seek to maximise value for DSO D Shareholders. Further distributions will be once the final realisations have taken place.

Downing LLP

18 December 2020

Review of investments - DSO D Share Pool

The following investments were held at 30 September 2020:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
Fresh Green Power Limited	189	273	42	35.5%
Pearce and Saunders Limited	275	95	(149)	12.3%
Green Energy Production UK Limited	100	64	10	8.3%
Pearce and Saunders DevCo Limited*	19	19	-	2.5%
Apex Energy Limited	400	7	-	0.9%
	983	458	(97)	59.5%
Cash at bank and in hand		312		40.5%
Total investments		770		100.0%

* non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

Investment movements for the period ended 30 September 2020

Disposals	Cost £'000	Valuation at 01/04/20 £'000	Proceeds £'000	Profit vs. cost £'000	Realised gain £'000
Venture Capital investments					
Pearce and Saunders Limited	25	100	100	75	-
Pearce and Saunders DevCo Limited*	1	1	1	-	-
	26	101	101	75	-

* non-qualifying investment

Investment Manager's Report - DP67 Share Pool

Introduction

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

Net Asset Value and results

The Net Asset Value ("NAV") per DP67 Share at 31 March 2020 stood at 18.4p, a decrease of 0.4p over the period. Total Return stands at 86.2p per DP67 Share, compared to initial cost to Shareholders, net of income tax relief, of 70.0p per Share. Compared to the initial NAV of 100p, we consider the Total Return of 86.2p to be underperformance against the original expectations for the DP67 Share pool.

The loss on ordinary activities after taxation for the period was £39,000, comprising a revenue loss of £5,000 and a capital loss of £34,000.

As we set out in the last Annual Report, the DP67 portfolio has a high level of exposure to the leisure and hospitality sector, which has been severely impacted by the restrictions and forced closures accompanying the coronavirus pandemic. It is difficult to progress with exits from these types of investments at a time when the underlying businesses are unable to operate at full capacity. We continue to seek the best realisation outcomes for DP67 Shareholders but anticipate that it will take some time for these to be achieved.

Venture Capital investments

As at 31 March 2020, the DP67 Share pool held a portfolio of five Venture Capital investments, with a total value of £2.0 million.

Portfolio activity

It is disappointing to report that there were no realisations during the period.

Portfolio valuation

The DP67 portfolio was reduced in value by a total of £27,000 during the period. This reduction was wholly attributable to **Fenkle Street LLP**. The business is valued on a discounted cash flow basis and the timeline of the expected cash recovery has been set back in view of the coronavirus pandemic.

The valuations of the remaining Venture Capital investments are unchanged from those stated in the Annual Report to 31 March 2020.

Outlook

The focus for the DP67 Share pool continues to be on realising the remaining investments. The delays in the exit processes are frustrating, however we are hopeful that these might now complete by Q4 2021. In the interim, we will continue to work with management teams in order to maximise the proceeds for the DP67 Share pool. Further dividends will be paid once the final realisations have taken place.

Downing LLP

18 December 2020

Review of Investments – DP67 Share Pool

The following investments were held at 30 September 2020:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
Cadbury House Holdings Limited	1,409	791	-	38.2%
Fenkle Street LLP*	405	723	(27)	34.9%
Gatewales Limited**	343	527	-	25.5%
Yamuna Renewables Limited	400	-	-	0.0%
London City Shopping Centre Limited*	99	-	-	0.0%
	2,656	2,041	(27)	98.6%
Cash at bank and in hand		28		1.4%
Total investments		2,069		100.0%

*non-qualifying investment

**partially qualifying investment

All Venture Capital investments are incorporated in England and Wales.

There were no investment disposals during the period.

