SATURDAY

A9K85A1F

A08 19/12/2020 #667

COMPANIES HOUSE

DOWNING FOUR VCT PLC

Report and Accounts for the year ended

31 March 2020

Downing

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. Shareholders who wish to sell should contact Downing LLP who will be able to provide up-to-date details. Downing LLP can be contacted on 020 7416 7780. The Company is only purchasing Generalist and Healthcare Shares at present, as the other classes have commenced the process of returning funds to Shareholders through dividends.

Financial Calendar

9 September 2020	**Annual General Meeting**
December 2020	**Announcement of Half-Yearly financial results**

Dividends

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

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

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

Contents

	Page
Company information	1
Financial highlights	2
Investment objectives and Directors	2
Chairman's Statement	3
Generalist Share pool Summary	8
Investment Manager's Report – Generalist Share pool	9
Review of investments – Generalist Share pool	13
Healthcare Share pool Summary	20
Investment Manager's Report – Healthcare Share pool	21
Review of investments – Healthcare Share pool	23
DSO D Share pool Summary	29
Investment Manager's Report – DSO D Share pool	30
Review of investments – DSO D Share pool	31
DP67 Share pool Summary	35
Investment Manager's Report – DP67 Share pool	36
Review of investments – DP67 Share pool	37
DP2011 General Share pool Summary	40
Investment Manager's Report – DP2011 General Share pool	41
Review of investments – DP2011 General Share pool	42
DP2011 Structured Share pool Summary	43
Investment Manager's Report – DP2011 Structured Share pool	44
Review of investments – DP2011 Structured Share pool	45
Strategic Report	46
Report of the Directors	51
Directors' Remuneration Report	56
Corporate Governance Statement	60
Independent Auditor's Report	64
Income Statement	70
Balance Sheet	74
Statement of Changes in Equity	78
Cash Flow Statement	79
Notes to the Accounts	80
Notice of Annual General Meeting	98

Company Information

Registered number	6789187
Directors	Sir Aubrey Brocklebank Bt. (Chairman) Lord Flight Russell Catley
Secretary and registered office	Grant Whitehouse 6th Floor, St. Magnus House 3 Lower Thames Street London EC3R 6HD
Investment and Administration Manager	Downing LLP 6th 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

Financial Highlights

	Unaudited 30 June 2020 pence	Audited 31 March 2020 pence	Audited 31 March 2019 pence
Generalist Share pool			
Net Asset Value and Total Return per Generalist Share	64.1	**61.7**	83.5
Healthcare Share pool			
Net Asset Value and Total Return per Healthcare Share	69.8	**68.1**	83.3
DSO D Share pool			
Net Asset Value per DSO D Share		**12.0**	27.8
Cumulative distributions		**94.5**	76.5
Adjusted for Performance Incentive estimate		**(4.3)**	(3.9)
Total Return per DSO D Share		**102.2** [1]	100.4
DP67 Share pool			
Net Asset Value per DP67 Share		**18.8**	48.5
Cumulative distributions (since original launch)		**67.8**	49.8
Total Return per DP67 Share		**86.6**	98.3
DP2011 General Share pool			
Net Asset Value per DP2011 General Ordinary Share		**-**	-
Net Asset Value per DP2011 General A Share		**-**	13.3
Cumulative distributions (since original launch)		**105.6**	92.0
Total Return per DP2011 General Ordinary Share and DP2011 General A Share		**105.6** [2]	105.3
DP2011 Structured Share pool			
Net Asset Value per DP2011 Structured Ordinary Share		**-**	-
Net Asset Value per DP2011 Structured A Share		**-**	9.9
Cumulative distributions (since original launch)		**105.1**	95.0
Total Return per DP2011 Structured Ordinary Share and DP2011 Structured A Share		**105.1** [3]	104.9

[1] Based on Total Return to Shareholders at 31 March 2020, a Performance Incentive is expected to become due to management. The Performance Incentive has been estimated at 4.3p 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.

[2] The Total Return to Shareholders at 31 March 2020 is shown net of the Performance Incentive paid to management. By virtue of the A Share dividends paid, members of the management team have received Performance Incentive payments equivalent to 5.1p per DP2011 General Ordinary Share.

[3] The Total Return to Shareholders at 31 March 2020 is shown net of the Performance Incentive paid to management. By virtue of the A Share dividends paid, members of the management team have received Performance Incentive payments equivalent to 5.0p per DP2011 Structured Ordinary Share.

A full explanation of the Performance Incentive arrangements for each Share pool is given on pages 53 to 54 and page 82.

Investment Objectives

The Company's principal objectives are to:

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

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 48 to 49.

Directors

Sir Aubrey Brocklebank Bt. (Chairman) qualified as a chartered accountant prior to working for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before helping to establish a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund and subsequently managed the Avon Enterprise Fund Limited. He is a non-executive director of Hargreave Hale AIM VCT plc and Edge Performance VCT plc and has been chairman of seven other VCTs. He has spent the last twenty years helping companies through periods of change, usually helping them raise money, including a number of AIM-quoted companies.

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

Russell Catley has more than 30 years' experience of financial markets, predominantly in securities trading and fund management. He is founder and Chief Executive Officer of Catley Lakeman May Limited and its asset management subsidiary, Atlantic House Fund Management. These businesses have raised in excess of £10bn in assets over the last 10 years and are widely seen as the UK market leader for equity Structured Products.

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

Chairman's Statement

Introduction

I present the Company's Annual Report for the year ended 31 March 2020. The outbreak and spread of Covid-19 has affected the world in ways which we could not have anticipated. The extent of the impact on both the UK and wider global economy has not yet been fully determined, although it is already significant and adverse.

Prior to the outbreak, we saw some progress in realising the remaining investments in the DSO D and DP67 planned exit share pools. Plans for the final realisations have however been severely disrupted by the pandemic and timing of when these will complete is now uncertain. The task of exiting from the final investments in the DP2011 General Share pool and DP2011 Structured Share Pool was completed, with final dividends paid in September 2019 to bring those pools to a close.

Good progress was made during the year in investing the proceeds of the funds raised in 2016/17 and 2018/19 for the Generalist and Healthcare share pools. As I am sure you are aware the VCT tax rules require us to invest in much earlier stage companies than in the past. It is usual that we see the failures before the winners (the lemons ripen before the plums). We would normally expect to see a drop in NAV but the pandemic has exacerbated this effect. However, we believe that there are some very exciting companies in the portfolio as described below.

Share pool review

As at 31 March 2020 the Company had four active share pools, being two planned exit pools and two evergreen pools. Brief reviews of the share pools which were active during the year are given below.

Evergreen Share pools

Generalist Share pool

The task of investing funds continued in the year under review with £10.5 million being deployed into a variety of young growth businesses.

The Generalist Share NAV and Total Return stood at 61.7p at the year end, representing a decrease of 21.8p per Share or 26.0% over the year.

There have been two main factors which have combined to produce the fall in NAV over the year. It is not unusual in a portfolio of young growth businesses that some of the weaker businesses become apparent before the stronger ones have ultimately proved themselves.

We have fully written down Xupes Limited and Live Better With Limited as both businesses do not appear to be able to achieve their business plans and their futures are now not clear. It is important when investing in early stage companies to cut ones' losses as early as possible and resist the temptation to throw good money after bad. We have also made a number of partial write downs against several portfolio companies where the coronavirus pandemic has had an impact.

In line with the original plans, the share pool invested a proportion of its funds awaiting qualifying investments in an investment trust and OEICs managed by Downing which mainly focus on quoted small cap companies, referred to as the "Liquidity Funds". The value of these holdings fell sharply at the start of the coronavirus pandemic, although they have recovered somewhat since the year end as displayed by the 30 June NAVs of 64.1p for the Generalist Shares (and 69.8p for the Healthcare Shares).

Although it is disappointing to have lost so much ground relatively early in the life of this share class, the Board believes there is a good prospect of recovery in the Liquidity Funds as conditions improve. The Liquidity Funds have specific exposure to small company "special situations", where the Manager has been working with the underlying businesses, making changes to boards and enhancing the prospects for all shareholders. The Board has been monitoring the progress of these initiatives, which had been positively reflected in the NAVs of the Funds in the last quarter of 2019 and start of 2020. Just like private equity, these investments tend to have a 'J' curve performance which we had begun to witness before the pandemic.

We are reassured that all the strategic investments in the Funds either have net cash on the balance sheets, or are asset backed. All are niche with a 'look through' to a world after the pandemic where their services and products will continue to be needed. There is little if no exposure in the Funds to high street retail/leisure/travel within these portfolios. The Manager has a high level of engagement with these management teams, and believes that the underlying portfolio, after some hard work, now has the correct management teams at the operational level to continue the progress that had already begun to be demonstrated before the outbreak.

The Generalist Share pool is now able to pay its first dividend and will pay an interim dividend in respect of the year ended 31 March 2020 of 2.5p per share will be paid on 25 September 2020, to investors on the register at 4 September 2020.

Evergreen Share pools (continued)

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

Healthcare Share pool
The Manager deployed £2.1 million in five VCT-qualifying investments during the year.

The Healthcare Share NAV and Total Return stood at 68.1p at the year end, representing a decrease of 15.2p per Share or 18.2% over the year.
As with the Generalist Share Pool, the decrease in the NAV is attributable mainly to write downs being required against some of the VCT-qualifying investments and the performance of the Liquidity Funds. Like the Generalist pool, the Healthcare pool has a holding in Live Better With Limited against which a full write down has been included as the business has not made sufficient headway. Also like the Generalist pool, the Liquidity Funds focused on the quoted small cap sector suffered significant falls in value just prior to the year end, although there has been some recovery since.

The Healthcare Share pool is now able to pay its first dividend and will pay an interim dividend in respect of the year ended 31 March 2020 of 2.5p per share will be paid on 25 September 2020, to investors on the register at 4 September 2020.

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

Planned Exit Share pools

DSO D Share pool
During the year the Manager made further progress in exiting from the remaining investments held by the DSO D Share pool. The remaining value is now mostly represented by a pub company and two renewable energy investments. We are optimistic that a transaction to exit from the renewable energy businesses can be completed once we start to see a return to more normal conditions. The prospects of an exit from the pub company are less clear with the pub recommencing trading mid July.

The DSO D Share NAV stood at 12.0p at the year end, an increase of 2.2p per Share or 6.4% over the year after adjusting for the dividend of 18.0p per Share paid in the year. The NAV after deducting the estimated performance incentive of 4.3p per share that may become payable is 7.7p per share. Total Return (net of the estimated performance incentive) now stands at 102.2p per share compared to the cost for Shareholders who invested in the original DSO D Share offer of 100.0p, or 70.0p per share net of income tax relief.

A more detailed review of the DSO D Share pool is included in the Investment Manager's Report on page 30.

DP67 Share pool
One exit was achieved in the year being that of Snow Hill Developments LLP. The remaining value in the share pool is now held in three companies which hold stakes in the conferencing and hotel sector. With these venues only reopening this month, it is difficult to estimate when transactions that will provide an exit might take place.

The DP67 Share NAV stood at 18.8p at the year end, a decrease of 11.7p per Share or 24.1% over the year after adjusting for the dividend in the year of 18.0p. Total Return now stands at 86.6p per Share, compared to the original cost for Shareholders who invested in 2007 of 100.0p, or 70.0p net of income tax relief.

A more detailed review of the DP67 Share pool is included in the Investment Manager's Report on page 36.

DP2011 General and DP2011 Structured Share pools
The final distributions to DP2011 General Shareholders and DP2011 Structured Shareholders were made in September 2019. DP2011 General Shareholders received a total of 105.595p for a combined holding of one DP2011 General Ordinary Share and one DP2011 General A Share. DP2011 Structured General Shareholders received a total of 105.059p for a combined holding of one DP2011 Structured General Ordinary Share and one DP2011 Structured A Share. When compared against the original investment of 70.0p, the Board believes both pools produced a satisfactory outcome.

Fundraising

The Company undertook a share offer for both the Generalist and Healthcare Share pools which closed in October 2019 having raised gross proceeds of £12.0 million for the Generalist Share Pool and £5.4 million for the Healthcare Share Pool.

The Company also launched a small top-up offer for subscription in April 2020 to facilitate allotments for monthly subscription investors that arose from earlier offers.

There are no immediate plans for fundraising until the pandemic abates and the economic future becomes clearer.

Share buybacks

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

However, as the remaining planned exit share pools have initiated the process of returning funds to Shareholders, the Company will not undertake any further buybacks in respect of those share classes.

During the year ended 31 March 2020, 73,944 Generalist Shares and 19,704 Healthcare Shares were purchased and cancelled.

Since the year end, on 20 May 2020, the Company appointed 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. If you wish to sell or buy shares in the Company, Panmure Gordon can supply details of closed periods etc. Contact details are on page 1.

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 9 September 2020 at 12:30pm. Shareholders are encouraged to vote by proxy and are invited to submit any questions for the Board or the Manager with their proxy form. The Board will seek to address topics raised in any submitted questions by publishing a statement with the AGM results. Full details are included in 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 resolutions 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.

Shareholders are encouraged to submit their votes 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 send any questions via email to d4agm@downing.co.uk by 5:00 pm on 2 September 2020. Answers to any questions received will be addressed on the website at www.downing.co.uk.

Outlook

As the disruption that the coronavirus pandemic has brought to everyday life starts to reduce, this should re-open the path for the Manager to secure exits from the remaining investments in the planned exit pools and conclude the task of returning funds to investors. At this point it is impossible to predict the timescale over which this can be achieved.

In respect of the Generalist and Healthcare pools, the next year, will no doubt, be a challenging one for many of our portfolio companies. However, I believe that there are some companies with very exciting potential which will be able to produce high returns for the Company. The Investment Manager will continue to provide as much support as it can to guide the portfolio companies through these difficult times. Inevitably, some may not be able to fully recover. However, some companies are benefiting from the current conditions by being forced to adapt their business models earlier than they might otherwise have done. Since the year end the quoted Liquidity Funds have seen their share prices increase somewhat. At 30 June 2020, the unaudited Generalist Share NAV stood at 64.1p and the Healthcare Share NAV 69.8p.

Chairman's Statement (continued)

Outlook (continued)

Looking forward, with the last of the planned exit share pools expected to wind up in the foreseeable future, the Board is starting to consider the optimal structure for the Company in the long term. With a portfolio of young businesses which typically need several rounds of funding before they are successful, it is important that the Company is able to regularly raise new funds for investment. The Board is looking at how this might be best achieved.

I will report on developments in the Half-Yearly Report to 30 September 2020.

Sir Aubrey Brocklebank Bt.
Chairman

31 July 2020

Generalist Share Pool

Share Pool Summary

Financial highlights	31 March 2020 pence	31 March 2019 pence
Net Asset Value and Total Return per Generalist Share	**61.7**	83.5

Forthcoming Dividend

A dividend of 2.5p per Generalist Share will be paid on 25 September 2020, to investors on the register at 4 September 2020.

Share prices

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

	Generalist Shares
TIDM/EPIC codes	D4G
Latest share price (31 July 2020)	60.0p per share

Performance Incentive arrangements

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

For the years ending on or before 31 March 2020, the hurdle is met when Total Return (based on audited year end results) is in excess of £1 per Generalist Share. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2021 the Total Return hurdle will be £1.03, for the year ended 31 March 2022 the hurdle will be £1.06, etc. If the hurdle is met in any year, then members of the management team will receive 20% of the dividends paid. The current Total Return is 61.7p and therefore no provision for a performance incentive fee is necessary.

Investment Manager's Report - Generalist Share Pool

Introduction

As at 31 March 2020, the Generalist Share Pool held a portfolio of 33 Venture Capital investments and three Liquidity investments, with a combined value of £24.6 million.

Net Asset Value and results

As at 31 March 2020, the NAV of a Generalist share stood at 61.7p, a decrease of 21.8p over the year. A number of factors have contributed to this disappointing performance, including the impact of the Covid-19 pandemic, which has resulted in a number of negative valuation adjustments being made at the year end.

13.3p of the fall arises from net losses in the Venture Capital portfolio, where two investments in particular have had significant write downs included against them, and several others across the portfolio have been negatively impacted. 6.4p of the decrease is attributable to the Liquidity investments, which encountered difficult market conditions. Reduced investor confidence arising from the high-profile mismanagement issues with the Woodford funds and the falls in global markets as a result of the pandemic both contributed to reduced fund valuations. The remaining 2.1p of the decrease has arisen from the surplus of running costs over income. Further details of these write downs are provided over the following pages.

The loss on ordinary activities for the Generalist Share pool for the year was £9.8 million (2019: £3.9 million), comprising a revenue loss of £582,000 (2019: £283,000) and a capital loss of £9.2 million (2019: £3.6 million).

This is the first year that the VCT regulations allow this relatively young share pool to make a dividend payment. Accordingly, an interim dividend of 2.5p per share will be paid on 25 September 2020, to investors on the register at 4 September 2020. This is in line with the stated target of the pool of paying dividends of between 4% and 5% of net assets per annum.

The above results are the consequences of a number of factors. There has been a further reduction in the value of the liquidity funds, which although frustrating, is broadly in line with the sector. There are some significant write downs across the unquoted portfolio, largely as result of the common phenomenon of the weaker investments showing at this earlier stage in the investment cycle. Given time, the superior investments should become apparent. Finally, the cash drag of the initial investment phase and the effect of expenses not covered by income has also negatively impacted the performance of the fund, as seen by the fall in NAV and Total Return.

Compared to the starting NAV of 100p, the current total return of 61.7p is considered to be an underperformance against our expectations.

Investment activity

During the year we continued to make good progress in building the VCT Qualifying portfolio of the Generalist Share pool, having invested a total of £10.5 million in 19 companies.

New Venture Capital investments

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

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.

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 appointments and event bookings for 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 pressure sensitive multi touch technology that is cheaper and simpler to integrate in touch screen panels of mobile devices.

Lineten Limited (£400,000) is a software platform that connects retailers to a range of on-demand and same-day delivery fleets to coordinate customer deliveries.

Congenica Limited (£300,000) has developed a genomics-based diagnostic decision support platform which helps doctors identify rare diseases in patients.

9

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

Investment activity (continued)

New Venture Capital Investments (continued)

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

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

Follow-on Venture Capital investments
A description of each of the existing VCT Qualifying businesses to which the Generalist Share pool provided further funding, totalling £1.4 million during the year is shown below.

A further £667,000 was invested in Lignia Wood Company Limited, which makes a sustainably sourced softwood LIGNIA® impregnated with resin in order to produce similar appearance and properties as high value hardwoods such as oak and teak.

Limitless Technology Limited is the developer of an innovative crowd service platform allowing loyal customers to be rewarded for providing customer service and support as brand ambassadors. An additional £583,000 was invested during the year.

£510,000 was invested in Upp Technologies Group (previously Volo Commerce), a leading provider of multichannel e-commerce technology.

A further £500,000 was invested in Empiribox Holdings Limited, bringing the total invested to £1.5 million. The company provides equipment, lesson plans and CPD-accredited support for teachers to deliver engaging and practical science lessons to UK primary school children.

Masters of Pie Limited is an early stage technology firm specialising in virtual and augmented reality software for manufacturing and wider enterprise solutions. An additional £500,000 was invested during the year.

£425,000 was invested in E Fundamentals (Group) Limited, bringing the total invested to £1,342,000. The company provides a data analytics service which provides online merchandising insights for brand owners, to enable them to improve their online revenues.

£403,000 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).

A further £300,000 was invested in Channel Mum Limited, the developer of a community based platform for parents.

Xupes Limited is an online retailer of pre-owned luxury goods including designer watches, handbags, jewellery and antiques. A further £115,000 was invested in the year.

Liquidity Investments
As Shareholders will be aware, where the Generalist Share pool invests in other Downing-managed funds, Downing provides fee rebates to the Generalist Share pool such that its investors are not "double-charged".

A small follow on investment of £169,000 was made into Downing Strategic Micro-Cap Investment Trust plc.

Portfolio valuation

Venture Capital portfolio
During the year the Venture Capital portfolio of the Generalist Share pool was reduced in value by a total of £6.0 million, following a number of disappointing developments.

Live Better With Limited, which operates 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.

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

Portfolio valuation (continued)

Venture Capital portfolio (continued)
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 which intensified as a result of the effective closure of UK schools from March to mid-June.

Xupes Limited, the online retailer of pre-owned luxury goods, 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 consequently the investment has been fully provided against

Lignia Wood Company Limited, was written down by £617,000 as a result of expected reductions in demand (due to the UK lockdown) and restrictions on the movement of goods in its supply chain.

Maverick Pubs Limited has been written down by £400,000, reflecting the temporary closure of both pub sites as a result of the coronavirus pandemic and the likely impact this may have upon the value of public houses.

BridgeU Corporation provides a system to help students and teachers manage the process of preparing for and completing global university applications. The value has been written down by £397,000 following the sale of the underlying business. The remaining value reflects the deferred consideration which is expected to be paid to the VCT.

The Share pool's investment in Glownet Limited was also written off in full during the year, a charge of £185,000. The company ceased trading in March 2020 with no distributions anticipated.

