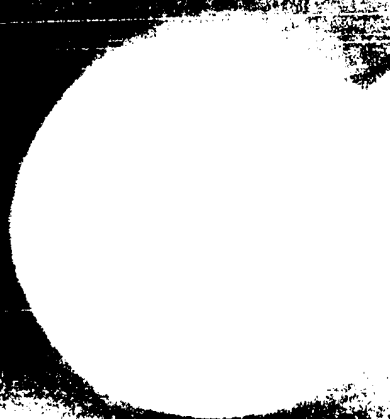
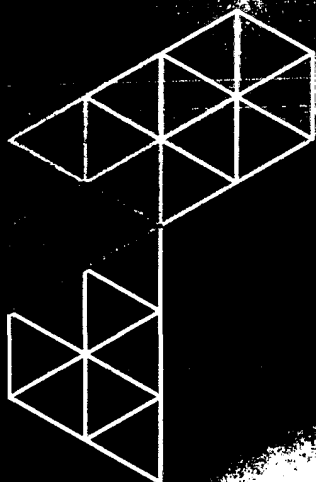




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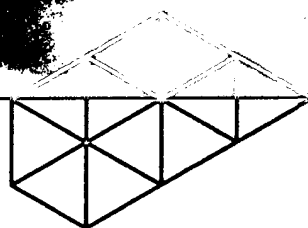
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Downing FOUR VCT plc

Report and Accounts for the year ended
31 March 2022

Company number: 6789187

Downing

Shareholder Information

Financial Calendar

27 September 2022

30 September 2022

December 2022

Annual General Meeting

Payment of final dividend

Announcement of Half-Yearly financial results

Selling shares

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

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

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

Chris Lloyd
0207 886 2716
chris.lloyd@panmure.com

Paul Nolan
0207 886 2717
paul.nolan@panmure.com

Dividends

Dividends will be paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose or do this via the Investor Hub at downing-vct.cityhub.uk.com. Queries relating to dividends, shareholdings, and requests for mandate forms should be directed to the Company's registrar, whose details can be found on the Company Information page.

Notification of change of address

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

Share scam warning

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

Further information can be found on Downing's website at www.downing.co.uk/vctboilerroomscam. If you have any concerns, please contact Downing on 020 7416 7780.

Other information for Shareholders

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

www.downing.co.uk/d4

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

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Company Information

Registered number	6789187
Directors	Sir Aubrey Brocklebank Bt. (Chairman) Lord Flight (Senior Independent Director) Chris Allner Steven Clarke Andrew Mackintosh
Secretary and registered office	Grant Whitehouse 6 th Floor, St. Magnus House 3 Lower Thames Street London EC3R 6HD
Investment and Administration Manager	Downing LLP 6 th Floor, St. Magnus House 3 Lower Thames Street London EC3R 6HD www.downing.co.uk
Investment Manager (with effect from 5 July 2022 except the Healthcare share class)	Foresight Group LLP The Shard 32 London Bridge Street London SE1 9SG www.foresightgroup.eu
Auditor	BDO LLP 55 Baker Street London W1U 7EU
VGT status advisers	Philip Hare & Associates LLP Hamilton House 1 Temple Avenue, Temple London EC4Y 0HA
Registrar (with effect from 30 July 2021)	The City Partnership (UK) Limited The Mending Rooms Park Valley Mills Meltham Road Huddersfield HD4 7BH 01484 240 910 registrars@cityuk.com Investor Hub: downing-vct.cityhub.uk.com
Corporate broker	Panmure Gordon (UK) Limited Chris Lloyd 0207 886 2716 chris.lloyd@panmure.com Paul Nolan 0207 886 2717 paul.nolan@panmure.com
Bankers	Bank of Scotland plc 300 Lawnmarket Edinburgh EH1 2PH Royal Bank of Scotland plc London Victoria Branch 119/121 Victoria Street London SW1E 6RA

Financial Highlights

	Audited 31 March 2022 Pence	Audited 31 March 2021 Pence
Ventures Share pool		
Net Asset Value ("NAV") per Ventures Share	68.20	67.2
Cumulative distributions	5.25	2.5
Total Return ² per Ventures Share	73.45	69.7
Healthcare Share pool		
Net Asset Value ("NAV") per Healthcare Share	84.40	68.5
Cumulative distributions	5.25	2.5
Total Return ² per Healthcare Share	89.65	71.0
AIM Share pool		
Net Asset Value ("NAV") per AIM Share	99.9	n/a
Cumulative distributions	-	n/a
Total Return ² per AIM Share	99.9	n/a
DSO D Share pool		
Net Asset Value ("NAV") per DSO D Share	2.6	10.2
Cumulative distributions	102.0	94.5
Adjusted for Performance Incentive estimate	-	(0.5)
Total Return ² per DSO D Share	104.6 ¹	104.2
DP67 Share pool		
Net Asset Value ("NAV") per DP67 Share	26.8	18.4
Cumulative distributions (since original launch)	67.8	67.8
Total Return ² per DP67 Share	94.6	86.2

¹ Based on Total Return to Shareholders at 31 March 2022, no Performance Incentive is expected to become due to management.

² Alternative Performance Measure (see page 43)

A full explanation of the Performance Incentive arrangements for each share pool is given on pages 51 to 52 and page 92.

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 Ventures and Healthcare NAVs, from the summer of 2021 onwards.

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on page 43.

Directors

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

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

Andrew Mackintosh (appointed 8 September 2021) has had a distinguished career in industry and investment as a former CEO of FTSE 250 company, Oxford Instruments, before later leading the creation of the Royal Society Enterprise Fund, a pioneering initiative in bringing together scientific expertise and early-stage investment. He was a board member of the Intellectual Property Office and a trustee of the Design Council. He is also chairman of UKI25, a government-backed venture capital fund supporting companies from the UK's scientific research base.

Andrew has a longstanding interest in enhancing the commercialisation and wider economic impact of UK research and is the author of a report ('The Mackintosh Report') commissioned by HM Treasury and published in April 2021.

Steven Clarke (appointed 8 September 2021) has 30 years' experience of investing in technology and data businesses including 21 years as a private equity investor with 3i, August Equity and ICG. Steven now supports founders through fundraising, international growth and exit as an investing non-executive director usually alongside a growth equity fund. Steven is also chair of the investment committee for Bethnal Green Ventures, a Tech for Good impact investor.

Chris Allner (appointed 8 September 2021) has over 35 years of venture capital and private equity experience and is currently a partner of Downing LLP and chairs their investment committee. Prior to joining Downing, he was the head of private equity at Octopus Investments as well as a director at Beringea and Bridgepoint with previous experience at 3i and Charterhouse. He has previously sat on the boards of a number of unquoted and quoted companies across a variety of commercial sectors.

All the Directors are non-executive and, with the exception of Chris Allner, are independent of the Investment Manager.

Chairman's Statement

Introduction

I present the Company's Annual Report for the year ended 31 March 2022.

As I reported to you in my half year Statement, this has been a busy year for your Company, with the creation of the new AIM share class and the offer for subscription which launched in September and closed at the end of May. We also had some changes on the Board and have continued to make good progress in investing the evergreen portfolios.

As the pandemic restrictions have gradually been lifted over the course of the year, we have seen an increase in investment activity and improvement in the performance of some investments which had stalled under the impact of Covid.

Management Arrangements

As Shareholders may be aware, in June 2022, it was announced that Downing LLP, our investment manager, had agreed to sell its technology ventures division to Foresight Group LLP ("Foresight"). As a result, the main executives from Downing LLP's technology ventures team will move to Foresight and the Board has consented to the novation of the investment management agreement to Foresight.

The Board had extensive discussions with Downing LLP and Foresight and satisfied itself that the transaction was in the best interests of Shareholders. The Company will benefit in future from the continuity of key investment executives as well as the substantial resources of the Foresight Group. Along with these changes, the Company plans to change its name to:

Thames Ventures VCT 2 plc

This is planned to take place on or around 31 August 2022.

Foresight is a quoted fund management business, with £8.7 billion of funds under management and long-standing experience in the VCT sector. We believe the scale of its operation, its resources as a quoted business and its expertise in the VCT market, means it is well placed to support the ongoing development of Downing FOUR VCT plc. Foresight has 12 offices around the UK and should be able to source more new deals than at present and should have greater ability to raise funds in future.

The management of the Healthcare share pool will remain with Downing LLP, as Downing retains a well-resourced healthcare team. Downing LLP will also provide investment management services for the non-ventures investments (primarily those in the planned exit and AIM share pools) and administration services to the Company for at least six months. This will cover the period while the planned exit share pools are wound up.

Fundraising

As noted in the half yearly report, a new offer for subscription was launched in September 2021. The offer closed after the year end, on 31 May 2022, having raised £11.6 million split between the Ventures, Healthcare and new AIM Share classes. A proportion of the shares allotted under the offer were issued after the year end.

During the year ended 31 March 2022, the Company issued 6,889,747 Ventures Shares of 0.1p each at an average price of 69.29p per Ordinary Share, 3,136,178 Healthcare Shares of 0.1p each at an average price of 84.74p per Ordinary Share and 2,034,990 AIM Shares of 0.1p each at an average price of 1.0218p per Ordinary Share. No Ventures or Healthcare Management Shares were issued during the year.

Evergreen Share pool review

Ventures Share pool (formerly Generalist)

The task of building the Ventures Share portfolio continued during the year, with £2.0m invested in ten VCT Qualifying companies, two of which were new additions to the portfolio.

The Ventures Share Total Return stood at 73.45p at the year end, representing an increase of 3.75p per share or 5.6% in NAV over the year. This is inclusive of the dividend of 2.75p per share, which was paid on 24 September 2021.

The NAV increase is largely attributable to a number of valuation increases in the qualifying investments, on the back of improvements in performance as the economy has started to normalise after Covid.

Positive developments include E-Fundamentals (Group) Limited, Upp Technologies Group Limited, Hackajob Limited, Cambridge Touch Technologies Limited, and Ayar Labs Inc, which were uplifted by a combined £4.0 million over the year.

Arecor Therapeutics plc undertook a successful IPO which is discussed further in the Investment Manager's Reports for the Ventures and Healthcare pools on pages 10 and 21.

There have, however, also been some valuation reductions, most notably £1.3 million in Trouva (Streethub Limited) which did not recover from the impact of the pandemic and was sold shortly after the year end. Empiribox Holdings Limited reduced in value by £503,000 and Hummingbird Technologies Limited by £405,000 as at 31 March 2022.

Chairman's Statement (continued)

Evergreen Share pool review (continued) **Ventures Share pool (formerly Generalist)** **(continued)**

There were also four full exits during the period, which are set out on page 14 and in the Investment Manager's Report on page 10. Further deferred consideration was received from BridgeU Limited in relation to the exit in 2021. These transactions resulted in a total realised loss of £205,000.

Within the Ventures Liquidity Portfolio, there was a further redemption from MI Downing UK Micro-Cap Growth Fund, which is in the process of winding up. The holding in Downing Strategic Micro-Cap Investment Trust decreased in value by £262,000 in line with general stock market movements.

A more detailed review of the Ventures Share pool is included in the Investment Manager's Report on pages 8 to 19.

Healthcare Share pool

The development of the Healthcare Share portfolio continued during the year, with £4.8 million having been invested in seven VCT Qualifying companies, two of which were new investments.

The Healthcare Share Total Return stood at 89.65p at the year end, representing an increase of 18.65p per share or 27.2% in NAV over the year after adjusting for the Healthcare dividend of 2.75p per share, which was paid on 24 September 2021.

The growth in the Healthcare NAV is the result of positive developments in the Venture Capital portfolio, in particular Arcor Therapeutics plc which is showing a significant increase of £2.7 million with the company listing on AIM on 3 June 2021. There is further information on this investment in the Investment Manager's Report.

Other significant uplifts in Adaptix Limited, GENinCode plc (which also listed on AIM during the year) and Open Bionics Limited totalled £1.6 million.

As with the Ventures Share pool, the Healthcare Share pool received a further redemption from MI Downing UK Micro-Cap Growth Fund, which is in the process of winding up. Downing Strategic Micro-Cap Investment Trust also suffered a reduction in valuation over the year of £44,000.

Within the Healthcare qualifying portfolio, the sole valuation reduction to report was Destiny Pharma plc which was down in value by £564,000 as at 31 March 2022, based on the quoted share price at that date.

A more detailed review of the Healthcare Share pool is included in the Investment Manager's Report on pages 20 to 31.

AIM Share pool

The AIM Share class raised a total of £2.8 million under the offer, and whilst this is less than we had hoped for, it should not create any significant issues for Shareholders as the nature of the fund will allow co-investment to ensure that a reasonably diverse portfolio can still be built.

No investments have been made to date so there is no investment Managers Report for the AIM Share Class included, although I look forward to updating you on the pools progress at the half year point.

Planned Exit Share pools

DSO D Share pool

The DSO D Share portfolio held two remaining investments as at 31 March 2022. As Shareholders will be aware, the ongoing impact of the coronavirus pandemic has continued to cause disruption to the exit processes in respect of these remaining investments.

The two solar businesses, Fresh Green Power Limited and Green Energy Production Limited were sold during the year at a small loss. The funds received were distributed to Shareholders with a dividend of 7.5p per share paid on 7 January 2022.

The realisation of the investments in Pearce and Saunders Limited and Pearce and Saunders DevCo Limited still rests on the sale of the remaining pub site in Eltham. Plans for their exit continue to progress and should conclude before the end of the year.

The DSO D Share NAV stood at 2.6p at the year end, a decrease of 0.1p per share over the year after taking into account the dividend of 7.5p. However, owing to the delays in exiting from the remaining investments, no performance incentive is now expected to be payable, resulting in the Total Return to DSO Shareholders increasing from the level stated at 31 March 2021 by 0.4p per share, or 4.1%. Total Return therefore now stands at 104.6p 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 32.

Chairman's Statement (continued)

Planned Exit Share pools (continued)

DP67 Share pool

The remaining value in the DP67 Share portfolio is spread across three investments which operate in the hospitality sector. As the UK economy continues to recover from the impact of the restrictions, the Manager is now targeting a final exit in 2023.

Cadbury House Holdings has seen good performance since reopening in April 2021 and discussions with management are ongoing in order to seek an exit as soon as reasonably possible.

As at 31 March 2022, the DP67 Share NAV stood at 26.8p and Total Return stood at 94.6p per share, an increase of 8.4p per share, equivalent to a 45.6% in NAV term since 31 March 2021.

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

Share buybacks

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

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

Panmure Gordon continues to act as the Company's corporate broker, 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, the contact details of Panmure Gordon can be found on the Shareholder Information page.

During the year ended 31 March 2022, the Company repurchased 86,425 Ventures Shares at an average price of 67.49p per Share and 159,833 Healthcare Shares at an average price of 85.28p per Share.

Dividends

Downing FOUR has a target of seeking to pay annual dividends for the Ventures and Healthcare share classes of at least 4% of the respective NAVs per annum.

The Board is proposing to pay final dividends of 2.75p per Ventures Share and 3.5p per Healthcare Share on 30 September 2022, to Shareholders on the register as at 2 September 2022. The proposed dividends are subject to Shareholder approval at the forthcoming AGM. Following the payment of the proposed dividends, the Company will have paid cumulative dividends of 8.0p per Ventures Share and 8.75p per Healthcare Share.

Further dividends in respect of the Company's Planned Exit Share pools will be paid once further realisations have taken place. No dividends are expected to be paid by the new AIM-Share class in the initial years.

Responsible investment

The Board notes the Investment Manager, Downing LLP's, commitment to being a "Responsible Investor". Downing LLP places Environmental, Social and Governance (ESG) criteria at the forefront of its business and investment activities, in line with best practice, in order to enhance returns for investors. The Board further notes that the Foresight Group has an equally high commitment to sustainability and is confident that the Company's investments will continue to be managed in a responsible manner in future.

Further detail on Downing's approach to responsible investment, including the key principles and screening approach, can be found on pages 41 and 42.

Annual General Meeting ("AGM")

The Company invites Shareholders to attend this year's AGM in person once more. The AGM is planned to take place at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG at 3.30 p.m. on 27 September 2022.

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

Four items of special business are proposed at the AGM as follows:

- one resolution in respect of the authority to buy back shares as noted above;
- two resolutions in respect of authority to allot shares and disapply pre-emption rights to give the Company flexibility in respect of further fundraising plans; and
- one resolution to cancel the share premium account and capital redemption reserve to give the Company the ability to use the reserve created to acquire shares in the market and, in future, to give flexibility in paying dividends.

Chairman's Statement (continued)

Annual General Meeting (continued)

This year Shareholders will be able submit proxy votes electronically. The details required for voting will be sent to each shareholder. The deadline for proxy votes to be received is 3.30 p.m. on 23 September 2022.

Board changes

As set out in the Half Yearly Report, a review of the board composition was undertaken in August 2021 to ensure it was well aligned with the Company's needs going forward.

Ultimately two candidates from this process were invited to join the board. Steven Clarke and Andrew Mackintosh were appointed as non-executive directors on 8 September 2021. Both have significant experience in the scientific and technology sectors, which is now the main focus of the Company's investment activity.

In addition to the above, Chris Allner, partner of Downing LLP, also joined the board on 8 September 2021 as a non-executive director. His remuneration will be borne by Downing LLP for the first 2 years of his role.

Alongside the above appointments, Russell Catley stepped down as a non-executive director of the Company on 8 September 2021. Russell joined the Company's board following the merger with three other VCTs in 2015. We thank Russell for his valuable contributions throughout his tenure and will miss his sage and intelligent advice. We wish him all the very best in his future activities.

Also, Lord Flight will step down at the forthcoming AGM and will not offer himself for re-election. Lord Flight has been a non-executive director of the Company since its inception in 2009 and was its first chairman. My colleagues and I thank Lord Flight for his significant contributions in several roles through the various phases of the Company's life to date. We wish him every happiness and success in his other ventures.

I believe we now have a board of directors with a broad range of skills and experience that is well suited to oversee the Company during the next years of its life.

Outlook

With the new management arrangements, there will clearly be some changes to your Company over the next year. The Board is satisfied that these changes will be positive for all Shareholders with Downing LLP continuing to manage the Healthcare Share pool and providing support for a gradual transition in the management of the non-ventures investments (primarily those in the planned exit and AIM share pools). Foresight is a substantial and well-respected fund manager and the Board believes that its further expansion into the unquoted ventures space will deliver good benefits to our shareholders. The Board looks forward to working the Foresight Group and continuing to work with the existing ventures team at their new home.

In terms of the planned exit portfolios, we believe the task of exiting from the remaining investments DSO D share class should complete this year. A final exit from the DP67 share class is expected to fall into 2023. The pandemic has caused significant delays because of the type of assets, mainly hospitality, owned by these pools. However, progress is now being made, with exit plans from Cadbury House Holdings now being explored following good post pandemic results.

In respect of the Evergreen share pools, we believe that the Ventures and Healthcare pools now have a solid core of investments that are making progress. Both pools will continue to make new investments with funds that are available and the task of investing the new AIM Share pool will get underway shortly. Foresight is committed to raising new funds for the Ventures Share pool, as is Downing in respect of the Healthcare Share pool, so we look forward to developing the portfolios with attractive new opportunities.

Although the impact of the Covid pandemic is now reducing, there are new threats of increasing inflation, possible recession and the conflict in Ukraine. As a result, recently we have seen falling stock markets and increasing concern about the short-term outlook. However, while we need to be mindful of the potential impact of the challenges, these conditions can present good opportunities.

I look forward to reporting on what is expected to be a busy period in the half yearly report to 30 September 2022.



Sir Aubrey Brocklebank Bt.
Chairman

25 July 2022

Ventures Share Pool

Share Pool Summary

Financial highlights	31 March 2022 Pence	31 March 2021 Pence
Net Asset Value per Ventures Share	68.20	67.2
Cumulative distributions	5.25	2.5
Total Return per Ventures Share	73.45	69.7

Forthcoming Dividend

A proposed final dividend of 2.75p per Ventures Share will be paid on 30 September 2022, to Shareholders on the register at 2 September 2022.

Dividend history

Period end	Date paid	Pence per share
2020 Interim	25 September 2020	2.50
2021 Interim	24 September 2021	2.75
		5.25

Share prices

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

	Ventures Shares
TIDM/EPIC codes	D4G
Latest share price (22 July 2022)	68.0p per share

Performance Incentive arrangements

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

For the year ended 31 March 2022, the hurdle is met when Total Return (based on audited year end results) is in excess of £1.06 per Ventures Share. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2023 the Total Return hurdle will be £1.09, for the year ended 31 March 2024 the hurdle will be £1.12, 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 73.45p and therefore no provision for a performance incentive fee is necessary.

