



DOWNING FOUR VCT PLC

Half-Yearly Report for the six months ended
30 September 2021



Shareholder Information

Financial Calendar

July 2022

September 2022

Announcement of Annual Results

Annual General Meeting

Selling Shares

Information on how to sell your shares can be found on Downing's website:

www.downing.co.uk/selling-your-vct-shares

If you have any queries, Downing's Customer Team can be contacted at customer@downing.co.uk or on 020 7416 7780.

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 and Healthcare Shares, as the other classes are in the process of returning funds to Shareholders through dividends.

Shareholders who wish to sell their Shares should 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 Company's registrar, The City Partnership, on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque posted to their registered address, can update their instructions at the Downing VCT Investor Hub:

downing-vct.cityhub.uk.com

A Dividend Mandate Form is also available from this site that can be completed and emailed to registrars@city.uk.com or sent to The City Partnership (UK) Limited, The Mending Room, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH. If you have any queries, The City Partnership can be contacted by the email address above or on 01484 240910

Share Scam Warning

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

Some further details are available on Downing's website:

www.downing.co.uk/vctboilerroomscam

The FCA has published information about such scams at www.fca.org.uk/scamsmart

If you have any concerns, please contact Downing at customer@downing.co.uk or 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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Financial Highlights

	Unaudited 30 September 2021 pence	Audited 31 March 2021 pence	Unaudited 30 September 2020 pence
Ventures Share pool			
Net Asset Value per Ventures Share	68.50	67.2	61.2
Cumulative distributions	5.25	2.5	2.5
Total Return per Ventures Share	73.75	69.7	63.7
Healthcare Share pool			
Net Asset Value per Healthcare Share	88.70	68.5	65.2
Cumulative distributions	5.25	2.5	2.5
Total Return per Healthcare Share	93.95	71.0	67.7
DSO D Share pool			
Net Asset Value per DSO D Share	10.2	10.2	10.7
Cumulative distributions	94.5	94.5	94.5
Adjusted for Performance Incentive estimate ¹	(0.3)	(0.5)	(1.2)
Total Return per DSO D Share	104.4	104.2	104.0
DP67 Share pool			
Net Asset Value per DP67 Share	19.5	18.4	18.4
Cumulative distributions (since original launch)	67.8	67.8	67.8
Total Return per DP67 Share	87.3	86.2	86.2

1 Based on Total Return to Shareholders at 30 September 2021, a Performance Incentive is expected to become due to management. The Performance Incentive has been estimated at 0.3p per DSO D Share. No provision has been included in the accounts as the conditions of the Performance Incentive fee have not yet been met.

Chairman's Statement

Introduction

I am pleased to present the Company's Half-Yearly Report for the six months ended 30 September 2021.

This has been a busy period for your Company, with a new evergreen share class created, another share class renamed and a new offer for subscription launched. We were also pleased to welcome three new board members and saw good progress made by some of the evergreen portfolio companies.

Fundraising

In August, the Company published a shareholder circular seeking approval for various resolutions in connection with the launch of a new fundraising. A new evergreen share class, focussing on AIM-quoted investments, was proposed, as well as a change of name for the Generalist Share class to become the **Ventures** Share Class to better describe the focus of its activities. A general meeting took place on 21 September 2021 at which all resolutions were passed.

The new offer for subscription was launched at the same time, seeking to raise up to £10M in each of the Ventures, Healthcare and AIM share classes, with an over-allotment facility of up to £15M for each share class.

The Board believes that the Company offers an attractive proposition for VCT investors, as there are signs that some of the earlier investments in the Ventures and Healthcare portfolio are starting to mature and the AIM market is also providing good opportunities for investment.

Full details of the offer can be found on the Downing website:

downing.co.uk/investor/products/vct

No shares have yet been allotted under this offer and therefore the AIM Share class does not feature in this Half-Yearly Report. We expect the Annual Report for the year ended 31 March 2022 to be the first report to cover the AIM Share class.