The investment in ADC Biotechnology Limited was reduced in value by £191,000 during the year, in line with a new funding round, which was undertaken at a lower price to the earlier rounds under which the Share pool invested.

Destiny Pharma plc ("Destiny Pharma"), which is listed on London's Alternative Investment Market (AIM), was also revalued downwards as at 31 March 2020, by £157,000 in line with the prevailing quoted price at that date. AIM prices typically fluctuate considerably in a given year and the reduction in the share price of Destiny Pharma is symptomatic of this, as the business is progressing well.

Upp Technologies (formerly Volo) the e-commerce software provider, has been going through a significant transformation including widespread changes to the management team. Unfortunately, the company is yet to generate significant revenues from its latest customer proposition and our expectation is that target client numbers for this financial year will be below our investment case, the valuation has therefore been reduced in value by £269,000.

Other valuation movements in the Venture Capital portfolio amounted to a net valuation write down of £678,000.

Liquidity investments
The carrying values of the liquidity investments have been adjusted to reflect their quoted prices as at 31 March 2020. This resulted in a valuation reduction of £3.0 million for the year.

The year under review was another challenging period for equity investors, largely characterised by negative sentiment, a volatile economic backdrop, and slowing global growth. There was some recovery at the end of 2019 and into 2020 as the general election offered some certainty around Brexit. However, this recovery was short lived as fears over the potential social and economic impact of the coronavirus spread around the world, and markets sold off sharply in February.

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

Portfolio valuation (continued)

Liquidity investments (continued)
The Covid-19 pandemic had a significant negative effect on share prices towards the end the reporting period. The 'Covid discount' on the Downing Strategic Micro-Cap Investment Trust has had a considerable impact, resulting in the average discount on the Trust widening from circa 3% since inception, to over 25% in March. The discount narrowed to nearer 19% post reporting period end, which is in line with other investment trusts and we would expect it to narrow as a more normalised trading environment returns. The Downing Micro-Cap Growth Fund underperformed the index in the period and the Managers have addressed this by modifying the mandate to provide the fund with more liquidity options. These changes include increasing the number of holdings from 25-30 to up to 40 and increasing the market capitalisation band up to £350 million. This has resulted in improved performance in recent months.

Given the difficult trading environment, the Managers of the Downing Monthly Income Fund are focusing on improving the quality of the portfolio as much as possible, looking at the more resilient earners and strength in their capital positions. This should result in a robust portfolio that is positioned for the more protracted economic headwinds that the Managers expect to take a grip over the coming weeks and months.

The Managers are concentrating on those businesses that have strong balance sheets to ensure that any storm can be weathered, avoiding the most vulnerable sectors such as leisure and travel where there was little exposure pre-crisis anyway, and targeting businesses that have high quality revenue streams that are unlikely to be affected by the pandemic. The portfolios retain cash which allows the Managers the flexibility to top up positions on bad days or invest in new situations where they believe prices are wrong.

Outlook

The falls experienced across the portfolio are frustrating to report. Although early unrealised losses within young growth companies are to be expected, these unprecedented times and the current economic situation have impaired valuations further than could have been predicted.

Across the portfolio, investee companies have generally reacted promptly to the coronavirus pandemic, taking steps to secure their immediate survival and working to align themselves to the new normal. It is worth noting that a number of businesses are well positioned to potentially gain from the current economic climate, being pre aligned with emerging demands.

We are dedicating substantial resources to the portfolio companies, in order to provide additional support in these difficult times. We are ensuring that all investee companies benefit from the Government aid that is available and helping to make strong decisions as they deal with these unprecedented conditions, hoping to recover as much value as possible for investors.

Downing LLP
31 July 2020

Review of Investments – Generalist Share Pool

The following investments were held at 31 March 2020:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
E-Fundamentals (Group) Limited	1,342	**1,342**	-	4.8%
Rated People Limited	1,282	**1,282**	-	4.6%
Lignia Wood Company Limited	1,778	**1,250**	(617)	4.5%
Firefly Learning Limited	1,047	**1,047**	-	3.7%
Trouva Limited	1,050	**1,101**	51	3.9%
Ecstase Limited	1,000	**1,000**	-	3.6%
Imagen Limited	1,000	**1000**	-	3.6%
Upp Technologies Group Limited (prev. Volo Commerce)	1,077	**808**	(269)	3.0%
Limitless Technology Limited	756	**802**	-	2.9%
Hackajob Limited	784	**784**	-	2.8%
Masters of Pie Limited	667	**667**	-	2.4%
Virtual Class Limited	803	**546**	2	2.0%
Funding Exchange Limited	525	**525**	-	1.9%
JRNI Limited	525	**525**	-	1.9%
Exonar Limited	500	**500**	-	1.8%
Maverick Pubs Limited	1,000	**500**	(400)	1.8%
ADC Biotechnology Limited	815	**478**	(191)	1.7%
Hummingbird Limited	500	**418**	(82)	1.5%
BridgeU Limited	811	**414**	(397)	1.5%
Lineten Limited	400	**400**	-	1.4%
Fenkle Street LLP	301	**400**	28	1.4%
Cambridge Touch Technologies Limited	459	**361**	(98)	1.3%
Empiribox Holdings Limited	1,528	**325**	(1,072)	1.2%
Arecor Limited	300	**300**	-	1.1%
Channel Mum Limited	500	**300**	(200)	1.1%
Congenica Limited	300	**300**	-	1.1%
FVRVS Limited	250	**250**	-	0.9%
Destiny Pharma plc^	500	**104**	(157)	0.4%
Glownet Limited	741	**-**	(185)	0.0%
Live Better With Limited	1,211	**-**	(1,284)	0.0%
Ormsborough Limited	900	**-**	(194)	0.0%
Xupes Limited	933	**-**	(933)	0.0%
	25,585	**17,729**	(5,998)	63.7%
Liquidity investments				
MI Downing Monthly Income Fund*	3,950	**2,712**	(791)	9.7%
MI Downing UK Micro-Cap Growth Fund*	4,025	**2,270**	(1,057)	8.1%
Downing Strategic Micro-Cap Investment Trust plc*^	4,269	**1,873**	(1,207)	6.7%
	12,244	**6,855**	(3,055)	24.5%
	37,859	**24,584**	(10,076)	88.2%
Cash at bank and in hand		**3,350**		11.8%
Total investments		**27,934**		100.0%

All Venture Capital investments are incorporated in England and Wales.

*non-qualifying investment ^listed and traded on the London Stock Exchange

Review of Investments – Generalist Share Pool (continued)

Investment movements for the year ended 31 March 2020

Additions	Cost £'000
Venture Capital investments	
Streethub Limited (t/a Trouva)	**1,300**
Snow Hill Developments LLP*	**1,225**
Ecstase Limited (t/a ADAY)	**1000**
Lignia Wood Company Limited	**667**
Limitless Technology Limited	**583**
Funding Exchange Limited	**525**
JRNI Limited	**525**
Upp Technologies Group Limited (prev. Volo Commerce)	**510**
Hummingbird Limited	**500**
Empiribox Holdings Limited	**500**
Masters of Pie Limited	**500**
Cambridge Touch Technologies Limited	**459**
E-Fundamentals (Group) Limited	**425**
ADC Biotechnology Limited	**403**
Lineten Limited	**400**
Congenica Limited	**300**
Channel Mum Limited	**300**
FVRVS Limited (t/a Fundamental VR)	**250**
Xupes Limited	**115**
Liquidity Investments	
Downing Strategic Micro-Cap Investment Trust plc*^	**169**
	10,656

DISPOSALS	Cost £'000	Valuation at 01/04/19 £'000	Proceeds £'000	Profit/(loss) vs. cost £'000	Realised gain £'000
Venture Capital investments					
Snow Hill Developments LLP*	1,289	1,317	1,417	128	**100**
Mosaic Spa and Health Clubs Limited*	32	17	18	(14)	**1**
Conversion of Loan Notes					
Trouva Limited	250	250	250	-	**-**
	1,571	1,584	1,685	114	**101**

*non-qualifying investment
^listed and traded on the London Stock Exchange

Review of Investments – Generalist Share Pool (continued)

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

E Fundamentals (Group) Limited www.ef.uk.com	Cost at 31/03/20:	£1,342,000	Valuation at 31/03/20:	£1,342,000
	Cost at 31/03/19:	£917,000	Valuation at 31/03/19:	£917,000
	Date of first investment:	Dec-17	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	A ordinary shares:	£917,000	Proportion of A equity held:	4%
	B1 ordinary shares:	£425,000	Proportion of B1 equity held:	10%

Summary financial information from statutory accounts to 31 December:

	2018	2017
Net assets:	£6.2m	£4.0m

E Fundamentals has developed a proprietary SaaS analytics platform that helps brands to replicate the successes of traditional retail sales through online shopping channels. Downing-managed funds have invested a total of £2.4 million to date. The capital will be used to support the expansion of the company's sales function, as well as ongoing product development.

Rated People www.ratedpeople.com	Cost at 31/03/20:	£1,282,000	Valuation at 31/03/20:	£1,282,000
	Cost at 31/03/19:	£1,282,000	Valuation at 31/03/19:	£1,282,000
	Date of first investment:	Nov-18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	C ordinary shares:	£1,282,000	Proportion of C equity held:	2%

Summary financial information from statutory accounts to 31 December:

	2018	2017
Turnover:	£13.6m	£12.1m
Operating loss:	(£3.7m)	(£4.1m)
Net liabilities:	(£2.7m)	(£5.2m)

Rated People is an online home services marketplace that aims to connect homeowners with high quality local tradespeople. The company offers access to more than 50,000 tradespeople, representing over 30 trades, and covering the whole of the UK. Downing-managed funds have invested a total of £4.2 million to date, to help the company accelerate growth by investing in marketing and sales and continue driving innovation in its product offering.

Lignia Wood Company www.lignia.com	Cost at 31/03/20:	£1,778,000	Valuation at 31/03/20:	£1,250,000
	Cost at 31/03/19:	£1,111,000	Valuation at 31/03/19:	£1,200,000
	Date of first investment:	Jul-18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	A ordinary shares:	£1,778,000	Proportion of A equity held:	18%

Summary financial information from statutory accounts to 31 December:

	2019	2018
Net assets:	£8.1m	£6.9m

Lignia is a producer of sustainable modified wood based in Barry, Wales. The company is helping tackle issues relating to lack of supply of legal and sustainable hardwoods. It is doing this by modifying the properties of sustainably sourced, plantation-grown softwoods under the brand name LIGNIA®. LIGNIA is produced by impregnating wood with resin which, once cured, has an appearance resembling a tropical hardwood that has a better appearance, durability, stability and fire resistance than many high value hardwoods such as oak and teak. Downing managed funds invested a total of £3 million in the Company to date, which will help support the development of LIGNIA's first commercial scale production plant, based in Barry's Vale of Glamorgan. The plant will be able to produce up to 15,000m^3 of LIGNIA wood annually.

Review of Investments – Generalist Share Pool (continued)

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

Firefly Learning Limited www.fireflylearning.com	Cost at 31/03/20:	£1,047,000	Valuation at 31/03/20:	£1,047,000
	Cost at 31/03/19:	£1,047,000	Valuation at 31/03/19:	£1,047,000
	Date of first investment:	Jan-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	A ordinary shares:	£1,047,000	Proportion of A equity held:	18%

Summary financial information from statutory accounts to 30 April:

	2018	2017
Net assets:	£0.4m	£3.5m

Firefly is an online education platform which allows teachers to share lesson plans, assign and review homework and communicate with students and parents online, leaving an audit trail of assignments submitted and marks received. Firefly is now planning to extend its global expansion while further developing its strong presence in UK Independent and State schools. Downing-managed funds have invested a total of £3.3 million to date, alongside other established funds.

StreetHub Limited (t/a Trouva) www.trouva.com	Cost at 31/03/20:	£1,050,000	Valuation at 31/03/20:	£1,101,000
	Cost at 31/03/19:	n/a	Valuation at 31/03/19:	n/a
	Date of first investment:	Apr-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	A1 Ordinary shares:	£1,000,000	Proportion of A1 equity held:	12%
	Ordinary Shares:	£50,000	Proportion of Ordinary Equity held:	0.2%

Summary financial information from statutory accounts to 31 July:

	2018	2017
Net (liabilities)/assets:	(£0.2m)	£4.4m

Trouva is an online marketplace showcasing products from over 700 independent boutiques. The platform helps increase sales as boutiques have access to a global customer base, while providing software to digitise stock management and delivery logistics. Trouva recently came top in the prestigious Startups 100 Index for 2020, which ranks the UK's best high growth startups.

Ecstase Limited (t/a ADAY) www.thisisaday.com	Cost at 31/03/20:	£1,000,000	Valuation at 31/03/20:	£1,000,000
	Cost at 31/03/19:	n/a	Valuation at 31/03/19:	n/a
	Date of first investment:	Nov-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	B ordinary shares:	£1,000,000	Proportion of B equity held:	16%

Summary financial information from statutory accounts to 30 June:

	2019	2018
Net assets:	£3.0m	£2.4m

ADAY is an e-commerce clothing brand creating versatile, seasonless garments using fabrics and factories with a low environmental footprint. Founded in 2015, the company create and sell direct to consumer multi-functional clothes for professional women using 'technical' fabrics more commonly used for sports attire, and where possible, incorporating the latest innovation in sustainable materials and sustainable manufacturing. The investment allows the management team to execute against ambitious growth forecasts and to continue establishing ADAY as a global symbol for design innovation at the forefront of the sustainable 'slow' fashion movement that is gaining pace.

Review of Investments – Generalist Share Pool (continued)

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

Imagen Limited www.imagenevp.com	Cost at 31/03/20:	£1,000,000	Valuation at 31/03/20:	£1,000,000
	Cost at 31/03/19:	£1,000,000	Valuation at 31/03/19:	£1,000,000
	Date of first investment:	Dec-18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	B ordinary shares:	£1,000,000	Proportion of B equity held:	14%
	Summary financial information from statutory accounts to 31 May:			
	Net assets:		£5.5m	£2.1m
	Imagen is a SaaS video management platform which holds both current and archive footage for major sporting organisations and news outlets, including Premier League, World Tennis Association and the BBC. The platform helps sports, media and enterprise businesses to manage their expanding video and content libraries on its cloud-based technology. Downing-managed funds led a round of £6.5 million, which will support Imagen's plans to expand its global operations, in particular the US and Europe.			
Upp Technologies Group Limited *(previously Volo Commerce)* Upp.ai	Cost at 31/03/20:	£1,077,000	Valuation at 31/03/20:	£808,000
	Cost at 31/03/19:	£567,000	Valuation at 31/03/19:	£567,000
	Date of first investment:	Aug-17	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	D ordinary shares:	£567,000	Proportion of D equity held:	7%
	F ordinary shares:	£510,000	Proportion of F equity held:	7%
	Summary financial information from group statutory accounts to 31 December:			
			2018	2017
	Turnover:		£5.4m	£6.0m
	Operating loss:		(£2.3m)	(£3.2m)
	Net assets:		£0.01m	£1.1m
	Upp Technologies is a SaaS-based E-commerce enabling software provider. Using Artificial Intelligence (AI), Upp delivers a platform that understands online retail, taking the legwork out of optimising brand listings with better results. The platform provides brands with actionable insights, centralised product data and the potential to maximise profit margins.			
Limitless Technology Limited www.limitless.com	Cost at 31/03/20:	£756,000	Valuation at 31/03/20:	£802,000
	Cost at 31/03/19:	£219,000	Valuation at 31/03/19:	£219,000
	Date of first investment:	Dec-17	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	A ordinary shares:	£756,000	Proportion of A equity held:	10%
	Summary financial information from statutory accounts to 31 December:			
			2018	2017
	Net assets:		£0.9m	£2.0m
	Limitless has developed software that enables businesses to crowd-source their customer service. The platform allows companies to reduce their call-centre overheads by having a remote customer service solution, engaging and rewarding customers who answer questions from other consumers. With the help of Limitless, brands are reporting savings of between 50% and 70% on their support costs.			

Review of Investments – Generalist Share Pool (continued)

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

Hackajob Limited www.hackajob.co hackajob				
	Cost at 31/03/20:	£784,000	Valuation at 31/03/20:	£784,000
	Cost at 31/03/19:	£784,000	Valuation at 31/03/19:	£784,000
	Date of first investment:	Oct-18	Valuation method:	Multiples
	Investment comprises:			
	B Preferred shares:	£784,000	Proportion of B Preferred stock held	15%

Summary financial information from statutory accounts to 31 October:		
	2018	2017
Net assets:	£2.6m	£0.4m

Hackajob is an online recruitment platform for employers seeking developers and engineers. Potential employees take part in online technical challenges and are matched with relevant employers through Hackajob's automated testing features and algorithms. Following expansion in Europe, generating early traction in Amsterdam, Berlin and Paris the business has shifted away from a success fee model to a subscription-based model.

Note: the proportion of each equity class held also represents the level of voting rights held by the Company, in respect of that class. Turnover and operating profit figures are stated where this information is publicly available.

Summary of loan stock interest income and interest on advances

Loan stock interest and interest on advances receivable in the year	£'000
Xupes Limited	**19**
Fenkle Street LLP	**10**
	29

Analysis of investments by type

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

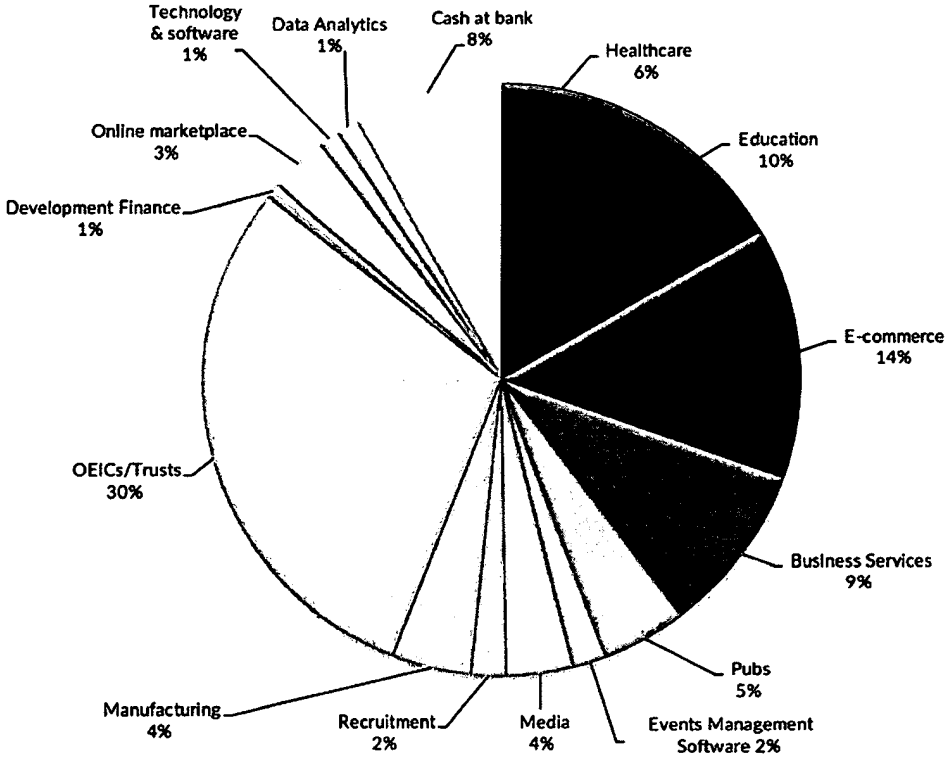
	Actual portfolio split at 31 March 2020	Target portfolio split at 31 March 2020*
VCT Qualifying Investments		
Qualifying loan stock	**4%**	25%
Ordinary shares	**57%**	60%
Total	**61%**	85%
Non-Qualifying Investments		
Liquidity investments and Non-Qualifying loan stock	**31%**	5%
Total	**92%**	90%
Cash	**8%**	10%
	100%	100%

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

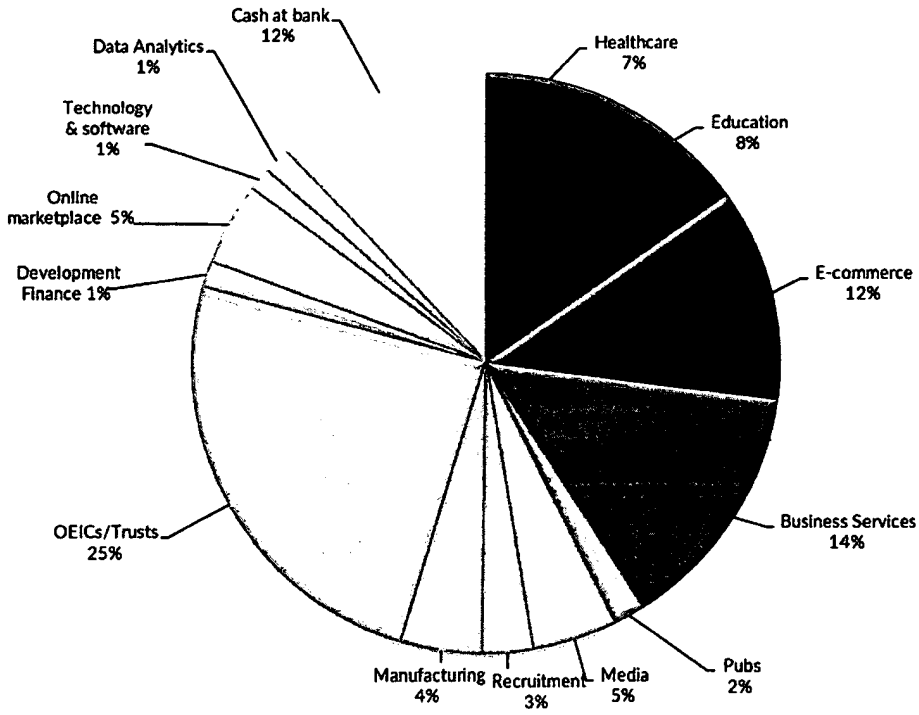
The split of the Generalist Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2020) are shown on the next page.