Investment Manager's Report - Ventures Share Pool

i. Overview

Introduction

We present a review of the investment portfolio and activity for the Ventures Share pool for the year ended 31 March 2022.

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

Net Asset Value and results

As at 31 March 2022, the NAV of a Ventures Share stood at 68.2p, an increase of 3.75p (5.6%) for the year after adding back the Ventures dividend, of 2.75p per share, which was paid on 24 September 2021.

The return on ordinary activities for the Ventures Share pool for the year was £1.8 million (2021: £3.7 million), comprising a revenue loss of £491,000 (2021: £91,000) and a capital gain of £2.3 million (2021: £3.8 million).

Whilst there is still a slow recovery in the NAV since 31 March 2021, the Total Return to Shareholders as at 31 March 2022, of 73.4p, continues to be considered an underperformance against our expectations for the Ventures Share pool.

A final dividend of 2.75p per share is proposed to be paid on 30 September 2022, to Shareholders on the register at 2 September 2022. This is in line with the stated dividend target for the Ventures Share pool, to pay dividends of at least 4% of net assets per annum.

Portfolio Overview

As at 31 March 2022, the Ventures Share pool held a portfolio of 34 Venture Capital investments and two Liquidity investments, with a combined value of £31.3 million.

As the restrictions of the pandemic were slowly lifted over the course of the year ended 31 March 2022, it continued to be a period of challenges for businesses in the UK and the rest of the World. We have been pleased to see significant recovery in some of the companies in the portfolio, although others are still struggling in the aftermath.

There are a number of risks emerging including both the situation in Ukraine and the impact of increasing inflation in the UK. We will continue to work closely with portfolio companies to provide guidance and, where appropriate, additional funding in order to deliver support through these turbulent times.

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

Portfolio Performance

Overall, several larger valuation reductions in the Venture Capital Portfolio were more than offset by a number of valuation uplifts during the period, resulting in a net valuation uplift on this portfolio, of £2.4 million.

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 31 March 2022. This resulted in a valuation decrease of £238,000 for the period.

ii. Venture Capital Portfolio

Investment activity

During the period, a total of £2.1 million was invested in ten businesses, two of which are new VCT Qualifying investments.

New Venture Capital investments

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

DSTBTD Limited (trading as Distributed Limited) (£275,000) has built a platform that connects enterprise clients with fully remote developer teams across the globe to address demand for outsourced software development.

Bulbshare Limited (£245,000) has developed a SaaS platform which enables brands to build communities from their existing customers/fans both to gather insights from and to create a richer experience for those customers.

Follow-on Venture Capital investments

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

Cambridge Touch Technologies Limited (£500,000) is developing pressure sensitive multi touch technology that is cheaper and simpler to integrate in touch screen panels of mobile devices.

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

ii. Venture Capital Portfolio (continued)

Investment activity (continued)

New Venture Capital investments (continued)

On 3 June 2021 **Arecor Therapeutics plc** ("Arecor") undertook a successful IPO on AIM. As part of the IPO, the Ventures Share pool's existing loan note holding was converted into ordinary shares.

E-Fundamentals Group Limited (£166,000) is a Software as a Service (SaaS) analytics company, which has developed and commercialised a SaaS analytics tool sold directly to companies to enable them to accurately assess the performance of their products when being sold through third party e-commerce sites.

FVRVS Limited (trading as Fundamental VR) (£125,000) has developed a platform, Fundamental Surgery, which is the market leading medical education platform delivering multimodal simulation and education across tethered and all-in-one VR, mixed reality and mobile, harnessing the very latest AI techniques. It is the only global platform to have achieved educational accreditation from leading medical institutions such as the AAOS and Royal College of Surgeons England.

Rated People Limited (£100,000) is an online marketplace connecting homeowners with local tradespeople.

MIP Discovery Limited (previously MIP Diagnostics) (£100,000) is a technology leader in the field of Molecularly Imprinted Polymers (MIPs) - polymer based synthetic antibodies that provide a viable alternative to antibodies for diagnostic immunoassays which are used across a variety of sectors including diagnostics, sensors, food testing and reagent purification.

£71,000 was invested in **Streethub Limited (trading as Trouva)** in order to support the business towards an exit. After the year end, the Ventures Share Pool exited in full recovering only the value of this latest investment.

Channel Mum Limited has been trading well in recent months and a further £62,000 was invested in order to facilitate an exit.

There were two full exits during the year. **Xupes Limited**, a pre-owned luxury goods retailer generated proceeds of £675,000 at a profit of £384,000 over the value at 31 March 2021.

JRNI Limited, a business to business (B2B) software platform that enables companies to offer online appointments and event bookings for their customers and staff, exited at £23,000 profit over cost.

It is disappointing to report that **Exonar Limited** and **Glownet Limited** both exited in full for nil proceeds during the year, with a combined loss of £379,000 against the value held at 31 March 2021.

Deferred consideration of £301,000 was received in relation to the exit of **BridgeU Limited** which occurred in the year ended 31 March 2021.

Portfolio valuation

During the period, the Venture Capital portfolio of the Ventures Share pool increased in value by a total of £2.7 million. Whilst there have been a number of significant positive developments within the Venture Capital portfolio, this was in part offset by the reduction in value of several companies due to them not progressing as we had hoped.

Streethub Limited (t/a Trouva) failed to recover after the impact of the pandemic and is well behind budget. The Ventures Share Pool exited after the year end and the value of the investment has therefore been reduced by £1.27 million to reflect the amount recovered.

E-Fundamentals Group Limited continues to progress well both in the UK and in the US, with recurring revenues continuing to grow. This strong performance has resulted in a valuation uplift of £1.27 million as at 31 March 2022.

Upp Technologies Limited (previously Volo Commerce) a provider of multichannel e-commerce technology, was increased in value by £835,000 as its performance recovers following a change in strategy and a new product focus.

Ayar Labs inc. the developer of components for high performance computing and data centre applications, was uplifted in valuation by £800,000 as at 31 March 2022, including the impact of foreign exchange. This revaluation is the result of a calibration to the price set under a recent funding round.

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

ii. Venture Capital Portfolio (continued)

Portfolio valuation (continued)

The valuation of **Arecor** was uplifted by £723,000 as at 31 March 2022. Further valuation commentary can be found on page 21, within the report on the Healthcare portfolio.

Cambridge Touch Technologies Limited was uplifted by £508,000 to align with the valuation set under the recent round of funding.

Hummingbird Technologies Limited the owner of an advanced crop analytics platform that is powered by machine learning and aerial imagery, was reduced in value by £503,000 as at 31 March 2022, on the back of a downgrade in revenue forecasts.

The remaining investments in the Venture Capital Portfolio were adjusted in value by a total net uplift of £314,000 as at 31 March 2022.

Outlook

There have been a number of positive developments in the portfolio, as the investments continue to recover in the aftermath of the pandemic and life returns to 'normal'.

We continue to actively engage with these companies, providing guidance and support to ensure they are well positioned to achieve their milestones.

Liquidity Investments

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 31 March 2022. This resulted in a total reduction of £238,000 for the year.

Downing Strategic Micro-Cap Investment Trust plc

The value of the Ventures Share pool's holding in Downing Strategic Micro-Cap Investment Trust plc ("DSM") decreased in value by £262,000 during the period. As at 31 March 2022, DSM's mid-market share price traded at a discount to NAV of 21.36%, representing potential unrealised value in the company's share price. The Managers of DSM believe that the trust's portfolio also has a level of intrinsic value which is yet to be recognised by the market and believe that a return of positive sentiment to value investing could further enhance this.

DSM reported positive results for the full year ended 28 February 2022. The Company reported a 5.3% increase in NAV, and 1% increase in the share price, despite the volatility in markets due to the post-Covid macroeconomic backdrop and the conflict in Ukraine. The managers remain positive on the prospects for the Company's holdings which are generally cheaper than the wider market, with stronger balance sheets and good growth prospects from the compelling products or services they provide. Typically, these investments have gone through significant catalytic changes over the last few years and are therefore stronger than they were pre this period of economic instability.

Downing UK Micro-Cap Growth Fund

Ventures Shareholders will be aware of the small residual investment in Downing Micro-Cap Growth Fund ("DMCG"). Since 19th February 2021, the ACD (Associated Corporate Director) has been working with the investment manager Downing LLP to dispose of and liquidate all assets of the Fund with the intention of returning monies to investors at the earliest opportunity. The second round of capital distributions were made in June 2021, returning proceeds of £301,000, realising gains of £31,000 over the valuations as at 31 March 2021. More than the price per share at which the fund was suspended has now been returned to shareholders.

Over the year to 31 March 2022, the Ventures Share pool's residual holding in DMCG increased in value by £24,000.

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

Outlook

The ramifications of the pandemic continued to disrupt throughout the reporting period, and markets have been faced with extreme demand /supply side shocks, labour shortages, energy price crises, and freight and logistical challenges. The macroeconomic backdrop remains concerning and markets are likely to remain volatile in the months ahead as rising inflation, higher interest rates and the situation in Ukraine all cause concern.

The year ahead is likely to be more difficult than last year, where lingering Covid issues were offset by massive stimulus and record household savings feeding a demand spike. Supply chain issues continue to have an impact, Covid is still crippling parts of China where so many goods are manufactured, household savings are being rapidly eroded by the unforeseen cost of living crisis, and expansionary policy has reversed. Confidence is low and uncertainty is high. However, the portfolio contains good companies, with plenty of scope for strong balance sheets, and significant prospects for growth over the long-term.

As you will have seen in the Chairman's Statement, following the year end, Downing LLP agreed to sell its technology Ventures business to Foresight Group LLP. As part of the transaction, the Investment Management agreement was novated from Downing to Foresight on 5 July 2022 and the whole of the Downing Ventures team and key support staff were transferred to Foresight.

We look forward to managing the assets as part of the Foresight Group, our new home, and the next chapter for the Company.

Downing LLP – Ventures Team
25 July 2022

Review of Investments – Ventures Share Pool

The following investments were held at 31 March 2022:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
E-Fundamentals (Group) Limited	1,508	3,847	1,273	10.8%
Rated People Limited	1,382	1,895	211	5.3%
Virtual Class Limited (Third Space Learning)	1,053	1,816	(60)	5.1%
Imagen Limited	1,000	1,763	(65)	5.0%
Ayar Labs, Inc.	764	1,526	800	4.3%
Hackajob Limited	784	1,523	739	4.3%
Cornelis Networks, Inc.	1,402	1,370	63	3.9%
Cambridge Touch Technologies Limited	959	1,369	508	3.8%
Ecstase Limited (t/a ADAY)	1,000	1,257	257	3.5%
Trinny London Limited	219	1,240	283	3.5%
Arecor Therapeutics plc^	418	1,141	723	3.2%
Upp Technologies Group Limited (previously Volo Commerce)	1,077	1,077	835	3.0%
Firefly Learning Limited	1,047	1,047	-	2.9%
Limitless Technology Limited	757	920	-	2.6%
FundingXchange Limited	1,050	786	(264)	2.2%
Congenica Limited	734	746	-	2.1%
Parsable, Inc.	766	711	33	2.0%
Masters of Pie Limited	667	667	-	1.9%
Carbice Corporation	656	639	30	1.8%
FVRVS Limited (t/a Fundamental VR)	375	484	109	1.4%
Maverick Pubs (Holdings) Limited	1,000	450	-	1.3%
Fenkle Street LLP*	301	405	17	1.1%
MIP Discovery Limited (previously MIP Diagnostics Limited)	300	300	-	0.8%
Channel Mum Limited	737	291	(49)	0.8%
DSTBTD Limited (t/a Distributed Limited)	275	275	-	0.8%
Hummingbird Technologies Limited	750	250	(503)	0.7%
Bulbshare Limited	249	249	-	0.7%
Destiny Pharma plc^	500	153	(376)	0.4%
Streethub Limited (t/a Trouva)	1,279	71	(1,273)	0.2%
Empiribox Holdings Limited	1,563	-	(405)	0.0%
Lineten Limited	400	-	(209)	0.0%
Lignia Wood Company Limited	1,778	-	-	0.0%
Live Better With Limited	1,211	-	-	0.0%
Ormsborough Limited	900	-	-	0.0%
London City Shopping Centre Limited*	30	-	-	0.0%
	28,891	28,268	2,677	79.4%
Liquidity investments				
Downing Strategic Micro-Cap Investment Trust plc^	4,269	2,875	(262)	8.1%
MI Downing UK Micro-Cap Growth Fund*	123	116	24	0.3%
	4,392	2,991	(238)	8.4%
	33,283	31,259	2,439	87.8%
Cash at bank and in hand		4,321		12.2%
Total investments		35,580		100.0%

*non-qualifying investment

^listed and traded on the London Stock Exchange

All Venture Capital investments are incorporated in England and Wales, except Ayar Labs, Inc. Cornelis Networks, Inc. and Parsable, Inc. which are incorporated in USA.

Review of Investments – Ventures Share Pool (continued)

Investment movements for the year ended 31 March 2022

Additions	Cost £'000
Venture Capital investments	
Cambridge Touch Technologies Limited	500
Arecor Therapeutics plc^	418
DSTBTD Limited (t/a Distributed Limited)	275
Bulbshare Limited	249
E-Fundamentals (Group) Limited	166
FVRVS Limited (t/a Fundamental VR)	125
Rated People Limited	100
MIP Discovery Limited (previously MIP Diagnostics Limited)	100
Streethub Limited (t/a Trouva)	71
Channel Mum Limited	62
Arecor Limited	4
	2,070

Disposals	Cost £'000	Valuation at 01/04/21* £'000	Proceeds £'000	(Loss)/Gain vs. cost £'000	Realised gain/(loss) £'000
Venture Capital investments					
Xupes Limited	933	291	675	(258)	384
JRNI Limited	525	525	548	23	23
Arecor Limited	418	418	418	-	-
Glownet Limited	741	-	-	(741)	-
Exonar Limited	550	379	-	(550)	(379)
BridgeU Limited ***	-	-	143	143	143
Liquidity investments					
MI Downing UK Micro-Cap Growth Fund**	369	270	301	(68)	31
	3,536	1,883	2,065	(1,451)	(202)

*adjusted for additions in the year as appropriate

**non-qualifying investment

***deferred proceeds not recognised in prior periods

Review of Investments – Ventures Share Pool (continued)

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

E Fundamentals (Group) Limited www.ef.uk.com 	Cost at 31/03/22:	£1,508,000	Valuation at 31/03/22:	£3,847,000
	Cost at 31/03/21:	£1,342,000	Valuation at 31/03/21:	£2,408,000
	Date of first investment:	Dec-17	Valuation method:	Discounted Cash Flow
	Investment comprises:			
	Equity:	£1,342,000	% of total shares in issue/total voting rights	10.6%
Summary financial information from statutory accounts to 31 December:				
			2020	2019
	Net assets:		£11.4m	£10.0m
E-Fundamentals (Group) Limited is a Software as a Service (SaaS) analytics company, which has developed and commercialised a SaaS analytics tool sold directly to companies to enable them to accurately assess the performance of their products when being sold through third party e-commerce sites.				
Rated People Limited www.ratedpeople.com 	Cost at 31/03/22:	£1,382,000	Valuation at 31/03/22:	£1,895,000
	Cost at 31/03/21:	£1,282,000	Valuation at 31/03/21:	£1,584,000
	Date of first investment:	Nov-18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£1,382,000	% of total shares in issue % of total voting rights	1.3% 3.2%
Summary financial information from statutory accounts to 31 December:				
			2020	2019
	Turnover:		£11.6m	£13.4m
	Profit/(Loss) before tax:		£0.2m	(£3.8m)
	Net liabilities:		(£4.3m)	(£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.				
Virtual Class Limited (Third Space Learning) www.thirdspacelearning.com 	Cost at 31/03/22:	£1,053,000	Valuation at 31/03/22:	£1,816,000
	Cost at 31/03/21:	£1,053,000	Valuation at 31/03/21:	£1,876,000
	Date of first investment:	Apr-18	Valuation method:	Multiple
	Investment comprises:			
	Equity:	£1,053,000	% of total shares in issue % of total voting rights	4.5% 7.8%
Summary financial information from statutory accounts to 31 July:				
			2021	2020
	Net assets:		£1.8m	£0.1m
Third Space Learning has developed an online educational platform that provides mathematics tuition to pupils studying for their exams, offering online 1-to-1 maths intervention and high-quality resources that help develop the building blocks to success in maths.				

Review of Investments – Ventures Share Pool (continued)

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

Imagen Limited www.imagenevp.com imagen^o	Cost at 31/03/22:	£1,000,000	Valuation at 31/03/22:	£1,763,000
	Cost at 31/03/21:	£1,000,000	Valuation at 31/03/21:	£1,828,000
	Date of first investment:	Dec-18	Valuation method:	Discounted Cash Flow
	Investment comprises:			
	Equity:	£1,000,000	% of total shares in issue/total voting rights	4.9%
Summary financial information from statutory accounts to 31 May:				
			2021	2020
	Net (liabilities)/assets:		(£1.9m)	£0.5m
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.				
Ayar labs, Inc. www.ayarlabs.com AyarLabs	Cost at 31/03/22:	£764,000	Valuation at 31/03/22:	£1,526,000
	Cost at 31/03/21:	£764,000	Valuation at 31/03/21:	£726,000
	Date of first investment:	Aug-20	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£764,000	% of total shares in issue/total voting rights	5.0%
Summary financial information not publicly available.				
Ayar Labs is developing a solution to overcome the power/performance scaling challenges of semiconductors as well as the interconnect bandwidth bottleneck between those devices, through the use of its Optical I/O technology.				
Hackajob Limited www.hackajob.co hackajob	Cost at 31/03/22:	£784,000	Valuation at 31/03/22:	£1,523,000
	Cost at 31/03/21:	£784,000	Valuation at 31/03/21:	£784,000
	Date of first investment:	Oct-18	Valuation method:	Multiple
	Investment comprises:			
	Equity:	£784,000	% of total shares in issue/total voting rights	4.7%
Summary financial information from statutory accounts to 31 October:				
			2020	2019
	Net (liabilities)/assets:		(£1.2m)	£0.5m
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 mode.				

Review of Investments – Ventures Share Pool (continued)

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

Cornelis Networks, Inc. www.cornelisnetworks.com 	Cost at 31/03/22:	£1,402,000	Valuation at 31/03/22:	£1,370,000
	Cost at 31/03/21:	£1,402,000	Valuation at 31/03/21:	£1,307,000
	Date of first investment:	Sep-20	Valuation method:	Calibration to price of recent investment (in USD)
	Investment comprises:			
	Equity:	£1,402,000	% of total shares in issue/total voting rights	3.3%
Summary financial information not publicly available.				
Cornelis Networks is a provider of purpose-built interconnects focused on high performance computing (HPC), high performance data analytics (HPDA), and artificial intelligence (AI). Cornelis Networks is an independent company spun out from Intel's Omni-Path Architecture Business. Omni-Path Architecture enables quicker processing and output with minimal lag and power consumption – a critical element with the increasing data requirements in next-gen technology.				
Cambridge Touch Technologies Limited www.camtouch3d.com 	Cost at 31/03/22:	£959,000	Valuation at 31/03/22:	£1,369,000
	Cost at 31/03/21:	£459,000	Valuation at 31/03/21:	£361,000
	Date of first investment:	Jul-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£959,000	% of total shares in issue/total voting rights	1.8%
Summary financial information from statutory accounts to 30 September				
				2021 2020
Net assets:				£2.6m £5.8m
Cambridge Touch Technology is developing pressure sensitive multi touch technology that is cheaper and simpler to integrate in touch screen panels of mobile devices. UltraTouch will work in rain, with gloves and underwater on curved and foldable screens.				
Ecstase Limited (t/a ADAY) www.thisisaday.com 	Cost at 31/03/22:	£1,000,000	Valuation at 31/03/22:	£1,257,000
	Cost at 31/03/21:	£1,000,000	Valuation at 31/03/21:	£1,000,000
	Date of first investment:	Nov-19	Valuation method:	Multiples
	Investment comprises:			
	Equity:	£1,000,000	% of total shares in issue/total voting rights	4.4%
Summary financial information from statutory accounts to 30 June:				
				2021 2020
Net assets:				£8.6m £9.0m
ADAY is an e-commerce clothing brand creating versatile, seasonless garments using fabrics and factories with a low environmental footprint. Founded in 2015, the company creates and sells direct to consumer multi-functional clothes for professional women using 'technical' fabrics more commonly used for sports attire, and where possible, incorporating the latest innovation in sustainable materials and sustainable manufacturing.				