Evergreen Share pool review

Ventures Share pool (formerly Generalist)

During the period, the Ventures Share pool made one follow-on investment of £125,000, and there was an IPO which involved the conversion of loan notes into equity.

The Ventures Share pool Total Return stood at 73.75p as at 30 September 2021. This is an increase of 4.05p or 6.0% over the period, after adjusting for the dividend of 2.75p per Ventures Share, paid on 24 September 2021.

The NAV increase for the period predominantly results from several valuation uplifts within the Venture Capital Portfolio, including the IPO of Arecor Therapeutics plc ("Arecor"), which is discussed in more detail in the Investment Manager's Reports for the Ventures and Healthcare Share pools, on pages 5 and 9.

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. Downing Strategic Micro-Cap Investment Trust performed well over the period, increasing in value by over 6%, and there have been further positive updates.

A more detailed review of the Ventures Share pool is included in the Ventures Investment Manager's Report on pages 5 to 6. A review of the Liquidity Investments is included in page 12.

Healthcare Share pool

During the period, the Healthcare Share pool invested £1.2 million in four VCT Qualifying companies, three of which were existing companies in the Healthcare Share pool's Venture Capital Portfolio. There were also two IPOs during the period, which are discussed in more detail in the Investment Manager's Report on pages 9 to 10.

As at 30 September 2021, the Healthcare Share pool Total Return stood at 93.95p. This is an increase of 22.95p or 33.5% over the period, after adjusting for the dividend of 2.75p per Healthcare Share, paid on 24 September 2021.

The NAV increase for the period is largely attributable to the AIM IPOs of two portfolio companies: Arecor and GENinCode. Based on their quoted share prices as at 30 September 2021, Arecor and GENinCode generated unrealised valuation gains totalling £3.5 million for the period. The remaining investments in the Healthcare Venture Capital Portfolio generated unrealised valuation gains of £1.1 million for the period.

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 performed well over the period, as noted above, increasing in value by over 6%.

A more detailed review of the Healthcare Share pool is included in the Investment Manager's Report on pages 9 to 10. A review of the Liquidity Investments is included on page 12.

Chairman's Statement (continued)

Planned Exit Share pools

DSO D Share pool

The DSO D Share pool holds four remaining investments. At the period end, the net asset value per share ("NAV"), net of the estimated performance incentive fee, stood at 9.9p. Total Return at 30 September 2021 stood at 104.4p per share, an increase of 0.2p since 31 March 2021.

After the half-year date, the Manager achieved exits from the DSO D Share pool's two renewable energy investments at proceeds slightly exceeding their valuations as at 30 September 2021. As a result of these exits, the Company is in a position to declare a dividend to DSO D Shareholders, which I will come on to mention.

The Manager is also progressing plans to exit from the two businesses with exposure to the hospitality sector, Pearce and Saunders Limited and Pearce and Saunders DevCo Limited. It is expected that these two investments will exit in 2022.

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

DP67 Share pool

The DP67 Share pool also holds four remaining investments. At the period end, the net asset value ("NAV") per Share stood at 19.5p. Total Return at 30 September 2021 stood at 87.3p per share, an increase of 1.1p per share since 31 March 2021.

The DP67 Share pool has significant exposure to the hospitality sector and it has not been possible to significantly progress exits from these businesses yet, as they are only just starting to re-establish trading records following the disruption of the pandemic. However, with the UK economy continuing to open up and lockdown restrictions looking to be behind us, the Manager is now targeting an exit by the end of 2022.

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

Dividends

On 24 September 2021, the Company paid dividends in respect of the year ended 31 March 2021, of 2.75p per Ventures Share and 2.75p per Healthcare Share. This brings the total dividends paid to date on each of the Ventures and Healthcare Share pools, to 5.25p each.

Following the exits from Fresh Green Power and Green Energy Production, after the half-year date, the DSO D Share pool is now in a position to declare a 7.5p dividend to DSO D Shareholders, to be paid on 28 January 2022, to Shareholders on the register as at 7 January 2022.