Review of Investments – Generalist Share Pool (continued)

Generalist Share Pool
Analysis of investments by sector based on cost



Generalist Share Pool
Analysis of investments by sector based on value



Healthcare Share Pool

Share Pool Summary

Financial highlights	31 March 2020 pence	31 March 2019 pence
Net Asset Value and Total Return per Healthcare Share	**68.1**	83.3

Forthcoming Dividend

A dividend of 2.5p per Healthcare Share will be paid on 25 September 2020, to investors on the register at 4 September 2020.

Share prices

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

	Healthcare Shares
TIDM/EPIC codes	D4H
Latest share price (31 July 2020)	66.5p per share

Performance Incentive arrangements

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

For the years ending on or before 31 March 2020, the hurdle is met when Total Return (based on audited year end results) is in excess of £1 per Healthcare Share. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2021 the Total Return hurdle will be £1.03, for the year ended 31 March 2022 the hurdle will be £1.06, etc. If the hurdle is met in any year, then members of the management team will receive 20% of the dividends paid. The current Total Return is 68.1p and therefore no provision for a performance incentive fee is necessary.

Investment Manager's Report- Healthcare Share Pool

Introduction

As at 31 March 2020, the Healthcare Share pool held a portfolio of 10 Venture Capital investments and three Liquidity investments, with a combined value of £7.2 million.

Net Asset Value and results

As at 31 March 2020, the NAV of a Healthcare share stood at 68.1p, a decrease of 15.1p over the year. A number of factors have combined to produce this disappointing performance for the year.

8.9p of the decrease relates to investment revaluations in the Venture Capital portfolio, principally in relation to write down against the value of Live Better With Limited, although others across the portfolio have been negatively impacted. 3.9p relates to a reduction in value of the Liquidity Investments which continue to be negatively impacted by the falls in global markets at the beginning of 2020, a consequence of the pandemic. The remaining 2.3p of the NAV decrease is attributable to the surplus of running costs over income.

The return on ordinary activities for the Healthcare Share pool for the year was a loss of £2.7 million (2019: loss of £1.4 million), being a revenue loss of £240,000 (2019: loss of £198,000) and a capital loss of £2.5 million (2019: loss of £1.2 million).

This is the first year that the VCT regulations allow this relatively young share pool to make a dividend payment. Accordingly, an interim dividend of 2.5p per share will be paid on 25 September 2020, to investors on the register at 4 September 2020. This is in line with the stated target of the pool of paying dividends of between 4% and 5% of net assets per annum.

The above results are the consequences of a number of factors. There has been a further reduction in the value of the liquidity funds, which although frustrating, is broadly in line with the sector. There are some significant write downs across the unquoted portfolio, largely as result of the common phenomenon of the weaker investments showing at this earlier stage in the investment cycle. Given time, the superior investments should become apparent. Finally, the cash drag of the initial investment phase and the effect of expenses not covered by income has also negatively impacted the performance of the fund, as seen by the fall in NAV and Total Return.

Compared to the starting NAV of 100p, the current total return of 68.1p is considered to be an underperformance against our expectations.

Investment activity

During the year a total of £2.1 million was invested in five venture capital investments, three new and two follow on.

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

Congenica Limited (£750,000) has developed a genomics-based diagnostic decision support platform which helps doctors identify rare diseases in patients.

FVRVS Limited (£500,000) trading as Fundamental VR, provides surgery simulation software for enterprise clients and hospitals.

The Electrospinning Company Limited (£278,000) 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.

Follow-on Venture Capital investments
Future Health Works Limited, is a developer of MyRecovery, a mobile app that informs and empowers patients throughout their orthopaedic treatment, customised to their procedure and hospital. A further £250,000 was invested in the year.

£338,000 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).

Liquidity Investments
As Shareholders will be aware, where the Healthcare Share pool invests in other Downing-managed funds, Downing provides fee rebates to the Healthcare Share pool such that its investors are not "double-charged".

A small follow on investment of £29,000 was made into Downing Strategic Micro-Cap Investment Trust plc.

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

Portfolio valuation

Venture Capital portfolio
During the year the Venture Capital portfolio of the Healthcare Share pool was reduced in value by £1.6 million.

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.

ADC Biotechnology Limited, was further reduced in value by £317,000 during the year. This was to bring the valuation in line with a new funding round, which was undertaken at a lower price to the first round under which the share pool invested. The company is running behind plan as a result of delayed approvals on its production site. However, production is expected to commence shortly, and we continue to work closely with the management team.

Destiny Pharma plc ("Destiny Pharma"), which is listed on London's Alternative Investment Market (AIM), was also revalued downwards as at 31 March 2020, by £237,000 in line with the prevailing quoted price at that date. AIM prices typically fluctuate considerably in a given year and the reduction in the share price of Destiny Pharma is symptomatic of this, even though the business is progressing well.

Other movements in the Venture Capital portfolio amounted to a net uplift of £91,000.

Liquidity investments

The carrying values of the liquidity investments have been adjusted to reflect their quoted prices as at 31 March 2020. This resulted in a valuation reduction of £721,000 for the year. This decrease is largely due to adverse conditions in global markets, which have reduced quoted prices.

Given the difficult trading environment, the Managers of the Downing Monthly Income Fund are focusing on improving the quality of the portfolio as much as possible, looking at the more resilient earners and strength in their capital positions. This should result in a robust portfolio that is positioned for the more protracted economic headwinds that the Managers expect to take a grip over the coming weeks and months.

The Managers are concentrating on those businesses that have strong balance sheets and targeting businesses that have high quality revenue streams that are unlikely to be affected by the pandemic. The Liquidity Funds retain cash which allows the Managers the flexibility to top up positions on bad days or invest in new situations where they believe prices are wrong.

Outlook

The building of the Venture Capital portfolio of the Healthcare Share pool progressed well during the year and we expect to see a similar level of investment activity over the coming year, as we work to continue to deploy the remaining proceeds from the 2018 Offer.

Whilst the performance of Live Better With is disappointing, early unrealised losses within young companies such as this are to be expected, as weaker investments tend to be highlighted before the stronger businesses prove themselves.

The remainder of the unquoted portfolio has been largely unaffected by the coronavirus pandemic, and we will continue to support and advise these companies in order to ensure the maximum return to investors on the remainder of their investment.

Downing LLP
31 July 2020

Review of Investments – Healthcare Share Pool

The following investments were held at 31 March 2020:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
Arecor Limited	1,100	**1,100**	-	8.4%
Open Bionics Limited	1,000	**1,000**	-	7.7%
Congenica Limited	750	**750**	-	5.8%
Adaptix Limited	556	**555**	64	4.2%
Future Health Works Limited	528	**555**	27	4.2%
ADC Biotechnology Limited	1,392	**555**	(317)	4.2%
FVRVS Limited	500	**500**	-	3.8%
The Electrospinning Company Limited	278	**278**	-	2.1%
Destiny Pharma plc^	750	**155**	(237)	1.2%
Live Better With Limited	1,106	-	(1,179)	0.0%
	7,960	**5,448**	(1,642)	41.6%
Liquidity Investments				
MI Downing Monthly Income Fund*	1,125	**632**	(294)	4.8%
MI Downing UK Micro-Cap Growth Fund*	1,100	**757**	(221)	5.8%
Downing Strategic Micro-Cap Investment Trust plc*^	729	**320**	(206)	2.5%
	2,954	**1,709**	(721)	13.1%
	10,914	**7,157**	(2,363)	54.7%
Cash at bank and in hand		**5,930**		45.3%
Total investments		**13,087**		100.0%

*non-qualifying investment
^listed and traded on the London Stock Exchange

Investment movements for the year ended 31 March 2020

Additions	Cost £'000
Venture Capital investments	
Congenica Limited	**750**
FVRVS Limited	**500**
ADC Biotechnology Limited	**338**
The Electrospinning Company Limited	**278**
Future Health Works Limited	**250**
Liquidity Investments	
Downing Strategic Micro-Cap Investment Trust plc*^	**29**
	2,145

Review of Investments – Healthcare Share Pool (continued)

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

Arecor Limited www.arecor.com	Cost at 31/03/20:	£1,100,000	Valuation at 31/03/20:	£1,100,000
	Cost at 31/03/19:	£1,100,000	Valuation at 31/03/19:	£1,100,000
	Date of first investment:	Sep 18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	A ordinary shares:	£880,000	Proportion of A equity held:	9%
	C ordinary shares:	£220,000	Proportion of C equity held:	4%

Summary financial information from statutory accounts to:	31 Dec 2019	31 May 2018
Net assets:	£3.1m	£0.7m

Arecor is a leader in developing superior biopharmaceuticals through the application of its innovative formulation technology platform. The company also provides the use of its platform as a service to drug development customers. Downing FOUR has invested a total of £1.4 million to date, with £300,000 having been invested by the Generalist Share Pool.

Open Bionics Limited www.openbionics.com	Cost at 31/03/20:	£1,000,000	Valuation at 31/03/20:	£1,000,000
	Cost at 31/03/19:	£1,000,000	Valuation at 31/03/19:	£1,000,000
	Date of first investment:	Dec 18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	A ordinary shares:	£1,000,000	Proportion of A equity held:	13%

Summary financial information from statutory accounts to:	31 Dec 2019	30 Sept 2018
Net assets:	£3.4m	£0.7m

Open Bionics is a Bristol-based engineering start-up that designs and manufactures affordable bionic prosthetic hands by using 3D scanning and printing. Founded in 2014, their current focus is on becoming the market leader for bionic hands, before entering new higher-growth prosthetic/orthotic markets. Downing-managed funds have invested a total of £1.7 million to date.

Congenica Limited www.congencia.com	Cost at 31/03/20:	£750,000	Valuation at 31/03/20:	£750,000
	Cost at 31/03/19:	n/a	Valuation at 31/03/19:	n/a
	Date of first investment:	Oct-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	B ordinary shares	£750,000	Proportion of B equity held:	5%

Summary financial information from group statutory accounts to 31 December:	2018	2017
Turnover:	£1.1m	£0.4m
Operating loss:	(£6.9m)	(£5.1m)
Net assets:	£6.0m	£5.1m

Congenica has developed a genomics-based diagnostic decision support platform which helps doctors identify rare diseases in patients. The platform analyses DNA sequence data to suggest a diagnosis, speed up the time to diagnosis, and support clinical trials and drug development. In 2019 Congenica has partnered with leading institutions and customers in the UK, US, China and Europe to better serve different patient populations and as a result is revenue generating.

Review of Investments – Healthcare Share Pool (continued)

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

HEALTHCARE SHARE POOL

Adaptix Limited

www.adaptiximaging.com

Cost at 31/03/20:	£556,000	Valuation at 31/03/20:	£555,000
Cost at 31/03/19:	£556,000	Valuation at 31/03/19:	£491,000
Date of first investment:	Mar 19	Valuation method:	Calibration to price of recent investment
Investment comprises:			
A ordinary shares:	£556,000	Proportion of equity held:	19%

Summary financial information from statutory accounts to 31 March:

	2019	2018
Turnover:	nil	£0.1m
Operating loss:	(£0.6m)	(£1.0m)
Net assets:	£6.9m	£4.7m

Adaptix has designed a flatpanel x-ray source to improve the accuracy and mobility of 3D imaging. The company's technology will make portable, low radiation-dose 3D imaging more accessible and less costly than systems currently available on the market. The technology will also allow hospitals to provide faster and more definitive diagnoses. Downing-managed funds have invested a total of £2.6 million to date.

Future Health Works Limited

www.myrecovery.ai

Cost at 31/03/20:	£528,000	Valuation at 31/03/20:	£555,000
Cost at 31/03/19:	£278,000	Valuation at 31/03/19:	£278,000
Date of first investment:	Nov 18	Valuation method:	Calibration to price of recent investment
Investment comprises:			
A ordinary shares:	£278,000	Proportion of A equity held:	6%

Summary financial information from statutory accounts to 31 August:

	2018	2017
Net assets:	£0.9m	£0.3m

Future Health Works has developed a mobile app called myrecovery, which informs and empowers patients through every step of their orthopaedic treatment journey, customised to their procedure and hospital. The app improves efficiency across the healthcare value chain and delivers actionable insight through data analytics. In the long term, the product is designed to save money and time for both practitioners and patients. Downing-managed funds have invested a total of £1.7 million to date.

ADC Biotechnology Limited

www.adcbio.com

Cost at 31/03/20:	£1,392,000	Valuation at 31/03/20:	£555,000
Cost at 31/03/19:	£1,054,000	Valuation at 31/03/19:	£534,000
Date of first investment:	Apr 18	Valuation method:	Calibration to price of recent investment
Investment comprises:			
A ordinary shares:	£1,054,000	Proportion of A equity held:	22%

Summary financial information from statutory accounts to 31 August:

	2018	2017
Net assets:	£5.4m	£0.9m

ADC Biotechnology 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). ADCs are antibodies that are attached to cancer-killing drugs using chemical 'linkers', allowing for targeted treatment of cancerous tissue. Downing-managed funds have invested a total of £1.8 million to date.

Review of Investments – Healthcare Share Pool (continued)

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

FVRVS Limited (t/a Fundamental VR) www.FundamentalVR.com	Cost at 31/03/20:	£500,000	Valuation at 31/03/20:	£500,000
	Cost at 31/03/19:	n/a	Valuation at 31/03/19:	n/a
	Date of first investment:	Oct-19	Valuation method:	Calibration to price of recent investment
FUNDAMENTAL SURGERY	Investment comprises:			
	A Ordinary shares:	£500,000	Proportion of equity held:	11%

Summary financial information from statutory accounts to 31 December:	2018	2017
Net assets:	£0.8m	£0.9m

Fundamental VR supply virtual reality enabled surgery simulation software into hospitals, medical schools and pharmaceutical companies. The software has proprietary in-built haptics functionality (i.e. touch sensations closely mimicking real-life textures) and connects seamlessly into off-the-shelf hardware that many hospitals already have on site.

The Electrospinning Company Limited www.electrospinning.co.uk	Cost at 31/03/20:	£278,000	Valuation at 31/03/20:	£278,000
	Cost at 31/03/19:	n/a	Valuation at 31/03/19:	n/a
	Date of first investment:	Oct-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	A Ordinary shares:	£278,000	Proportion of equity held:	5%

Summary financial information from statutory accounts to 30 June:	2019	2018
Net assets:	£2.0m	£0.5m

The Electrospinning Company is a supplier and manufacturer of clinical-grade biomaterials. A biomaterial is a biological or synthetic substance that can be introduced into body tissue as part of an implanted medical device or used to replace an organ or bodily function for a wide range of medical use cases. These biomaterials act as synthetic scaffolds for implantation within the body tissue to promote and facilitate tissue repair, typically post-trauma or surgery.

Destiny Pharma plc www.destinypharma.com	Cost at 31/03/20:	£750,000	Valuation at 31/03/20:	£155,000
	Cost at 31/03/19:	£750,000	Valuation at 31/03/19:	£392,000
	Date of first investment:	Sep-17	Valuation method:	Quoted price
Destiny Pharma	Investment comprises:			
	Ordinary shares:	£750,000	Proportion of equity held:	1%

Summary financial information from statutory accounts to 31 December:	2018	2019
Turnover:	£nil	£nil
Operating loss:	(£5.6m)	(£6.1m)
Net assets:	£8.6m	£13.1m

Destiny Pharma plc is an innovative biotech company developing treatments for antibiotic-resistant bacteria (also known as superbugs). On 4 September 2017, Destiny Pharma floated on the Alternative Investment Market, where it raised more than £10 million. The capital will primarily be used to progress the development of Destiny Pharma's 'XF-73' drug, which has shown a capability of killing bacteria rapidly and before it can develop any resistance. Downing FOUR has invested a total of £1.25 million in the company, with £500,000 having been invested by the Generalist Share Pool.

Review of Investments – Healthcare Share Pool (continued)

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

Live Better With Limited www.livebetterwith.com	Cost at 31/03/20:	£1,106,000	Valuation at 31/03/20:	£Nil
	Cost at 31/03/19:	£1,106,000	Valuation at 31/03/19:	£1,179,000
	Date of first investment:	Jan-18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	A ordinary shares:	£220,000	Proportion of A equity held:	34%
	B ordinary shares	£886,000	Proportion of B equity held:	16%
	Summary financial information from statutory accounts to 31 August:			
			2020	2019
	Net assets:		£5.1m	£6.6m
	Live Better With is a healthcare platform aiming to help people with long-term medical conditions, focusing on non-medical products that make day-to-day life better for patients. The company launched in the UK and the US, with offices based in London and New York.			

Note: the proportion of each equity class held also represents the level of voting rights held by the Company, in respect of that class. Turnover and operating profit figures are stated where this information is publicly available.

Analysis of investments by type

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

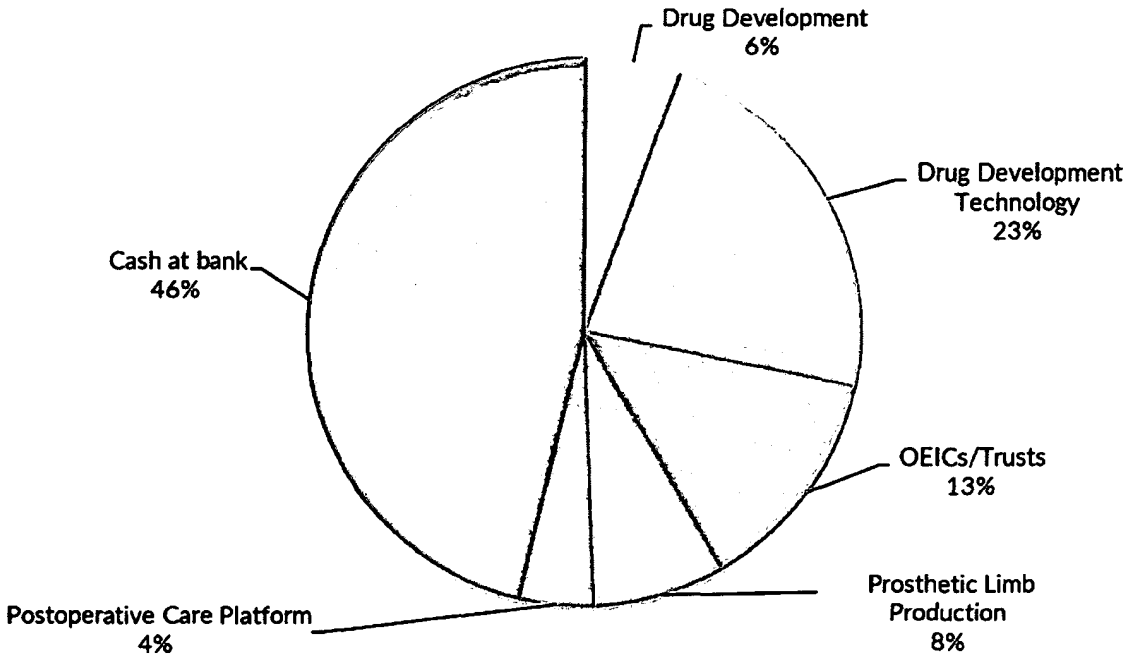
	Actual portfolio split at 31 March 2020	Target portfolio split at 31 March 2020*
VCT Qualifying Investments		
Qualifying loan stock	**0%**	25%
Ordinary shares	**47%**	60%
Total	**47%**	85%
Non-Qualifying Investments		
Liquidity investments	**18%**	5%
Total	**18%**	5%
Cash	**35%**	10%
	100%	100%

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

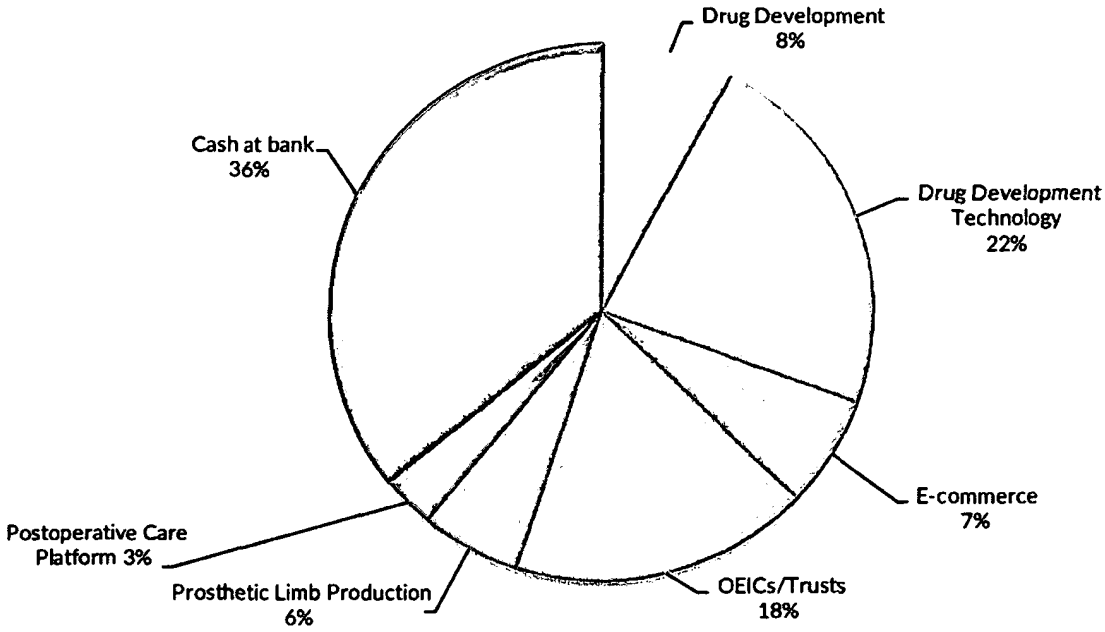
The split of the Healthcare Share pool investment portfolio by commercial sector (by cost at 31 March 2020) is shown on the next page.