Review of Investments – Ventures Share Pool (continued)

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

Trinny London Limited www.trinnylondon.com T R I N N Y L O N D O N	Cost at 31/03/22:	£219,000	Valuation at 31/03/22:	£1,240,000
	Cost at 31/03/21:	£219,000	Valuation at 31/03/21:	£957,000
	Date of first investment:	Jul-20	Valuation method:	Multiples
	Investment comprises:			
	Equity:	£219,000	% of total shares in issue/total voting rights	0.5%
	Summary financial information from statutory accounts to 30 June:			
		2021	2020	
	Turnover:	£44.2m	£13.4m	
	Profit before tax:	£2.7m	£0.4m	
	Net assets:	£7.1m	£2.8m	
Trinny London is a premium cosmetic and skincare brand launched in 2016 by Trinny Woodall and Mark McGuinness-Smith. The business' online platform can match customers with products suiting their complexion.				

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

Summary of loan interest income and interest on advances

Loan interest and interest on advances receivable in the year	£'000
E Fundamentals Limited	11
Fundamental VR Limited	7
Channel Mum Limited	2
StreetHub Limited	2
Xupes Limited	1
	23

Analysis of investments by type

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

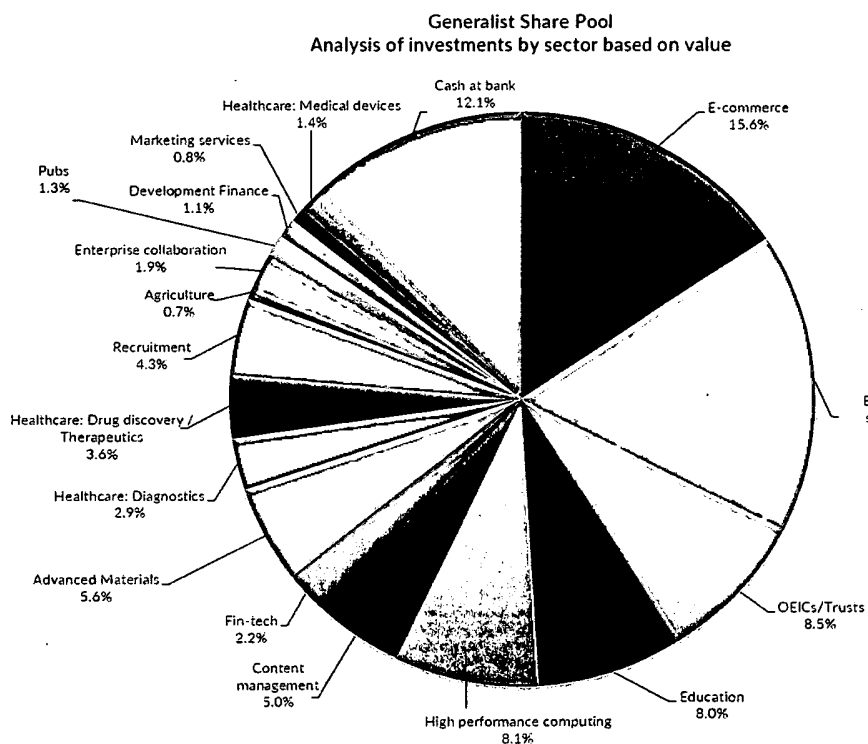
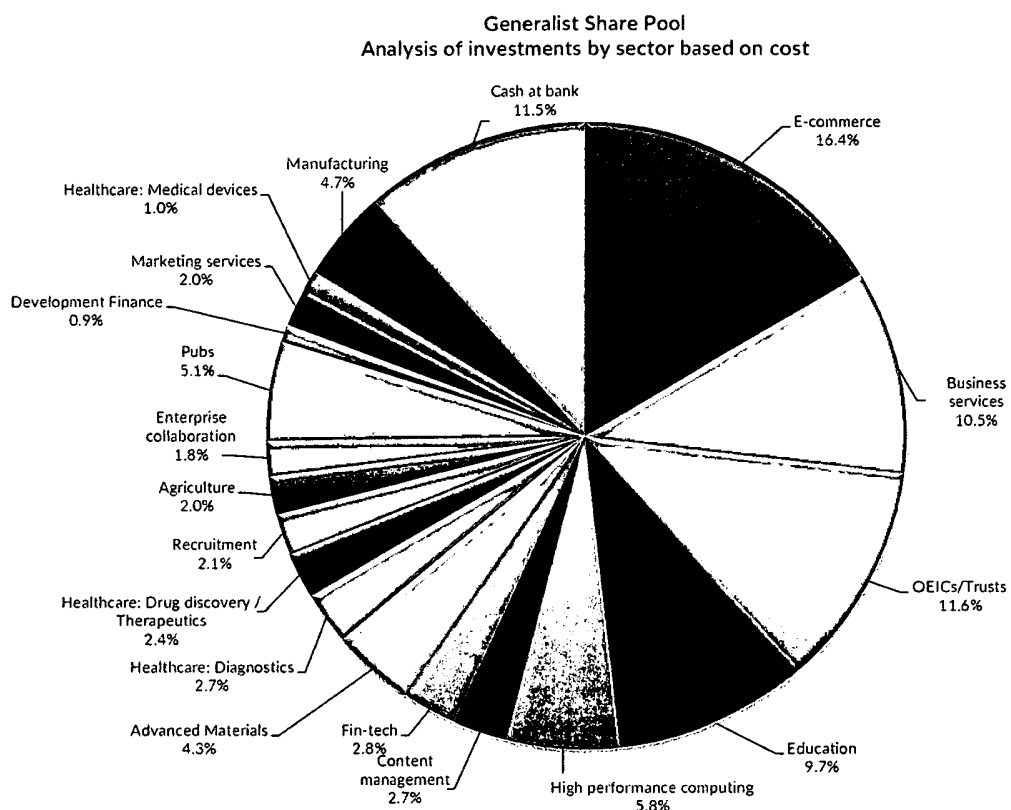
	Actual portfolio split at 31 March 2022**	Target portfolio split at 31 March 2022*
VCT Qualifying Investments		
Qualifying loans	1%	25%
Qualifying equity	77%	60%
Total	78%	85%
Non-Qualifying Investments		
Liquidity investments and Non-Qualifying loans	19%	5%
Total	97%	90%
Cash	3%	10%
	100%	100%

* With effect from 1 April 2021, the majority of Ventures funds are subject to the 80% VCT Qualification test, and the Manager aims to maintain a VCT Qualifying percentage comfortably in excess of the minimum required.

**Excludes funds to which the VCT Qualification test was yet to apply, as at 31 March 2022.

The split of the Ventures Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2022) are shown on the next page.

Review of Investments – Ventures Share Pool (continued)



Healthcare Share Pool

Share Pool Summary

Financial highlights	31 March 2022 Pence	31 March 2021 Pence
Net Asset Value per Healthcare Share	84.40	68.5
Cumulative distributions	5.25	2.5
Total Return per Healthcare Share	89.65	71.0

Forthcoming Dividend

A proposed final dividend of 3.5p per Healthcare Share will be paid on 30 September 2022, to Shareholders on the register at 2 September 2022.

Dividend history

Period end	Date paid	Pence per share
2020 Interim	25 September 2020	2.50
2021 Interim	24 September 2021	2.75
		5.25

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 (22 July 2022)	83.0p per share

Performance Incentive arrangements

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

For the year ended 31 March 2022, the hurdle is met when Total Return (based on audited year end results) is in excess of £1.06 per Healthcare Share. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2023 the Total Return hurdle will be £1.09, for the year ended 31 March 2024 the hurdle will be £1.12, 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 89.65p and therefore no provision for a performance incentive fee is necessary.

Investment Manager's Report- Healthcare Share Pool

i. Overview

Introduction

We present a review of the investment portfolio and activity for the Healthcare Share pool over the year ended 31 March 2022.

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

Net Asset Value and results

As at 31 March 2022, the NAV of a Healthcare share stood at 84.4p, an increase of 18.6p (27.2%) over the year after adding back the Healthcare dividend, of 2.75p per share, which was paid on 24 September 2021.

The return on ordinary activities for the Healthcare Share pool for the year was £3.7 million (2021: £549,000), being a revenue loss of £314,000 (2021: £113,000) and a capital gain of £3.98 million (2021: £662,000).

There has now been significant recovery in the NAV since 31 March 2021 which we are pleased with, although the Total Return to Shareholders as at 31 March 2022, of 89.7p, continues to be considered an underperformance against our expectations for the Healthcare Share pool.

A proposed final dividend of 3.5p per share will be paid on 30 September 2022, to Shareholders on the register at 2 September 2022. This is in line with the stated dividend target for the Healthcare Share pool, to pay dividends of at least 4% of net assets per annum.

Portfolio Overview

As at 31 March 2022, the Healthcare Share pool held a portfolio of 15 Venture Capital investments and two Liquidity investments, with a combined value of £15.9 million.

We have been pleased to see significant recovery across much of the portfolio with many of the established companies increasing in value in the period and two IPOs demonstrating the potential for success in the portfolio.

However, there are a number of risks which have developed over the latter part of the year, including both the situation in Ukraine and the impact of increasing inflation in the UK. We will continue to monitor the situation alongside our investee companies in order to minimise the risk exposure as much as possible and to provide guidance and support as necessary.

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

Portfolio Performance

There were several valuation movements in the Venture Capital Portfolio during the year, resulting in a net valuation uplift of £4.2 million as at 31 March 2022.

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 31 March 2022, resulting in a valuation decrease of £36,000 for the year.

ii. Venture Capital Portfolio

Investment activity

During the year, a total of £4.8 million was invested in eight businesses, two of which are new VCT Qualifying investments.

New Venture Capital investments

DIA Imaging Analysis EU (£415,000) is a leading provider of advanced AI-based solutions for ultrasound analysis. The additional capital will enable DiA to expand its portfolio of FDA-cleared and CE-marked AI-based ultrasound solutions that enable clinicians to identify clinical abnormalities with speed and accuracy.

Closed Loop Medicine Limited (£650,000) has developed an integrated healthcare technology intended to improve patient outcomes and health system performance by combining drugs/medicines with its digital platform for greater precision in treatment that is personalised to the individual.

Follow-on Venture Capital investments

GENinCode plc ("GENinCode") develops products and technology that helps patients and healthcare practitioners to assess and predict the onset of cardiovascular disease, thrombosis, and the diagnosis of Familial Hypercholesterolemia. As part of the Company's IPO on 22 July 2021, the Healthcare Share pool made a follow-on investment of £302,000 in the business.

On 3 June 2021 **Areco Therapeutics plc ("Areco")** undertook a successful IPO on AIM (see portfolio valuation commentary). As part of the IPO, the Healthcare Share pool's existing loan note holding was converted into ordinary shares.

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

ii. Venture Capital Portfolio (continued)

Investment activity (continued)

Follow-on Venture Capital investments (continued)

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

A further £250,000 was invested in **FVRVS Limited** (trading as Fundamental VR) which provides surgery simulation software for enterprise clients and hospitals.

The Electrospinning Company Limited is a supplier and manufacturer of clinical-grade biomaterials, which can be used to act as a synthetic scaffold for implantation within body tissue to promote repair post trauma or surgery. During the period the Healthcare Share pool invested a further £200,000 in the business.

MIP Discovery Limited (previously MIP Diagnostics Limited) is a manufacturer of polymer based synthetic antibodies that provide a viable alternative to antibodies for diagnostic immunoassays which are used across a variety of sectors including diagnostics, sensors, food testing and reagent purification. A further £100,000 was invested in the year to 31 March 2022.

Portfolio valuation

During the period, the Venture Capital portfolio of the Healthcare Share pool increased in value by a total of £4.2 million.

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

Since its IPO, **Areacor** has made several positive updates on the progress of its products, which have bolstered its share price. As at 31 March 2022, the market capitalisation of Areacor was £101 million. With the valuation now being based on the quoted bid price, the valuation of the Healthcare Share pool's investment in the group was uplifted by £2.7 million over the year to 31 March 2022.

Adaptix Limited increased in value by £758,000 as at 31 March 2022, in line with calibrations to the valuations set under their latest funding rounds. The company is developing a flat panel X-ray source which seeks to improve the accuracy and mobility of 3D imaging

GENinCode plc successfully admitted its shares to trading on AIM on 22 July 2021, taking the market capitalisation of the company to approximately £42 million at that date. In line with the quoted bid price as at 31 March 2022, the Healthcare Share pool's holding was increased in value by £422,000.

Open Bionics Limited is an award-winning designer, manufacturer and supplier of bionic limbs. The company uses 3D printing and scanning technology to produce custom-made prosthetics at a lower manufacturing cost relative to existing technologies. The valuation of the business has been increased in accordance with an external valuation. The resulting uplift for the Healthcare Share pool was £379,000 as at 31 March 2022.

The valuations of **FVRVS Limited** (trading as Fundamental VR) and **Future Health Works Limited** (trading as MyRecovery) have been increased by £218,000 and £194,000 respectively in order to calibrate to the most recent funding rounds.

The valuation of the Healthcare Share pool's investment in **The Electrospinning Company Limited** has been calibrated to the price of the most recent funding round and increased by £124,000 at 31 March 2022 as a result.

Destiny Pharma plc, which is listed on AIM, was reduced in value by £564,000. The business continues to progress with its clinical pipeline and trials, however the quoted share price continues to fall on the back of limited trading volumes. We remain confident that there will be long-term appreciation in the share price, as key milestones continue to be achieved.

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

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

iii. Liquidity Investments

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 31 March 2022, resulting in a total reduction of £36,000 for the year.

Downing Strategic Micro-Cap Investment Trust plc

The value of the Healthcare Share pool's holding in Downing Strategic Micro-Cap Investment Trust plc ("DSM") decreased in value by £44,000 during the period. As at 31 March 2022, DSM's mid-market share price traded at a discount to NAV of 21.36%, representing potential unrealised value in the company's share price.

Downing UK Micro-Cap Growth Fund

There remains a small residual investment in MI Downing Micro-Cap Growth Fund ("DMCG"). As at 31 March 2022, the Ventures Share pool's residual holding in DMCG increased in value by £8,000.

See page 11 of the Ventures Share pool Investment Managers Report for further information on the Liquidity Investments.

Outlook

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

We are pleased that the majority of the Healthcare Venture Capital portfolio has coped well with the repercussions of the pandemic, with some strong results in our more established portfolio. We believe there is much potential still to be realised within a number of these businesses.

As you will have seen in the Chairman's Statement, following the year end, Downing LLP agreed to sell its technology Ventures portfolio business to Foresight Group LLP. The management of the Healthcare share pool will remain with Downing and will continue to be managed by Downing's expanding Healthcare team.

We look forward to continuing to manage the assets alongside Foresight Group where the remainder of the VCT will be settling into its new home.

Downing LLP – Healthcare Ventures Team
25 July 2022

Review of Investments – Healthcare Share Pool

The following investments were held at 31 March 2022:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
Arecor Therapeutics plc^	1,533	4,186	2,653	22.7%
Adaptix Limited	1,056	1,843	758	10.0%
GENinCode plc^	1,202	1,624	422	8.8%
Open Bionics Limited	1,000	1,379	379	7.5%
Congenica Limited	1,184	1,215	-	6.6%
FVRVS Limited (t/a Fundamental VR)	750	968	218	5.3%
Cambridge Respiratory Innovations Limited	800	800	-	4.3%
Future Health Works Limited (t/a MyRecovery)	528	750	194	4.1%
Closed Loop Medicine Limited	650	650	-	3.5%
The Electrospinning Company Limited	478	544	124	3.0%
Invizius Limited	500	500	-	2.7%
DiA Imaging Analysis EU	415	429	14	2.3%
MIP Discovery Limited (previously MIP Diagnostics Limited)	300	300	-	1.6%
Destiny Pharma plc^	750	229	(564)	1.2%
Live Better With Limited	1,106	-	-	0.0%
	12,252	15,417	4,198	83.6%
Liquidity Investments				
Downing Strategic Micro-Cap Investment Trust plc*^	729	491	(44)	2.7%
MI Downing UK Micro-Cap Growth Fund*	40	37	8	0.2%
	769	528	(36)	2.9%
	13,021	15,945	4,162	86.5%
Cash at bank and in hand		2,483		13.5%
Total investments		18,428		100.0%

*non-qualifying investment

^listed and traded on the London Stock Exchange

Review of Investments – Healthcare Share Pool (continued)

Investment movements for the year ended 31 March 2022

Additions	Cost £'000
Venture Capital investments	
Arecor Therapeutics plc^	1,533
GENinCode plc^	1,202
Closed Loop Medicine Limited	650
DiA Imaging Analysis EU	415
Cambridge Respiratory Innovations Limited	400
FVRVS Limited (t/a Fundamental VR)	250
The Electrospinning Company Limited	200
MIP Discovery Limited (previously MIP Diagnostics Limited)	100
Arecor Limited	14
	4,764

Disposals	Cost £'000	Valuation at 01/04/21* £'000	Proceeds £'000	Loss vs. cost £'000	Realised gain £'000
Venture Capital investments					
Arecor Therapeutics plc^	1,533	1,533	1,533	-	-
GENinCode plc^	900	900	900	-	-
Liquidity investments					
MI Downing UK Micro-Cap Growth Fund**	116	86	96	(20)	10
	2,549	2,519	2,529	(20)	10

*adjusted for additions in the year as appropriate

**non-qualifying investment

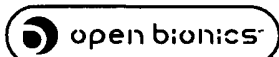
Review of Investments – Healthcare Share Pool (continued)

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

Arecor Therapeutics plc www.arecor.com 	Cost at 31/03/22:	£1,533,000	Valuation at 31/03/22:	£4,186,000
	Cost at 31/03/21:*	£1,519,000	Valuation at 31/03/21:	£1,519,000
	Date of first investment:	Sep-18	Valuation method:	Quoted
	Investment comprises:			
	Equity	£1,533,000	% of total shares in issue/total voting rights	5.5%
Summary financial information from statutory accounts to 31 December:				
			2020	2019
Net assets:			£0.9m	£3.1m
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. On 3 June 2022, Arecor admitted its shares to trading on AIM and raised a further £20 million via a new placing. The proceeds will be used to facilitate the development of its internal proprietary diabetes and specialty hospital products.				
Adaptix Limited www.adaptiximaging.com 	Cost at 31/03/22:	£1,056,000	Valuation at 31/03/22:	£1,843,000
	Cost at 31/03/21:	£1,056,000	Valuation at 31/03/21:	£1,085,000
	Date of first investment:	Mar-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£1,056,000	% of total shares in issue	5.1%
			% of total voting rights	5.5%
Summary financial information from statutory accounts to 31 March:				
			2021	2020
Turnover:			£0.8m	£0.2m
Loss before tax:			(£1.1m)	(£0.9m)
Net assets:			£8.2m	£6.9m
Adaptix has designed a flatpanel x-ray source to improve the accuracy and mobility of 3D imaging. The company's technology will make portable, low radiation-dose 3D imaging more accessible and less costly than systems currently available on the market. The technology will also allow hospitals to provide faster and more definitive diagnoses.				

Review of Investments – Healthcare Share Pool (continued)

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

GENinCode plc www.genincode.com 	Cost at 31/03/22:	£1,202,000	Valuation at 31/03/22:	£1,624,000
	Cost at 31/03/21:	£900,000	Valuation at 31/03/21:	£900,000
	Date of first investment:	Jul-20	Valuation method:	Quoted
	Investment comprises:			
	Equity:	£1,202,000	% of total shares in issue/total voting rights	0.9%
Summary financial information from statutory accounts to 31 December:				
		2020		2019
Turnover:		£1.0m		£1.9m
Loss before tax:		(£1.1m)		(£0.5m)
Net assets/(liabilities):		£1.9m		(£0.3m)
GENinCode products combine genetic and clinical data to risk assess patients and provide healthcare practitioners with advanced clinical information to evaluate and predict the onset of cardiovascular disease. GENinCode predictive technology provides patients and physicians with globally leading preventative care and treatment strategies. On 22 July 2021 GENinCode Limited admitted its shares to trading on AIM.				
Open Bionics Limited www.openbionics.com 	Cost at 31/03/22:	£1,000,000	Valuation at 31/03/22:	£1,379,000
	Cost at 31/03/21:	£1,000,000	Valuation at 31/03/21:	£1,000,000
	Date of first investment:	Dec-18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£1,000,000	% of total shares in issue/total voting rights	8.1%
Summary financial information from statutory accounts to 31 December:				
		2021		2020
Net assets:		£0.8m		£2.1m
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.				
Congenica Limited www.congenica.com 	Cost at 31/03/22:	£1,184,000	Valuation at 31/03/22:	£1,215,000
	Cost at 31/03/21:	£1,184,000	Valuation at 31/03/21:	£1,215,000
	Date of first investment:	Oct-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity	£1,184,000	% of total shares in issue/total voting rights	2.1%
Summary financial information from group statutory accounts to 31 December:				
		2020		2019
Turnover:		£1.5m		£1.7m
Loss before tax:		(£9.7m)		(£8.3m)
Net assets:		£35.0m		£7.4m
Congenica has developed a genomics-based diagnostic decision support platform which helps doctors identify rare diseases in patients. The platform analyses DNA sequence data to suggest a diagnosis, speed up the time to diagnosis, and support clinical trials and drug development. Congenica has partnered with leading institutions and customers in the UK, US, China and Europe to better serve different patient populations and, as a result, is revenue generating.				