For both the DSO D and DP67 Share pools, the next dividends will be declared once further realisations have taken place.

Board reorganisation

With much of the Company's activity now focussed on the evergreen share pools which invest in young growth businesses, a review of the board composition was undertaken, to ensure it was well aligned with the Company's needs going forward.

A formal process took place with an external recruitment consultant to identify suitable candidates with experience relevant to areas in which the Company now actively invests. Full consideration was given to board diversity as part of this process; however, the primary criteria was to identify the candidates best placed to make a meaningful contribution to the Company in its investing activities.

Ultimately two candidates from this process were invited to join the board and were appointed as non-executive directors on 8 September 2021.

Steven Clarke 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.

Dr Andrew Mackintosh 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 and is currently chairman of Sphere Fluidics Limited, a high-growth biotechnology tools company. He is also chairman of UKI2S, a government-backed venture capital fund supporting companies from the UK's scientific research base.

Chairman's Statement (continued)

Board reorganisation (continued)

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.

In addition to the above, in order to enhance the operational relationship between the Board and the Manager, **Chris Allner**, partner of Downing LLP, also joined the board on 8 September 2021 as a non-executive director. No remuneration will be paid by the Company in respect of his role.

Chris has 35 years of venture capital and private equity experience, previously as head of private equity at Octopus Investments. Prior to this, he was a director at Beringea and Bridgepoint with previous experience at 3i and Charterhouse. Chris has transacted over 50 investments and has sat on the boards of a number of unquoted and quoted portfolio companies across a variety of commercial sectors.

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.

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.

Share buybacks

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

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

During the six-month period ended 30 September 2021, the Company repurchased 15,924 Ventures Shares and 16,990 Healthcare Shares, at average prices of 67.2p and 81.6p per share, respectively.

If you wish to sell or buy Shares in the Company, Panmure Gordon can supply details of closed periods etc. Contact details can be found on the Shareholder Information page of this Half-Yearly Report.

Outlook

The Board is very encouraged by the progress made by the Healthcare share pool in recent months where two of the portfolio companies have started to demonstrate their potential in successfully completing IPOs. There are also signs within the Ventures share pool of the stronger investments starting to make headway. Both share pools suffered some setbacks in their early years. This is not an unexpected feature of investing in a portfolio of young businesses where investments may take time to prove their worth. This performance was also compounded by the impact of the coronavirus pandemic. With many of the businesses in these portfolios now several years into their life and having dealt with challenging conditions, we believe there are good prospects for improved overall performance going forward.

The new offer for subscription should ensure that the Company has funds available to allow the evergreen share classes to take advantage of attractive new investment opportunities which the Investment Manager is seeing, including extending into the area of AIM-quoted companies with the new AIM Share class.

For the planned exit share pools, the ongoing delays in exiting the investments are disappointing but somewhat expected given the sectors in which these shares classes are invested and the impact of the pandemic. The Board is satisfied that the Manager's strategy in working towards exits while seeking to achieve optimal values is sensible. We hope to see progress in completing the task of realising the investments over the next 12 months.

I look forward to updating all Shareholders in my statement with the Annual Report, which we expect to publish in July 2022.



Sir Aubrey Brocklebank Bt.
Chairman

13 December 2021

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 over the six-month period to 30 September 2021.

This Investment Manager's Report is split into two sections comprising this overview and a review of the Venture Capital Portfolio. Where the Ventures Share pool has invested alongside the Healthcare Share pool, further valuation commentary can be found within the Investment Manager's Report for the Healthcare Share pool, on pages 9 to 10.

A separate report on the portfolio of Liquidity Investments is included on page 12.

Net Asset Value and results

As at 30 September 2021, the NAV of a Ventures Share stood at 68.5p, an increase of 4.05p from 31 March 2021, after adding back the dividend of 2.75p which was paid during the period.