Review of Investments – Healthcare Share Pool (continued)

Healthcare Share Pool
Analysis of investments by sector based on value



Healthcare Share Pool
Analysis of investments by sector based on cost



DSO D Share Pool

Share Pool Summary

Financial highlights	31 March 2020 pence	31 March 2019 pence
Net Asset Value per DSO D Share	**12.0**	27.8
Cumulative distributions	**94.5**	76.5
Adjusted for Performance Incentive estimate	**(4.3)**	(3.9)
Total Return per DSO D Share	**102.2**	100.4

Dividend history

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

Share prices

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

	DSO D Shares
TIDM/EPIC codes	DO1D
Latest share price (31 July 2020)	11.0p per share

Structure of shareholdings

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

Performance Incentive arrangements

When cumulative dividends to DSO D Shareholders exceed 100.0p and the IRR on the Shareholders' investment exceeds 7% per annum, a Performance Incentive becomes payable to the management team. The fee is calculated at 3% on the first 100.0p of Shareholder proceeds, plus 20% of the excess above 100.0p. The fee is capped at a maximum of 7.0p per DSO D Share. Should the remaining investments be exited at their carrying value, it is estimated that a Performance Incentive of 4.3p per DSO D Share will be paid to members of the management team. No provision will be made in the accounts until the cumulative dividends exceed 100p.

Investment Manager's Report DSO D Share Pool

Introduction

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

Net Asset Value and results

The Net Asset Value ("NAV") per DSO D Share at 31 March 2020 stood at 12.0p, an increase of 2.2p or 6.4% over the year after adjusting for dividends paid. Total Return stands at 102.2p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per Share.

The gain on ordinary activities after taxation for the year was £175,000 (2019: loss of £207,000), comprising a revenue gain of £121,000 (2019: loss of £49,000) and a capital gain of £54,000 (2018: loss of £158,000).

Dividends paid during the year totalled 18.0p as the pool continues to return funds to investors.

Despite the delays in the realisation process, the NAV of the pool has not been significantly impacted by the ongoing pandemic, with income and realised gains compensating for the minor write downs. The Board is satisfied with the overall performance, as indicated by the NAV and Total Return, which remains in excess of £1. Whist delays in the exit process are unfortunate, we believe there will be opportunities to exit from the remaining investments at acceptable values once the disruption of the pandemic starts to subside.

Total Return of 102.2p is considered to be satisfactory performance when compared to the initial NAV of 100p.

Venture Capital investments

As at 31 March 2020, the DSO D Share Pool held five Venture Capital investments with a total value of £655,000.

Portfolio activity
Lambridge Solar, the owner of commercial solar arrays in Lincolnshire, was fully exited during the year, generating total proceeds of £716,000 and a gain over opening value of £111,000.

Plans were in place for the exit of the remaining portfolio companies. However, Shareholders should be aware that due to the impact of the global pandemic on the current market conditions, this may now take longer than originally anticipated.

Portfolio valuation
During the year, the carrying value of the DSO D portfolio was reduced by £42,000.

There were two small increases in value the period, the larger being an uplift of £21,000 on Fresh Green Power, the owner of solar panels on the rooftops of domestic properties in the UK, which has been revalued as part of a potential sale.

Apex Energy, the developer of a standby electricity generation plant in the East Midlands, was further reduced in value by £33,000 to reflect preliminary exit proceeds.

Pearce and Saunders Limited, the owner of freehold pubs in south east London was decreased by £33,000 in line with expected exit proceeds.

Other portfolio valuation movements amounted to a net uplift of £3,000.

Outlook

The focus for the DSO D Share pool continues to be on realising the remaining investments. Although the exit processes have been delayed due to the coronavirus pandemic, we anticipate that the majority of the remaining realisations will take place before the end of the year, and we will continue to provide the investee companies with as much support as possible during this time. Further dividends will be declared once this process has been completed.

Downing LLP
31 July 2020

Review of investments - DSO D Share Pool

The following investments were held at 31 March 2020:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
Pearce and Saunders Limited	300	**343**	(33)	37.0%
Fresh Green Power Limited	189	**231**	21	24.9%
Green Energy Production UK Limited	100	**54**	3	5.8%
Pearce and Saunders DevCo Limited*	20	**20**	-	2.2%
Apex Energy Limited	400	**7**	(33)	0.8%
	1,009	**655**	(42)	70.7%
Cash at bank and in hand		**272**		29.3%
Total investments		**927**		100.0%

* non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

DSO D SHARE POOL

Investment movements for the year ended 31 March 2020

Disposals	Cost £'000	Valuation at 01/04/19 £'000	Proceeds £'000	Profit vs. cost £'000	Realised gain £'000
Venture Capital investments					
Lambridge Solar Limited	500	605	716	216	**111**
	500	605	716	216	**111**

Review of Investments – DSO D Share Pool (continued)

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

Pearce & Saunders Limited

Cost at 31/03/20:	£300,000	Valuation at 31/03/20:	£343,000
Cost at 31/03/19:	£300,000	Valuation at 31/03/19:	£376,000
Date of first investment:	Apr 14	Valuation method:	EBITDA Multiple
Investment comprises:			
Ordinary shares:	£216,000	Proportion of equity held:	10%
A loan stock:	£84,000	Proportion of A loan stock held:	10%

Summary financial information from statutory accounts to 31 December:

	2018	2017
Net assets:	£2.2m	£2.4m

Pearce and Saunders Limited is a freehold pub company that is managed by the Antic London team and 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

Fresh Green Power Limited

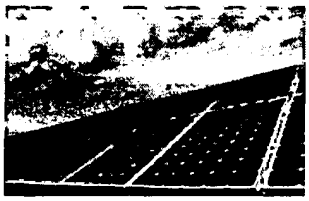
Cost at 31/03/20:	£189,000	Valuation at 31/03/20:	£231,000
Cost at 31/03/19:	£189,000	Valuation at 31/03/19:	£210,000
Date of first investment:	Apr 12	Valuation method:	Discounted cash flow - business
Investment comprises:			
A ordinary shares:	£nil	Proportion of A equity held:	20%
Preference C shares:	£140,000	Proportion of C equity held:	20%
A loan stock:	£49,000	Proportion of A loan stock held:	20%

Summary financial information from statutory accounts to 30 September:

	2018	2017
Turnover:	£0.1m	£0.1m
Operating profit:	£0.04m	£0.05m
Net assets:	£0.7m	£0.7m

Fresh Green Power Limited owns solar panels on the rooftops of domestic properties in the UK. The households benefit from free electricity whilst Fresh Green Power receives Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

Green Energy Production UK Limited



Cost at 31/03/20:	£100,000	Valuation at 31/03/20:	£54,000
Cost at 31/03/19:	£100,000	Valuation at 31/03/19:	£51,000
Date of first investment:	Apr 12	Valuation method:	Discounted cash flow - business
Investment comprises:			
A ordinary shares:	£nil	Proportion of A equity held:	20%
C preferred shares:	£70,000	Proportion of C equity held:	20%
Loan stock:	£30,000	Proportion of loan stock held:	20%

Summary financial information from statutory accounts to 30 September:

	2018	2017
Turnover:	£0.03m	£0.1m
Operating profit:	£nil	£nil
Net assets:	£0.3m	£0.3m

Green Energy Production UK Limited has installed a portfolio of commercial solar panels on the roof tops of chicken sheds in Lincolnshire. The companies benefit from free electricity whilst Green Energy receives Feed in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

Review of Investments – DSO D Share Pool (continued)

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

Pearce & Saunders DevCo Limited	Cost at 31/03/20:	£20,000	Valuation at 31/03/20:	£20,000
	Cost at 31/03/19:	£20,000	Valuation at 31/03/19:	£20,000
	Date of first investment:	Jun 15	Valuation method:	Discounted cash flow – investment
	Investment comprises:			
	B ordinary shares:	£19,000	Proportion of B equity held:	10%
	A loan stock:	£1,000	Proportion of A loan stock held:	10%
	Summary financial information from statutory accounts to 31 August:			
			2018	2017
	Net assets:		£0.3m	£0.3m
	Pearce & Saunders DevCo Limited was established for the purpose of acquiring and developing a piece of land adjacent to The Old Post Office, a Downing-backed public house managed by Antic London and owned by Pearce & Saunders Limited.			
Apex Energy Limited	Cost at 31/03/20:	£400,000	Valuation at 31/03/20:	£7,000
	Cost at 31/03/19:	£400,000	Valuation at 31/03/19:	£40,000
	Date of first investment:	Nov 15	Valuation method:	Discounted cash flow – investment
	Investment comprises:			
	Ordinary shares:	£400,000	Proportion of equity held:	8%
	Summary financial information from statutory accounts to 30 September:			
			2018	2017
	Net assets:		£4.5m	£4.5m
	Apex Energy Limited is building a standby electricity generation plant up to 20MW in capacity. The diesel plant, once fully operational, will provide electricity to the grid during periods of peak demand under the Capacity Markets Mechanism, a 15-year contract whereby the plant will receive contractual revenue for being available, in addition to payments for the electricity supplied to the grid.			

Note: the proportion of each equity class held also represents the level of voting rights held by the Company, in respect of that class. Turnover and operating profit figures are stated where this information is publicly available.

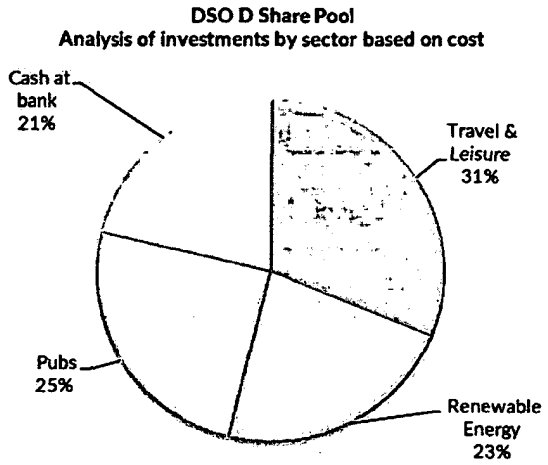
Review of Investments – DSO D Share Pool (continued)

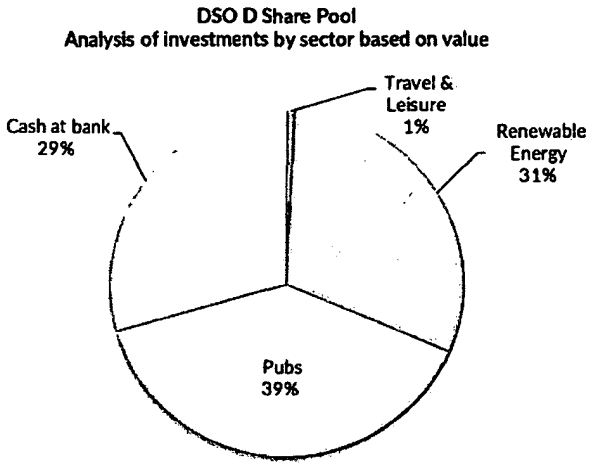
Summary of loan stock interest income and interest on advances

Loan stock interest and interest on advances receivable in the year	£'000
Pearce and Saunders Limited	129
Fresh Green Power Limited	8
Green Energy Production UK Limited	5
	142

Portfolio by commercial sector

The split of the DSO D Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2020) is as follows:





DP67 Share Pool

Share Pool Summary

Financial highlights	31 March 2020 pence	31 March 2019 pence
Net Asset Value per DP67 Share	**18.8**	48.5
Cumulative distributions	**67.8**	49.8
Total Return per DP67 Share	**86.6**	98.3

Dividend history

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

Share prices

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

	DP67 Shares
TIDM/EPIC codes	D467
Latest share price (31 July 2020)	20.0p per share

Structure of shareholdings

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

Performance Incentive arrangements

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

Investment Manager's Report - DP67 Share Pool

Introduction

The DP67 Share pool continues to focus on the process of realising the investment portfolio and returning funds to investors. As may be expected, this process has been delayed as a result of the global pandemic.

Net Asset Value and results

The Net Asset Value ("NAV") per DP67 Share at 31 March 2020 stood at 18.8p, a decrease of 11.7p or 24.8% over the year. Total Return stands at 86.6p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per Share.

The loss on ordinary activities after taxation for the year was £1.3 million (2019: loss of £166,000), comprising a revenue loss of £559,000 (2019: profit of £127,000) and a capital loss of £758,000 (2019: loss of £293,000).

Dividends totalling 18.0p were paid out during the year as the pool continues to return funds to investors.

The adverse performance of the pool is mainly attributable to the large exposure of the portfolio to the leisure and hospitality industry, which has been particularly badly affected by the ongoing pandemic. The delays to the exit process are also frustrating, but we believe that it will not be possible to realise the full value of these investments until more normal conditions have started to return.

When compared to the initial NAV of 100p the Total Return of 86.6p is considered to be an underperformance of the share pool against expectations.

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 £2.1 million.

Portfolio activity

One divestment from Snow Hill Developments took place during the year, generating proceeds of £788,000 and a total gain over opening value of £47,000.

The DP67 Share pool had a membership interest in the business under which a fixed return accrued. The disposal marks the return of the remainder of this fixed value to the Share pool.

Plans were progressing for the exit of the remaining portfolio companies. However, Shareholders should be aware that due to the impact of the global pandemic on the current market conditions, this may now take longer than originally anticipated.

Portfolio valuation

The DP67 portfolio decreased in value by a total of £769,000 during the year. This was principally due to a write down of £822,000 on Cadbury Holdings Limited. Although Cadbury House (Hotel and Spa) has now reopened (following the closure due to COVID-19), the value of the hotel has been written down to reflect the uncertainty surrounding the recovery of the hospitality sector. A weighted average of the closed valuation (80%) and mature trade valuation (20%) has been adopted, which has had a consequential impact upon the value of the DP67 share pool's investment.

This is partially offset by an increase of £53,000 attributable to Fenkle Street LLP which was adjusted to reflect the anticipated proceeds which may be recoverable in 2021.

The other remaining investments are held at the same value as last year.

Outlook

The focus for the DP67 Share pool continues to be on realising the remaining investments. Although the exit processes have been delayed due to the coronavirus pandemic, we are hopeful that the remaining realisations will take place over the next 12 months and further dividends will be declared once this process has been completed.

Downing LLP
31 July 2020

Review of Investments – DP67 Share Pool

The following investments were held at 31 March 2020:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
Cadbury House Holdings Limited	1,409	**791**	(822)	37.1%
Fenkle Street LLP**	405	**750**	53	35.2%
Gatewales Limited*	343	**527**	-	24.7%
Yamuna Renewables Limited	400	-	-	0.0%
London City Shopping Centre Limited**	99	-	-	0.0%
	2,656	**2,068**	(769)	97.1%
Cash at bank and in hand		**62**		2.9%
Total investments		**2,130**		100.0%

* partially qualifying investment ** non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

Investment movements for the year ended 31 March 2020

Disposals	Cost £'000	Valuation at 01/04/19 £'000	Proceeds £'000	(Loss)/ profit vs. cost £'000	Realised gain £'000
Venture Capital investments					
Snow Hill Developments LLP**	474	741	788	314	**47**
	474	741	788	314	**47**

** non-qualifying investment

Review of Investments – DP67 Share Pool (Continued)

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

Cadbury House Holdings Limited

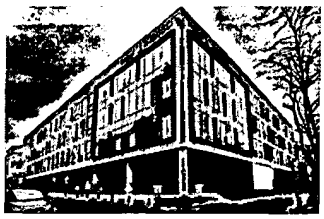
Cost at 31/03/20:	£1,409,000	Valuation at 31/03/20:	£791,000
Cost at 31/03/19:	£1,409,000	Valuation at 31/03/19:	£1,613,000
Date of first investment:	Oct 06	Valuation method:	EBITDA Multiple
Investment comprises:			
Ordinary shares:	£882,000	Proportion of equity held:	28%
A Loan stock:	£527,000	Proportion of A loan stock held:	89%

Summary financial information from consolidated statutory accounts to 31 March:

	2019	2018
Turnover:	£9.5m	£9.2m
Operating profit:	£1.4m	£1.5m
Net assets:	£6.5m	£8.5m

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

Fenkle Street LLP



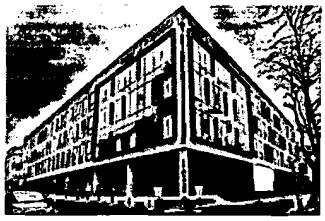
Cost at 31/03/20:	£405,000	Valuation at 31/03/20:	£750,000
Cost at 31/03/19:	£405,000	Valuation at 31/03/19:	£697,000
Date of first investment:	Jun 10	Valuation method:	Discounted cash flow - investment
Investment comprises:			
Secured loan stock:	£405,000	Proportion of loan stock held:	35%

Summary financial information from statutory accounts to 30 June:

	2019	2018
Turnover:	£nil	£nil
Operating profit:	£0.04m	£0.1m
Net assets:	£3.3m	£3.6m

Fenkle Street LLP was created to fund the purchase of a property in central Newcastle and carry out its subsequent refurbishment under the Business Premises Renovation Allowance (BPRA) scheme. The refurbishment has now been completed and the property has been sold, with the remaining loan being secured on the car park.

Gatewales Limited



Cost at 31/03/20:	£343,000	Valuation at 31/03/20:	£527,000
Cost at 31/03/19:	£343,000	Valuation at 31/03/19:	£527,000
Date of first investment:	Mar 07	Valuation method:	Discounted cash flow - investment
Investment comprises:			
Ordinary shares:	£nil	Proportion of equity held:	7%
B Loan stock:	£343,000	Proportion of B loan stock held:	85%

Summary financial information from statutory accounts to 31 March:

	2019	2018
Net liabilities:	(£5.2m)	(£4.2m)

Gatewales Limited is a member of Fenkle Street LLP, which undertook a refurbishment contract on a hotel in Newcastle during 2011 and 2012. Payment for this contract depends on the performance of the hotel and is being paid over time as the bank debt is reduced.

Note: the proportion of each equity class held also represents the level of voting rights held by the Company, in respect of that class. Turnover and operating profit figures are stated where this information is publicly available.