Review of Investments – Healthcare Share Pool (continued)

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

FVRVS Limited (t/a Fundamental VR) www.FundamentalVR.com 	Cost at 31/03/22:	£750,000	Valuation at 31/03/22:	£968,000
	Cost at 31/03/21:	£500,000	Valuation at 31/03/21:	£500,000
	Date of first investment:	Oct-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£500,000	% of total shares in issue/total voting rights	4.3%
	Loan Notes:	£250,000		
	Summary financial information from statutory accounts to 31 December:			
			2020	2019
	Net assets:		£1.3m	£3.4m
	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.			
Cambridge Respiratory Innovations Limited www.camresp.com 	Cost at 31/03/22:	£800,000	Valuation at 31/03/22:	£800,000
	Cost at 31/03/21:	£400,000	Valuation at 31/03/21:	£400,000
	Date of first investment:	Nov-20	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£800,000	% of total shares in issue/total voting rights	7.7%
	Summary financial information from statutory accounts to 31 December:			
			2020	2019
	Net liabilities:		£1.7m	(£0.3m)
	Cambridge Respiratory Innovations (CRI), is a leading medtech company that creates ground-breaking respiratory technologies. In December 2021 it received funding from BGF and Downing Ventures to fast track research and development of its award-winning N-Tidal device to help medical professionals diagnose and monitor respiratory conditions. The N-Tidal device is a first-in-kind, connected, handheld capnometer incorporating unique patented sensor technology, that can accurately measure carbon dioxide levels in exhaled breath during normal breathing. The data is transmitted wirelessly using mobile networks and is analysed using CRI's intelligent cloud-based analytics software. This information can be used to provide novel insights into lung health.			
Future Health Works Limited (t/a MyRecovery) www.myrecovery.ai 	Cost at 31/03/22:	£528,000	Valuation at 31/03/22:	£556,000
	Cost at 31/03/21:	£528,000	Valuation at 31/03/21:	£556,000
	Date of first investment:	Nov 18	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£528,000	% of total shares in issue	5.9%
			% of total voting rights	6.3%
	Summary financial information from statutory accounts to 31 December:			
			2021	2020
	Net assets:		(£0.01m)	£0.6m
	Future Health Works has developed a mobile app called myrecovery, which informs and empowers patients through every step of their orthopaedic treatment journey, customised to their procedure and hospital. The app improves efficiency across the healthcare value chain and delivers actionable insight through data analytics. The product is designed to save money and time for both practitioners and patients.			

Review of Investments – Healthcare Share Pool (continued)

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

 Closed Loop Medicine www.closedloopmedicine.com	Cost at 31/03/22:	£650,000	Valuation at 31/03/22:	£650,000
	Cost at 31/03/21:	n/a	Valuation at 31/03/21:	n/a
	Date of first investment:	Oct-21	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£650,000	% of total shares in issue/total voting rights	2.3%
	Summary financial information from statutory accounts to 31 December:			
			2020	2019
	Net assets:		£0.7m	£0.9m
	Closed Loop Medicine has developed an integrated healthcare technology intended to improve patient outcomes and health system performance by combining drugs/medicines with its digital platform for greater precision in treatment that is personalised to the individual.			
 ELECTROSPINNING[®] COMPANY www.electrospinning.co.uk	Cost at 31/03/22:	£478,000	Valuation at 31/03/22:	£544,000
	Cost at 31/03/21:	£278,000	Valuation at 31/03/21:	£220,000
	Date of first investment:	Apr-19	Valuation method:	Calibration to price of recent investment
	Investment comprises:			
	Equity:	£478,000	% of total shares in issue/total voting rights	4.7%
	Summary financial information from statutory accounts to 30 June:			
			2021	2020
	Net assets:		£4.7m	£1.2m
	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.			

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

Review of Investments – Healthcare Share Pool (continued)

Summary of loan interest income and interest on advances

	£'000
Loan interest and interest on advances receivable in the year	
Fundamental VR Limited	15
	15

Analysis of investments by type

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

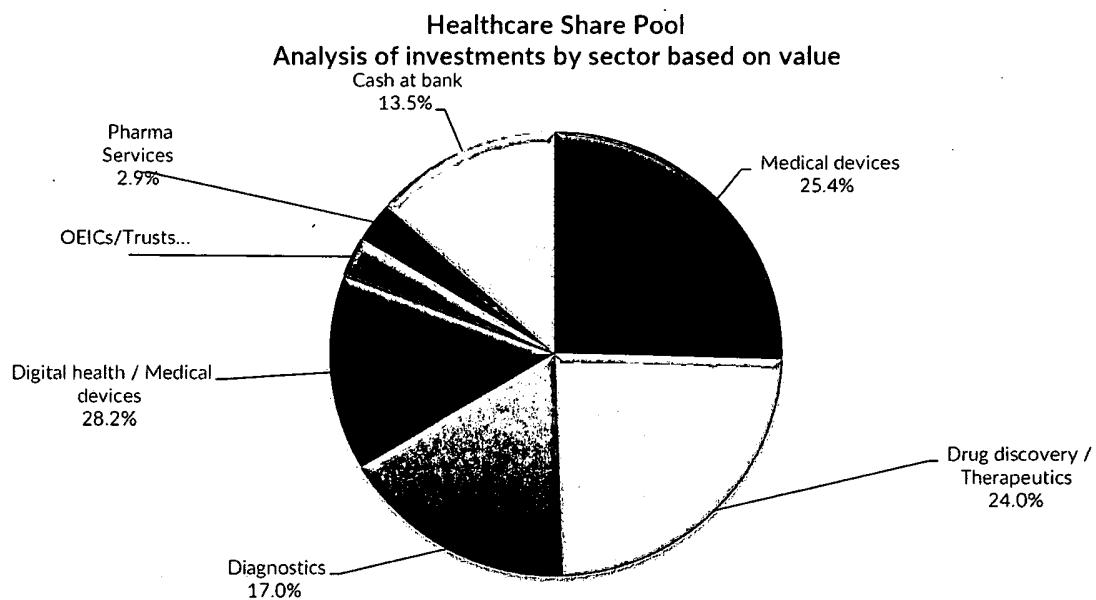
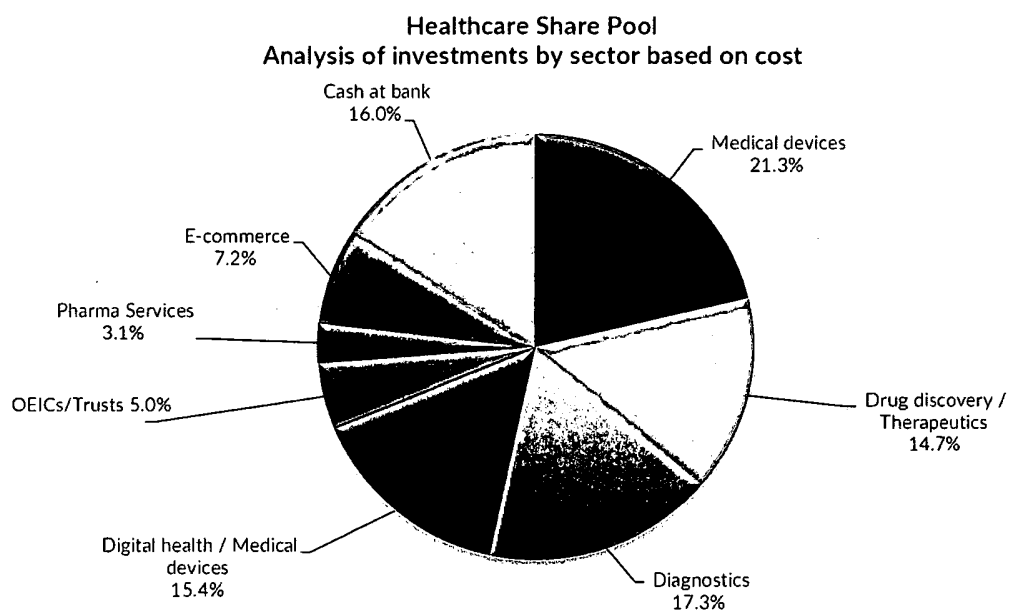
	Actual portfolio split at 31 March 2022**	Target portfolio split at 31 March 2022*
VCT Qualifying Investments		
Qualifying loans	0%	25%
Qualifying shares	86%	60%
Total	86%	85%
Non-Qualifying Investments		
Liquidity investments	7%	5%
Total	93%	90%
Cash	7%	10%
	100%	100%

* With effect from 1 April 2021, the majority of Healthcare funds are subject to the 80% VCT Qualification test, and the Manager aims to maintain a VCT Qualifying percentage comfortably in excess of the minimum required.

**Excludes funds to which the VCT Qualification test was yet to apply, as at 31 March 2022.

The split of the Healthcare Share pool investment portfolio by commercial sector (by cost at 31 March 2022) is shown on the next page.

Review of Investments – Healthcare Share Pool (continued)



DSO D Share Pool

Share Pool Summary

	31 March 2022 Pence	31 March 2021 Pence
Financial highlights		
Net Asset Value per DSO D Share	2.6	10.2
Cumulative distributions	102.0	94.5
Adjusted for Performance Incentive estimate	-	(0.5)
Total Return per DSO D Share	104.6	104.2

Dividend history

Period end	Date paid	Pence per share
2012 Final	27 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
2021 Special	29 November 2019	18.0
2022 Special	28 January 2022	7.5
		102.0

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 (22 July 2022)	3.25p 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 no Performance Incentive is payable.

Investment Manager's Report - DSO D Share Pool

Introduction

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

Net Asset Value and results

The Net Asset Value ("NAV") per DSO D Share at 31 March 2022 stood at 2.6p, an increase of 0.4p or 3.9% over the period. Whilst the reported NAV (prior to the deduction of the performance fee estimate) reduced by 0.1p during the year, the estimated performance incentive fee is no longer expected to become payable and so this deduction is no longer applicable (2021: £0.5p). Should the hurdles ultimately be met, a performance incentive could become due.

Total Return stands at 104.6p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per share. We consider this to be satisfactory performance when compared to the initial NAV of 100p.

The loss on ordinary activities after taxation for the year was £3,000 (2021: £143,000), comprising a revenue loss of £16,000 (2021: £31,000) and a capital gain of £13,000 (2021: loss of £112,000).

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

Venture Capital investments

As at 31 March 2022, the DSO D Share pool held two Venture Capital investments with a total value of £43,000.

Portfolio activity

Both solar panel companies, **Fresh Green Power Limited** and **Green Energy production Limited** were exited during the year, generating total proceeds of £341,000 at a total of £8,000 below the value shown at 31 March 2021.

A dividend of 7.5p was paid to shareholders to return these realised funds to investors.

Pearce and Saunders Limited, the owner of a freehold pub in south east London, repaid loan note principal of £20,000 during the period, along with a redemption premium of £60,000.

Portfolio valuation

During the year, the carrying value of the portfolio of Venture Capital investments held by the DSO D Share pool was reduced by £33,000.

Pearce and Saunders Limited and **Pearce and Saunders DevCo Limited** are the only remaining investments in the portfolio. The final pub has now been sold. Unfortunately, distributions to investors have been delayed as we await a final sign off from HMRC. The valuation has been reduced by £33,000 as at 31 March 2022 to reflect likely final proceeds.

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

Outlook

The focus for the DSO D Share pool continues to be on exiting from the remaining investments, however the pandemic has significantly delayed these processes, even more than originally foreseen. We now anticipate that these processes will be completed by the end of 2022. We will continue to monitor the companies and seek to maximise the proceeds for DSO D Shareholders. The final distribution will be made once the final realisations have taken place.

Downing LLP

25 July 2022

Review of investments - DSO D Share Pool

The following investments were held at 31 March 2022:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
Pearce and Saunders Limited	255	27	(30)	16.2%
Pearce and Saunders DevCo Limited*	19	16	(3)	9.6%
	274	43	(33)	
Cash at bank and in hand		124		
Total investments		167		

* non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

Investment movements for the year ended 31 March 2022

Disposals	Cost £'000	Valuation at 01/04/21 £'000	Proceeds £'000	Gain/(loss) vs. cost £'000	Realised (Loss)/gain £'000
Venture Capital investments					
Fresh Green Power Limited	189	282	278	89	(4)
Green Energy Production UK Limited	100	67	63	(37)	(4)
Pearce and Saunders Limited*	20	20	80	60	60
	309	369	421	112	52

* non-qualifying investment

Review of Investments – DSO D Share Pool (continued)

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

	Pearce & Saunders Limited	Cost at 31/03/22:	£255,000	Valuation at 31/03/22:	£27,000
		Cost at 31/03/21:	£275,000	Valuation at 31/03/21:	£77,000
		Date of first investment:	Apr-14	Valuation method:	Discounted cash flow – investment
		Investment comprises:			
		Equity:	£216,000	% of total shares in issue	8.4%
				% of total voting rights	3.5%
		Loan notes	£39,000		
		Summary financial information from statutory accounts to:			
				30 Jun 2020	31 Dec 2018
		Net assets:		£1.2m	£2.2m
Pearce and Saunders Limited is a freehold pub company that is managed by the Antic London team and was funded by the Downing VCTs. It was incorporated to acquire the freehold pubs of three South East London sites. All three pubs have now been sold and we are now awaiting a final tax sign off from HMRC before making distributions.					
	Pearce & Saunders DevCo Limited	Cost at 31/03/22:	£19,000	Valuation at 31/03/22:	£16,000
		Cost at 31/03/21:	£19,000	Valuation at 31/03/21:	£19,000
		Date of first investment:	Jun-15	Valuation method:	Discounted cash flow – investment
		Investment comprises:			
		Equity:	£19,000	% of total shares in issue	8.4%
				% of total voting rights	3.5%
		Summary financial information from statutory accounts to 31 August:			
				2020	2019
		Net assets:		£0.3m	£0.3m
		Pearce & Saunders DevCo Limited was established for the purpose of acquiring and developing a piece of land adjacent to The Eltham GPO, a Downing-backed public house managed by Antic London and owned by Pearce & Saunders Limited.			

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

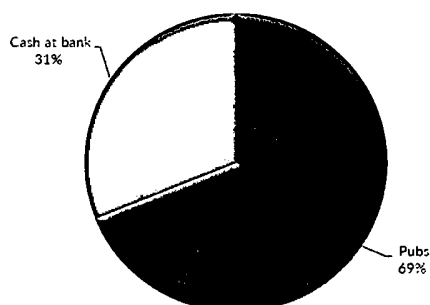
Summary of loan interest income and interest on advances

No amounts of loan note interest were recorded as income during the year ended 31 March 2022.

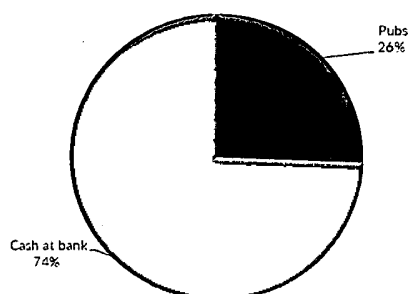
Portfolio by commercial sector

The split of the DSO D Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2022) is as follows:

DSO D Share Pool
Analysis of investments by sector based on cost



DSO D Share Pool
Analysis of investments by sector based on value



DP67 Share Pool

Share Pool Summary

	31 March 2022 Pence	31 March 2021 Pence
Financial highlights		
Net Asset Value per DP67 Share	26.8	18.4
Cumulative distributions	67.8	67.8
Total Return per DP67 Share	94.6	86.2

Dividend history

Period end	Date paid	Pence per share
Pre-merger dividends		21.8
2016 Interim	23 December 2015	2.0
2016 Final	30 September 2016	2.0
2017 Interim	6 January 2017	2.0
2017 Final	29 September 2017	2.0
2018 Special	16 March 2018	20.0
2021 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 (22 July 2022)	11.7p per share

Structure of shareholdings

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

Performance Incentive arrangements

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

Investment Manager's Report - DP67 Share Pool

Introduction

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

Net Asset Value and results

The Net Asset Value ("NAV") per DP67 Share at 31 March 2022 stood at 26.8p, an increase of 8.4p or 45.6% during the year. Total Return stands at 94.6p per DP67 Share, compared to initial cost to Shareholders, net of income tax relief, of 70.0p per share. Compared to the initial NAV of 100p, we consider the Total Return to be an underperformance against the original expectations for the DP67 Share pool.

The gain on ordinary activities after taxation for the year was £934,000 (2021: £31,000), comprising a revenue gain of £1.2 million (2021: £76,000) and a capital loss of £247,000 (2021: gain £45,000).

As DP67 Shareholders will be aware, the remaining DP67 portfolio has a high level of exposure to the leisure and hospitality sector, which was significantly impacted by the restrictions and closures during the pandemic. However, over the past year there has generally been good recovery and we are now making progress with the exit process across the final investments.

Venture Capital investments

As at 31 March 2022, the DP67 Share pool held a portfolio of three main Venture Capital investments, with a total value of £1.9 million.

Portfolio activity

It is disappointing to report that there were no realisations during the year ended 31 March 2022.

Portfolio valuation

The DP67 portfolio decreased in value by a total of £233,000 during the year ended 31 March 2022. This movement is attributable to adjustments to the related discounted cash flow assessments conducted in respect of **Fenkle Street LLP** and **Gatewales Limited**.

Significant loan note interest has been recognised in the year, resulting in the revenue gain of £1.2 million for the period. We shortly expect to receive first round offers on the Fenkle Street hotel in, and now consider the accrued interest on these loans to be fully recoverable.

Cadbury House Holdings has seen good performance since reopening in April 2021 and discussions with management are ongoing in order to seek an exit as soon as possible. The valuation will not be adjusted until we have a clearer picture of how that exit will be achieved.

The valuations of the remaining Venture Capital investments are unchanged from 31 March 2021.

Outlook

The focus for the DP67 Share pool continues to be on exiting from the remaining investments. It is frustrating to report that this process has taken so long but we hope that it can be complete with an exit from Cadbury House in 2023. During this next period, we will continue to work with the portfolio companies to seek to maximise proceeds for the DP67 Share pool. Further dividends will be paid once the final realisations have taken place.

Downing LLP

25 July 2022

Review of Investments – DP67 Share Pool

The following investments were held at 31 March 2022:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Venture Capital investments				
Cadbury House Holdings Limited	1,409	791	-	41.5%
Fenkle Street LLP**	405	759	32	39.9%
Gatewales Limited*	343	344	(265)	18.1%
Yamuna Renewables Limited	400	-	-	0.0%
London City Shopping Centre Limited**	99	-	-	0.0%
	2,656	1,894	(233)	99.5%
Cash at bank and in hand		10		0.5%
Total investments		1,904		100.0%

* partially qualifying investment

** non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

There were no investment disposals during the period.

Review of Investments – DP67 Share Pool (Continued)

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

Cadbury House Holdings Limited 	Cost at 31/03/22:	£1,409,000	Valuation at 31/03/22:	£791,000
	Cost at 31/03/21:	£1,409,000	Valuation at 31/03/21:	£791,000
	Date of first investment:	Oct-06	Valuation method:	Discounted cash flow - investment
	Investment comprises:			
	Equity:	£882,000	% of total shares in issue/total voting rights:	27.5%
	Loan notes:	£527,000	% of loan notes held:	13.1%
	Summary financial information from statutory accounts to:			
			30 Sep 2020	31 Mar 2019
	Turnover:		£10.4m	£9.5m
	Operating profit:		£0.01m	£1.4m
	Net assets:		£4.7m	£6.5m
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 31/03/22:	£405,000	Valuation at 31/03/22:	£759,000
	Cost at 31/03/21:	£405,000	Valuation at 31/03/21:	£727,000
	Date of first investment:	Jun-10	Valuation method:	Discounted cash flow - investment
	Investment comprises:			
	Loan capital:	£405,000	% of loan capital held:	27.9%
	Summary financial information from statutory accounts to 30 June:			
			2021	2020
	Turnover:		£nil	£nil
	Operating profit:		£0.1m	£0.1m
	Net assets:		£3.3m	£2.8m
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.				
Gatewales Limited 	Cost at 31/03/22:	£343,000	Valuation at 31/03/22:	£344,000
	Cost at 31/03/21:	£343,000	Valuation at 31/03/21:	£609,000
	Date of first investment:	Mar-07	Valuation method:	Discounted cash flow - investment
	Investment comprises:			
	Equity:	£nil	% of total shares in issue/total voting rights	7.3%
	Loan notes:	£343,000	% of loan notes held:	84.9%
	Summary financial information from statutory accounts to 31 March:			
			2021	2020
	Net liabilities:		(£8.2m)	(£6.5m)
	Gatewales Limited is a member of Fenkle Street LLP, which undertook a refurbishment contract on a hotel in Newcastle during 2011 and 2012. Payment for this contract depends on the performance of the hotel and is being paid over time as the bank debt is reduced.			