Unaudited Income Statement

for the six months ended 30 September 2020

	Six months ended 30 Sep 2020			Six months ended 30 Sep 2019			Year ended 31 Mar 2020
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	234	2	236	156	59	215	341
Gains/(losses) on investments	-	762	762	-	(2,717)	(2,717)	(11,837)
	234	764	998	156	(2,658)	(2,502)	(11,496)
Investment management fees	(196)	(196)	(392)	(286)	(286)	(572)	(1,123)
Other expenses	105	-	105	(279)	-	(279)	(711)
Profit/(loss) on ordinary activities before tax	143	568	711	(409)	(2,944)	(3,353)	(13,330)
Tax on total comprehensive income and ordinary activities	-	-	-	(306)	-	(306)	(300)
Profit/(loss) attributable to equity Shareholders, being total comprehensive income for the period	143	568	711	(715)	(2,944)	(3,659)	(13,630)
Basic and diluted return per share:							
Generalist Share	0.4p	1.6p	2.0p	(0.7p)	(5.8p)	(6.5p)	(24.0p)
Healthcare Share	(0.1p)	(0.3p)	(0.4p)	(0.7p)	(5.1p)	(5.8p)	(15.0p)
DSO D Share	-	(1.3p)	(1.3p)	-	-	1.2p	2.2p
DP67 Share	(0.1p)	(0.3p)	(0.4p)	(2.2p)	1.1p	(1.1p)	(11.8p)

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

Unaudited Income Statement (continued)

Analysed by Share pool

for the six months ended 30 September 2020

	Six months ended 30 Sep 2020			Six months ended 30 Sep 2019			Year ended 31 Mar 2020
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Generalist Share pool							
Income	195	2	197	21	59	80	133
Net gain/(loss) on investments	-	878	878	-	(2,283)	(2,283)	(8,952)
	195	880	1,075	21	(2,224)	(2,203)	(8,819)
Investment management fees	(113)	(113)	(226)	(166)	(166)	(332)	(668)
Other expenses	90	-	90	(161)	-	(161)	(316)
Profit/(loss) on ordinary activities before tax	172	767	939	(306)	(2,390)	(2,696)	(9,803)
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	4
Profit/(loss) attributable to equity Shareholders, being total comprehensive income for the period	172	767	939	(306)	(2,390)	(2,696)	(9,799)

	Six months ended 30 Sep 2020			Six months ended 30 Sep 2019			Year ended 31 Mar 2020
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Healthcare Share pool							
Income	22	-	22	22	-	22	43
Net gain/(loss) on investments	-	8	8	-	(812)	(812)	(2,363)
	22	8	30	22	(812)	(790)	(2,320)
Investment management fees	(72)	(72)	(144)	(77)	(77)	(154)	(326)
Other expenses	29	-	29	(64)	-	(64)	(120)
Loss on ordinary activities before tax	(21)	(64)	(85)	(119)	(889)	(1,008)	(2,766)
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
Loss attributable to equity Shareholders, being total comprehensive income for the period	(21)	(64)	(85)	(119)	(889)	(1,008)	(2,766)

Unaudited Income Statement (continued)

Analysed by Share pool

for the six months ended 30 September 2020

	Six months ended 30 Sep 2020			Six months ended 30 Sep 2019			Year ended 31 Mar 2020
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
DSO D Share pool							
Income	7	-	7	6	-	6	142
Net (loss)/gain on investments	-	(97)	(97)	-	104	104	69
	7	(97)	(90)	6	104	110	211
Investment management fees	(4)	(4)	(8)	(8)	(8)	(16)	(30)
Other expenses	(6)	-	(6)	(11)	-	(11)	(16)
(Loss)/profit on ordinary activities before tax	(3)	(101)	(104)	(13)	96	(83)	165
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	10
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	(3)	(101)	(104)	(3)	96	(93)	175

	Six months ended 30 Sep 2020			Six months ended 30 Sep 2019			Year ended 31 Mar 2020
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
DP67 Share pool							
Income	10	-	10	107	-	107	20
Net (loss)/gain on investments	-	(27)	(27)	-	143	143	(722)
	10	(27)	(17)	107	143	250	(702)
Investment management fees	(7)	(7)	(14)	(18)	(18)	(36)	(72)
Other expenses	(8)	-	(8)	(23)	-	(23)	(229)
(Loss)/profit on ordinary activities before tax	(5)	(34)	(39)	66	125	191	(1,003)
Tax on total comprehensive income and ordinary activities	-	-	-	(316)	-	(316)	(314)
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	(5)	(34)	(39)	(250)	125	(125)	(1,317)