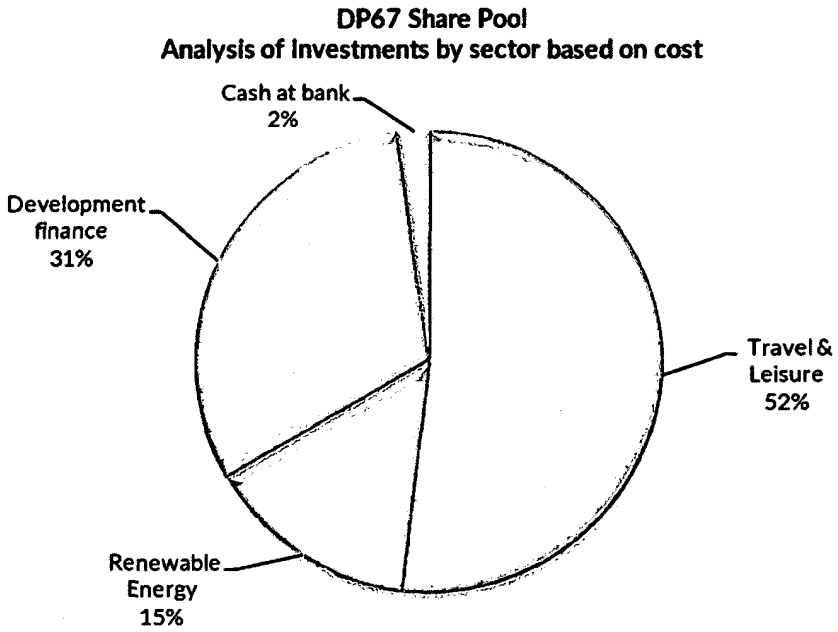
Review of Investments – DP67 Share Pool (Continued)

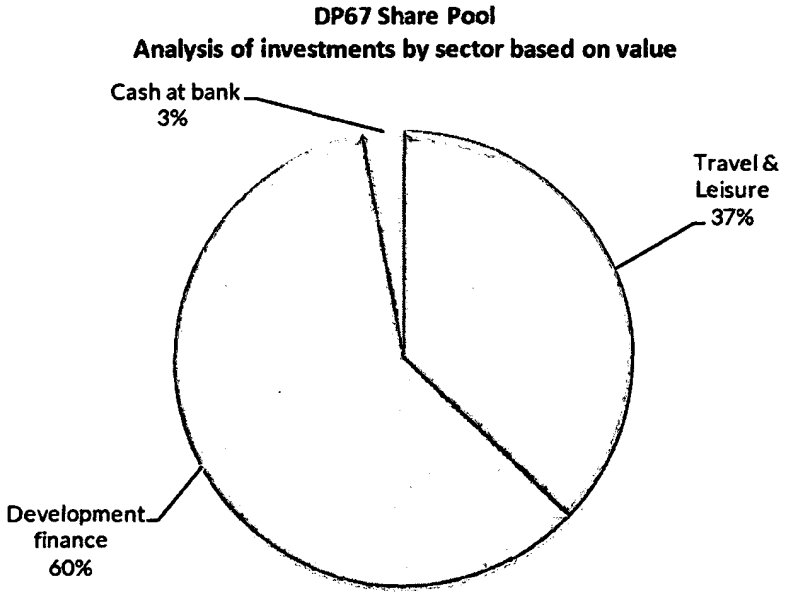
Summary of loan stock interest income and interest on advances

Loan stock interest and interest on advances receivable in the year	£'000
Fenkle Street LLP	19
	19

Portfolio by commercial sector

The split of the DP67 Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2020) is as follows:





DP67 SHARE POOL

DP2011 General Share Pool

Share Pool Summary

Financial highlights	31 March 2020 pence	31 March 2019 pence
Net Asset Value per DP2011 General Ordinary Share	-	-
Net Asset Value per DP2011 General A Share	-	13.3
Cumulative distributions	**105.6**	92.0
Total Return per DP2011 General Ordinary Share and DP2011 General A Share	**105.6**	105.3

Dividend history

Period end	Date paid/payable	Pence per share
Pre-merger dividends		**20.0**
2016 Interim	23 December 2015	**2.5**
2016 Special	2 September 2016	**22.5**
2017 Special	14 February 2017	**10.0**
2018 Special	2 November 2017	**30.0**
2018 Interim	13 August 2018	**7.0**
2019 Special	27 September 2019	**13.595**
		105.595

Structure of shareholdings

The original Share offer under Downing Planned Exit VCT 2011 plc was launched in March 2011. For every £1 invested, Shareholders received one Downing Planned Exit 2011 General Share and one Downing Planned Exit 2011 General A Share (together a "Combined Share"). These were converted to one Downing FOUR DP2011 General Ordinary share and one Downing FOUR DP2011 General A share as part of the merger in July 2015.

Performance Incentive arrangements

The DP2011 General A Shares were designed to facilitate the payment of a Performance Incentive to the management team. The DP2011 General A Shares were initially issued at a price of 6.5p per share and the management team subscribed for 15% of the DP2011 General A Shares issued. Any Performance Incentives were paid by virtue of dividends being declared on the DP2011 General A Shares.

As total Shareholder proceeds exceeded 70.0p per Combined Share, the management team received 15% of the surplus by virtue of their DP2011 General A Shareholdings. By virtue of the A share dividends paid, management received performance incentive payments equivalent to 5.1p per DP2011 General Ordinary Share, or £804,000.

Cancellation

The DP2011 General Ordinary Shares were converted into deferred Shares on 15 November 2019 and were cancelled. The Shares were removed from the Official List on 2 December 2019.

Investment Manager's Report - DP2011 General Share Pool

Introduction

The process of realising the remaining investments held by the DP2011 General Share pool was completed during August 2019, and the final distribution of 13.595p per DP2011 General Ordinary Share was paid on 27 September.

Realisations

During the year, the remaining three investments were sold from the DP2011 General Share pool, generating total proceeds of £2.0 million at a gain over opening value of £75,000.

Final Results

Over the life of the DP2011 General Share pool, Shareholders who invested under the original offer achieved a Total Return of 105.6p.

The Board is satisfied with performance of this fund as evidenced by a Total Return of over £1 compared to a net investment after tax relief of 70p.

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

Downing LLP
31 July 2020

Review of Investments – DP2011 General Share Pool

Investment movements for the year ended 31 March 2020

Disposals	Cost £'000	Valuation at 01/04/19 £'000	Proceeds £'000	Profit/(loss) vs. cost £'000	Realised gain £'000
Venture Capital investments					
Snow Hill Developments LLP**	680	1,206	1,225	545	**19**
Wickham Solar Limited	550	660	716	166	**56**
Mosaic Spa and Health Clubs Limited*	86	29	29	(57)	**-**
	1,316	1,895	1,970	654	**75**

* partially qualifying investment

** non qualifying investment

DP2011 Structured Share Pool

Share Pool Summary

Financial highlights	31 March 2020 pence	31 March 2019 pence
Net Asset Value per DP2011 Structured Ordinary Share	-	-
Net Asset Value per DP2011 Structured A Share	-	9.9
Cumulative distributions	105.1	95.0
Total Return per DP2011 Structured Ordinary Share and DP2011 Structured A Share	105.1	104.9

Dividend history

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

Structure of shareholdings

The original Share offer under Downing Planned Exit VCT 2011 plc was launched in March 2011. For every £1 invested, Shareholders received one Downing Planned Exit 2011 Structured Share and one Downing Planned Exit 2011 Structured A Share (together a "Combined Share"). These were converted to one Downing FOUR DP2011 Structured Ordinary share and one Downing FOUR DP2011 Structured A share as part of the merger in July 2015.

Performance Incentive arrangements

The DP2011 Structured A Shares were designed to facilitate the payment of a Performance Incentive to the management team. The DP2011 Structured A Shares were initially issued at a price of 6.5p per Share and the management team subscribed for 15% of the DP2011 Structured A Shares issued. The Performance Incentive was paid by virtue of dividends being declared on the DP2011 Structured A Shares.

As total Shareholder proceeds exceeded 70.0p per Combined Share, the management team received 15% of the surplus by virtue of their DP2011 Structured A Shareholdings. By virtue of the A share dividends paid, management received performance incentive payments equivalent to 5.0p per DP2011 Structured Ordinary Share, or £538,000

Cancellation

The DP2011 Structured Ordinary Shares were converted into deferred Shares on 15 November 2019 and were cancelled. The Shares were removed from the Official List on 2 December 2019.

Investment Manager's Report- DP2011 Structured Share Pool

Introduction

The process of realising the remaining investments held by the DP2011 Structured Share pool was completed during August 2019 and the final distribution of 10.059p per DP2011 Structured Ordinary Share was paid on 27 September.

Realisations

During the year, the remaining two investments were sold from the DP2011 Structured Share pool, generating total proceeds of £735,000 at a profit over opening value of £56,000.

Final Results

Over the life of the DP2011 Structured Share pool, Shareholders who invested under the original offer achieved a Total Return of 105.1p.

The Board is satisfied with the performance of this fund as evidenced by a Total Return of over £1 compared to a net investment after tax relief of 70p.

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

Downing LLP
31 July 2020

Review of Investments – DP2011 Structured Share Pool

Investment movements for the year ended 31 March 2020

Disposals	Cost £'000	Valuation at 01/04/19 £'000	Proceeds £'000	Profit/(loss) vs. cost £'000	Realised gain £'000
Venture Capital investments					
Wickham Solar Limited	550	660	716	166	**56**
Mosaic Spa and Health Clubs Limited*	58	19	19	(39)	-
	608	679	735	127	**56**

* partially qualifying investment

Strategic Report

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

Principal objectives and strategy

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

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

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

Business review and developments

DSO D Share pool
The DSO D Share pool began the year with £1.3 million of investments and ended the year with £655,000 spread across a portfolio of five Venture Capital investments, having returned £1.4 million by way of dividends to Shareholders during the year.

The gain on ordinary activities after taxation for the year was £175,000, comprising revenue of £121,000 and a capital gain of £54,000.

DP67 Share pool
The DP67 Share pool began the year with £3.6 million of investments and ended the year with £2.1 million spread across a portfolio of five Venture Capital investments.

The loss on ordinary activities after taxation for the year was £1.3 million, comprising a revenue loss of £559,000 and a capital loss of £758,000.

DP2011 General Share pool
The DP2011 General Share pool completed the task of returning funds to Shareholders on 27 September 2019. On 15 November 2019 the DP2011 General Shares were converted into deferred Shares with no value and were cancelled. The Shares were removed from the Official List on 2 December 2019.

DP2011 Structured Share pool
The DP2011 Structured Share pool completed the task of returning funds to Shareholders on 27 September 2019. On 15 November 2019 the DP2011 Structured Shares were converted into deferred Shares with no value and were cancelled. The Shares were removed from the Official List on 2 December 2019.

Generalist Share pool
The Generalist Share pool began the year with £24.6 million of investments and ended the year with £24.6 million spread across a portfolio of 33 Venture Capital investments and three liquidity investments.

The loss on ordinary activities after taxation for the year was £9.8 million, comprising a revenue loss of £582,000 and a capital loss of £9.2 million.

Healthcare Share pool
The Healthcare Share pool began the year with £7.4 million of investments and ended the year with £7.2 million spread across a portfolio of 10 Venture Capital investments and three liquidity investments.

The loss on ordinary activities after taxation for the year was £2.8 million, comprising a revenue loss of £240,000 and a capital loss of £2.5 million.

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

Key performance indicators

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

The performance of the VCT's Share pools, measured by historic Share Price Total Return, is shown in the graphs on pages 58 to 59.

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

Principal risks and uncertainties

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

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

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

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

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

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

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

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

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

Further detail on VCT Status is provided on pages 52 to 53.

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

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

Economic, political and other external factors
Fluctuations in the stock market due to Brexit uncertainty, economic recession or monetary policy could affect the valuations of quoted investments, even if such companies are performing to plan. With respect to the Liquidity investments, the impact of this is mitigated by the active management and diversification of the underlying portfolios.

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

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 sector.

Viability statement

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

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

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

Business model

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

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

Investment policy

Asset allocation
It is intended that at least 70% (80% from 1 April 2020) of each Share pools' funds are invested in VCT Qualifying Investments, within three years of the close of the relevant Offer. The remainder of the funds will be held in Non-Qualifying Investments, as described in the next column.

For the "planned exit" Share pools, the Company is progressing with exits from the remaining investments, such that funds can be returned to Shareholders.

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

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

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

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

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

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

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

Risk Diversification (continued)
Changes to the VCT Regulations in recent years have sought to strengthen the availability of capital for innovative growth businesses in the UK. This inherently increases the risk profile of the new investments made by the evergreen Share pools, which stand in contrast to those in which the Company's planned exit Share pools have historically invested. However, whilst new investments will generally be in businesses which are not asset-backed, and are therefore higher risk, these new investments will have the potential to offer greater rewards. The principal risks faced by the Company are considered in more detail on page 47.

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

VCT Qualifying Investments	85%
Non-Qualifying Investments	15%
	100%

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

Listing rules
In accordance with the listing rules:

(i) the Company may not invest more than 10% in aggregate, of the value of total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other closed-ended investment funds;

(ii) the Company must not conduct any trading activity which is significant in the context of the Company; and

(iii) the Company must, at all times, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy set out in this document. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 of the Income Tax Act 2007.

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

An analysis of the compliance with the applicable VCT regulations for the year ended 31 March 2020 is set out on page 52.

Statement on section 172

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

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

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

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

Statement on section 172 (continued)

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

The principal decisions made or approved by the Directors during the year include dividend declarations and the wind up of the 'DP2011' share pools. In taking these decisions, the Directors considered their duties under section 172 of the Act. Principal decisions have been defined as those that have a material impact to the Company and its key stakeholders.

Borrowings

Under its Articles, the Company has the ability to borrow a maximum amount equal to 15% of the aggregate amount paid on any Shares issued by the Company (together with any share premium thereon), currently equal to £8.7 million.

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

Environmental and social policy

As a VCT, with all executive and administrative activities delegated to third parties, the Company does not have a policy on either environmental or social and community issues.

Global greenhouse gas emissions

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

Directors and senior management

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

Future prospects

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

By order of the Board

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

31 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 year end, the Company had in issue 7,867,247 DSO D Shares, 11,192,136 DP67 Shares, 56,081,958 Generalist Shares (including Management Shares) and 23,027,361 Healthcare Shares (including Management Shares).

On 15 November 2019, the 15,644,066 DP2011 General Ordinary Shares, 18,418,614 DP2011 General A Shares, 10,678,725 Structured Ordinary Share and 12,572,817 DP2011 Structured A Shares were converted into Deferred Shares and were cancelled. The Shares were removed from the Official List on 2 December 2019.

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

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

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

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

During the year, the Company repurchased 73,944 Generalist Shares for an aggregate consideration of £60,079, being an average price of 81.2p per Share, and 19,704 Healthcare Shares for an aggregate consideration of £15,812 being an average price of 80.2p per Share. The Generalist Shares repurchased represented 0.2% of the Company's issued Generalist Share capital, and the Healthcare Shares repurchased represented 0.1% of the Company's issued Healthcare Share capital. All of the Shares repurchased were subsequently cancelled.

At the AGM that took place on 10 September 2019, the Company was authorised to make market purchases of its Shares up to a limit of 1,172,220 DSO D Shares, 1,667,628 DP67 Shares, 2,330,966 DP2011 General Ordinary Shares, 2,744,373 DP2011 General A Shares, 1,591,130 DP2011 Structured Ordinary Shares, 1,873,350 DP2011 Structured A Shares, 7,319,568 Generalist Shares and 3,041,188 Healthcare Shares, which represented approximately 14.9% of the issued DSO D Share capital, DP67 Share capital, DP2011 General Ordinary Share capital, DP2011 General A Share capital, DP2011 Structured Ordinary Share capital, DP2011 Structured A Share capital, Generalist Share capital and Healthcare Share capital, as at the date of the AGM.

At the current date, authority remains for 1,172,220 DSO D Shares, 1,667,628 DP67 Shares, 7,245,624 Generalist Shares and 3,025,376 Healthcare Shares (the DP2011 General and DP2011 Structured Share classes having been cancelled during the year). A resolution to renew this authority will be put to Shareholders at the AGM taking place on 9 September 2020.

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

Results and dividends

Profit/(loss) for the year:	£'000	Pence per share
DSO D Share	175	2.2
DP67 Share	(1,317)	(11.8)
DP2011 General Share	45	0.3
DP2011 Structured Share	32	0.2
Generalist Share	(9,799)	(24.0)
Healthcare Share	(2,766)	(15.0)

Dividends paid during the current period:	£'000	Pence per share
DSO D Share	1,416	18.0p
DP67 Share	2,015	18.0p
DP2011 General A Share	2,504	13.6p
DP2011 Structured A Share	1,265	10.1p
Interim dividends proposed to be paid 25 Sept 2020		
Generalist Share	1,122	2.5p
Healthcare Share	461	2.5p

Report of The Directors (continued)

Results and dividends (continued)

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

Directors

The Directors of the Company during the year and their beneficial interests (including connected persons) in the issued Shares of the Company at 31 March 2020, and at the date of this report, are as follows:

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

On 15 November 2019, the DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 General Structured Shares and DP2011 Structured A Shares were converted into Deferred Shares with no value and were cancelled. There have been no other movements in Directors' shareholdings during the year.

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

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

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

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

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

VCT status

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

Compliance with the main VCT regulations (as described in the Investment policy) as at 31 March 2020, and for the year then ended, is summarised as follows:

1.	70% of its investments held in qualifying companies;	98.9%
2.	At least 70% of the Company's qualifying investments are held in "eligible shares" for funds raised on or after 6 April 2011;	70.4%
3.	At least 10% of each investment in a qualifying company is held in eligible shares;	Complied
4.	No investment constitutes more than 15% of the Company's portfolio;	Complied
5.	Income for the year is derived wholly or mainly from shares and securities; and	70.4%
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

VCT status (continued)

The most recent changes to the VCT Regulations sought to strengthen the availability of capital for innovative growth businesses in the UK. The Board has assessed the impact of such changes and considers the following are of the greatest significance to the Company:

- With effect from 1 April 2020 the proportion of VCT funds that must be held in qualifying holdings will increase from 70% to 80%; and
- At least 30% of the of the proceeds of Shares issued after 1 April 2019 must be invested in VCT Qualifying companies within 12 months of the next year end.

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

Investment management and administration fees

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

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

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

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

During the year a total of £1.2 million (2019: £885,000) was payable to Downing for investment management and administration fees.

During the year the Generalist Share pool received arrangement fee rebates of £69,000 (2019: £58,000) from Downing. These amounts were paid to ensure that, where applicable, a fee of no more than 0.5% of the original investment amount has been charged by Downing, on each of the investments made by the Generalist and Healthcare Share pools during the year.

Downing also receives arrangement and monitoring (non-executive directorship) fees from the investee companies. During the year, Downing received arrangement fees from Downing FOUR portfolio companies of £797,000 (2019: £909,000) and monitoring fees of £410,000 (2019: £866,000). These fees also relate to investments made into these companies by other funds managed by Downing and so are only partly attributable to Downing FOUR investments.

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

The Ongoing Charges value for the Company as a whole for the year (calculated in accordance with the AIC guidance) was 2.2%.

Performance Incentives

DSO D Share pool

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

No Performance Incentive will be payable until Shareholders:

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

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

Performance Incentives (continued)

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

As at 31 March 2020, it is estimated that a Performance Incentive of 4.3p will become payable to members of the management team. No fee is payable until cumulative dividends to shareholders exceed 100p and accordingly no provision for the fee is included in the accounts as this hurdle has not yet been met.

Generalist Share pool and Healthcare Share pool
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.

Further details of the Performance Incentive arrangements are set out on pages 82 and 90.

Ongoing promoter fee (trail commission)

The Company has an agreement to pay an ongoing promoter fee annually to Downing in connection to the funds raised under the offers for subscription, out of which Downing has an obligation to pay trail commission to intermediaries. This is calculated at between 0.25% and 0.5% of the net assets of each share class at each period end.

Going Concern

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for at least the next 12 months as further detailed in the Corporate Governance Statement report on page 63.

Substantial interests

As at 31 March 2020, and the date of this report, the Company had not been notified of any beneficial interest exceeding 3 per cent. of the issued share capital.

Auditor

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

Annual General Meeting

In view of the social distancing restrictions, the Company's tenth Annual General Meeting ("AGM") will be held at as a closed meeting at 12:30 p.m. on 9 September 2020. Full details of this are included in the Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. 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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

Directors' responsibilities (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- carry out a robust assessment of the principal risks facing the Company, as set out in the Strategic Report on page 47.

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

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

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

Directors' statement pursuant to the Disclosure Guidance and Transparency Rules

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

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

Website publication

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

Corporate governance

The Company's compliance with, and departures from, the AIC Code of Corporate Governance (www.theaic.co.uk) is shown on page 63.

Insurance cover

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

Other matters

Information in respect of financial instruments, principal risks, future developments and greenhouse gas emissions which were previously disclosed within the Directors Report has been disclosed within the Strategic Report on pages 46 to 50.

Statement as to disclosure of information to Auditors

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

By order of the Board

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

31 July 2020

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Sections 420 to 422 of the Companies Act 2006. A resolution to approve this report will be put to the Shareholders at the AGM to be held on 9 September 2020.

Under the requirements of Section 497, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on pages 64 to 70.

Directors' 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 every three years or sooner if the Company wants to make changes to the policy. Therefore, the policy will be next be put to Shareholders at this upcoming AGM.

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

(i) The Directors shall be paid out of the funds of the Company, by way of fees for their services, an aggregate sum not exceeding £150,000 per annum. The Directors shall also receive by way of additional fees such further sums (if any) as the Company in General Meeting may from time to time determine. Such fees shall be divided among the Directors in such proportion and manner as they may determine and, in default of the determination, equally.