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

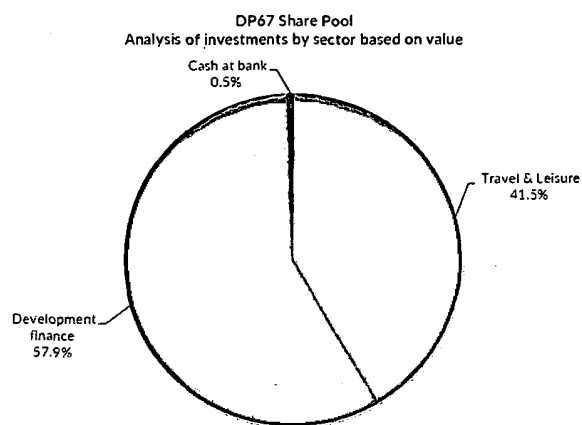
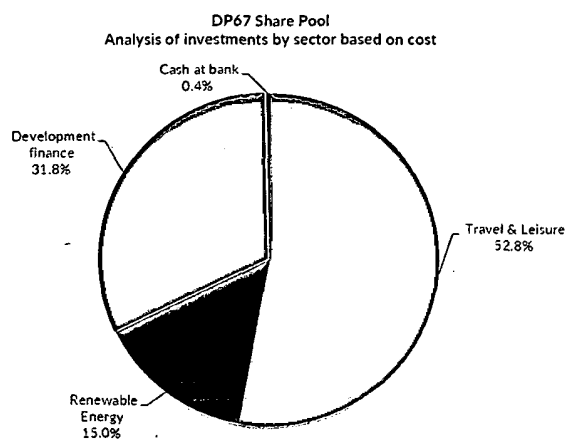
Review of Investments – DP67 Share Pool (Continued)

Summary of loan interest income and interest on advances

Loan interest and interest on advances receivable in the year	£'000
Cadbury House Limited	774
Fenkle Street LLP	55
Gatewales Limited	388
	1,217

Portfolio by commercial sector

The split of the DP67 Share pool investment portfolio by commercial sector (by cost and by value at 31 March 2022) is as follows:



Investment Manager's Approach to Responsible Investment

Introduction

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

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

Our principles

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

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

Integration

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

Influence

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

Disclosure

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

Continual Improvement

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

Screening and exclusions – our evolving approach

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

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

Investment Manager's Approach to Responsible Investment (continued)

Screening and exclusions (continued)

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

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

Climate-related matters

Whilst neither the Company nor the Investment Adviser are currently required to disclose climate related financial information in line with the Task Force on Climate related Financial Disclosures ("TCFD"), they recognise the aim and importance of the TCFD recommendations to provide a foundation to improve investors' ability to appropriately assess climate-related risk and opportunities. Disclosing information related to the TCFD recommendations remains an objective of the Investment Manager as part of its ESG initiatives and progress will be monitored by the Directors.

Future

With Downing's technology Ventures portfolio team moving across to the Foresight Group, ESG consideration will continue to be a major focus of the manner in which the Company's investments are managed and we expect this to be an area which continues to develop significantly.

Downing LLP

25 July 2022

Strategic Report

The Directors present the Strategic Report for the year ended 31 March 2022. The Board has prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Principal objectives and strategy

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

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

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

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

Business review and developments

Ventures Share pool

The Ventures Share pool began the year with £28.6 million of investments and ended the year with £31.3 million spread across a portfolio of 36 Venture Capital investments and two liquidity investments.

The Share pool began the year with cash resources of £3.1 million and ended the year with cash resources of £4.2 million, after paying dividends totalling £1.3 million.

The return on ordinary activities after taxation for the year was £1.8 million, comprising a revenue loss of £449,000 and a capital gain of £2.3 million.

Healthcare Share pool

The Healthcare Share pool began the year with £9.5 million of investments and ended the year with £15.9 million spread across a portfolio of 15 Venture Capital investments and two liquidity investments.

The Share pool began the year with cash resources of £3.5 million and ended the year with cash resources of £2.5 million, after paying dividends of £542,000.

The return on ordinary activities after taxation for the year was £3.7 million, comprising a revenue loss of £314,000 and a capital gain of £4.0 million.

AIM Share pool

The AIM Share class launched during the year, with the first shares allotted in January 2022. No investments have been made yet. The loss on ordinary activities for the year was £6,000, comprising a revenue loss of £4,000 and a capital loss of £2,000.

DSO D Share pool

The DSO D Share pool began the year with £445,000 of investments and ended the year with £43,000 spread across a portfolio of two Venture Capital investments.

The loss on ordinary activities after taxation for the year was £3,000, comprising revenue loss of £16,000 and a capital gain of £13,000.

DP67 Share pool

The DP67 Share pool began the year with £2.1 million of investments and ended the year with £1.9 million spread across a portfolio of five Venture Capital investments.

The gain on ordinary activities after taxation for the year was £934,000, comprising a revenue gain of £1.2 million and a capital loss of £247,000.

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

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 57 to 58.

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

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

Strategic Report (continued)

Principal risks and uncertainties

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

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

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

Investment performance

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

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

Regulatory

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

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

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

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

Further detail on VCT Status is provided on page 50.

Operational

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

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

Economic, political and other external factors

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

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

Strategic Report (continued)

Principal risks and uncertainties (continued)

Emerging risks

Geopolitical

The conflict in Ukraine and the associated trade sanctions imposed on Russian individuals and businesses could negatively impact the investee companies.

The Investment Manager closely monitors the investee companies and continues to assess any potential exposure to the ongoing developments. The Board is confident that there is minimal risk of direct impact on the Company's performance. Both the Board and the Manager are monitoring the situation as it evolves.

Inflation

Investments could be impacted by the ongoing inflation increases which will result in wages and overhead costs growing over the coming months.

The Manager works with investee companies to ensure that costs are monitored and the impact of increasing overheads can be controlled as much as possible. Companies assess whether such increases can be passed on to the end customer. At present, the situation is considered to be manageable but we will continue to monitor matters as they develop.

Climate Change

Both the direct effect of climate change and the indirect effect of associated changes in legislation, as the world moves towards net zero emissions, could impact the returns of the Company.

As an investment entity, the Company has limited exposure to climate change risks. The Manager reviews climate change risk and transitions risk with investee companies, and exposure to such risks is considered as part of the investment process. The risk profile of the current portfolio is considered to be reasonable and the Manager continues to monitor changes in legislation.

Developments in accounting and disclosure regulations impacting the company are monitored by the Manager to ensure full compliance.

Coronavirus pandemic

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

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 Ventures and Healthcare Shareholders. The longer of these two time horizons is six years from the balance sheet date.

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

- Dividends are paid in accordance with the 4% of NAV targets for the evergreen share pools;
- Planned Exit Share pool distributions are paid out as realisations take place from the portfolios; and
- New and follow on investments are made as further capital is raised or existing investments are exited, whilst considering availability of cash for expenses, which are estimated based on the results to 31 March 2022.

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

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

Strategic Report (continued)

Business model

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

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

Investment policy

Asset allocation

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

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

Venture Capital investments

New Venture Capital investments will normally comprise investments in businesses that are less than seven 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 Ventures focus or may focus on certain sectors according to the strategy of that specific share pool.

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

Non-Qualifying Investments

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

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

Risk Diversification

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

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 44.

Pursuant to the introduction of the 80% VCT Qualification test on 1 April 2021, the target allocation of the Company's funds is summarised as follows:

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

As two of the five active share pools are in an exit stage, ongoing adherence to the VCT Qualification test has come to rest on the combined VCT Qualification status of the Ventures and Healthcare Share pools. As such, when building the Ventures 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.

Strategic Report (continued)

Investment policy (continued)

Listing rules

In accordance with the listing rules:

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

Venture Capital Trust Regulations

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

An analysis of the compliance with the applicable VCT regulations for the year ended 31 March 2022 is set out on page 50.

Statement on section 172

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

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

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

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

Strategic Report (continued)

Statement on section 172 (continued)

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

The principal decisions made or approved by the Directors during the year are set out below. 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.

Dividend declarations

For the Ventures and Healthcare Share classes, the Directors target an annual dividend of at least 4% of net assets per annum, subject to sufficient distributable reserves and capital resources. The Board closely monitor the level of dividends and propose to pay a final dividend of 2.75p per Ventures Share and 3.50p per Healthcare Share, equivalent to 4.0% based on the respective opening net asset values.

Launch of offers for subscription

Following Shareholder approval, an offer for subscription was launched in August 2021, which closed after the year end having raised £5.8 million in the Ventures Share class, £3.0 million in the Healthcare Share class and £2.8 million in the newly launched AIM Share class. The additional funds raised will allow the Manager to expand the portfolios and provide support where necessary to the existing investee companies.

Communication with Shareholders

As a result of the COVID-19 restrictions in place at the time, the AGM in 2020 could not be held in person and the decision was made to hold the AGM virtually. The Board encourages all Shareholders to attend the AGM, welcomes communication from Shareholders and was pleased to hold the 2021 AGM in person at the Company's registered office to facilitate this interaction. In person AGMs will continue, where possible, to allow Shareholders to ask questions and hear updates from the Board and Investment Manager.

Borrowings

Under its Articles, the Company has the ability to borrow a maximum amount equal to 15% of the aggregate amount paid on any shares issued by the Company (together with any share premium thereon), currently equal to approximately £9.1 million.

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

Environmental, social, and human rights policy

The Company seeks to conduct its affairs responsibly. Where appropriate, the Board and the Manager take environmental, social and human rights factors into consideration when making investment decisions. Further details on the Investment Manager's approach to responsible investment can be found on pages 41 to 42.

The FCA reporting requirements consistent with the Task Force on Climate-related Financial Disclosures ("TCFD") do not currently apply to the Company. The Board and Investment Manager acknowledge the recommendations which will be reviewed over future periods.

Directors and senior management

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

Events after the end of the reporting period

Important events affecting the Company since 31 March 2022 have been disclosed in the Chairman's Statement and in note 20 to the financial statements.

Future prospects

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

By order of the Board



Grant Whitehouse

Secretary of Downing FOUR VCT plc

Company number: 06789187

Registered office:

6th Floor, St. Magnus House

3 Lower Thames Street

London, EC3R 6HD

25 July 2022

Report of The Directors

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2022.

Share capital

At the year end, the Company had in issue 7,879,639 DSO D Shares, 11,192,136 DP67 Shares, 65,328,545 Ventures Shares (including Management Shares), 26,811,908 Healthcare Shares (including Management Shares) and 2,034,990 AIM Shares.

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

Class of share	Number of votes per share
DSO D Share	232
DP67 Share	375
Ventures Share	860
Healthcare Share	860
AIM Share	1,146

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 Ventures 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 86,425 Ventures Shares at an average price of 67.5p and 159,833 Healthcare Shares at an average price of 85.3p. These shares were subsequently cancelled.

At the AGM that took place on 8 September 2021, the Company was authorised to make market purchases of its shares up to a limit of 1,172,220 DSO D Shares, 1,667,628 DP67 Shares, 8,776,201 Ventures Shares and 3,600,787 Healthcare Shares, which represented approximately 14.9% of the issued DSO D Share capital, DP67 Share capital, Ventures Share capital and Healthcare Share capital, as at the date of the AGM.

At the current date, authority remains for 1,172,220 DSO D Shares, 1,667,628 DP67 Shares, 8,689,776 Ventures Shares and 3,440,954 Healthcare Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 27 September 2022.

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

Results and dividends

(Loss)/return for the year:	£'000	Pence per share
DSO D Share	(3)	0.0
DP67 Share	934	8.3
Ventures Share	1,836	3.8
Healthcare Share	3,663	18.3
AIM Share	(6)	2.3

Dividends paid during the current period:	£'000	Pence per share
Ventures Share	1,323	2.75p
Healthcare Share	542	2.75p
DSO D Share	590	7.50p

Final dividends proposed to be paid 30 Sept 2022		
Ventures Share	1,537	2.75p
Healthcare Share	800	3.50p

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

Report of The Directors (continued)

Directors

The Directors of the Company during the year and their beneficial interests (including connected persons) in the issued shares of the Company at 31 March 2022, and at the date of this report, are as follows:

No. of shares at 31/03/22 (audited)			
Share class	Lord Flight	Sir Aubrey Brocklebank	Steven Clarke*
DSO D	20,800	-	-
DP67	-	-	-
Ventures	14,836	32,679	-
Healthcare	11,750	5,000	-
AIM	-	-	-

Share class	Chris Allner*	Andrew Mackintosh*
DSO D	-	-
DP67	-	-
Ventures	8,000	-
Healthcare	2,000	-
AIM	-	-

*Appointed 8 September 2021

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.

Also, in accordance with the Director tenure policy and corporate governance best practice, any Director who has served on the Board of the Company for in excess of nine years will be subject to annual re-election.

As such, all of the directors, will retire at the forthcoming AGM, and will, with the exception of Lord Flight, being eligible, offer themselves 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 entered into a letter of appointment in July 2016. Steven Clarke, Andrew Mackintosh and Chris Allner were appointed during the year in accordance with letters of appointment dated 8 September 2021. The appointments are 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 2022, and for the year then ended, is summarised as follows:

- | | | |
|----|---|----------|
| 1. | 80% of its investments held in qualifying companies; | 91.9% |
| 2. | At least 70% of the Company's qualifying investments are held in "eligible shares" for funds raised on or after 6 April 2011; | 97.3% |
| 3. | At least 10% of each investment in a qualifying company is held in eligible shares; | Complied |
| 4. | At least 30% of the of the proceeds of shares issued after 1 April 2019 must be invested in VCT Qualifying companies within 12 months of the next year end; | Complied |
| 5. | No investment constitutes more than 15% of the Company's portfolio; | Complied |
| 6. | Income for the year is derived wholly or mainly from shares and securities; and | 100.0% |
| 7. | The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained. | Complied |

Report of The Directors (continued)

Investment management and administration fees

Downing LLP ("Downing") provides investment management services to the Company. Downing is paid a fee equivalent to 1.5% of the DSO D Share net assets per annum, 1.35% of DP67 Share net assets per annum, 2.0% of Ventures Share net assets per annum, 2.5% of Healthcare Share net assets per annum and 1.75% of AIM Share net assets per annum. Downing and Foresight have agreed to a rebate of one quarter's investment management fees for the transferring Ventures, AIM and planned exit share pools.

Following the period end, it was announced that that Downing LLP sold its technology Ventures division to Foresight Group. As a result, the main executives from Downing LLP's technology Ventures team have moved to Foresight and the investment management agreement was novated to Foresight.

The management of the Healthcare Share pool will remain with Downing LLP, who will also provide investment management services for the non-ventures investments (primarily those in the planned exit and AIM share pools) and administration services to the Company for a transitional period.

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 (2021: £822,000) was payable to Downing for investment management and administration fees.

During the year, the Ventures Share pool received arrangement fee rebates of £nil (2021: £2,000) from Downing. This amount was paid in 2021 to ensure that, where applicable, a fee of no more than 3.0% of the original investment amount was charged by Downing, on each of the investments made by the Ventures and Healthcare Share pools during that 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 £58,000 (2021: £288,000) and monitoring fees of £697,000 (2021: £729,000). 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 2.64%.

Performance Incentives

DSO D Share pool

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

No Performance Incentive will be payable until Shareholders:

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

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

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

As at 31 March 2022, it is estimated that a Performance Incentive of 0.5p will become payable to members of the management team. No fee is payable until cumulative dividends to Shareholders exceed 100.0p and accordingly, no provision for the fee is included in the accounts as this hurdle has not yet been met.

Report of The Directors (continued)

Performance Incentives (continued)

Ventures and Healthcare Share pools

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

For the year ended 31 March 2022, the hurdle is met when Total Return (based on audited year end results) is in excess of £1.06 per share. For subsequent years, the Total Return hurdle increases by 3.0p per annum, such that for the year ended 31 March 2023 the Total Return hurdle will be £1.09, and for the year ended 31 March 2024 the hurdle will be £1.12.

AIM Share Pool

There is no performance incentive scheme in place for the AIM Share pool.

Further details of the Performance Incentive arrangements are set out on page 92.

Ongoing promoter fee (trail fee)

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

Going Concern

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for at least the next 12 months, as further detailed in the Corporate Governance Statement report on page 62.

Substantial interests

As at 31 March 2022, and the date of this report, the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Auditor

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

Annual General Meeting

The AGM will be held at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG at 3.30 p.m. on 27 September 2022. Full details of this are included in the Notice of the Annual General Meeting, which can be found at the back of this document.

Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. The Directors are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

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

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

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and accounting estimates that are reasonable and prudent;
- ▶ state whether applicable UK accounting standards have been followed; subject to any material departures disclosed and explained in the financial statements;
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- ▶ prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006; and
- ▶ carry out a robust assessment of the principal risks facing the Company, as set out in the Strategic Report on page 42.

Report of The Directors (continued)

Directors' responsibilities (continued)

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 62 and 63.

The Statement on Corporate Governance set out on page 53 in the Report of the Directors by reference.

Responsible Investing

The day-to-day management of the Company's investments is delegated to the Investment Manager, Downing LLP ("Downing"). Downing's report on its approach to responsible investment is included on pages 41 to 42.

Streamlined Energy and Carbon Reporting ('SECR')

As the company has no employees and primarily conducts its business at the London office of the Investment and Administration Manager, Downing LLP, the company is not directly responsible for the consumption of electricity and gas in the UK, nor is the company directly responsible for greenhouse gas emissions related to transport in the UK. As the company did not consume more than 40,000 kWh of energy during the year ended 31 March 2022, it has nothing to report under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Report of The Directors (continued)

Global greenhouse gas emissions

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

Insurance cover

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

Other matters

Information in respect of financial instruments, principal risks, future prospects, dividends and subsequent events, which were previously disclosed within the Directors Report, has been disclosed within the Strategic Report on pages 43 to 48.

Statement as to disclosure of information to Auditors

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

By order of the Board



Grant Whitehouse

Secretary of Downing FOUR VCT plc

Company number: 06789187

Registered office:

6th Floor, St. Magnus House

3 Lower Thames Street

London, EC3R 6HD

25 July 2022

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 27 September 2022.

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 2020.

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

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

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

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

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

Service contracts

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

Directors' remuneration (audited)

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

	Current annual fee (excl. VAT) £'000	2022 fee £'000	% Change in gross fee ¹	2021 fee £'000	% Change in gross fee ²
Sir Aubrey Brocklebank	30	20	-	20	-
Lord Flight	25	20	-	20	-
Andrew * Mackintosh	24	12	-	-	-
Steven * Clarke	24	12	-	-	-
Chris Allner* ^	20	-	-	-	-
Russell ** Catley	-	8	-	18	-
VAT on the above	-	3	-	3	-
	123	75	-	61	-

¹ between the years ending 31 March 2022 and 31 March 2021

² between the years ending 31 March 2021 and 31 March 2020

*Appointed 8 September 2021

**Resigned 8 September 2021

^ Under the transfer of the investment management agreement to Foresight, from 1 July 2022 Chris Allner is being paid an annual fee of £20,000 which is rechargeable to Downing LLP for two years.

In view of the increase in the size of the funds under management and the addition of a new share class, during the year it was agreed to increase the directors' remuneration to the levels shown in the table above effective from 1 April 2022.

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.

Directors' Remuneration Report (continued)

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.