Unaudited Balance Sheet

as at 30 September 2020

	Note	As at 30 September 2020 £'000	As at 30 September 2019 £'000	As at 31 March 2020 £'000
Fixed assets				
Investments	10	42,281	37,135	34,464
Current assets				
Debtors		375	558	548
Cash at bank and in hand		1,309	18,437	9,614
		1,684	18,995	10,162
Creditors: amounts falling due within one year		(556)	(481)	(801)
Net current assets		1,128	18,514	9,361
Net assets		43,409	55,649	43,825
Capital and reserves				
Called up Share capital		100	149	98
Capital redemption reserve		58	-	58
Special reserve		37,377	45,762	39,433
Share premium account		18,930	17,102	17,971
Funds held in respect of Shares not yet allotted		68	167	535
Revaluation reserve		(12,610)	(8,395)	(13,302)
Capital reserve – realised		2,803	3,733	2,483
Revenue reserve		(3,317)	(2,869)	(3,451)
Total equity Shareholders' funds		43,409	55,649	43,825
Basic and diluted Net Asset Value per Share:				
Generalist Share		61.2p	77.6p	61.7p
Healthcare Share		65.2p	77.7p	68.1p
DSO D Share		10.7p	28.9p	12.0p
DP67 Share		18.4p	47.4p	18.8p

Unaudited Balance Sheet (continued)

Analysed by Share pool

as at 30 September 2020

	As at 30 September 2020 £'000	As at 30 September 2019 £'000	As at 31 March 2020 £'000
Generalist Share pool			
Fixed assets			
Investments	30,976	26,504	24,584
Current assets			
Debtors	240	201	442
Cash at bank and in hand	79	7,594	3,350
	319	7,795	3,792
Creditors: amounts falling due within one year	(3,070)	(218)	(266)
Net current assets	(2,751)	7,577	3,526
Net assets	28,225	34,081	28,110
Capital and reserves			
Called up share capital	57	51	56
Capital redemption reserve	58	-	58
Special reserve	26,082	30,711	27,666
Share premium account	13,180	11,889	12,505
Funds held in respect of shares not yet allotted	61	144	410
Revaluation reserve	(9,322)	(6,606)	(10,201)
Capital reserve – realised	426	101	101
Revenue reserve	(2,317)	(2,209)	(2,485)
Total equity Shareholders' funds	28,225	34,081	28,110

Unaudited Balance Sheet (continued)

Analysed by Share pool

as at 30 September 2020

	As at 30 September 2020 £'000	As at 30 September 2019 £'000	As at 31 March 2020 £'000
Healthcare Share pool			
Fixed assets			
Investments	8,806	7,008	7,157
Current assets			
Debtors	2,882	6	7
Cash at bank and in hand	890	7,099	5,930
	3,772	7,105	5,937
Creditors: amounts falling due within one year	(291)	(126)	(419)
Net current assets	3,481	6,979	5,518
Net assets	12,287	13,987	12,675
Capital and reserves			
Called up share capital	24	21	23
Special reserve	10,323	11,970	10,867
Share premium account	5,750	5,213	5,466
Funds held in respect of shares not yet allotted	7	23	125
Revaluation reserve	(2,640)	(2,206)	(2,651)
Capital reserve – realised	-	-	-
Revenue reserve	(1,177)	(1,034)	(1,155)
Total equity Shareholders' funds	12,287	13,987	12,675

Unaudited Balance Sheet (continued)

Analysed by Share pool

as at 30 September 2020

	As at 30 September 2020 £'000	As at 30 September 2019 £'000	As at 31 March 2020 £'000
DSO D Share pool			
Fixed assets			
Investments	458	690	655
Current assets			
Debtors	82	18	50
Cash at bank and in hand	312	1,591	272
	394	1,609	322
Creditors: amounts falling due within one year	(12)	(21)	(33)
Net current assets	382	1,588	289
Net assets	840	2,278	944
Capital and reserves			
Called up share capital	8	8	8
Special reserve	972	2,356	900
Revaluation reserve	(132)	41	39
Capital reserve – realised	(37)	(37)	(37)
Revenue reserve	29	(90)	34
Total equity Shareholders' funds	840	2,278	944