The return on ordinary activities for the Ventures Share pool for the period was £1.97 million, comprising a revenue loss of £253,000 and a capital gain of £2.2 million.

Whilst there has been further recovery in the NAV since 31 March 2021, the Total Return to Shareholders as at 30 September 2021, of 73.75p, continues to be considered an underperformance against our expectations for the Ventures Share pool.

Portfolio Overview

As at 30 September 2021, the Ventures Share pool held a portfolio of 36 Venture Capital investments and two Liquidity investments, with a total carrying value of £30.8 million.

Portfolio Performance

Overall, there were ten valuation increases in the Venture Capital Portfolio, totalling £4.4 million, which more than offset the eight valuation reductions, totalling £2.2 million. The net valuation increase across the Venture Capital Portfolio was therefore £2.2 million as at 30 September 2021.

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 30 September 2021. This resulted in a valuation uplift of £180,000 for the half-year period. Liquidity Investments are discussed in more detail on page 12.

ii. Venture Capital Portfolio

Investment activity

During the period, £125,000 was invested in one existing business in the Venture Capital Portfolio. There was also one conversion within the portfolio, of loan notes into equity.

Follow-on Venture Capital investments

FVRVS Limited, trading as Fundamental VR, provides surgery simulation software for enterprise clients and hospitals. The Ventures Share pool invested an additional £125,000 in the business, alongside a further £250,000 from the Healthcare Share pool.

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.

Portfolio valuation

During the period, the Venture Capital portfolio of the Ventures Share pool was increased in value by a total of £2.2 million, following a number of positive developments.

E-Fundamentals (Group) Limited, a Software as a Service (SaaS) analytics company, which has developed and commercialised a SaaS analytics tool, has continued to grow its customer base, both in the UK and in the US, resulting in a valuation uplift of £1.3 million as at 30 September 2021.

Hackajob Limited, the owner of a marketplace platform for hiring technical talent, has progressed well during the period, with recurring revenues continuing to grow. The valuation was uplifted by £697,000 as at 30 September 2021 as a result.

The valuation of **Arecor** was uplifted by £634,000 as at 30 September 2021. Further valuation commentary can be found on page 9.

Imagen Limited, the developer of a cloud-based enterprise video platform, has grown its revenues significantly from the time of the Ventures Share pool's investment. In line with this continued growth, the investment in the business was uplifted by £524,000 as at 30 September 2021.

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

ii. Venture Capital Portfolio (continued)

Portfolio valuation (continued)

Ayar Labs, Inc., the developer of components for high performance computing and data centre applications, was uplifted in valuation by £465,000 as at 30 September 2021, including the impact of foreign exchange. This revaluation is the result of a calibration to the price set under a recent funding round.

Trinny London Limited, the e-commerce-based beauty and cosmetics brand launched by Trinny Woodall, has continued its strong performance, and was uplifted in value by £283,000 as at 30 September 2021.

Xupes Limited, a pre-owned luxury goods retailer specialising in designer watches, handbags and jewellery, was sold during October 2021, returning £675,000 to the Ventures Share pool. The valuation as at 30 September 2021 has been uplifted by £384,000 to reflect the sales proceeds achieved.

The Ventures Share pool's investment in **FVRVS Limited** (trading as **Fundamental VR**) was uplifted by £64,000 as at 30 September 2021. Please see page 10 for further valuation commentary.

Streethub Limited (trading as **Trouva**), an online marketplace for a curated range of homeware and lifestyle products, has been reduced in value by £503,000, as a result of the business trading behind budget.

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 £482,000 as at 30 September 2021, on the back of a downgrade in revenue forecasts.

Empiribox Holdings Limited, a creator of practical resources for effective science lessons, was revalued to £nil as at 30 September 2021. The coronavirus pandemic added to the group's existing challenges and ultimately led to its failure. The business is now in liquidation and it is disappointing to report that no value recovery is expected.