(ii) The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors. This includes any expenses incurred in attending meetings of the Board, Committees of the Board or General Meetings. If, in the opinion of the Directors, it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, the Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

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

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

Service contracts

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

Directors' remuneration (audited)

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

	Current Annual fee (excl. VAT) £	Year ended 31/03/20 £	Year ended 31/03/19 £
Aubrey Brocklebank	20,000	20,000	20,000
Lord Flight	20,000	23,000	23,000
Russell Catley	18,000	18,000	18,000
	58,000	61,000	61,000

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

At the last AGM on 10 September 2019, the votes in respect of the resolution to approve the Directors' Remuneration Report were as follows:

In favour	97.2%
Against	2.8%
Withheld	-

At the 2017 AGM, when the remuneration policy was last put to a Shareholder vote, 96.2% voted for the resolution and 3.8% against, showing significant Shareholder support.

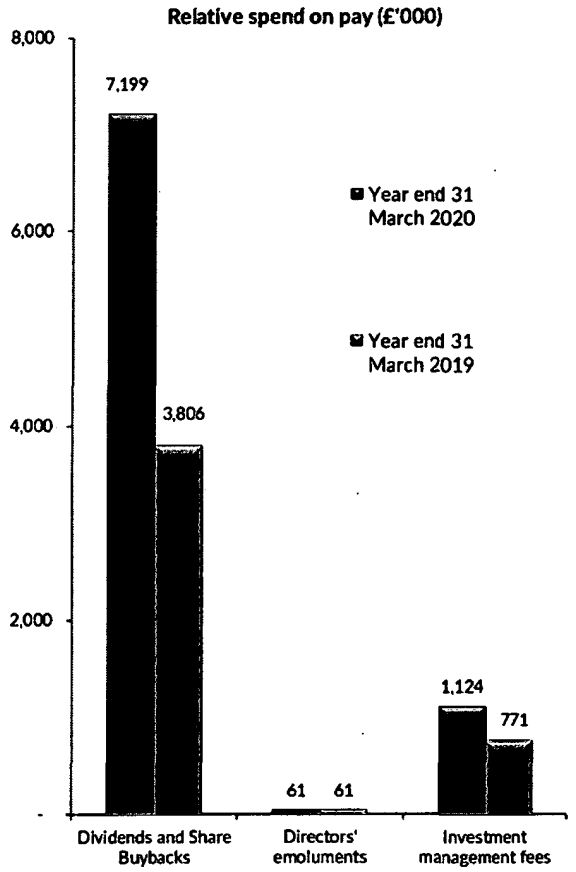
Directors' Remuneration Report (continued)

Relative importance of spend on pay

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

Performance graphs

The charts on the following pages represent the performance of the DSO D, DP67, Generalist and Healthcare Share pools over the period since the Shares were first listed on the London Stock Exchange, and compare the Total Return of the Company (Net Asset Value plus dividends) to a rebased Numis Smaller Companies Index, including dividends reinvested. The index has been rebased to 100p at the launch date of each respective pool.



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

Statement by the Chairman of the Remuneration Committee: Lord Flight

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

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

By order of the Board

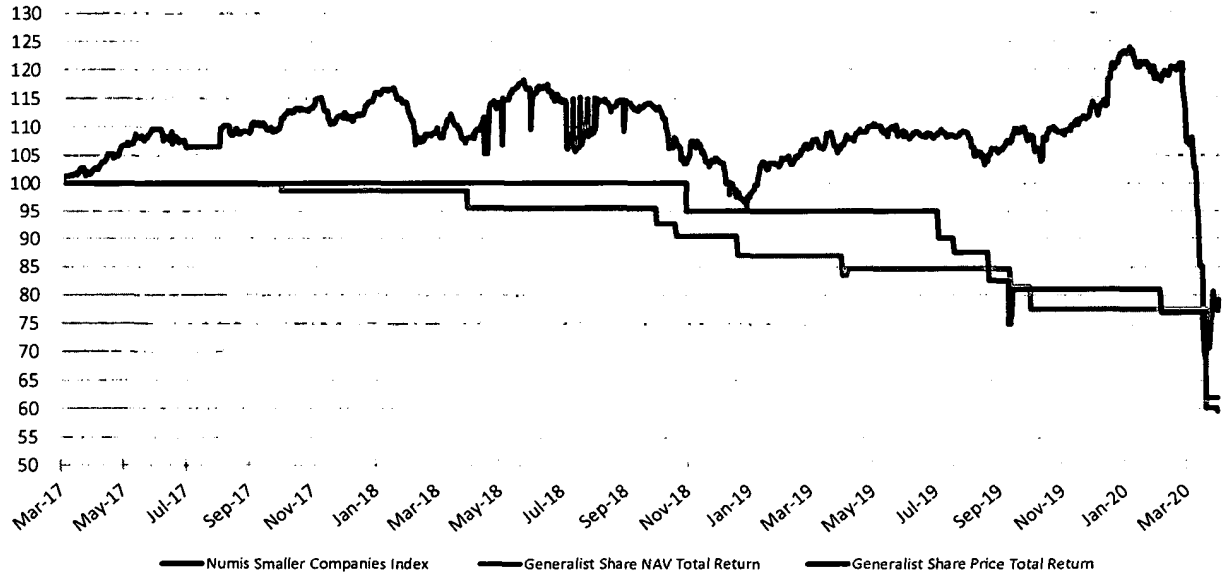
Grant Whitehouse
Company Secretary
6th Floor, St. Magnus House
3 Lower Thames Street
London, EC3R 6HD

31 July 2020

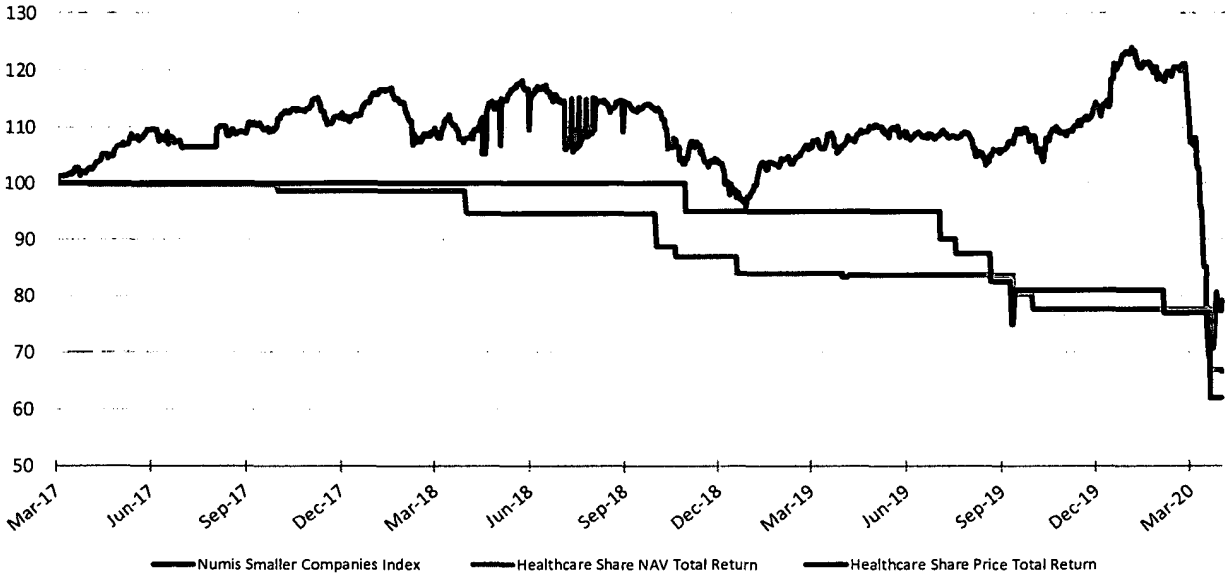
Directors' Remuneration Report (continued)

Performance graphs (continued)

Generalist Share performance chart

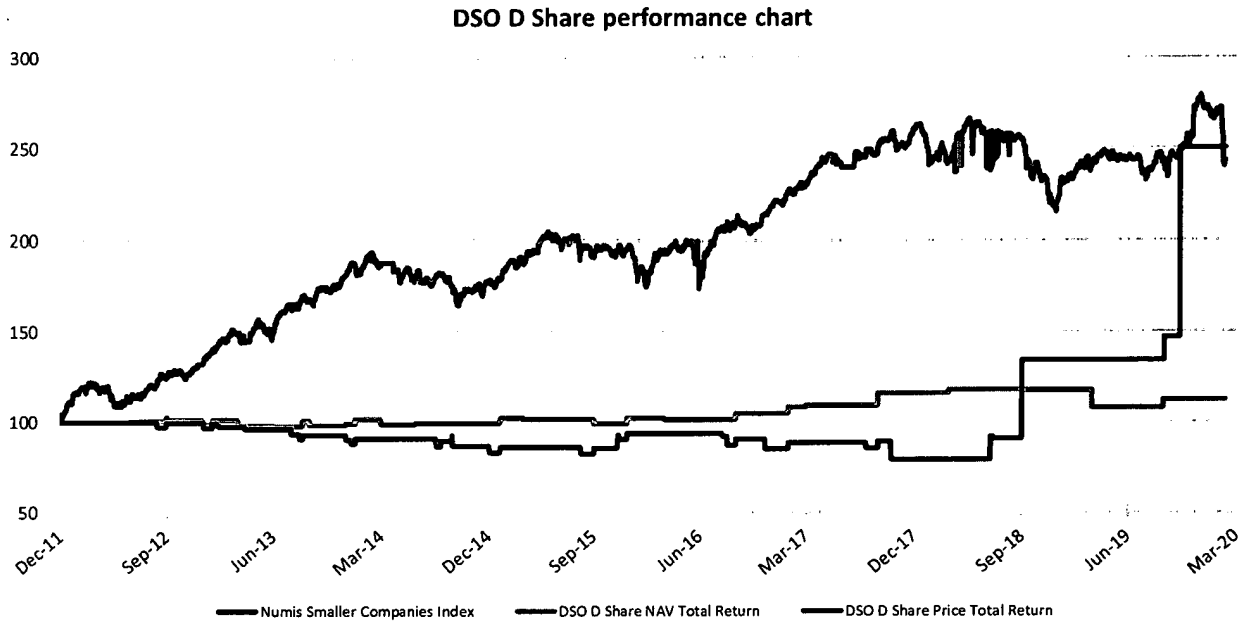


Healthcare Share performance chart

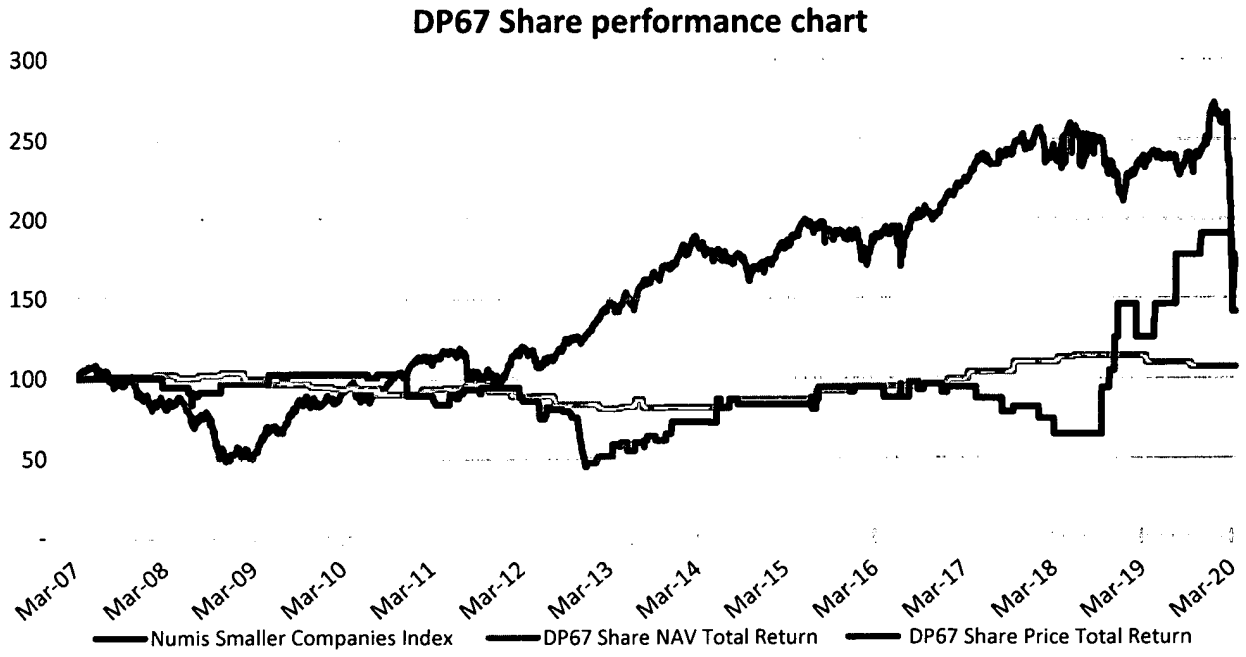


Directors' Remuneration Report (continued)

Performance graphs (continued)



NB. It is a requirement to show the above chart with dividends reinvested. This can give a distorted result for planned exit share pools when they are close to completing the return of their funds to shareholders.



Corporate Governance Statement

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

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

The Board

The Company has a Board comprising three non-executive Directors. The Chairman is Sir Aubrey Brocklebank. Biographical details of all Board members (including significant other commitments of the Chairman) are shown on page 2.

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

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

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

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

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

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

The Board has authority to make market purchases of the Company's own Shares. This authority for up to 14.9% of the Company's issued share capital was granted at the AGM on 10 September 2019. 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 51.

Audit Committee

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

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

The Audit Committee is responsible for reviewing the Half-Yearly and Annual Reports before they are presented to the Board, the terms of appointment of the Auditor together with their remuneration and a full review of the effectiveness of the Company's internal control and risk management systems.

In particular, the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Manager, for presentation within the Half-Yearly and Annual Reports.

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

Audit Committee (continued)

Any non-audit services provided by the Auditor are reviewed and approved by the Committee prior to being undertaken (such services being undertaken by a separate department to the Auditor), to ensure that the Auditor's objectivity and independence are safeguarded. In addition, the Auditor confirms their independent status on an annual basis.

The Audit Committee met twice during the year. The Committee reviewed the internal financial controls and concluded that they remained appropriate. The Committee has considered the need for an internal audit function and concluded that this would not be appropriate for a company of this size

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

As the Company has no staff, other than the Directors, there are no procedures in place in respect of whistleblowing. The Audit Committee understands that the Investment and Administration Manager have whistleblowing procedures in place.

Conflicts of interest

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

External auditor

The Committee reviews and agrees the audit strategy paper presented by the Auditor in advance of the audit and confirms their status on independence.

The Committee confirms that the two main areas of risk for the year under review are the carrying value of the investments and revenue recognition. The Committee's consideration of these matters is set out on the next page.

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

Following assurances received from the Managers at completion of the audit for the year ended 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 the work is undertaken, to ensure that the auditor's objectivity and independence are safeguarded.

Board and Committee meetings

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

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

There were no Nomination committee meetings during the year.

Remuneration Committee

The Committee meets as and when required to review the levels of Directors' remuneration. Details of the specific levels of remuneration to each Director are set out in the Directors' Remuneration Report on page 56.

Nomination Committee

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

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

Director tenure policy

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

Relations with Shareholders

In view of the social distancing restrictions this year, Shareholders are encouraged to send any questions for the Board via email ahead of the close AGM. The Board is also happy to respond to any written queries made by Shareholders during the course of the year, or to meet with Shareholders if so requested.

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

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

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

Financial reporting

The Directors' responsibilities for preparing the financial statements are set out in the Report of the Directors on pages 54 to 55, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on page 69.

Risk management and internal control

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

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

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

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

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

Anti-bribery policy

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

Corporate Governance Statement (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 4, the Investment Manager's Report on pages 9, 21, 30, and 36, the Strategic Report on pages 46 to 50 and the Report of the Directors on pages 51 to 55. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Balance Sheet on page 74, Cash Flow Statement on page 79 and the Strategic Report on page 50. In addition, note 15 to the financial statements includes the Company's objectives, policies and processes for managing its capital and financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk.

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

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

The result of the EU referendum in 2016 has resulted in a UK withdrawal from the EU. 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.

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, 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 believe that the Company continues to be a going concern and that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Share capital

The company has four classes of share capital: DSO D Shares, DP67 Shares, Generalist Shares and Healthcare Shares. The rights and obligations attached to those Shares, including the power of the Company to buy back Shares, and details of any significant shareholdings, are set out on page 51 of the Report of the Directors.

Compliance statement

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

With the exception of the limited items outlined below, the Company has complied, throughout the accounting year ended 31 March 2020, with the Provisions set out in the AIC Code of Corporate Governance:

a) The Board does not monitor the level of Share price discount or premium in respect of the DSO D Shares or DP67 Shares, as the Share pools to which these Share classes relate have commenced the process of returning funds to Shareholders. As noted on page 51 the Company has a general policy of buying in Generalist and Healthcare Shares which become available in the market at a nil discount to NAV. The Board continues to monitor the discount or premium in respect of the Generalist and Healthcare Shares and will take appropriate action to manage this when required;

b) Due to the size of the Board and the nature of the Company's business, a formal and rigorous performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. (7.2.22, 9.2.37, 8.2.29).

By order of the Board

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

31 July 2020

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

Opinion

We have audited the financial statements of Downing FOUR 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, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

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

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.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Valuation of unquoted investments (Note 1 and 8 to the financial statements) There is a high level of estimation uncertainty involved in determining the unquoted investment valuations; consisting both equity and loan stock portions. The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 3. As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.	We tested a sample of 98% of the unquoted investment portfolio by value of investment holdings. 70% of the unquoted portfolio is based on valuations using 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 30% of the unquoted portfolio is valued with reference to more subjective techniques including discounted cash flow models or using multiples of revenue or earnings. Our detailed testing for such investments, performed on all investments within our sample comprised: ▸ Considering 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. For investments not included in our detailed testing, we performed the following procedures where relevant: ▸ 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.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
	For a sample of loans held at fair value included above, we: ▸ Agreed 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. ***Key observations*** Based on the procedures performed we concluded that the valuation of the portfolio of investments was not materially misstated.

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 (£)
Financial statement materiality. *(1.75% (2019:1.70%) of gross investments)*	Assessing whether the financial statements as a whole present a true and fair view.	▸ The value of gross investments ▸ The level of judgement inherent in the valuation ▸ The range of reasonable alternative valuations	£580,000 (31 March 2019: £670,000)
Performance materiality. *(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.	▸ Financial statement materiality ▸ Risk and control environment ▸ History of prior errors (if any)	£435,000 (31 March 2019: £500,000)

We have set a lower testing threshold for those items impacting revenue returns of £36,000, with a performance threshold of £27,000 which is based on 2% of the gross expenditure and 75% of this respectively.

We agreed with the Audit Committee that we would report to them all audit differences in excess of £11,000 (31 March 2019: £13,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds

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

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.

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 the 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 FOUR 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 within the report of the directors, 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 FOUR 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 4 February 2010 to audit the financial statements for the year ended 31 March 2010 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ended 31 March 2010 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
31 July 2020

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

Audited Income Statement

for the year ended 31 March 2020

		Year ended 31 March 2020			Year ended 31 March 2019		
		Revenue	Capital	Total	Revenue	Capital	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income	2	272	69	341	378	230	608
Loss on investments	9	-	(11,837)	(11,837)	-	(5,091)	(5,091)
		272	(11,768)	(11,496)	378	(4,861)	(4,483)
Investment management fees	3	(561)	(562)	(1,123)	(386)	(386)	(772)
Other expenses	4	(711)	-	(711)	(468)	-	(468)
Loss on ordinary activities before tax		(1,000)	(12,330)	(13,330)	(476)	(5,247)	(5,723)
Tax on total comprehensive income and ordinary activities	6	(300)	-	(300)	7	-	7
Loss attributable to equity Shareholders, being total comprehensive income for the year		(1,300)	(12,330)	(13,630)	(469)	(5,247)	(5,716)
Basic and diluted return per share:							
DSO D Share	8	1.5p	0.7p	2.2p	0.6p	2.0p	2.6p
DP67 Share	8	(5.0p)	(6.8p)	(11.8p)	1.1p	(2.6p)	(1.5p)
DP2011 General Share	8	-		-	-	-	-
DP2011 General A Share	8	(0.1p)	0.4p	0.3p	(0.3p)	0.3p	-
DP2011 Structured Share	8	-		-	-	-	-
DP2011 Structured A Share	8	(0.2p)	0.4p	0.2p	(0.2p)	(0.1p)	(0.3p)
Generalist Share	8	(1.4p)	(22.6p)	(24.0p)	(0.9p)	(11.1p)	(12.0p)
Healthcare Share	8	(1.3p)	(13.7p)	(15.0p)	(1.6p)	(9.7p)	(11.3p)

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standard 102 ("FRS 102"). The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommenced Practice issued in February 2018 by the Association of Investment Companies ("AIC SORP").