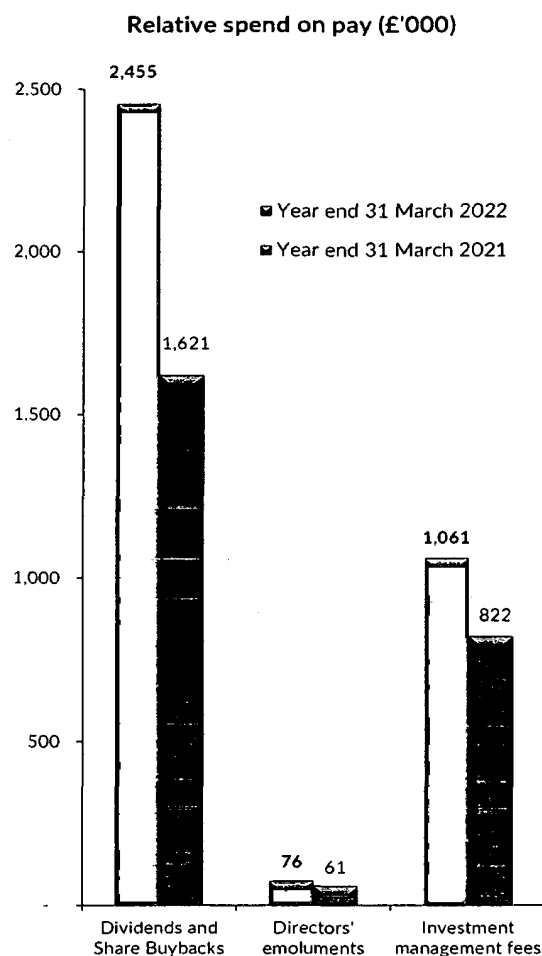
At the last AGM on 8 September 2021, the votes in respect of the resolution to approve the Directors' Remuneration Report were as follows:

In favour	93.2%
Against	6.8%
Withheld	-

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

Relative importance of spend on pay

The difference in actual spend between the year ended 31 March 2021 and the year ended 31 March 2022 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, Ventures 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 FTSE AIM All Share Index, including dividends reinvested. The index has been rebased to 100.0p at the launch date of each respective pool. The AIM Share pool is not included as it has only just launched.

As there is no publicly available VCT index, we have selected the FTSE AIM All Share 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, Lord Flight, Andrew Mackintosh, Steven Clarke and Chris Allner. The current fee structure has been in effect since the appointment of the newest directors on 8 September 2021.

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.

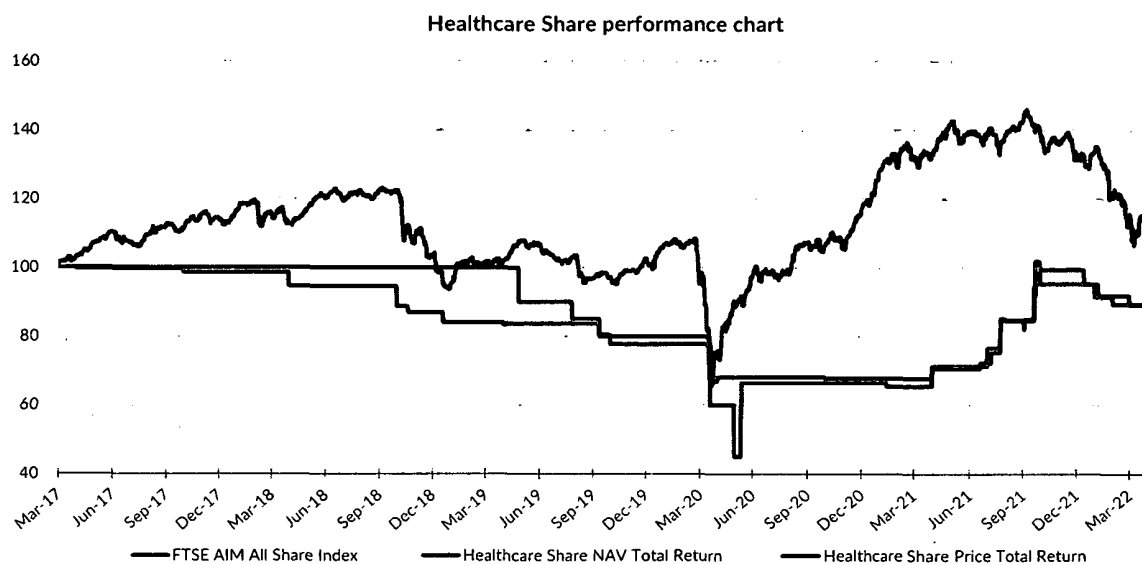
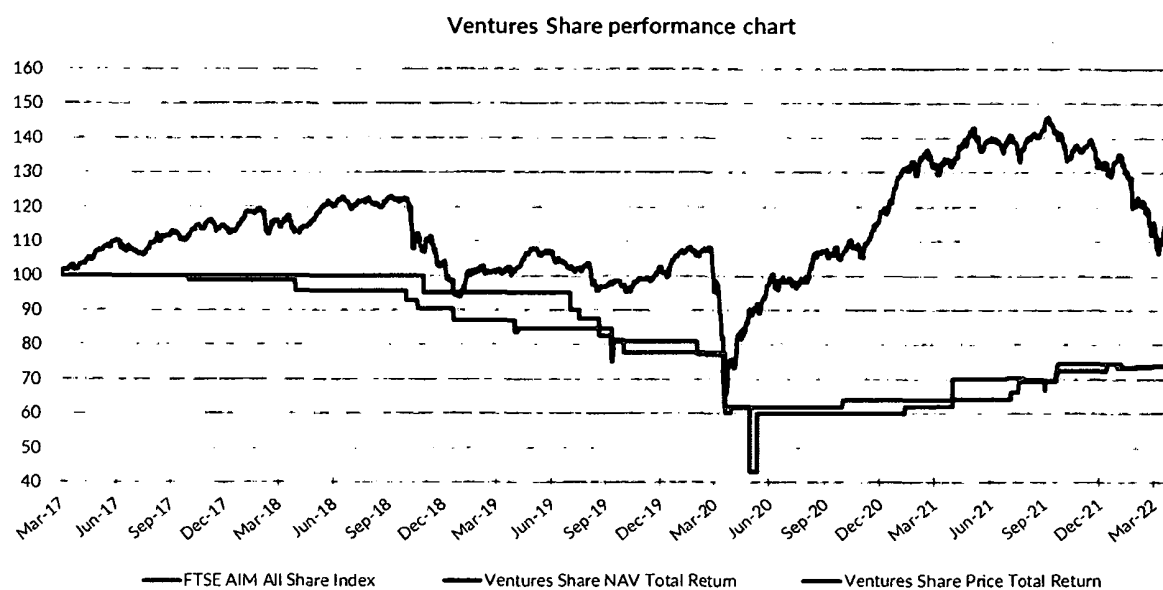
By order of the Board

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

25 July 2022

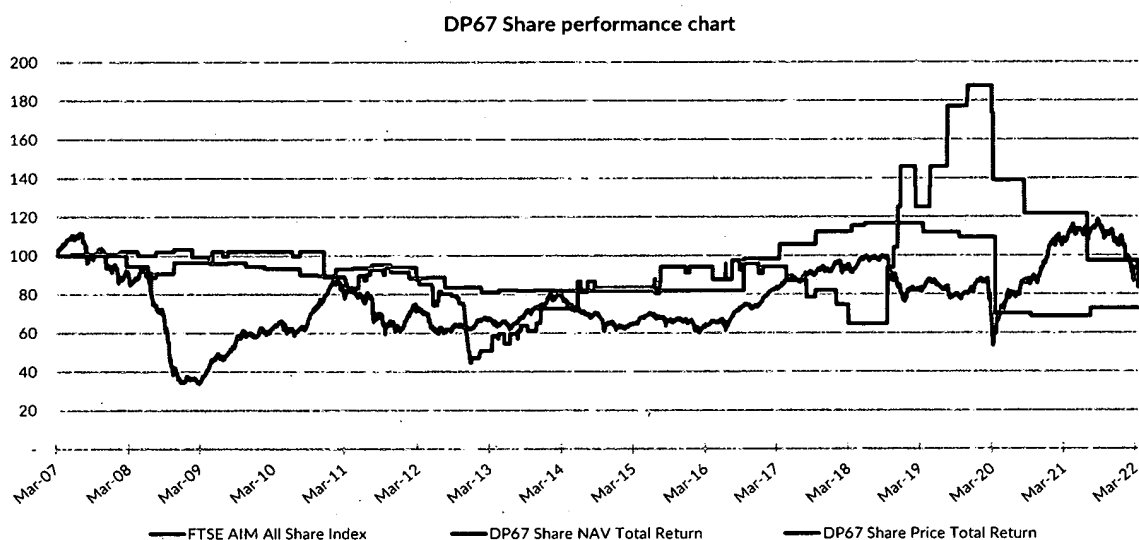
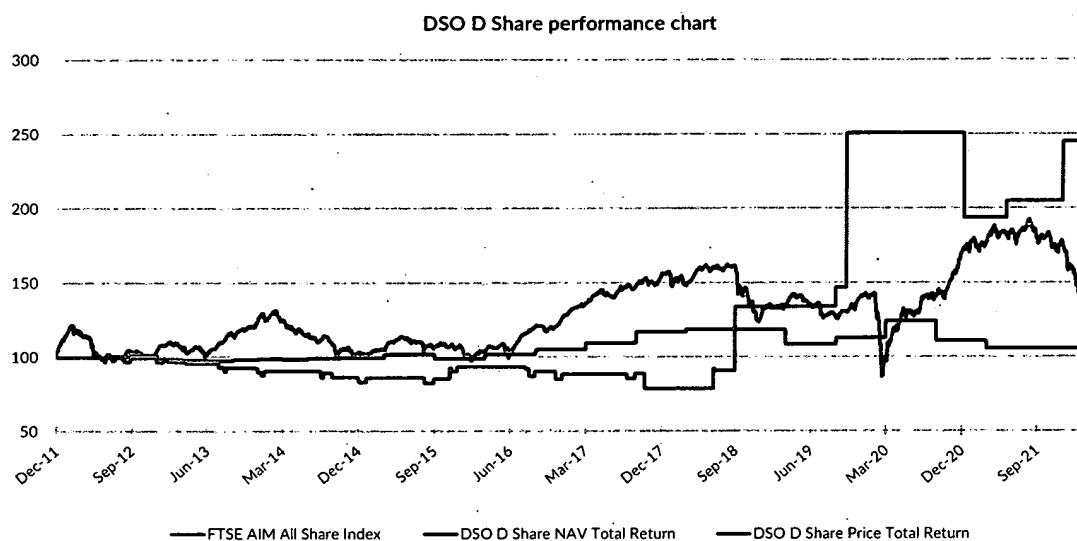
Directors' Remuneration Report (continued)

Performance graphs (continued)



Directors' Remuneration Report (continued)

Performance graphs (continued)



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

Corporate Governance Statement

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

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

The Board

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

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

In accordance with Company Policy and good Corporate Governance, all five directors will retire at the forthcoming AGM, and will, being eligible, offer themselves for re-election.

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

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

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

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

The Board has authority to make market purchases of the Company's own shares. This authority for up to 14.9% of the Company's issued share capital was granted at the AGM on 8 September 2021. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

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

Audit Committee

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

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

The Audit Committee is responsible for:

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

Financial Reporting

The Committee is responsible for reviewing and agreeing the Half-Yearly and Annual Reports (including those figures presented within) before they are presented to the Board for final approval.

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

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

Corporate Governance Statement (continued)

Audit Committee (continued)

Financial Reporting (continued)

The Committee has considered the Annual Report for the year ended 31 March 2022 and has reported to the Board that it considers it to be fair, balanced and understandable, providing the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Internal audit and control

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

Whistleblowing procedures

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

External auditor

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

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

Under the Competition and Markets Authority regulations, there is a requirement that an audit tender process be carried out every ten years and mandatory rotation at least every twenty years. The last audit tender took place in respect of the year ended 31 March 2020 and therefore mandatory tender will be required in respect of the year ended 31 March 2030. Following assurances received from the Managers at completion of the audit for the year ended 31 March 2021, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be re-appointed at the forthcoming AGM.

Non-audit services

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

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

Conflicts of interest

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

Board and Committee meetings

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

	Board meetings attended (4 held)	Nomination Committee meetings attended (1 held)	Audit Committee meetings attended (2 held)
Sir Aubrey Brocklebank	4	1	2
Lord Flight	4	1	2
Andrew Mackintosh	*3	-	1
Steven Clarke	*3	-	1
Chris Allner	*3	-	1
Russell Catley	2	1	1

*Appointed September 2021 - all meetings attended since appointment

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 55.

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.

Corporate Governance Statement (continued)

Nomination Committee (continued)

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

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

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

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

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

Financial reporting

The Directors' responsibilities for preparing the financial statements are set out in the Report of the Directors on pages 52 to 53, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on page 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 Reports on pages 9, 21, 33, and 37, the Strategic Report on page 43 and the Report of the Directors on page 49. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Balance Sheet on page 75, Cash Flow Statement on page 80 and the Strategic Report on page 43. A viability statement is set out on page 45 considering the longer term prospects of the company in light of principle risks and facing the Company. 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 coronavirus pandemic resulted in a significant correction in global markets prices in March 2020. Whilst the long term impact of the pandemic continues to evolve, market prices have generally improved. The Company has a limited level of exposure to public markets, with cash and unquoted investments making up approximately 88% of the of the Company's net assets as at 31 March 2022. Despite the inevitable permanent impact on some of the portfolio, the Board are pleased with how many of the companies dealt with the challenges they faced, and now look forward to continued recovery as we exit the pandemic.

The conflict in Ukraine and the impact of sanctions on Russian individuals and companies is considered to be of limited risk to the VCT and the investee companies, as the overall exposure is low. The Board and Manager continue to closely monitor the situation and to work with the investee companies to assess any additional risks as they may arise. Impact on the Company's performance is not expected to be significant.

There is an emerging risk relating to the increasing rate of inflation in the UK. Investee companies may be exposed to rising costs of overheads and wages over the coming months. The Board is satisfied that the Manager's close working relationship with the investee companies will ensure that such costs are controlled as much as possible, and that where conceivable, will be passed on to the end customer. The Board considers the net impact to be at a manageable level, with no impact on the going concern of the company.

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.

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

Share capital

The company has five classes of share capital: DSO D Shares, DP67 Shares, Ventures Shares, Healthcare Shares and AIM Shares. The rights and obligations attached to those shares, including the power of the Company to buy back shares, and details of any significant shareholdings, are set out in the Report of the Directors on page 49 to 50.

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 2022, with the Provisions set out in the AIC Code of Corporate Governance:

- The Company has no major Shareholders, so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the Annual General Meeting. (5.2.3);

Corporate Governance Statement (continued)

Compliance statement (continued)

- ▶ The Board does not monitor the level of share price discount or premium in respect of the DSO D Shares or DP67 Shares, as Share buybacks are not in operation in respect of these Share classes. As noted on page 91, the Company has a general policy of buying in Ventures, Healthcare and AIM 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 Ventures, Healthcare and AIM Shares and has delegated the day to day management of this to Panmure Gordon. (6.2.15);

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

By order of the Board



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

25 July 2022

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

Opinion on the financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Downing FOUR VCT plc (the 'Company') for the year ended 31 March 2022 which comprise the Audited Income Statement, the Audited Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 March 2010 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 13 years, covering the years ended 31 March 2010 to 31 March 2022. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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

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

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

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

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

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

Overview

		2022	2021
Key audit matters	Valuation of unquoted investments	Yes	Yes
Materiality	Company financial statements as a whole		
	1,065,000 (2021: £712,000) based on 1.75% of net assets (2021: 1.75% of fixed asset investments).		

An overview of the scope of our audit

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

Key audit matters

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

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of unquoted investments Refer to note 1 and 9 of the financial statements The unquoted investments consist of both equity and loan note investments. We consider the valuation of unquoted investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations. There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Manager, who is remunerated based on the value of the net assets of the fund, as shown in note 3.	Our sample for the testing of unquoted investments was stratified according to risk considering, inter alia, the value of individual investments, the nature of the investment, the extent of the fair value movement and the subjectivity of the valuation technique. For all Investments in our sample we: Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and the applicable accounting standards. We have checked that the valuation methodology remains applicable given the impact of the Russia/Ukraine crisis and Covid-19, and recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies. For investments sampled that were valued using less subjective valuation techniques (cost and price of recent investment reviewed for changes in fair value) we: ▶ Verified the cost or price of recent investment to supporting documentation; ▶ Considered whether the investment was an arm's length transaction through reviewing the parties involved in the transaction and checking whether or not they were already investors of the investee Company;

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

Key audit matter	How the scope of our audit addressed the key audit matter
	▶ Considered whether there were any indications that the cost or price of recent investment was no longer representative of fair value considering, inter alia, the current performance of the investee company and the milestones and assumptions set out in the investment proposal; and ▶ Considered whether the price of recent investment is supported by alternative valuation techniques. For investments sampled that were valued using more subjective techniques (earnings multiples, revenue multiples and discounted cash flow forecasts) we: ▶ Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements; ▶ Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues, earnings or cash flows used in the valuations; ▶ Considered the revenue or earnings multiples applied and the discounts applied by reference to observable listed company market data; and ▶ Challenged the consistency and appropriateness of adjustments made to such market data in establishing the revenue, cash flow or earnings multiple applied in arriving at the valuations adopted by considering the individual performance of investee companies against plan and relative to the peer group, the market and sector in which the investee company operates and other factors as appropriate. For a sample of loan note investments held at fair value included above, we: ▶ Vouched security held to loan agreement ▶ 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 ▶ Reviewed the treatment of accrued redemption premium/other fixed returns in line with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP"). Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias. <i>Key observations:</i> Based on the procedures performed we consider the investment valuations to be appropriate considering the level of estimation uncertainty.

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

Our application of materiality

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

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

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

Company financial statements		
	2022	2021
Materiality	£1,065,000	£712,000
Basis for determining materiality	1.75% of net assets	1.75% of fixed asset investments.
Rationale for the benchmark applied	The primary focus of Investment companies of this nature is long and short term capital appreciation. Therefore the users of the financial statements are primarily focused on the net asset value, hence we consider this to be the most appropriate basis for our materiality calculations. We have updated our materiality basis during the year as in our judgement, the users of the financial statements are interested in the net asset position as compared to gross assets.	In setting materiality, we have had regard to the nature and composition of the investment portfolio. Given that the VCT's portfolio is comprised of quoted and unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 1.75% of net assets.
Performance materiality	£799,000	£534,000
Basis for determining performance materiality	75% of materiality The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements.	75% of materiality The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements.

Lower testing threshold

We determined that for Revenue return before tax, a misstatement of less than materiality for the financial statements as a whole, could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. As a result, we determined a lower testing threshold for those items impacting revenue return of £146,000 (2021: £89,000) based on 10% (2021: 10%) of gross expenditure.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £53,000 (2021: £11,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

We have nothing to report in this regard.

Corporate governance statement

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

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

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

Other Companies Act 2006 reporting

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

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

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

Other Companies Act 2006 reporting (continued)

Matters on which we are required to report by exception	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.
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Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. 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") and updated in February 2018 with consequential amendments and the applicable financial reporting framework. We also considered the Company's qualification as a VCT under UK tax legislation.

Our procedures included:

- ▶ 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 those charged with governance relating to their knowledge of any non-compliance with laws and regulations;
- ▶ obtaining the VCT compliance reports prepared by management's expert during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status; and
- ▶ reviewing minutes of board meetings and legal correspondence and invoices throughout the period for instances of non-compliance with laws and regulations and fraud.

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

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

Auditor's responsibilities for the audit of the financial statements (continued)

Our tests included, but were not limited to:

- ▶ the procedures set out in the Key audit matters section above;
- ▶ obtaining independent evidence to support the ownership of a sample of investments;
- ▶ enquiries of management, those charged with governance relating to their knowledge of any fraud, whether suspected or alleged
- ▶ recalculating investment management fees in total;
- ▶ obtaining independent confirmation of bank balances; and
- ▶ testing journals which met a defined risk criteria by agreeing to supporting documentation and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

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

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

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

Use of our report

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

Vanessa-Jayne Bradley (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
25 July 2022

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 2022

	Note	Year ended 31 March 2022			Year ended 31 March 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	1,296	-	1,296	266	2	268
Gain on investments	9	-	6,599	6,599	-	4,816	4,816
		1,296	6,599	7,895	266	4,818	5,084
Investment management fees	3	(531)	(531)	(1,062)	(411)	(411)	(822)
Other expenses	4	(409)	-	(409)	(97)	-	(97)
Return/(loss) on ordinary activities before tax		356	6,068	6,424	(242)	4,407	4,165
Tax on total comprehensive income and ordinary activities	6	-	-	-	(69)	-	(69)
Return/(loss) attributable to equity Shareholders, being total comprehensive income for the year		356	6,068	6,424	(311)	4,407	4,096
Basic and diluted return per share:							
DSO D Share	8	(0.2p)	0.2p	0.0p	(0.4p)	(1.4p)	(1.8p)
DP67 Share	8	10.5p	(2.2p)	8.3p	(0.8p)	0.4p	(0.4p)
Ventures Share	8	(1.0p)	4.8p	3.8p	(0.2p)	8.2p	8.0p
Healthcare Share	8	(1.6p)	19.9p	18.3p	(0.6p)	3.5p	2.9p
AIM Share	8	(1.5p)	(0.9p)	(2.3p)	n/a	n/a	n/a

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standard 102 ("FRS 102"). The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in April 2021 by the Association of Investment Companies ("AIC SORP").