Unaudited Balance Sheet (continued)

Analysed by Share pool

as at 30 September 2020

	As at 30 September 2020 £'000	As at 30 September 2019 £'000	As at 31 March 2020 £'000
DP67 Share pool			
Fixed assets			
Investments	2,041	2,933	2,068
Current assets			
Debtors	53	333	49
Cash at bank and in hand	28	2,120	62
	81	2,453	111
Creditors: amounts falling due within one year	(65)	(83)	(83)
Net current assets	16	2,370	28
Net assets	2,057	5,303	2,096
Capital and reserves			
Called up share capital	11	11	11
Special reserve	-	783	-
Revaluation reserve	(516)	376	(489)
Capital reserve – realised	2,414	3,669	2,419
Revenue reserve	148	464	155
Total equity Shareholders' funds	2,057	5,303	2,096

Statement of Changes in Equity

for the six months ended 30 September 2020

	Called up Share capital	Capital Redemption reserve	Special reserve	Share premium account	Funds held in respect of Shares not yet allotted	Revaluation Reserve (Note 9)	Capital reserve - realised	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2019	138	-	47,040	7,172	4,772	(4,158)	4,940	(1,752)	58,152
Total comprehensive income	-	-	-	-	-	(12,227)	(103)	(1,300)	(13,630)
Transfer between reserves*	-	-	(7,530)	-	-	3,083	4,843	(399)	-
Unallotted Shares	-	-	-	-	535	-	-	-	535
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	-	-	(7,200)	-	(7,200)
Cancellation of shares	(58)	58	-	-	-	-	-	-	-
Purchase of own shares	-	-	(77)	-	-	-	-	-	(77)
Issue of shares	18	-	-	11,178	(4,772)	-	-	-	6,424
Share issue costs	-	-	-	(379)	-	-	-	-	(379)
At 31 March 2020	98	58	39,433	17,971	535	(13,302)	2,483	(3,451)	43,825
Total comprehensive income	-	-	-	-	-	437	131	143	711
Transfer between reserves*	-	-	(2,056)	-	-	255	1,810	(9)	-
Unallotted Shares	-	-	-	-	533	-	-	-	533
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	-	-	(1,621)	-	(1,621)
Cancellation of Shares	-	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-	-
Issue of shares	2	-	-	998	(1,000)	-	-	-	-
Share issue costs	-	-	-	(39)	-	-	-	-	(39)
At 30 Sept 2020	100	58	37,377	18,930	68	(12,610)	2,803	(3,317)	43,409

*A transfer of £255,000 (2019: £3,083,000) representing previously recognised realised gains and losses on disposal of investments during the period has been made between the Revaluation Reserve and the Capital reserve - realised. A transfer of £2,065,000 (2019: £7,929,000) representing realised gains on disposal of investments, less capital expenses and capital dividends in the period has been made between the Capital Reserve - realised and the Special reserve. A transfer of £9,000 (2019: £399,000), representing the balance on the Revenue reserve relating to previously cancelled share classes, has been made from the revenue reserve to the Special reserve.