Income Statement

Analysed by Share pool – unaudited and non-statutory

for the year ended 31 March 2020

Split as:

	Year ended 31 March 2020			Year ended 31 March 2019		
DSO D Share pool	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	**142**	**-**	**142**	14	-	14
Net gain/(loss) on investments	**-**	**69**	**69**	-	(141)	(141)
	142	**69**	**211**	14	(141)	(127)
Investment management fees	**(15)**	**(15)**	**(30)**	(17)	(17)	(34)
Other expenses	**(16)**	**-**	**(16)**	(46)	-	(46)
Return/(loss) on ordinary activities before tax	**111**	**54**	**165**	(49)	(158)	(207)
Tax on total comprehensive income and ordinary activities	**10**	**-**	**10**	-	-	-
Return/(loss) attributable to equity Shareholders, being total comprehensive income for the year	**121**	**54**	**175**	(49)	(158)	(207)

	Year ended 31 March 2020			Year ended 31 March 2019		
DP67 Share pool	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	**20**	**-**	**20**	214	112	326
Net loss on investments	**-**	**(722)**	**(722)**	-	(372)	(372)
	20	**(722)**	**(702)**	214	(260)	(46)
Investment management fees	**(36)**	**(36)**	**(72)**	(33)	(33)	(66)
Other expenses	**(229)**	**-**	**(229)**	(26)	-	(26)
(Loss)/return on ordinary activities before tax	**(245)**	**(758)**	**(1,003)**	155	(293)	(138)
Tax on total comprehensive income and ordinary activities	**(314)**	**-**	**(314)**	(28)	-	(28)
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	**(559)**	**(758)**	**(1,317)**	127	(293)	(166)

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

Income Statement (continued)

Analysed by Share pool – unaudited and non-statutory

for the year ended 31 March 2020

	Year ended 31 March 2020			Year ended 31 March 2019		
DP2011 General Share pool	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	3	-	3	4	-	4
Net gain on investments	-	75	75	-	71	71
	3	75	78	4	71	75
Investment management fees	(9)	(10)	(19)	(20)	(20)	(40)
Other expenses	(14)	-	(14)	(31)	-	(31)
(Loss)/return on ordinary activities before tax	(20)	65	45	(47)	51	4
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(20)	65	45	(47)	51	4

	Year ended 31 March 2020			Year ended 31 March 2019		
DP2011 Structured Share pool	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	-	-	-	3	-	3
Net gain on investments	-	56	56	-	-	-
	-	56	56	3	-	3
Investment management fees	(4)	(4)	(8)	(7)	(7)	(14)
Other expenses	(16)	-	(16)	(15)	-	(15)
(Loss)/return on ordinary activities before tax	(20)	52	32	(19)	(7)	(26)
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(20)	52	32	(19)	(7)	(26)

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

Income Statement (continued)

Analysed by Share pool – unaudited and non-statutory

for the year ended 31 March 2020

	Year ended 31 March 2020			Year ended 31 March 2019		
Generalist Share pool	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	**64**	**69**	**133**	114	118	232
Net loss on investments	**-**	**(8,952)**	**(8,952)**	-	(3,572)	(3,572)
	64	**(8,883)**	**(8,819)**	114	(3,454)	(3,340)
Investment management fees	**(334)**	**(334)**	**(668)**	(180)	(180)	(360)
Other expenses	**(316)**	**-**	**(316)**	(252)	-	(252)
Loss on ordinary activities before tax	**(586)**	**(9,217)**	**(9,803)**	(318)	(3,634)	(3,952)
Tax on total comprehensive income and ordinary activities	**4**	**-**	**4**	35	-	35
Loss attributable to equity Shareholders, being total comprehensive income for the year	**(582)**	**(9,217)**	**(9,799)**	(283)	(3,634)	(3,917)

	Year ended 31 March 2020			Year ended 31 March 2019		
Healthcare Share pool	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	**43**	**-**	**43**	29	-	29
Net loss on investments	**-**	**(2,363)**	**(2,363)**	-	(1,077)	(1,077)
	43	**(2,363)**	**(2,320)**	29	(1,077)	(1,048)
Investment management fees	**(163)**	**(163)**	**(326)**	(129)	(129)	(258)
Other expenses	**(120)**	**-**	**(120)**	(98)	-	(98)
Loss on ordinary activities before tax	**(240)**	**(2,526)**	**(2,766)**	(198)	(1,206)	(1,404)
Tax on total comprehensive income and ordinary activities	**-**	**-**	**-**	-	-	-
Loss attributable to equity Shareholders, being total comprehensive income for the year	**(240)**	**(2,526)**	**(2,766)**	(198)	(1,206)	(1,404)

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

Audited Balance Sheet

as at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	9	34,464	39,394
Current assets			
Debtors	10	548	800
Cash at bank and in hand		9,614	18,443
		10,162	19,243
Creditors: amounts falling due within one year	11	(801)	(485)
Net current assets		9,361	18,758
Net assets		43,825	58,152
Capital and reserves			
Called up Share capital	12	98	138
Capital redemption reserve	13	58	-
Special reserve	13	39,433	47,040
Share premium account	13	17,971	7,172
Funds held in respect of Shares not yet allotted	13	535	4,772
Revaluation reserve	13	(13,302)	(4,158)
Capital reserve – realised	13	2,483	4,940
Revenue reserve	13	(3,451)	(1,752)
Total equity Shareholders' funds	14	43,825	58,152
Basic and diluted Net Asset Value per Share:			
DSO D Share	14	12.p	27.8p
DP67 Share	14	18.7p	48.5p
DP2011 General Ordinary Share	14	N/A	-
DP2011 General A Share	14	N/A	13.3p
DP2011 Structured Ordinary Share	14	N/A	-
DP2011 Structured A Share	14	N/A	9.9p
Generalist Share	14	61.7p	83.5p
Healthcare Share	14	68.1p	83.3p

The financial statements on pages 70 to 97 were approved and authorised for issue by the Board of Directors on 31 July 2020 and were signed on its behalf by:

Sir Aubrey Brocklebank Bt.
Chairman

Company number: 06789187
The accompanying notes form an integral part of these financial statements.

Balance Sheet

Analysed by Share pool – unaudited and non-statutory

as at 31 March 2020

Split as:

DSO D Share pool		2020 £'000	2019 £'000
Fixed assets			
Investments		**655**	1,302
Current assets			
Debtors		**50**	1
Cash at bank and in hand		**272**	910
		322	911
Creditors: amounts falling due within one year		**(33)**	(28)
Net current assets		**289**	883
Net assets		**944**	2,185
Capital and reserves			
Called up share capital	**12**	**8**	8
Special reserve		**900**	2,259
Revaluation reserve		**39**	153
Capital reserve – realised		**(37)**	(148)
Revenue reserve		**34**	(87)
Total equity Shareholders' funds	**14**	**944**	2,185

DP67 Share pool		2020 £'000	2019 £'000
Fixed assets			
Investments		**2,068**	3,578
Current assets			
Debtors		**49**	669
Cash at bank and in hand		**62**	1,251
		111	1,920
Creditors: amounts falling due within one year		**(83)**	(70)
Net current assets		**28**	1,850
Net assets		**2,096**	5,428
Capital and reserves			
Called up share capital	**12**	**11**	11
Special reserve		**-**	534
Revaluation reserve		**(489)**	547
Capital reserve – realised		**2,419**	3,622
Revenue reserve		**155**	714
Total equity Shareholders' funds	**14**	**2,096**	5,428

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

Balance Sheet (continued)

Analysed by Share pool – unaudited and non-statutory

as at 31 March 2020

Generalist Share pool		2020 £'000	2019 £'000
Fixed assets			
Investments		**24,584**	24,565
Current assets			
Debtors		**442**	124
Cash at bank and in hand		**3,350**	8,661
		3,792	8,785
Creditors: amounts falling due within one year		**(266)**	(220)
Net current assets		**3,526**	8,565
Net assets		**28,110**	33,130
Capital and reserves			
Called up share capital	**12**	**56**	43
Capital redemption reserve		**58**	-
Special reserve		**27,666**	31,111
Share premium account		**12,505**	4,692
Funds held in respect of shares not yet allotted		**410**	3,396
Revaluation reserve		**(10,201)**	(4,209)
Capital reserve – realised		**101**	-
Revenue reserve		**(2,485)**	(1,903)
Total equity Shareholders' funds	**14**	**28,110**	33,130

Healthcare Share pool		2020 £'000	2019 £'000
Fixed assets			
Investments		**7,157**	7,375
Current assets			
Debtors		**7**	2
Cash at bank and in hand		**5,930**	6,461
		5,937	6,463
Creditors: amounts falling due within one year		**(419)**	(121)
Net current assets		**5,518**	6,342
Net assets		**12,675**	13,717
Capital and reserves			
Called up share capital	**12**	**23**	18
Special reserve		**10,867**	12,152
Share premium account		**5,466**	2,480
Funds held in respect of shares not yet allotted		**125**	1,376
Revaluation reserve		**(2,651)**	(1,394)
Capital reserve – realised		**-**	-
Revenue reserve		**(1,155)**	(915)
Total equity Shareholders' funds	**14**	**12,675**	13,717

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	Capital Redemption reserve	Special reserve	Share premium account	Funds held in respect of Shares not yet allotted	Revaluation Reserve (Note 9)	Capital reserve - realised	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2018	188	31	8,021	43,904	420	234	4,641	(1,104)	56,335
Total comprehensive income	-	-	-	-	-	(5,250)	3	(469)	(5,716)
Transfer between reserves*	-	-	(4,960)	-	-	858	4,102	-	-
Unallotted Shares	-	-	-	-	4,352	-	-	-	4,352
Transactions with owners									
Dividend paid	-	-	-	-	-	-	(3,806)	-	(3,806)
Cancellation of Share Premium/ Capital Redemption Reserve	-	(89)	43,993	(43,904)	-	-	-	-	-
Cancellation of shares	(58)	58	-	-	-	-	-	-	-
Purchase of own shares	-	-	(14)	-	-	-	-	-	(14)
Issue of shares	8	-	-	7,172	-	-	-	-	7,180
Share issue costs	-	-	-	-	-	-	-	(179)	(179)
At 31 March 2019	138	-	47,040	7,172	4,772	(4,158)	4,940	(1,752)	58,152
Total comprehensive income	-	-	-	-	-	(12,227)	(103)	(1,300)	(13,630)
Transfer between reserves*	-	-	(7,530)	-	-	3,083	4,843	(399)	-
Unallotted Shares	-	-	-	-	535	-	-	-	535
Transactions with owners									
Dividend paid	-	-	-	-	-	-	(7,200)	-	(7,200)
Cancellation of Shares	(58)	58	-	-	-	-	-	-	-
Purchase of own shares	-	-	(77)	-	-	-	-	-	(77)
Issue of shares	18	-	-	11,178	(4,772)	-	-	-	6,424
Share issue costs	-	-	-	(379)	-	-	-	-	(379)
At 31 March 2020	98	58	39,433	17,971	535	(13,302)	2,483	(3,451)	43,825

*A transfer of £3,083,000 (2019: £858,000), representing previously recognised unrealised gains and losses on disposal of investments during the year ended 31 March 2020, has been made between the Revaluation Reserve and the Special Reserve. A transfer of £7.5 million (2019: £4.1 million) representing realised gains and losses on disposal of investments, less capital expenses and capital dividends in the year and less a transfer to the revenue reserve on wind up of the DP2011 Share Classes was made between the Capital Reserve - realised and the Special reserve.

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

Cash Flow Statement

for the year ended 31 March 2020

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

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

Cash Flow Statement

for the year ended 31 March 2019

		Unaudited non statutory analysis						Audited
		DSO D Share pool	DP67 Share pool	DP2011 General Share pool	DP2011 Structured Share pool	Generalist Share pool	Healthcare Share pool	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities								
(Loss)/return on ordinary activities before taxation		(207)	(138)	4	(26)	(3,952)	(1,404)	**(5,723)**
Losses/(gains) on investments		141	372	(71)	-	3,572	1,077	**5,091**
(Decrease)/increase in creditors		(39)	(74)	(37)	(22)	40	9	**(123)**
Decrease/(increase) in debtors		65	(117)	(1)	-	(50)	(1)	**(104)**
Net cash (outflow)/inflow from operating activities		(40)	43	(105)	(48)	(390)	(319)	**(859)**
Corporation tax paid		-	-	-	-	-	-	**-**
Net cash generated from operating activities		(40)	43	(105)	(48)	(390)	(319)	**(859)**
Cash flow from investing activities								
Purchase of investments	9	-	-	-	-	(10,890)	(4,874)	**(15,764)**
Proceeds from disposal of investments	9	2,256	689	419	366	1,806	935	**6,471**
Net cash inflow/(outflow) from investing activities		2,256	689	419	366	(9,084)	(3,939)	**(9,293)**
Net cash inflow/(outflow) before financing		2,216	732	314	318	(9,474)	(4,258)	**(10,152)**
Cash flows from financing activities								
Repurchase of shares		-	-	-	-	(14)	-	**(14)**
Issue of share capital		-	-	-	-	4,589	2,412	**7,001**
Funds held in respect of shares not yet allotted		-	-	-	-	2,997	1,354	**4,351**
Equity dividends paid	7	(1,888)	-	(1,289)	(629)	-	-	**(3,806)**
Net cash (outflow)/inflow from financing activities		(1,888)	-	(1,289)	(629)	7,572	3,766	**7,532**
Net change in cash		328	732	(975)	(311)	(1,902)	(492)	**(2,620)**
Cash and cash equivalents at start of the year		582	519	1,569	877	10,563	6,953	**21,063**
Cash and cash equivalents at end of the year		910	1,251	594	566	8,661	6,461	**18,443**
Cash and cash equivalents comprise								
Cash at bank and in hand		910	1,251	594	566	8,661	6,461	**18,443**
Total cash and cash equivalents		910	1,251	594	566	8,661	6,461	**18,443**

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

Notes to the Accounts

for the year ended 31 March 2020

1. Accounting policies

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

The Company implements new Financial Reporting Standards ("FRS") issued by the Financial Reporting Council when required.

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

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

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

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

Liquidity investments are measured using bid prices.

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

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

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

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

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

for the year ended 31 March 2020

1. Accounting policies (continued)

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

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

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

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

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

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

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

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

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

- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; or
- 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. The Company has adopted a policy of charging 50% of the investment management fees to the revenue account and 50% to the capital account, to reflect the Board's estimated split of investment returns which will be achieved by the company over the long term.

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2020

1. Accounting policies (continued)

Taxation (continued)

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

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

Other debtors and other creditors

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

Issue costs

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

Performance Incentive

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

Dividends

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

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.

Reportable segments

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

2. Income

	2020 £'000	2019 £'000
Income from investments		
Loan stock interest	**191**	314
LLP profit share	**-**	172
	191	486
Other income		
Bank interest	**81**	64
Fee income	**69**	58
	341	608

Notes to the Accounts (continued)

for the year ended 31 March 2020

3. Investment management fees

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

	2020 £'000	2019 £'000
Investment management fees	1,123	772

4. Other expenses

	2020 £'000	2019 £'000
Administration services	**116**	113
Trail fee	**109**	148
Directors' remuneration	**61**	61
Auditor's remuneration for audit	**32**	31
Registrars	**44**	34
London Stock Exchange	**17**	9
FCA	**7**	7
Printing and Postage	**24**	16
Wind up costs	**4**	12
Bad debt expense	**248**	15
Other	**49**	22
	711	468

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

5. Directors' remuneration

Details of remuneration (excluding employer's NIC) are given in the audited part of the Directors' Remuneration Report on page 56. Key management is comprised of the Directors of the Company.

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

6. Taxation

		2020 £'000	2019 £'000
(a)	**Tax charge for the year**		
	UK corporation tax at 19% (2019: 19%)	**(1)**	(3)
	Deferred tax movement	**301**	(4)
	Charge for the year	**300**	(7)
(b)	**Factors affecting tax charge for the year**		
	Return on ordinary activities before taxation	**(13,330)**	(5,723)

Notes to the Accounts (continued)

for the year ended 31 March 2020

6. Taxation (continued)

	2020 £'000	2019 £'000
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 19% (2019: 19%)	**(2,532)**	(1,087)
Effects of:		
Expenses disallowed for tax purposes	**1**	2
Losses/(gains) on investments	**2,236**	922
LLP profits received during the year	**-**	33
Provision against LLP profits	**(43)**	(41)
Adjustment for prior years	**-**	(3)
Losses carried forward	**640**	167
Other	**(2)**	-
Tax on total comprehensive income and ordinary activities	**300**	(7)

Excess management expenses, which are available to be carried forward and set off against future taxable income, amounted to £3.4 million (2019: £2.1 million). The associated deferred tax asset of £646,000 has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future.

7. Dividends

	2020	2019	2020			2019		
	Pence per Share		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
DSO D Shares								
Paid								
2019 Interim	-	24.0	-	-	-	-	1,888	1,888
2020 Interim	18.0	-	-	**1,416**	**1,416**	-	-	-
Total	18.0	24.0	-	**1,416**	**1,416**	-	1,888	1,888
DP67 Shares								
Paid								
2020 Special	18.0	-	-	**2,015**	**2,015**	-	-	-
	18.0	-	-	**2,015**	**2,015**	-	-	-
DP2011 General Shares								
Paid								
2020 Special – A	13.6	-	-	**2,504**	**2,504**	-	-	-
2019 Interim – A	-	7.0	-	-	-	-	1,289	1,289
	13.6	7.0	-	**2,504**	**2,504**	-	1,289	1,289
DP2011 Structured Shares								
Paid								
2020 Special – A	10.1	-	-	**1,265**	**1,265**	-	-	-
2019 Interim – A	-	5.0	-	-	-	-	629	629
	10.1	5.0	-	**1,265**	**1,265**	-	629	629
Generalist Shares								
Proposed Interim								
2020	2.5	-	-	**1,122**	**1,122**	-	-	-
Healthcare Shares								
Proposed Interim								
2020	2.5	-	-	**461**	**461**	-	-	-

Notes to the Accounts (continued)

for the year ended 31 March 2020

8. Basic and diluted return per share

	Weighted Average number of Shares in issue*	Revenue return/ (loss) £'000	Capital gain/ (loss) £'000	Total Comprehensive income £'000	Basic and diluted return per share pence
Return per share is calculated on the following:					
Year ended 31 March 2020					
DSO D Shares	**7,867,247**	**121**	**54**	**175**	**2.2p**
DP67 Shares	**11,192,136**	**(559)**	**(758)**	**(1,317)**	**(11.7p)**
DP2011 General Ordinary Shares	**15,644,066**	**-**	**-**	**-**	**-**
DP2011 General A Shares	**18,418,614**	**(20)**	**65**	**45**	**0.3p**
DP2011 Structured Ordinary Shares	**10,678,725**	**-**	**-**	**-**	**-**
DP2011 Structured A Shares	**12,572,817**	**(20)**	**52**	**32**	**0.2p**
Generalist Shares	**40,797,371**	**(582)**	**(9,217)**	**(9,799)**	**(24.0p)**
Healthcare Shares	**18,483,433**	**(240)**	**(2,526)**	**(2,766)**	**(15.0p)**
Year ended 31 March 2019					
DSO D Shares	7,867,247	(49)	(158)	(207)	2.6p
DP67 Shares	11,192,136	127	(293)	166	(1.5p)
DP2011 General Ordinary Shares	15,644,066	-	-	-	
DP2011 General A Shares	18,418,614	(47)	51	4	-
DP2011 Structured Ordinary Shares	10,678,725	-	-	-	-
DP2011 Structured A Shares	12,572,817	(19)	(7)	(26)	(0.3p)
Generalist Shares	31,412,013	(283)	(3,634)	(3,917)	(12.0p)
Healthcare Shares	12,378,737	(198)	(1,206)	(1,404)	(11.3p)

**Excluding Management Shares*

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

Notes to the Accounts (continued)

for the year ended 31 March 2020

9. Fixed assets – investments

	Liquidity investments £'000	Quoted VC investments £'000	Unquoted VC investments £'000	Total £'000
Opening cost at 1 April 2019	15,000	1,250	28,332	44,582
Unrealised losses at 1 April 2019	(2,858)	(597)	(703)	(4,158)
Impairment losses at 1 April 2019	-	-	(1,030)	(1,030)
Opening fair value at 1 April 2019	12,142	653	26,599	39,394
Movements in the year:				
Purchased at cost	198	-	12,603	12,801
Disposals - proceeds	-	-	(5,894)	(5,894)
- realised (losses)/gains on disposals	-	-	390	390
Unrealised losses in the Income Statement	(3,776)	(394)	(8,057)	(12,227)
Closing value at 31 March 2020	8,564	259	25,641	34,464
Closing cost at 31 March 2020	15,198	1,250	36,466	52,914
Unrealised losses at 31 March 2020	(6,634)	(991)	(5,677)	(13,302)
Impairment losses at 31 March 2020	-	-	(5,148)	(5,148)
Closing value at 31 March 2020	8,564	259	25,641	34,464

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2020 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2019 £'000
Liquidity investments	**8,564**	-	-	**8,564**	12,142	-	-	12,142
Quoted equity	**259**	-	-	**259**	653	-	-	653
Unquoted loan notes	-	-	**3,319**	**3,319**	-	-	2,971	2,971
Unquoted equity	-	-	**22,322**	**22,322**	-	-	23,628	23,628
	8,823	-	**25,641**	**34,464**	12,795	-	26,599	39,394

for the year ended 31 March 2020

9. Fixed assets - investments (continued)

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

	Unquoted equity £'000	Unquoted loan notes £'000	Total £'000
Balance at 1 April 2019	23,628	2,971	**26,599**
Movements in the Income Statement:			
Unrealised losses in the income statement	(7,399)	(658)	**(8,057)**
Realised gains in the income statement	290	100	**390**
	16,519	2,413	**18,932**
Purchases at cost	9,963	2,640	**12,603**
Sales proceeds	(4,160)	(1,734)	**(5,894)**
	5,803	906	**6,709**
Balance at 31 March 2020	22,322	3,319	**25,641**

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

The Board and the Investment Manager believe that the valuations as at 31 March 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 15.