Income Statement

Analysed by Share pool – unaudited and non-statutory
for the year ended 31 March 2022

Split as:

	Year ended 31 March 2022			Year ended 31 March 2021		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
DSO D Share pool						
Income	-	-	-	-	-	-
Net gain/(loss) on investments	-	19	19	-	(106)	(106)
	-	19	19	-	(106)	(106)
Investment management fees	(6)	(6)	(12)	(6)	(6)	(12)
Other expenses	(10)	-	(10)	(25)	-	(25)
(Loss)/return on ordinary activities before tax	(16)	13	(3)	(31)	(112)	(143)
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(16)	13	(3)	(31)	(112)	(143)

	Year ended 31 March 2022			Year ended 31 March 2021		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
DP67 Share pool						
Income	1,217	-	1,217	-	-	-
Net (loss)/gain on investments	-	(233)	(233)	-	59	59
	1,217	(233)	984	-	59	59
Investment management fees	(14)	(14)	(28)	(14)	(14)	(28)
Other expenses	(22)	-	(22)	(32)	-	(32)
Return/(loss) on ordinary activities before tax	1,181	(247)	934	(46)	45	(1)
Tax on total comprehensive income and ordinary activities	-	-	-	(30)	-	(30)
Return/(loss) attributable to equity Shareholders, being total comprehensive income for the year	1,181	(247)	934	(76)	45	(31)

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 2022

	Year ended 31 March 2022			Year ended 31 March 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Ventures Share pool						
Income	58	-	58	230	2	232
Net gain on investments	-	2,641	2,641	-	4,067	4,067
	58	2,641	2,699	230	4,069	4,299
Investment management fees	(314)	(314)	(628)	(257)	(257)	(514)
Other expenses	(235)	-	(235)	(25)	-	(25)
(Loss)/return on ordinary activities before tax	(491)	2,327	1,836	(52)	3,812	3,760
Tax on total comprehensive income and ordinary activities	-	-	-	(39)	-	(39)
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(491)	2,327	1,836	(91)	3,812	3,721

	Year ended 31 March 2022			Year ended 31 March 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Healthcare Share pool						
Income	21	-	21	36	-	36
Net gain on investments	-	4,172	4,172	-	796	796
	21	4,172	4,193	36	796	832
Investment management fees	(195)	(195)	(390)	(134)	(134)	(268)
Other expenses	(140)	-	(140)	(15)	-	(15)
(Loss)/return on ordinary activities before tax	(314)	3,977	3,663	(113)	662	549
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-
(Loss)/return attributable to equity Shareholders, being total comprehensive income for the year	(314)	3,977	3,663	(113)	662	549

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 2022

	Year ended 31 March 2022		
	Revenue	Capital	Total
AIM Share pool	£'000	£'000	£'000
Income	-	-	-
Net gain on investments	-	-	-
	-	-	-
Investment management fees	(2)	(2)	(4)
Other expenses	(2)	-	(2)
Loss on ordinary activities before tax	(4)	(2)	(6)
Tax on total comprehensive income and ordinary activities	-	-	-
Loss attributable to equity Shareholders, being total comprehensive income for the year	(4)	(2)	(6)

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

Audited Balance Sheet

as at 31 March 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Investments	9	49,141	40,743
Current assets			
Debtors	10	4,317	701
Cash at bank and in hand		8,384	6,986
		12,701	7,687
Creditors: amounts falling due within one year	11	(965)	(381)
Net current assets		11,736	7,306
Net assets		60,877	48,049
Capital and reserves			
Called up Share capital	12	113	102
Capital redemption reserve	13	58	58
Special reserve	13	24,063	29,417
Share premium account	13	29,284	20,010
Funds held in respect of shares not yet allotted	13	7	241
Revaluation reserve	13	6,995	(1,143)
Capital reserve – realised	13	3,769	3,132
Revenue reserve	13	(3,412)	(3,768)
Total equity Shareholders' funds	14	60,877	48,049
Basic and diluted Net Asset Value per share:			
DSO D Share	14	2.6p	10.2p
DP67 Share	14	26.8p	18.4p
Ventures Share	14	68.2p	67.2p
Healthcare Share	14	84.4p	68.5p
AIM Share	14	99.9p	n/a

The financial statements on pages 71 to 100 were approved and authorised for issue by the Board of Directors on 25 July 2022 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 2022

Split as:

DSO D Share pool	Note	2022 £'000	2021 £'000
Fixed assets			
Investments		43	445
Current assets			
Debtors		61	29
Cash at bank and in hand		124	344
		185	373
Creditors: amounts falling due within one year		(20)	(17)
Net current assets		165	356
Net assets		208	801
Capital and reserves			
Called up share capital	12	8	8
Special reserve		423	966
Revaluation reserve		(231)	(138)
Capital reserve – realised		22	(37)
Revenue reserve		(14)	2
Total equity Shareholders' funds		208	801

DP67 Share pool	Note	2022 £'000	2021 £'000
Fixed assets			
Investments		1,894	2,127
Current assets			
Debtors		1,218	1
Cash at bank and in hand		10	10
		1,228	11
Creditors: amounts falling due within one year		(124)	(74)
Net current assets		1,104	(63)
Net assets		2,998	2,064
Capital and reserves			
Called up share capital	12	11	11
Special reserve		(400)	(400)
Revaluation reserve		(263)	(30)
Capital reserve – realised		2,392	2,406
Revenue reserve		1,258	77
Total equity Shareholders' funds		2,998	2,064

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 2022

Ventures Share pool	Note	2022 £'000	2021 £'000
Fixed assets			
Investments		31,259	28,633
Current assets			
Debtors		1,801	464
Cash at bank and in hand		4,321	3,141
		6,122	3,605
Creditors: amounts falling due within one year		(490)	(238)
Net current assets		5,632	3,367
Net assets		36,891	32,000
Capital and reserves			
Called up share capital	12	65	59
Capital redemption reserve		58	58
Special reserve		16,291	20,195
Share premium account		18,657	14,009
Funds held in respect of shares not yet allotted		2	222
Revaluation reserve		3,457	(814)
Capital reserve – realised		1,428	847
Revenue reserve		(3,067)	(2,576)
Total equity Shareholders' funds		36,891	32,000

Healthcare Share pool	Note	2022 £'000	2021 £'000
Fixed assets			
Investments		15,945	9,538
Current assets			
Debtors		633	254
Cash at bank and in hand		2,483	3,491
		3,116	3,745
Creditors: amounts falling due within one year		(310)	(99)
Net current assets		2,806	3,646
Net assets		18,751	13,184
Capital and reserves			
Called up share capital	12	27	24
Special reserve		7,752	8,656
Share premium account		8,594	6,001
Funds held in respect of shares not yet allotted		5	19
Revaluation reserve		4,031	(161)
Capital reserve – realised		(73)	(84)
Revenue reserve		(1,585)	(1,271)
Total equity Shareholders' funds		18,751	13,184

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 2022

AIM Share pool	Note	2022 £'000
Fixed assets		
Investments		-
Current assets		
Debtors		604
Cash at bank and in hand		1,446
		2,050
Creditors: amounts falling due within one year		(21)
Net current assets		2,029
Net assets		2,029
Capital and reserves		
Called up share capital	12	2
Special reserve		(2)
Share premium account		2,033
Funds held in respect of shares not yet allotted		-
Revaluation reserve		-
Capital reserve – realised		-
Revenue reserve		(4)
Total equity Shareholders' funds		2,029

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

Statement of Changes in Equity

for the year ended 31 March 2022

	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 2020	98	58	39,433	17,971	535	(13,302)	2,483	(3,451)	43,825
Total comprehensive income	-	-	-	-	-	4,158	249	(311)	4,096
Transfer between reserves*	-	-	(10,016)	-	-	8,001	2,021	(6)	-
Unallotted shares	-	-	-	-	(294)	-	-	-	(294)
Transactions with owners									
Dividend paid	-	-	-	-	-	-	(1,621)	-	(1,621)
Purchase of own shares	-	-	-	-	-	-	-	-	-
Issue of shares	4	-	-	2,097	-	-	-	-	2,101
Share issue costs	-	-	-	(58)	-	-	-	-	(58)
At 31 March 2021	102	58	29,417	20,010	241	(1,143)	3,132	(3,768)	48,049
Total comprehensive income	-	-	-	-	-	6,335	(267)	356	6,424
Transfer between reserves*	-	-	(5,159)	-	-	1,803	3,356	-	-
Unallotted shares	-	-	-	-	(234)	-	-	-	(234)
Transactions with owners									
Dividend paid	-	-	-	-	-	-	(2,452)	-	(2,452)
Purchase of own shares	-	-	(195)	-	-	-	-	-	(195)
Issue of shares	11	-	-	9,501	-	-	-	-	9,512
Share issue costs	-	-	-	(227)	-	-	-	-	(227)
At 31 March 2022	113	58	24,063	29,284	7	6,995	3,769	(3,412)	60,877

* A transfer of £1,803,000 (2021: £8,001,000) representing previously recognised realised gains and losses on disposal of investments during the period has been made between the Revaluation Reserve and the Capital reserve - realised. A transfer of £5,159,000 (2021: £10,022,000) representing the total of: realised losses on the disposal of investments, cumulative realised losses on permanent fair value change, capital expenses and capital dividends in the period, has been made between the Capital Reserve - realised and the Special reserve. In 2021 a transfer of £6,000, representing the balance on the Revenue reserve relating to previously cancelled share classes, was made from the revenue reserve to the Special reserve.

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

Cash Flow Statement

for the year ended 31 March 2022

	Unaudited non-statutory analysis					Audited
	DSO D Share pool	DP67 Share pool	Ventures Share pool	Healthcare Share pool	AIM Share Pool	Company £'000
	£'000	£'000	£'000	£'000	£'000	
Cash flows from operating activities						
(Loss)/return on ordinary activities before taxation	(3)	934	1,836	3,663	(6)	6,424
(Gains)/losses on investments	(19)	233	(2,641)	(4,172)	-	(6,599)
Increase in creditors	3	50	253	211	21	538
Increase in debtors	(32)	(1,217)	(1,337)	(379)	(604)	(3,569)
Net cash outflow from operating activities	(51)	-	(1,889)	(677)	(589)	(3,206)
Corporation tax paid	-	-	-	-	-	-
Net cash generated from operating activities	(51)	-	(1,889)	(677)	(589)	(3,206)
Cash flow from investing activities						
Purchase of investments (note 9)	-	-	(2,070)	(4,764)	-	(6,834)
Proceeds from disposal of investments (note 9)	421	-	2,085	2,529	-	5,035
Net cash inflow/(outflow) from investing activities	421	-	15	(2,235)	-	(1,799)
Net cash inflow/(outflow) before financing	370	-	(1,874)	(2,912)	(589)	(5,005)
Cash flows from financing activities						
Repurchase of shares	-	-	(58)	(137)	-	(195)
Issue of share capital	-	-	4,775	2,658	2,079	9,512
Cost of issue of share capital	-	-	(122)	(61)	(44)	(227)
Funds held in respect of shares not yet allotted	-	-	(220)	(14)	-	(234)
Equity dividends paid (note 7)	(590)	-	(1,321)	(542)	-	(2,453)
Net cash (outflow)/inflow from financing activities	(590)	-	3,054	1,904	2,035	6,403
Net change in cash	(220)	-	1,180	(1,008)	1,446	1,398
Cash and cash equivalents at start of the year	344	10	3,141	3,491	-	6,986
Cash and cash equivalents at end of the year	124	10	4,321	2,483	1,446	8,384
Cash and cash equivalents comprise						
Cash at bank and in hand	124	10	4,321	2,483	1,446	8,384
Total cash and cash equivalents	124	10	4,321	2,483	1,446	8,384

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

Cash Flow Statement

for the year ended 31 March 2021

	Unaudited non-statutory analysis				Audited
	DSO D	DP67	Ventures	Healthcare	Company
	Share pool	Share pool	Share pool	Share pool	
	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities					
(Loss)/return on ordinary activities before taxation	(143)	(1)	3,760	549	4,165
Losses/(gains) on investments	106	(59)	(4,067)	(796)	(4,816)
(Decrease)/increase in creditors	(16)	(8)	(28)	(321)	(373)
Decrease/(increase) in debtors	21	16	(61)	(248)	(272)
Net cash outflow from operating activities	(32)	(52)	(396)	(816)	(1,296)
Corporation tax paid	-	-	-	-	-
Net cash outflow from operating activities	(32)	(52)	(396)	(816)	(1,296)
Cash flow from investing activities					
Purchase of investments (note 9)	-	-	(7,010)	(3,458)	(10,468)
Proceeds from disposal of investments (note 9)	104	-	7,029	1,875	9,008
Net cash inflow/(outflow) from investing activities	104	-	19	(1,583)	(1,460)
Net cash inflow/(outflow) before financing	72	(52)	(377)	(2,399)	(2,756)
Cash flows from financing activities					
Issue of share capital	-	-	1,549	552	2,101
Cost of issue of share capital	-	-	(42)	(16)	(58)
Funds held in respect of shares not yet allotted	-	-	(189)	(105)	(294)
Equity dividends paid (note 7)	-	-	(1,150)	(471)	(1,621)
Net cash inflow/(outflow) from financing activities	-	-	168	(40)	128
Net change in cash	72	(52)	(209)	(2,439)	(2,628)
Cash and cash equivalents at start of the year	272	62	3,350	5,930	9,614
Cash and cash equivalents at end of the year	344	10	3,141	3,491	6,986
Cash and cash equivalents comprise					
Cash at bank and in hand	344	10	3,141	3,491	6,986
Total cash and cash equivalents	344	10	3,141	3,491	6,986

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

Notes to the Accounts

for the year ended 31 March 2022

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 April 2021 ("SORP").

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

Going concern

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

Presentation of Income Statement

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

Reportable segments

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

Investments

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

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

Liquidity investments are measured using bid prices.

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

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2022

1. Accounting policies (continued)

Investments (continued)

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

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

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

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

Income

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

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

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2022

1. Accounting policies (continued)

Income (continued)

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

Expenses

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

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

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

Taxation

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

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

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

Other debtors and other creditors

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

Issue costs

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

Performance Incentive

Amounts payable in respect of Performance Incentive arrangements are recorded at such time that an obligation has been established. An explanation of each of the Performance Incentive arrangements is given in Note 12. In respect of the DSO D Share, pool, should a Performance Incentive become payable it will 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. There is no Performance Incentive in place for the AIM Share class.

Dividends

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

Notes to the Accounts (continued)

for the year ended 31 March 2022

1. Accounting policies (continued)

Funds held in respect of shares not yet allotted

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

2. Income

	2022 £'000	2021 £'000
Income from investments		
Loan interest	1,255	170
Dividend income	41	80
	1,296	250
Other income		
Bank interest	-	16
Fee income	-	2
	1,296	268

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 Ventures Share pool net assets, 2.50% of the Healthcare Share pool net assets and 1.75% of the AIM 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.

	2022 £'000	2021 £'000
Investment management fees	1,062	822

4. Other expenses

	2022 £'000	2021 £'000
Administration services	98	94
Trail fee	24	(243)
Directors' remuneration	75	61
Auditor's remuneration for audit	48	46
Registrars	48	33
London Stock Exchange	10	3
FCA	8	7
Printing and Postage	19	13
Bad debt expense	2	30
Insurance	22	28
Recruitment	24	-
Other	31	25
	409	97

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. For the year ended 31 March 2022 the expenses for the D Share pool were 2.7% of net assets, for the DP67 pool 2.4% of net assets, for the Ventures pool 2.6% of net assets and for the Healthcare pool 3.4% of net assets.

Notes to the Accounts (continued)

for the year ended 31 March 2022

5. Directors' remuneration

Details of remuneration are given in the audited part of the Directors' Remuneration Report on page 55. 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

	2022 £'000	2021 £'000
(a) Tax charge for the year		
UK corporation tax at 19% (2021: 19%)	-	-
Deferred tax movement	-	69
Charge for the year	-	69
(b) Factors affecting tax charge for the year		
Return on ordinary activities before taxation	6,424	4,165
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 19% (2021: 19%)	1,221	791
Effects of:		
Gains on investments	(1,254)	(916)
UK dividend income	(8)	(15)
LLP profits receivable during the year	(4)	-
Losses carried forward	45	140
Tax on total comprehensive income and ordinary activities	-	69

Excess management expenses, which are available to be carried forward and set off against future taxable income, amounted to £4.6 million (2021: £5.8 million). The associated deferred tax asset of £1.4 million 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

	2022 Pence per share	2021 Pence per share	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Dividends paid								
DSO D Shares								
2021 Special	7.50	-	-	590	590	-	-	-
	7.50	-	-	590	590	-	-	-

Notes to the Accounts (continued)
for the year ended 31 March 2022

7. Dividends (continued)

	2022	2021	2022			2021		
	Pence per share		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Ventures Shares								
2021 Final	2.75	-	-	1,322	1,322	-	-	-
2020 Interim	-	2.5	-	-	-	-	1,150	1,150
	2.75	2.5	-	1,322	1,322	-	1,150	1,150
Healthcare Shares								
2021 Final	2.75	-	-	542	542	-	-	-
2020 Interim	-	2.5	-	-	-	-	471	471
	2.75	2.5	-	542	542	-	471	471
Dividends proposed								
Ventures Shares								
2022 Final	2.75	-	500	1,037	1,537	-	-	-
	2.75	-	500	1,037	1,537	-	-	-
Healthcare Shares								
2022 Final	3.50	-	-	800	800	-	-	-
	3.50	-	-	800	800	-	-	-

8. Basic and diluted return per share

	Weighted Average number of shares in issue*	Revenue (loss)/ return £'000	Capital gain/ (loss) £'000	Total Comprehensive (loss)/ income £'000	Basic and diluted return per share Pence
Return per share is calculated on the following:					
Year ended 31 March 2022					
DSO D Shares	7,867,247	(16)	13	(3)	0.0p
DP67 Shares	11,192,136	1,181	(247)	934	8.3p
Ventures Shares	48,629,971	(491)	2,327	1,836	3.8p
Healthcare Shares	20,007,047	(314)	3,977	3,663	18.3p
AIM Shares	283,425	(4)	(2)	(6)	(2.3p)
Year ended 31 March 2021					
DSO D Shares	7,867,247	(31)	(112)	(143)	(1.8p)
DP67 Shares	11,192,136	(76)	45	(31)	(0.4p)
Ventures Shares	45,988,062	(91)	3,812	3,721	8.0p
Healthcare Shares	18,803,854	(113)	662	549	2.9p

*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, Ventures Share, Healthcare Share or AIM 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 2022

9. Fixed assets – investments

	Liquidity investments £'000	Quoted VC investments £'000	Unquoted VC investments £'000	Total £'000
Opening cost at 1 April 2021	5,646	1,250	42,374	49,270
Unrealised valuation (losses)/gains at 1 April 2021	(1,497)	72	548	(877)
Unrealised foreign exchange losses at 1 April 2021	-	-	(266)	(266)
Realised losses arising on permanent fair value change at 1 April 2021	-	-	(7,384)	(7,384)
Opening fair value at 1 April 2021	4,149	1,322	35,272	40,743
Movements in the year:				
Purchased at cost	-	3,153	3,681	6,834
Disposals - proceeds	(397)	-	(4,638)	(5,035)
- realised gains on disposals	41	-	223	264
Unrealised foreign exchange gains	-	-	171	171
Unrealised valuation (losses)/gains in the Income Statement	(274)	2,858	3,580	6,164
Closing value at 31 March 2022	3,519	7,333	38,289	49,141
Closing cost at 31 March 2022	5,161	4,403	40,146	49,710
Unrealised valuation (losses)/gains at 31 March 2022	(1,642)	2,930	5,802	7,090
Unrealised foreign exchange losses at 31 March 2022	-	-	(95)	(95)
Realised losses arising on permanent fair value change at 31 March 2022	-	-	(7,564)	(7,564)
Closing value at 31 March 2022	3,519	7,333	38,289	49,141

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	2022 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2021 £'000
Liquidity investments	3,519	-	-	3,519	4,149	-	-	4,149
Quoted equity	7,333	-	-	7,333	1,322	-	-	1,322
Unquoted loan notes	-	-	3,250	3,250	-	-	3,667	3,667
Unquoted equity	-	-	35,039	35,039	-	-	31,605	31,605
	10,852	-	38,289	49,141	5,471	-	35,272	40,743

Notes to the Accounts (continued)

for the year ended 31 March 2022

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 2021	31,605	3,667	35,272
<i>Movements in the Income Statement:</i>			
Unrealised valuation gains/(losses) in the income statement	3,808	(228)	3,580
Unrealised foreign exchange gains	171	-	171
Realised (losses)/gains in the income statement	(280)	503	223
Purchases at cost	2,988	693	3,681
Sales proceeds	(3,253)	(1,385)	(4,638)
Balance at 31 March 2022	35,039	3,250	38,289

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 2022 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 2022, represents greater than 20% of the nominal value of any share class. The figures shown below represent the financial position and performance as of the latest available financial statements. The Company does not have significant influence over any of its portfolio companies.