Unaudited Statement of Cash Flows

for the six months ended 30 September 2020

	DSO D Share pool £'000	DP67 Share pool £'000	Generalist Share pool £'000	Healthcare Share pool £'000	Total £'000
Cash flows from operating activities					
Return on ordinary activities before taxation	(104)	(39)	939	(85)	711
Losses/(gains) on investments	97	27	(878)	(8)	(762)
(Decrease)/increase in creditors	(22)	(18)	2,804	(128)	2,636
(Increase)/decrease in debtors	(32)	(4)	202	(2,875)	(2,709)
Net cash (outflow)/inflow from operating activities	(61)	(34)	3,067	(3,096)	(124)
Corporation tax paid	-	-	-	-	-
Net cash generated from operating activities	(61)	(34)	3,067	(3,096)	(124)
Cash flow from investing activities					
Purchase of investments	-	-	(6,163)	(1,639)	(7,802)
Proceeds from disposal of investments	101	-	650	-	751
Net cash inflow/(outflow) from investing activities	101	-	(5,513)	(1,639)	(7,051)
Net cash inflow/(outflow) before financing	40	(34)	(2,446)	(4,735)	(7,175)
Cash flows from financing activities					
Issue of share capital	-	-	705	295	1,000
Cost of issue of share capital	-	-	(29)	(10)	(39)
Funds held in respect of shares not yet allotted	-	-	(351)	(119)	(470)
Equity dividends paid	-	-	(1,150)	(471)	(1,621)
Net cash outflow from financing activities	-	-	(825)	(305)	(1,130)
Net change in cash	40	(34)	(3,271)	(5,040)	(8,305)
Cash and cash equivalents at start of the year	272	62	3,350	5,930	9,614
Cash and cash equivalents at end of the year	312	28	79	890	1,309
Cash and cash equivalents comprise					
Cash at bank and in hand	312	28	79	890	1,309
Total cash and cash equivalents	312	28	79	890	1,309

Unaudited Statement of Cash Flows

for the six months ended 30 September 2019

	DSO D Share pool £'000	DP67 Share pool £'000	DP2011 General Share pool £'000	DP2011 Structured Share pool £'000	Generalist Share pool £'000	Healthcare Share pool £'000	Total £'000
Cash flows from operating activities							
Return on ordinary activities before taxation	83	191	45	32	(2,697)	(1,008)	(3,354)
(Gains)/losses on investments	(104)	(143)	(75)	(56)	2,284	812	2,718
Increase/(decrease) in creditors	3	(347)	(12)	(1)	(1)	5	(353)
Decrease/(increase) in debtors	(17)	220	1	3	(79)	(3)	125
Net cash outflow from operating activities	(35)	(79)	(41)	(22)	(493)	(194)	(704)
Corporation tax paid	-	160	-	-	-	-	-
Net cash generated from operating activities	(35)	81	(41)	(22)	(493)	(194)	(704)
Cash flow from investing activities							
Purchase of investments	-	-	-	-	(5,657)	(445)	(6,102)
Proceeds from disposal of investments	716	788	1,970	735	1,435	-	5,644
Net cash inflow/(outflow) from investing activities	716	788	1,970	735	(4,222)	(445)	(458)
Net cash inflow/(outflow) before financing	681	869	1,929	713	(4,715)	(639)	(1,162)
Cash flows from financing activities							
Repurchase of shares	-	-	-	-	(60)	(16)	(76)
Issue of share capital	-	-	-	-	7,205	2,736	9,941
Share issue costs	-	-	-	-	(246)	(89)	(335)
Funds held in respect of shares not yet allotted	-	-	-	-	(3,251)	(1,354)	(4,605)
Equity dividends paid	-	-	(2,504)	(1,265)	-	-	(3,769)
Net cash (outflow)/inflow from financing activities	-	-	(2,504)	(1,265)	3,648	1,277	1,156
Net change in cash	681	869	(575)	(552)	(1,067)	638	(6)
Cash and cash equivalents at start of the year	910	1,251	594	566	8,661	6,461	18,443
Cash and cash equivalents at end of the period	1,591	2,120	19	14	7,594	7,099	18,437
Cash and cash equivalents comprise							
Cash at bank and in hand	1,591	2,120	19	14	7,594	7,099	18,437
Total cash and cash equivalents	1,591	2,120	19	14	7,594	7,099	18,437

Notes to the Unaudited Financial Statements

1. General Information

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

2. Basis of accounting

The unaudited half-yearly financial results cover the six months to 30 September 2020 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 March 2020, which were prepared in accordance with the Financial Reporting Standard 102 (“FRS 102”) and the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” issued in October 2019 (“SORP”).