FundingXchange Limited, an SME funding platform and B2B technology provider which enables online lending, was subject to a valuation reduction of £264,000 as at 30 September 2021, as forecasted revenue performance is yet to materialise.

Exonar Limited, a developer of software solutions which help ensure compliance with data-centric regulations and imperatives, was reduced in value by £177,000 as at 30 September 2021. This is the result of a calibration to the price set under a recent funding round.

Destiny Pharma plc, which is listed on AIM, was reduced in value by £165,000 as at 30 September 2021. Please see page 10 for further valuation commentary.

Lineten Limited, the owner of an aggregator platform for on-demand and same day delivery, was subject to a valuation reduction of £157,000 as at 30 September 2021. The business has progressed slowly and its revenue performance is behind Downing's investment case.

The small valuation movements in respect of **Virtual Class Limited** (trading as **Third Space Learning**), **Cornelis Networks, Inc.**, **Parsable, Inc.** and **Carbice Corporation**, offset one another for the half-year period, resulting in a net movement of £nil.

Outlook

After some early setbacks in the Liquidity and Venture Capital portfolios, we are now starting to see improved performance from the Ventures Share class, driven by a number of valuation uplifts. It is reassuring that most of the portfolio companies have weathered the pandemic and many may now be better placed than they were beforehand.

Our role over the remainder of the year will focus on continued support of the existing portfolio companies in the Venture Capital Portfolio, as well as looking to add new investments to this portfolio as the proceeds of the current fundraising become available.

Downing LLP

13 December 2021

Review of Investments – Ventures Share Pool

The following investments were held at 30 September 2021:

Portfolio of investments	Cost as at 30 September 2021 £'000	Valuation as at 30 September 2021 £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
E-Fundamentals (Group) Limited	1,342	3,668	1,260	11.0%
Imagen Limited	1,000	2,352	524	7.0%
Virtual Class Limited (t/a Third Space Learning)	1,053	1,816	(60)	5.4%
Rated People Limited	1,282	1,584	-	4.8%
Hackajob Limited	784	1,481	697	4.4%
Cornelis Networks, Inc.	1,402	1,337	30	4.0%
Trinny London Limited	219	1,240	283	3.7%
Ayar Labs, Inc.	764	1,191	465	3.6%
Arecor Therapeutics plc^	418	1,052	634	3.2%
Firefly Learning Limited	1,047	1,047	-	3.1%
Ecstase Limited (t/a ADAY)	1,000	1,000	-	3.0%
Limitless Technology Limited	757	920	-	2.8%
FundingXchange Limited	1,050	786	(264)	2.4%
Streethub Limited (t/a Trouva)	1,208	770	(503)	2.3%
Congenica Limited	734	746	-	2.2%
Parsable, Inc.	766	694	16	2.1%
Xupes Limited	933	675	384	2.0%
Masters of Pie Limited	667	667	-	2.0%
Carbice Corporation	656	623	14	1.9%
JRNI Limited	525	525	-	1.6%
Maverick Pubs (Holdings) Limited	1,000	450	-	1.3%
FVRVS Limited (t/a Fundamental VR)	375	439	64	1.3%
Fenkle Street LLP*	301	388	-	1.2%
Destiny Pharma plc^	500	364	(165)	1.1%
Cambridge Touch Technologies Limited	459	361	-	1.1%
Channel Mum Limited	675	278	-	0.8%
Hummingbird Technologies Limited	750	271	(482)	0.8%
Upp Technologies Group Limited (previously Volo Commerce)	1,077	242	-	0.7%
Exonar Limited	550	202	(177)	0.6%
MIP Diagnostics Limited	200	200	-	0.6%
Lineten Limited	400	52	(157)	0.2%
Empiribox Holdings Limited	1,563	-	(405)	0.0%
Lignia Wood Company Limited	1,778	-	-	0.0%
Live Better With Limited	1,211	-	-	0.0%
Ormsborough Limited	900	-	-	0.0%
	29,346	27,421	2,158	82.2%
Liquidity investments				
Downing Strategic Micro-Cap Investment Trust plc*^	4,269	3,333	196	10.0%
MI Downing UK Micro-Cap Growth Fund*	123	76	(16)	0.2%
	4,392	3,409	180	10.2%
	33,738	30,830	2,338	92.4%
Cash at bank and in hand		2,517		7.6%
Total investments		33,347		100.0%

All Venture Capital investments are incorporated in England and Wales.