Company	Registered office	Share class	Number	Proportion of class held	Capital and reserves	Profit/ (loss) for the year
Cadbury House Holdings Limited	EC3R 6HD	Ordinary	678,522	27.5%	4,664	(1,877)
Channel Mum Limited	RG1 1PL	D1 Ordinary	57,022	26.3%	311	*
Cornelis Networks Inc	EC4M 8AL	Series A-3 Preferred	1,800,000	28.1%	*	*
E-Fundamentals (Group) Limited	SE1 9RX	A Ordinary	604,263	38.4%	11,388	*
Empiribox Holdings Limited	OX14 4RT	C Ordinary	2,515,592	40.9%	1,685	*
		D Ordinary	1,377,144	41.5%		
		E Ordinary	8,882,082	24.5%		
Live Better With Limited	N1 8XB	A Ordinary	119,892	68.1%	5,057	*
		B Ordinary	383,796	21.6%		
Rated People Limited	EC3A 7LP	C Ordinary	30,171	21.4%	(4,339)	150
Virtual Class Limited	E1 8EW	B Ordinary	3,282	50.0%	1,234	*
		C2 Ordinary	3,428	22.1%		

* Profit figures not publicly available.

Notes to the Accounts (continued)

for the year ended 31 March 2022

9. Fixed assets investments (continued)

The following summary shows the valuation of investments made by other funds managed or advised by Downing, alongside the aggregated valuations for all Share pools within Downing FOUR VCT plc. All amounts shown are stated as at 31 March 2022.

	Total investment across all Downing FOUR VCT plc Share pools £'000	Total investment across other Downing funds* £'000
Areacor Therapeutics plc^	5,327	-
E-Fundamentals (Group) Limited	3,847	3,847
Downing Strategic Micro-Cap Investment Trust plc	3,366	3,498
Congenica Limited	1,961	1,094
Rated People Limited	1,895	4,228
Adaptix Limited	1,843	3,549
Virtual Class Limited (Third Space Learning)	1,816	1,912
Imagen Limited	1,763	3,612
GENinCode plc^	1,624	1,082
Ayar Labs, Inc.	1,526	4,578
Hackajob Limited	1,523	5,731
FVRVS Limited (t/a Fundamental VR)	1,452	484
Open Bionics Limited	1,379	1,066
Cornelis Networks, Inc.	1,370	3,502
Cambridge Touch Technologies Limited	1,369	4,704
Ecstase Limited (t/a ADAY)	1,257	2,515
Trinny London Limited	1,240	15,668
Fenkle Street LLP*	1,164	13,169
Upp Technologies Group Limited (previously Volo Commerce)	1,077	1,077
Firefly Learning Limited	1,047	2,271
Limitless Technology Limited	920	2,897
Cambridge Respiratory Innovations Limited	800	1,700
Cadbury House Holdings Limited	791	1,688
FundingXchange Limited	786	1,835
Future Health Works Limited (t/a MyRecovery)	750	3,007
Parsable, Inc.	711	2,715
Masters of Pie Limited	667	2,304
Closed Loop Medicine Limited	650	1,350
Carbice Corporation	639	3,967
MIP Discovery Limited	600	806
The Electrospinning Company Limited	544	984
Invizius Limited	500	1,154
Maverick Pubs (Holdings) Limited	450	1,800
DiA Imaging Analysis EU	429	713
Destiny Pharma plc^	382	153
Gatewales Limited*	344	-
Channel Mum Limited	291	291
DSTBTD Limited (t/a Distributed Limited)	275	775
Hummingbird Technologies Limited	250	1,750
Bulbshare Limited	249	1,249
MI Downing UK Micro-Cap Growth Fund*	153	2
Streethub Limited (t/a Trouva)	71	-
Pearce and Saunders Limited*	27	123
Pearce and Saunders DevCo Limited**	16	73
Empiribox Holdings Limited	-	-
Lignia Wood Company Limited	-	-
Lineten Limited	-	-
Live Better With Limited	-	-
Ormsborough Limited	-	-
Yamuna Energy Limited	-	-
London City Shopping Centre Limited**	-	-
	49,141	108,923

* Includes the value of investments made by all other self-managed and discretionary managed funds to which Downing LLP acted as Investment Manager or Adviser as at 31 March 2022.

Notes to the Accounts (continued)

for the year ended 31 March 2022

10. Debtors

	2022	2021
	£'000	£'000
Prepayments and accrued income	1,275	42
Other debtors	3,042	659
	4,317	701

11. Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Taxation and social security	5	1
Other creditors	152	7
Accruals and deferred income	808	373
	965	381

12. Called up share capital

	2022	2021
	£'000	£'000
Allotted, called up and fully paid:		
7,867,247 (2021: 7,867,247) DSO D Shares of 0.1p each	8	8
11,192,136 (2021: 11,192,136) DP67 Shares of 0.1p each	11	11
65,328,545 (2021: 58,525,223) Ventures Shares of 0.1p each	65	59
26,811,908 (2021: 23,835,563) Healthcare Shares of 0.1p each	27	24
2,034,990 (2021: n/a) AIM Shares of 0.1p each	2	-
	113	102

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 43. There have been no significant changes in the objectives, policies or processes for managing capital from the previous period.

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

During the year ended 31 March 2022, the Company issued 6,889,747 Ventures Shares of 0.1p each at an average price of 69.29p per Ordinary Share, 3,136,178 Healthcare Shares of 0.1p each at an average price of 84.74p per Ordinary Share and 2,034,990 AIM Shares of 0.1p each at an average price of 1.0218p per Ordinary Share. No Ventures or Healthcare Management Shares were issued during the year.

During the year ended 31 March 2022, the Company repurchased 86,425 Ventures Shares at an average price of 67.49p per Share and 159,833 Healthcare Shares at an average price of 85.28p per Share.

Notes to the Accounts (continued)

for the year ended 31 March 2022

12. Called up share capital (continued)

Ventures and Healthcare Share pools

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

The Performance Incentive arrangements are structured such that the Ventures and Healthcare Management Shares will receive 20% of dividends paid in respect of the Company's Ventures and Healthcare Share pools, only when the Total Return hurdle is met. For the hurdle to be met, the Total Return to Ventures or Healthcare Shareholders must exceed £1.06 per share for the year ended 31 March 2022. For subsequent years, the Total Return hurdle increases by 3.0p per annum such that for the year ended 31 March 2023 the hurdle is £1.09, and for the year ended 31 March 2024 the hurdle is £1.12. The performance incentive arrangements in respect of the Ventures and Healthcare Share pools are assessed on each of the two Share pools individually.

DSO D Share pool

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

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

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

As at 31 March 2022, there is not expected to be a performance incentive payable per DSO D Share.

The Company does not have any externally imposed capital requirements.

Notes to the Accounts (continued)

for the year ended 31 March 2022

13. Reserves

	2022 £'000	2021 £'000
Capital redemption reserve	58	58
Special reserve	24,063	29,417
Share premium account	29,284	20,010
Revaluation reserve	6,995	(1,143)
Capital reserve – realised	3,769	3,132
Revenue reserve	(3,412)	(3,768)
Funds held in respect of shares not yet allotted	7	241
	60,764	47,947

Note: called up share capital not included above

The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves. The distributable reserves are reduced by unrealised holding losses of £12.0 million (2021: £13.0 million), which are included in the Revaluation reserve.

Capital redemption reserve

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

Special reserve

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

Share premium account

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

Revaluation reserve

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

Capital reserve – realised

The following are disclosed in this reserve:

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

Revenue reserve

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

Funds held in respect of shares not yet allotted

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

Notes to the Accounts (continued)

for the year ended 31 March 2022

14. Basic and diluted Net Asset Value per share

	Shares in issue		2022 Net Asset Value		2021 Net Asset Value	
	2022	2021	Pence per share	£'000	Pence per share	£'000
DSO D Shares	7,867,247	7,867,247	2.6	208	10.2	801
DP67 Shares	11,192,136	11,192,136	26.8	2,998	18.4	2,064
Ventures Shares	54,112,154	47,308,832	68.2	36,889	67.2	31,778
Ventures Management Shares	11,216,391	11,216,391	-	-	-	-
Healthcare Shares	22,206,436	19,230,091	84.4	18,746	68.5	13,165
Healthcare Management Shares	4,605,472	4,605,472	-	-	-	-
AIM Shares	2,034,990	n/a	99.9	2,029	-	-
Funds held in respect of shares not yet allotted				7		241
Net assets per Balance Sheet				60,877		48,049

The Directors allocate the assets and liabilities of the Company between the DSO D Shares, DP67 Shares, Ventures Shares, Healthcare Shares and AIM 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 Ventures Share, per Healthcare Share or per AIM 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 Ventures Share, per Healthcare Share and per AIM Share.

15. Financial instruments

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

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

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

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

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2022

15. Financial instruments (continued)

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

Market risks

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

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

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

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

Investment price risk

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

Quoted investments

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

	Risk exposure at 31 March 2022	Risk exposure at 31 March 2021
Liquidity investments (£'000)	3,519	4,149
Quoted Venture Capital investments (£'000)	7,333	1,322
FTSE 100 Index at the reporting date	7,516	6,714

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
Ventures Shares				
20% increase to 5,142 (2021: 4,834)	857	1.6p	806	1.7p
20% decrease to 3,428 (2021: 3,222)	(857)	(1.6p)	(806)	(1.7p)
Healthcare Shares				
20% increase to 7,880 (2021: 1,732)	1,313	5.9p	289	1.5p
20% decrease to 5,254 (2021: 1,154)	(1,313)	(5.9p)	(289)	(1.5p)

Notes to the Accounts (continued)

for the year ended 31 March 2022

15. Financial instruments (continued)

Market risks (continued)

Investment price risk (continued)

At 31 March 2022, the unquoted portfolio was valued at £38,289,000 (2021: £35,272,000). A breakdown of the unquoted portfolio by valuation method used is as follows:

	2022 £'000
Calibration to price of recent investment	23,439
Discounted cash flows (from the investment)	8,473
Discounted cash flows or earnings (of underlying business)	-
Multiples	6,377
	38,289

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

Movement in unquoted investment valuations				
	31 March 2022			
	+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	9	0.1p	(22)	(0.3p)
DP67 Shares	379	3.4p	(947)	(8.5p)
Ventures Shares	5,395	10.0p	(13,487)	(24.9p)
Healthcare Shares	1,876	8.4p	(4,689)	(21.1p)

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

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

Notes to the Accounts (continued)

for the year ended 31 March 2022

15. Financial instruments (continued)

Market risks (continued)

Foreign exchange risk

The Company has exposure to fluctuations in the prevailing market rates of exchange between the US Dollar ("USD") and the British Pound ("GBP"), as a result of holding investments in companies which use USD as their functional and reporting currency. The valuations of such investments are first performed in USD and subsequently converted to the equivalent GBP values at each reporting date. As at 31 March 2022, cumulative unrealised foreign exchange gains of £171,000 (2021: cumulative loss £266,000) had been recognised in the Income Statement, representing the movements in the USD:GBP exchange rates between the date of each relevant investment and the reporting date. The Board continues to review the exposure to fluctuations in foreign currencies but has not sought to mitigate the exposure at this time. The Company does however have relationships with foreign exchange service providers and will seek to reduce the impact of foreign exchange fluctuations on future cash flows as they arise.

Interest rate risk

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

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

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

	Average interest rate	Average period until maturity	2022 £'000	2021 £'000
Fixed rate	24.1%	Past due	3,250	3,667
Floating rate	nil		8,384	6,986
No interest rate			49,242	37,396
			60,876	48,049

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 an average of 0.19% during the year. Any potential change in the base rate, at the current level, would have an immaterial impact on the net assets and Total Return of the Company.

Credit risk

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

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

	2022 £'000	2021 £'000
Investments in loan notes	3,250	3,667
Cash and cash equivalents	8,384	6,986
Interest and other receivables	4,316	701
	15,950	11,354

Notes to the Accounts (continued)

for the year ended 31 March 2022

15. Financial instruments (continued)

Credit risk (continued)

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

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

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

Liquidity risk

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

The Company has a relatively low level of creditors, being £965,000 (2021: £381,000), all of which are payable within one year. The Company has no borrowings, and accordingly the Board believes that the Company's exposure to liquidity risk is low. Also, the quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal. The Company's liquidity risk is managed by the Investment Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

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

The carrying values of loan note investments held and at fair value through profit or loss as at 31 March 2022, analysed by expected maturity date, are as follows:

As at 31 March 2022	Passed maturity date £'000	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Total £'000
Fully performing loans	-	417	-	-	258	675
Past due loans	1,411	1,164	-	-	-	2,575
	1,411	1,581	-	-	258	3,250

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

As at 31 March 2022, of the loans classified as "past due", £1,411,000 (2021: £2,653,000) relates to the principal of loans where the principal had passed its maturity date. The total of £2,575,000 (2021: £2,653,000) is comprised of £1,164,000 (2021: £nil) which is within 1 year of the expected maturity date and £1,411,000 (2021: £2,653,000) relating to principal which is between 1 and 3 years past due. Notwithstanding that the principal remained outstanding passed its maturity date, the Directors did not consider that the loan principal amounts had been impaired.

Notes to the Accounts (continued)

for the year ended 31 March 2022

16. Deferred taxation

	2022 £'000	2021 £'000
At the beginning of the year	-	69
Charged to the income statement	-	(69)
At the end of the year	-	-

17. Capital management

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

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

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

18. Contingencies, guarantees and financial commitments

As at 31 March 2022, the Company's Ventures Share pool had exited from JRNI Limited. Of the total sales consideration, £84,000 had been withheld from the Company pending warranty claims. Whilst the Directors consider it unlikely that any such claims will be made, the remaining funds will not be released to the Company until the expiry of the warranty period. As such, in accordance with FRS 102 (Section 10.11.3), this amount has not been recorded as a receivable in these financial statements, nor as part of the exit proceeds shown on page 14.

At 31 March 2022, the Company had no other contingencies, guarantees or financial commitments.

Notes to the Accounts (continued)

for the year ended 31 March 2022

19. Controlling party and related party transactions

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

Fees payable during the year to the Directors and their interest in shares of the Company are disclosed within the Directors' Remuneration Report on page 55 and in the Report of the Directors on page 50. There were no amounts outstanding and due to the Directors as at 31 March 2022 (2021: nil).

Further related party transactions include Investment Management and Administration fees payable to Downing LLP, as disclosed in notes 3 and 4. In addition, Downing LLP was also paid promoter fees in connection with the offers for subscription which were open during the year. The total paid to Downing LLP during the year ended 31 March 2022 was £149,000 (2021: £32,000).

The Company also has an agreement to pay an ongoing trail fee annually to Downing LLP, in connection with applicable proceeds raised under previous offers for subscription, out of which Downing LLP has an obligation to pay trail commission to intermediaries. The total trail fee payable to Downing in respect of the year ended 31 March 2022 was £24,000, all of which was unpaid as at 31 March 2022 (2021: £24,000).

20. Events after the end of the reporting period

In the period between 31 March 2022 and the date of this report, the Company issued the following shares:

- ▶ 4,611,464 Ventures Shares, at an average price of 27.0p per share, including 2,759,758 management shares at 0.1p per share; and
- ▶ 1,763,300 Healthcare Shares, at an average price of 31.6p per share, including 1,106,592 management shares at 0.1p per share; and
- ▶ 660,813 AIM Shares, at an average price of 102.5p per share

At the date of this report, there were 69,880,747 Ventures Shares, 28,560,321 Healthcare Shares and 2,695,803 AIM Shares in issue, including Management Shares.

On 13 June 2022, the Company announced that its investment manager, Downing LLP ("Downing"), agreed to sell its technology Ventures business to Foresight Group LLP ("Foresight"). As part of this transaction, the Investment Management agreement (with the exception of the management of the Healthcare share pool) was novated from Downing to Foresight at the completion of the sale on 5 July 2022. The management of the Healthcare share pool will be retained by Downing and continue to be managed by Downing's expanding Healthcare team. In order to ensure a smooth handover, Downing will also continue to provide administration services, and investment management services in respect of the AIM share pool and for non-ventures portfolio investments (primarily in the planned exit share pools which are being wound down) for a transitional period.

Notice of the Annual General Meeting of Downing FOUR VCT plc

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Downing FOUR VCT plc will be held at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG at 3.30 p.m. on 27 September 2022 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 2022, together with the report of the Auditor thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of final dividends of 2.75p per Ventures Share and 3.50p per Healthcare Share.
4. To re-appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the accounts of the Company are presented and to authorise the Directors to determine their remuneration.
5. To re-elect as Director, Sir Aubrey Brocklebank, who retires and, being eligible, offers himself for re-election.
6. To re-elect as Director, Andrew Mackintosh, who retires and, being eligible, offers himself for re-election.
7. To re-elect as Director, Steven Clarke, who retires and, being eligible, offers himself for re-election.
8. To re-elect as Director, Chris Allner, who retires and, being eligible, offers himself for re-election.

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

Ordinary Resolution

9. That, in addition to any existing authority (to the extent unused), the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £172,555, being up to 58,651,026 Ventures Shares (plus Ventures Management Shares of up to 14,662,757) (representing approximately 105% of the Ventures Share capital in issue at today's date), up to 47,393,365 Healthcare Shares (plus Healthcare Management Shares of up to 11,848,341) (representing approximately 207% of the Healthcare Share capital in issue at today's date) and up to 40,000,000 AIM Shares (representing approximately 1,484% of the AIM Share capital in issue at today's date), during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended 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 to subscribe for or to convert any security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with section 551 of the Act be and are hereby revoked, provided that such revocation shall not have retrospective effect;

Special Resolutions

10. That, in addition to any existing authority (to the extent unused), the Directors be and are hereby empowered, during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of this resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), pursuant to section 570 of the Act, to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to Resolution 9 above, as if section 561(1) of the Act did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired;

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

11. 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"), Ventures Shares of 0.1p each ("Ventures Shares"), Healthcare Shares of 0.1p each ("Healthcare Shares") and AIM Shares of 0.1p each ("AIM 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, 8,329,785 representing approximately 14.9% of the issued Ventures Share capital, 3,404,390 representing approximately 14.9% of the issued Healthcare Share capital of the Company and 401,675 representing approximately 14.9% of the issued AIM Share capital of the Company;
 - (ii) the minimum price which may be paid for a DSO D Share, DP67 Share, Ventures Share, Healthcare Share or AIM Share is 0.1p, exclusive of all expenses;
 - (iii) the maximum price which may be paid for a DSO D Share, DP67 Share, Ventures Share, Healthcare Share or AIM 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, Ventures Shares, Healthcare Shares or AIM 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, Ventures Shares, Healthcare Shares or AIM 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.

12. That, subject to the sanction of the High Court, the amounts standing to the credit of each of the share premium account and capital redemption reserve of the Company, as at the date an order is made confirming such cancellation by the High Court be cancelled.

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

By order of the Board



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

25 July 2022

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 deposited at the offices of the Company's Registrar, The City Partnership (UK) Limited, Suite 2 Park Valley House, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH or submitted electronically at proxy-downingfour.cpip.io, 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 The City Partnership (UK) Limited, Suite 2 Park Valley House, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH. 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 The City Partnership 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 3.30 p.m. on 23 September 2022 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 3.30 p.m. on 23 September 2022 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 25 July 2022, the Company's issued share capital comprised 7,867,247 DSO D Shares, 11,192,136 DP67 Shares, 69,880,747 Ventures Shares, 28,560,321 Healthcare Shares and 2,695,803 AIM Shares the total number of voting rights in the Company, excluding management shares, was 83,373,699,344. Information on the number of shares and voting rights is included at www.downing.co.uk.
- (e) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (f) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out on the previous page.
- (g) Members may not use any email address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.



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Downing LLP is authorised and regulated by the Financial Conduct Authority