3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
4. The comparative figures are in respect of the six months ended 30 September 2019 and the year ended 31 March 2020 respectively.
5. Net Asset Value per share at the period end has been calculated on the number of shares in issue at the period end as follows:

Generalist Shares*	45,986,777
Healthcare Shares*	18,843,568
DSO D Shares	7,867,247
DP67 Shares	11,192,136

**Excludes Management Shares*

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

Generalist Shares*	45,582,230
Healthcare Shares*	18,641,672
DSO D Shares	7,867,247
DP67 Shares	11,192,136

**Excludes Management Shares*

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

Notes to the Unaudited Financial Statements (Continued)

8. Dividends

	Pence per Share	Six months ended 30 September 2020		
		Revenue £'000	Capital £'000	Total £'000
Generalist Shares				
Paid				
Interim (year ended 31 March 2020)	2.5	-	1,150	1,150
Healthcare Shares				
Paid				
Interim (year ended 31 March 2020)	2.5	-	471	471

9. Reserves

	30 Sep 2020 £'000	30 Sep 2019 £'000	31 Mar 2020 £'000
Capital redemption reserve	58	-	58
Special reserve	37,377	45,762	39,433
Share premium account	18,930	17,102	17,971
Revaluation reserve	(12,610)	(8,395)	(13,302)
Capital reserve - realised	2,803	3,733	2,483
Revenue reserve	(3,317)	(2,869)	(3,451)
Funds held in respect of shares not yet allotted	68	167	535
	43,309	55,500	43,727

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves and are reduced by revaluation losses of £16.0 million. Distributable reserves at 30 September 2020 were £20.8 million.

Notes to the Unaudited Financial Statements (Continued)

10. Fixed assets – investments

	Liquidity investments £'000	Quoted VC investments £'000	Unquoted VC investments £'000	Total £'000
Opening cost at 1 April 2020	15,198	1,250	36,466	52,914
Unrealised losses at 1 April 2020	(6,634)	(991)	(5,677)	(13,302)
Impairment losses at 1 April 2020	-	-	(5,148)	(5,148)
Opening fair value at 1 April 2020	8,564	259	25,641	34,464
Movements in the year:				
Purchased at cost	-	-	7,802	7,802
Disposals - proceeds	-	-	(751)	(751)
- realised gains on disposals	-	-	325	325
Unrealised foreign exchange losses	-	-	(35)	(35)
Unrealised losses in the Income Statement	955	163	(642)	476
Closing value at 30 Sept 2020	9,519	422	32,340	42,281
Closing cost at 30 Sept 2020	15,198	1,250	43,592	60,040
Unrealised losses at 30 Sept 2020	(5,679)	(828)	(6,068)	(12,575)
Unrealised foreign exchange losses at 30 Sept 2020	-	-	(35)	(35)
Impairment losses at 30 Sept 2020	-	-	(5,149)	(5,149)
Closing value at 30 Sept 2020	9,519	422	32,340	42,281

The fair value of investments is determined using the detailed accounting policy as shown in the audited financial statements for the year ended 31 March 2020. The Company has categorised its financial instruments using the fair value hierarchy as follows:

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	30 Sept 2020 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	31 Mar 2020 £'000
Liquidity investments	9,519	-	-	9,519	8,564	-	-	8,564
Quoted equity	422	-	-	422	259	-	-	259
Unquoted loan notes	-	-	2,864	2,864	-	-	3,319	3,319
Unquoted equity	-	-	29,476	29,476	-	-	22,322	22,322
	9,941	-	32,340	42,281	8,823	-	25,641	34,464

Notes to the Unaudited Financial Statements (Continued)

11. Risk and uncertainties

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

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

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

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

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

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

12. Going concern

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

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

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

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

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

Performance Incentive Arrangements

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

DSO D Shares

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

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

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

As at 30 September 2020, the estimated performance fee is 1.2p per DSO D Share.

Generalist and Healthcare Share Pools

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

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

Directors

Sir Aubrey Brocklebank (Chairman)
Lord Flight
Russell Catley

Company Secretary and registered office

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

Registered No. 6789187

Investment and Administration Manager

Downing LLP
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

Tel: 020 7416 7780
www.downing.co.uk

Registrar

Link Market Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: 0871 664 0300
(calls cost 12p per minute plus network extras,
lines open Monday to Friday 9:00am to 5:30pm)
www.linkgroup.eu



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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