*non-qualifying investment

^listed and traded on the London Stock Exchange

Review of Investments – Ventures Share Pool (continued)

Investment movements for the period ended 30 September 2021

Additions	Cost £'000
Venture Capital investments	
Arecor Therapeutics plc**	422
FVRVS Limited	125
	547

Disposals	Cost £'000	Valuation at 01/04/21* £'000	Proceeds £'000	Loss vs. cost £'000	Realised gain £'000
Venture Capital investments					
Glownet Limited	741	-	-	(741)	-
Arecor Limited**	418	418	418	-	-
Liquidity investments					
MI Downing UK Micro-Cap Growth Fund*	369	270	301	(68)	31
	1,528	688	719	(809)	31

*non-qualifying investment

**includes Loan Note conversion and share for share exchange

Investment Manager's Report- Healthcare Share Pool

i. Overview

Introduction

We present a review of the investment portfolio and activity for the Healthcare Share pool over the six-month period to 30 September 2021.

This Investment Manager's Report is split into two sections comprising this overview and a review of Venture Capital Portfolio.

A separate report on the portfolio of Liquidity Investments is included on page 12.

Net Asset Value and results

As at 30 September 2021, the NAV of a Healthcare share stood at 88.70p, an increase of 22.95p from 31 March 2021, after adding back the dividend of 2.75p which was paid during the period.

The return on ordinary activities for the Healthcare Share pool for the period was £4.5 million, comprising a revenue loss of £132,000 and a capital gain of £4.6 million.

The Total Return to Healthcare Shareholders, as at 30 September 2021, was 93.95p.

Portfolio Overview

As at 30 September 2021, the Healthcare Share pool held a portfolio of 13 Venture Capital investments and two Liquidity investments, with a combined value of £15.4 million.

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 a number of valuation movements in the Venture Capital Portfolio during the period, resulting in a net valuation increase of £4.7 million.

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 30 September 2021. This resulted in a valuation uplift of £29,000 for the period. Liquidity Investments are discussed in more detail on page 12.

ii. Venture Capital Portfolio

Investment activity

During the period, a total of £1.2 million was invested in four VCT Qualifying companies, three of which were existing businesses within the Venture Capital Portfolio. There were also two IPOs on AIM, one of which involved the conversion of loan notes into equity.

New Venture Capital investments

DiA Imaging Analysis Limited ("DiA") (£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.

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.

FVRVS Limited, trading as Fundamental VR, provides surgery simulation software for enterprise clients and hospitals. The Healthcare Share pool invested an additional £250,000 in the business, alongside a further £125,000 from the Ventures Share pool.

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.

On 3 June 2021 **Arecor Therapeutics plc ("Arecor")** 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.

Portfolio valuation

As at 30 September 2021, the Venture Capital portfolio of the Healthcare Share pool was increased in value by a total of £4.7 million.

Since its IPO, **Arecor** has made several positive updates on the progress of its products, which have bolstered its share price. As at 30 September, the market capitalisation of Arecor was £116 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 £2.3 million as at 30 September 2021.

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

ii. Venture Capital Portfolio (continued)

Portfolio valuation (continued)

GENinCode 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. The company's quoted share price has been relatively flat since September 2021, as a result of limited news flow from the company, although a number of positive developments were announced alongside the interim results, released on 16 September 2021. In line with the quoted bid price as at 30 September 2021, the Healthcare Share pool's holding in GENinCode was increased by £1.2 million.