Significant interests

Details of shareholdings in portfolio companies where the Company's holding, as at 31 March 2020, represents greater than 20% of the nominal value of any class of the allotted shares are shown below. The figures shown below represent the financial position and performance as of the latest available financial statements. The Company does not have significant influence over any of its portfolio companies.

Company	Registered office	Share class	Number	Proportion of class held	Capital and reserves	Profit/ (loss) for the year
Live Better With Limited	N1 8XB	A Ordinary	119,892	68%	£5.1m	*
		B Ordinary	383,796	34%		
Empiribox Holdings Limited	OX11 0QX	C Ordinary	1,495,596	36%	£1.7m	*
		D Ordinary	867,146	38%		
Cadbury House Holdings Limited	EC3R 6HD	Ordinary	678,522	28%	£6.5m	(£2.0m)
E-Fundamentals (Group) Limited	SE1 9RS	A Ordinary	604,263	38%	£6.1m	*
Rated People Limited	EC3A 7LP	C Ordinary	30,171	21%	(£2.7m)	(£4.4m)
Xupes Limited	CM23 3AR	A Ordinary	42,847	25%	(£0.2m)	£2.4m
		B Ordinary	378,747	25%		
Virtual Class Limited	E1 8EW	C Ordinary	6,710	25%	£0.5m	*
FundingXchange Limited	N12 0DR	B Ordinary	72,816	28%	£0.8m	*
Glownet Limited	EC3R 6HD	A Ordinary	3,615,584	33%	£1.3m	*
Adaptix Limited	OX5 1PF	A Ordinary	209,720	37%	£6.9m	(£0.5m)
JRNI Limited	RG41 5RB	B Ordinary	76,896	33%	(£3.1m)	(£5.3m)
Odysian (Holdings) Limited	PR2 2YH	A Ordinary	81	100%	(£0.8m)	*
		B Ordinary	133,333	100%		
		C Ordinary	83	100%		

* Profit figures not publicly available.

Notes to the Accounts (continued)

for the year ended 31 March 2020

9. Fixed assets - investments (continued)

The following summary shows investments made by the Company in which other funds managed by Downing have also invested. The amounts shown represent the original cost of the investments.

	Company £'000	Equity held by Other Downing Funds*
MI Downing UK Micro-Cap Growth Fund B Accum	5,150	0.3%
MI Downing Monthly Income Fund Acc Shares	5,050	8.6%
Downing Strategic Micro-Cap Investment Trust plc	4,998	9.0%
Live Better With Limited	2,318	5.3%
ADC Biotechnology Limited	2,207	4.8%
Lignia Wood Company Limited	1,778	10.5%
Empiribox Limited	1,528	11.9%
Cadbury House Holdings Limited	1,409	36.2%
Arecor Limited	1,400	0.0%
E-Fundamentals (Group) Limited	1,342	12.0%
Rated People Limited	1,282	1.1%
Destiny Pharma plc	1,250	0.0%
Upp Technologies Group Limited	1,077	5.0%
Trouva Limited	1,050	2.1%
Congenica Limited	1,050	0.0%
Firefly Learning Limited	1,047	3.6%
Imagen Limited	1,000	23.7%
Open Bionics Limited	1,000	7.9%
Maverick Pubs (Holdings) Limited	1,000	0.0%
Ecstase Limited (t/a ADAY)	1,000	4.5%
Xupes Limited	933	48.9%
Ormsborough Limited	900	25.2%
BridgeU Corporation	810	4.1%
Virtual Class Limited (Third Space Learning)	803	6.6%
Hackajob Limited	784	4.7%
Limitless Technology Limited	757	4.9%
FundingXchange Limited	525	24.2%
Glownet Limited	741	7.9%
Masters of Pie Limited	667	4.8%
Adaptix Limited	556	0.0%
MyRecovery Limited	528	0.0%
FVRVS Limited	750	2.2%
JRNI Limited	525	1.4%
Channel Mum Limited	500	0.3%
Hummingbird Technologies Limited	500	2.0%
Exonar Limited	500	2.8%
Cambridge Touch Technologies Limited	459	1.1%
Apex Energy Limited	400	92.0%
Yamuna Renewables Limited	400	46.0%
Lineten Limited	400	0.0%
Odysian (Holdings) Limited	387	0.0%
Gatewales Limited	344	0.0%
Pearce and Saunders Limited	300	75.9%
The Electrospinning Company Limited	278	0.0%
London City Shopping Centre Limited	217	22.0%
Fresh Green Power Limited	189	80.0%
Green Energy Production UK Limited	100	80.0%
Pearce and Saunders DevCo Limited	20	75.9%
	52,209	

* Other Downing Funds include Downing ONE VCT plc, Downing TWO VCT plc and Downing THREE VCT plc, which are managed under non-discretionary agreements by Downing LLP ("Downing LLP Funds"). Investment decisions are made by the respective Board of Directors of each VCT.

Notes to the Accounts (continued)

for the year ended 31 March 2020

10. Debtors

	2020 £'000	2019 £'000
Prepayments and accrued income	**48**	281
Other debtors	**431**	-
Corporation tax	**-**	149
Deferred taxation (note 16)	**69**	370
	548	800

11. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Corporation tax	**-**	-
Taxation and social security	**1**	1
Other creditors	**298**	-
Accruals and deferred income	**502**	484
	801	485

12. Called up share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid:		
7,867,247 (2019: 7,867,247) DSO D Shares of 0.1p each	**8**	8
11,192,136 (2019: 11,192,136) DP67 Shares of 0.1p each	**11**	11
Nil (2019: 15,644,066) DP2011 General Ordinary Shares of 0.1p each	**-**	16
Nil (2019: 18,418,614) DP2011 General A Shares of 0.1p each	**-**	18
Nil (2019: 10,678,725) DP2011 Structured Ordinary Shares of 0.1p each	**-**	11
Nil (2019: 12,572,817) DP2011 Structured A Shares of 0.1p each	**-**	13
56,081,959 (2019: 43,109,472) Generalist Shares of 0.1p each	**56**	43
23,027,361 (2019: 17,815,135) Healthcare Shares of 0.1p each	**23**	18
	98	138

The Company's capital is managed in accordance with its investment policy as shown in the Strategic Report, in pursuit of its principal investment objective as stated on page 3. There have been no significant changes in the objectives, policies or processes for managing capital from the previous period.

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

During the year, the Company allotted 13,046,430 Generalist Shares of 0.1p each at an average price of 87.0p per Ordinary Share, including 3,728,517 Management Shares which were issued at an average price of 0.1p. The Management Shares were issued in accordance with the Performance Incentive arrangements, outlined on page 90.

During the year, the Company allotted 5,231,930 Healthcare Shares of 0.1p each at an average price of 85.8p per Ordinary Share, including 1,611,901 Management Shares which were issued at an average price of 0.1p. The Management Shares were issued in accordance with the Performance Incentive arrangements, outlined on page 90.

for the year ended 31 March 2020

12. Called up share capital (continued)

During the year, 73,944 Generalist Shares and 19,704 Healthcare Shares were repurchased by the Company, at an average price of 81.2p and 80.2p respectively.

On 15 November 2019, the DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 Structured Ordinary Share and DP2011 Structured A Shares were converted into Deferred Shares with no value and were cancelled.

DP2011 General Share pool and DP2011 Structured Share pool
By virtue of the A share dividends paid to Shareholders, members of the management team received performance incentive payments equivalent to 5.1p per DP2011 General Ordinary Share (£804,000) and 5.0p per DP2011 Structured Ordinary Share (£538,000).

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.

DSO D Share pool
The Performance Incentive in respect of the DSO D Shares is structured as a simple fee when the hurdle is met. A fee is payable when:
(i) Shareholders receive total proceeds of at least 100p 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 100p per D Share. The maximum performance fee is limited to 7.0p per D Share.

As at 31 March 2020, the estimated performance incentive is 4.3p per DSO D Share. As the first hurdle (i) has not yet been achieved, no provision for the performance incentive is included in the accounts.

The Company does not have any externally imposed capital requirements.

for the year ended 31 March 2020

13. Reserves

	2020 £'000	2019 £'000
Capital redemption reserve	**58**	-
Special reserve	**39,433**	47,040
Share premium account	**17,971**	7,172
Revaluation reserve	**(13,302)**	(4,158)
Capital reserve – realised	**2,483**	4,940
Revenue reserve	**(3,451)**	(1,752)
Funds held in respect of shares not yet allotted	**535**	4,772
	43,727	58,014

*Called up share capital not included above

The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves. The distributable reserves are reduced by unrealised holding losses of £20.0 million (2018: £6.4 million), which are included in the Revaluation reserve.

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

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

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

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

Capital reserve - realised
The following are disclosed in this reserve:

- gains and losses 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.

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

Funds held in respect of shares not yet allotted
This reserve represents the fundraising proceeds which were awaiting allotment as at the Balance Sheet date.

for the year ended 31 March 2020

14. Basic and diluted Net Asset Value per share

	Shares in issue		2020 Net Asset Value		2019 Net Asset Value	
	2020	2019	Pence per share	£'000	Pence per share	£'000
DSO D Shares	**7,867,247**	7,867,247	**12.0**	**944**	27.8	2,185
DP67 Shares	**11,192,136**	11,192,136	**18.8**	**2,096**	48.5	5,428
DP2011 General Ordinary Shares	**-**	15,644,066	**N/A**	**N/A**	-	-
DP2011 General A Shares	**-**	18,418,614	**N/A**	**N/A**	13.3	2,459
DP2011 Structured Ordinary Shares	**-**	10,678,725	**N/A**	**N/A**	-	-
DP2011 Structured A Shares	**-**	12,572,817	**N/A**	**N/A**	9.9	1,233
Generalist Shares	**44,865,567**	35,621,598	**61.7**	**27,700**	83.5	29,734
Generalist Management Shares	**11,216,392**	7,487,874	**-**	**-**	-	-
Healthcare Shares	**18,421,889**	14,821,564	**68.1**	**12,550**	83.3	12,341
Healthcare Management Shares	**4,605,472**	2,993,571	**-**	**-**	-	-
Funds held in respect of shares not yet allotted				**535**		4,772
Net assets per Balance Sheet				**43,825**		58,152

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

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

15. Financial instruments

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

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

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

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

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

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

for the year ended 31 March 2020

15. Financial instruments (continued)

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

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

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

- Investment price risk; and
- Interest rate risk.

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

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

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

	Risk exposure at 31 March 2020	Risk exposure at 31 March 2019
Liquidity investments (£'000)	**8,564**	12,142
Quoted Venture Capital investments (£'000)	**259**	653
FTSE 100	**5,672**	7,279

Movement in FTSE 100 Index	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence
Generalist Shares				
20% increase to 8,351 (2019: 12,002)	**1,392**	**3.1p**	2,001	5.6p
20% decrease to 5,567 (2019: 8,001)	**(1,392)**	**(3.1p)**	(2,001)	(5.6p)
Healthcare Shares				
20% increase to 2,237 (2019: 3,352)	**373**	**2.0p**	559	3.8p
20% decrease to 1,491 (2019: 2,234)	**(373)**	**(2.0p)**	(559)	(3.8p)

for the year ended 31 March 2020

15. Financial instruments (continued)

Investment price risk (continued)

At 31 March 2020, the unquoted portfolio was valued at £25,644,000 (2019: £26,599,000). A breakdown of the unquoted portfolio by valuation method used is as follows:

	2020 £'000
Calibration to price of recent investment	19,124
Discounted cash flows (from the investment)	2,111
Discounted cash flows or earnings (of underlying business)	292
Multiples	4,114
	25,641

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

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

	31 March 2019			
	+10% movement		-10% movement	
Share pool	Impact on net assets £'000	Impact on NAV per Share pence	Impact on net assets £'000	Impact on NAV per Share pence
DSO D Shares	130	1.7p	(130)	(1.7p)
DP67 Shares	358	3.2p	(358)	(3.2p)
Generalist Shares	1,469	4.1p	(1,469)	(4.1p)
Healthcare Shares	458	3.1p	(458)	(3.1p)

The sensitivity analysis for unquoted valuations above assumes that each of the sub categories of financial instruments (ordinary shares and loan stocks) held by the Company produces an overall movement of plus 20% or minus 50%. Shareholders should note that equal correlation between these sub categories is unlikely to be the case in reality, particularly in the case of loan 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 market price risk in isolation.

for the year ended 31 March 2020

15. Financial instruments (continued)

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 attract interest predominately at fixed rates. A summary of the interest rate profile of the Company's investments is shown below.

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

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

	Average interest rate	Average period until maturity	2020 £'000	2019 £'000
Fixed rate	4.9%	Past due	**3,319**	2,971
Floating rate	0.73%		**9,614**	18,443
No interest rate			**30,414**	36,738
			43,347	58,152

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

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

Credit risk

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

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

	2020 £'000	2019 £'000
Investments in loan stocks	**3,319**	2,971
Cash and cash equivalents	**9,614**	18,443
Interest and other receivables	**558**	265
	13,491	21,679

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

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

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

for the year ended 31 March 2020

15. Financial instruments (continued)

Liquidity risk

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

The Company has a relatively low level of creditors, being £801,000 (2019: £485,000), all of which are payable within one year. The Company has no borrowings, and accordingly the Board believes that the Company's exposure to liquidity risk is low. Also, the quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal. The Company's liquidity risk is managed by the Investment Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

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

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

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

As at 31 March 2019	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Total £'000
Fully performing loan stock	679	-	-	525	1,204
Past due loan stock	1,767	-	-	-	1,767
	2,446	-	-	525	2,971

As at 31 March 2020, of the loan stock classified as "past due", £3,019,000 (2019: £1,767,000) relates to the principal of loan stock where the principal had passed its maturity date and was within 1 year "past due". Notwithstanding that the principal had passed its maturity date, the Directors did not consider that the loan note itself had been impaired.

for the year ended 31 March 2020

16. Deferred taxation

	2020 £'000	2019 £'000
At the beginning of the year	370	366
(Credited)/charged to the income statement	(301)	4
At the end of the year	**69**	370

	2020 £'000	2019 £'000
Timing differences in respect of LLP profits	69	370
	69	370

17. Capital management

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

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

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

18. Contingencies, guarantees and financial commitments

At 31 March 2020, the Company had no contingencies, guarantees or financial commitments.

19. Controlling party and related party transactions

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

20. Events after the reporting period

In the period between 31 March 2020 and the date of this report, the Company issued the following Shares:

- 668,377 Generalist Shares, at an average price of 62.61p per Share; and
- 191,150 Healthcare Shares, at an average price of 69.08p per Share.

At the date of this report, there were 56,750,335 Generalist Shares and 44,507,994 Healthcare Shares in issue, including Management Shares.

Notice of the Annual General Meeting of Downing FOUR VCT Plc

The Company intends to hold its next Annual General Meeting as a "closed meeting" to ensure the safety of its Shareholders, Directors and Management Team during the ongoing coronavirus pandemic. Shareholders will not be allowed to attend the meeting but are encouraged to submit proxy votes and also any questions for the Board and Manager, which will be addressed in a statement following the AGM.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Downing FOUR VCT plc will be held at 12:30 p.m. on 9 September 2020 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 report of the Auditor thereon.

2. To approve the Directors' Remuneration Report.

3. To approve the Directors' Remuneration Policy.

4. To re-appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the accounts of the Company are presented and to authorise the Directors to determine their remuneration.

5. To re-elect as Director, Lord Flight, who retires and, being eligible, offers himself for re-election.

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

Ordinary Resolution

6. That, in addition to existing authorities, the Directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("CA 2006") to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company: -

   i. up to an aggregate nominal amount of £45,000 in respect of Generalist Shares (representing approximately 80% of the share capital in issue at today's date) and up to £12,000 to be issued to Downing Nominees Limited as nominees for members of the management team at their nominal value pursuant to the Company's performance incentive arrangements; and
   ii. up to an aggregate nominal amount of £30,000 in respect of Healthcare Shares (representing approximately 130% of the share capital in issue at today's date) and up to £8,000 to be issued to Downing Nominees Limited as nominees for members of the management team at their nominal value pursuant to the Company's performance incentive arrangements,

   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 Resolution

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

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

8. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of DSO D Shares of 0.1p each ("DSO D Shares"), DP67 Shares of 0.1p each ("DP67 Shares"), Generalist Shares of 0.1p each ("Generalist Shares") and Healthcare Shares of 0.1p each ("Healthcare Shares") in the capital of the Company provided that:

   (i) the maximum number of 1,172,220 representing approximately 14.9% of the issued DSO D Share capital, 1,667,628 representing approximately 14.9% of the issued DP67 Share capital, 8,455,800 representing approximately 14.9% of the issued Generalist Share capital and 3,459,558 representing approximately 14.9% of the issued Healthcare Share capital of the Company from time to time;

   (ii) the minimum price which may be paid for a DSO D Share, DP67 Share, Generalist Share or Healthcare Share is 0.1p, exclusive of all expenses;

   (iii) the maximum price which may be paid for a DSO D Share, DP67 Share, Generalist Share or Healthcare Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the relevant share as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the share is contracted to be purchased; and

   (iv) the Company may validly make a contract to purchase its own DSO D Shares, DP67 Shares, Generalist Shares or Healthcare Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of DSO D Shares, DP67 Shares, Generalist Shares or Healthcare Shares in pursuance of any such contract;

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

By order of the Board

Grant Whitehouse
Company Secretary
Registered office:
6th Floor, St. Magnus House
3 Lower Thames Street
London, EC3R 6HD
31 July 2020

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

Notes

(a) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD or electronically to d4agm@downing.co.uk, in each case *not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the* Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote.

(b) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:

- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice; or
- by sending an e-mail to d4agm@downing.co.uk.

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

(c) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 12:30 p.m. on 7 September 2020 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours (excluding weekends and public holidays) before the time of any adjourned meeting, shall be entitled to vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 12:30 p.m. on 7 September 2020 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours (excluding weekends and public holidays) before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

(d) As at 9:00 a.m. on 31 July 2020, the Company's issued share capital comprised 7,867,247 DSO D Shares, 11,192,136 DP67 Shares, 56,750,335 Generalist Shares and 23,218,511 Healthcare Shares and the total number of voting rights in the Company was 74,795,459,864. Information on the number of shares and voting rights is included at www.downing.co.uk.

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

Notes (continued)

(e) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

(f) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out on the previous page.

(g) Members may not use any email address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

Form of Proxy

DOWNING FOUR VCT PLC

For use at the closed Annual General Meeting of the above-named Company to be held at 12:30 p.m. on 9 September 2020.

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

of.....
being the holder(s)* of DSO D Shares of 0.1p each/DP67 Shares of 0.1p each/Generalist Shares of 0.1p each/Healthcare Shares of 0.1p each* in the capital of the above-named Company, hereby appoint the Chairman of the Meeting (see note 1) as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD on 9 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 Directors' report and accounts.	☐	☐	☐
2. To approve the Directors' Remuneration Report.	☐	☐	☐
3. To approve the Directors' Remuneration Policy.	☐	☐	☐
4. To reappoint the Auditor and authorise the Directors to determine their remuneration.	☐	☐	☐
5. To re-elect Lord Flight as a Director.	☐	☐	☐
SPECIAL BUSINESS			
6. To authorise the Directors to allot shares.	☐	☐	☐
7. To authorise the Directors to disapply pre-emption rights.	☐	☐	☐
8. To authorise the Company to make market purchases of its shares.	☐	☐	☐

Signature..... Date.....2020

* Delete as appropriate

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

If you have any questions for the Board or Manager, please also send them by email to d4agm@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, this Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London, EC3R 6HD not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Meeting or adjourned meeting at which the person named in this Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, and be delivered at the meeting at which the demand is made.

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 their 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.

Downing

St Magnus House
3 Lower Thames Street
London EC3R 6HD

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

This document has been printed on 100% recycled paper

Downing LLP is authorised and regulated by the Financial Conduct Authority