Adaptix Limited is a developer of a flat panel X-ray source which seeks to improve the accuracy and mobility of 3D imaging. The company's technology will make portable, low radiation dose 3D imaging more accessible and lower cost than systems currently available on the market. The valuation of the company has been uplifted, as a result of a recalibration of the valuation in line with a recent funding round. The uplift in the carrying value of the Healthcare Share pool's investment, as at 30 September 2021, was £758,000.

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 uplifted in accordance with an external valuation. The resulting uplift for the Healthcare Share pool was £378,000 as at 30 September 2021.

The valuation of **FVRVS Limited** (trading as **Fundamental VR**) has been increased as a result of a calibration to the most recent funding round. The valuation uplift for the Healthcare Share pool was £129,000 as at 30 September 2021.

i The carrying value of the Healthcare Share pool's investment in **The Electrospinning Company Limited** was increased by £124,000 as at 30 September 2021. This is reflective of a calibration to the company's recent funding round, in which the Healthcare Share pool partook.

Destiny Pharma plc, which is listed on AIM, was reduced in value by £248,000 as at 30 September 2021. The business continues to progress with its clinical pipeline and trials, however the quoted share price has fallen on the back of limited trading volumes. We continue to believe that there will be long-term appreciation in the share price, as key milestones continue to be achieved.

DiA Imaging Analysis Limited ("DiA") was reduced in value by £4,000 as at 30 September 2021, to reflect the movement in the exchange rate in the US Dollar/Sterling exchange rate, between the date of investment and the half-year date.

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

Outlook

The two IPOs that took place in the period are reassuring signs of the quality of the companies in the Venture Capital Portfolio. These companies are now starting to drive the overall performance of the Healthcare Share pool in the right direction.

Over the remainder of the year, we will continue to focus on supporting the existing companies in the Venture Capital Portfolio, whilst also looking to further add to this portfolio in deploying existing and new fundraising proceeds. The healthcare sector is generating a good level of attractive dealflow and there is strong market sentiment towards these businesses, as we have observed with Arecor and GENinCode.

Downing LLP

13 December 2021

Review of Investments – Healthcare Share Pool

The following investments were held at 30 September 2021:

Portfolio of investments	Cost as at 30 September 2021 £'000	Valuation as at 30 September 2021 £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
Arecor Therapeutics plc [^]	1,533	3,859	2,326	22.1%
GENinCode plc [^]	1,202	2,419	1,217	13.8%
Adaptix Limited	1,056	1,843	758	10.5%
Open Bionics Limited	1,000	1,378	378	7.9%
Congenica Limited	1,184	1,215	-	6.9%
FVRVS Limited (t/a Fundamental VR)	750	879	129	5.1%
Future Health Works Limited (t/a MyRecovery)	528	556	-	3.2%
Destiny Pharma plc [^]	750	545	(248)	3.1%
The Electrospinning Company Limited	478	544	124	3.1%
Invizius Limited	500	500	-	2.9%
DiA Imaging Analysis Limited	415	419	4	2.4%
Cambridge Respiratory Innovations Limited	400	400	-	2.3%
MIP Diagnostics Limited	200	200	-	1.1%
Live Better With Limited	1,106	-	-	0.0%
	11,102	14,757	4,688	84.4%
Liquidity Investments				
Downing Strategic Micro-Cap Investment Trust plc ^{*^}	729	569	34	3.3%
MI Downing UK Micro-Cap Growth Fund [*]	40	24	(5)	0.1%
	769	593	29	3.4%
	11,871	15,350	4,717	87.8%
Cash at bank and in hand		2,137		12.2%
Total investments		17,487		100.0%

*non-qualifying investment

[^]listed and traded on the London Stock Exchange

Investment movements for the period ended 30 September 2021

Additions	Cost £'000
Venture Capital investments	
Arecor Therapeutics plc ^{**}	1,547
GENinCode plc	1,202
DiA Imaging Analysis Limited	415
FVRVS Limited (t/a Fundamental VR)	250
The Electrospinning Company Limited	200
	3,614

Disposals	Cost £'000	Valuation at 01/04/21 [*] £'000	Proceeds £'000	Loss vs. cost £'000	Realised gain £'000
Venture Capital investments					
Arecor Limited ^{**}	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

*non-qualifying investment

**includes Loan Note conversion and share for share exchange

Investment Manager's Report- Liquidity Investments

i. Introduction

We present a review of the portfolios of Liquidity Investments, held by the Ventures and Healthcare Share pools, over the six-month period to 30 September 2021. As at 30 September, both Share pools had holdings in Downing Strategic Micro-Cap Investment Trust plc ('DSM'), which performed well during the half-year period, as well as a small residual holding in MI Downing UK Micro-Cap Growth Fund, which is in the process of winding-up.

The carrying values of the Liquidity Investments have been adjusted to reflect their quoted prices as at 30 September 2021. This resulted in uplifts of £180,000 and £29,000 for the Ventures and Healthcare Share pools, respectively, for the half-year period.

ii. Downing Strategic Micro-Cap Investment Trust plc

The values of the Ventures and Healthcare Share pool holdings in Downing Strategic Micro-Cap Investment Trust plc ("DSM") increased in value by £196,000 and £34,000 during the period. As at 30 September 2021, DSM's mid-market share price traded at a discount to NAV of 16.89%, representing unrealised value in the company's share price. The Managers of DSM also believe that the trust's portfolio also has a level of intrinsic value which is yet to be recognised by the market. They have been uncharacteristically bullish on the prospects for the portfolio throughout 2021, believing that the prospects for DSM investments are healthy and capable of delivering earnings and cash flows which should ultimately be better than the pre-Covid period.

DSM holdings are now typically more efficient, better managed, and should be able to achieve better returns on invested capital than at initial investment. The Managers believe that the portfolio is as well positioned as it can be.

iii. MI Downing UK Micro-Cap Growth Fund

Ventures and Healthcare Shareholders will be aware of the small residual investments in Downing Micro-Cap Growth Fund ("DMCG"). Since 19th February 2021, the ACD 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 to the Ventures Share pool and £96,000 to the Healthcare Share pool, realising gains of £31,000 and £10,000 respectively, over the valuations as at 31 March 2021. Over 100% of the suspension price has now been returned to shareholders, with a small residual distribution expected in the coming months.

As at 30 September 2021, the Ventures Share pool's residual holding in DMCG was reduced in value by £16,000, and the Healthcare Share pool's holding by £5,000.

Downing LLP

13 December 2021

Investment Manager's Report DSO D Share Pool

Introduction

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

Net Asset Value and results

The Net Asset Value ("NAV") per DSO D Share at 30 September 2021, net of the estimated performance incentive fee, stood at 9.9p, an increase of 0.2p over the period. Whilst the reported NAV (prior to the deduction of the performance fee estimate) reduced by 1.3p during the period, the estimated performance incentive fee, which is expected to become due to partners and staff of Downing LLP, also reduced during the period.

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

The loss on ordinary activities after taxation for the period was £1,000, comprising a revenue loss of £8,000 and a capital gain of £7,000.

Whilst it is unfortunate to report further delays in the realisation process, the NAV of the DSO Share pool has, to date, not been adversely impacted by the effects of the coronavirus pandemic. However, we continue to experience delays in exiting from the DSO D Share pool's investments in Pearce and Saunders and Pearce and Saunders DevCo Limited. Plans are in place to exit from these companies and we hope to have completed this process by the summer of 2022.

Venture Capital investments

As at 31 March 2021, the DSO D Share Pool held four Venture Capital investments with a total value of £455,000.

Portfolio activity

We are pleased to report that, after the half-year date, the DSO D Share pool exited from its two renewable energy investments.

Fresh Green Power Limited, the owner of solar panels on the rooftops of domestic properties in the UK, was exited after the half-year date. The carrying value of the investment was adjusted at 30 September 2021 to bring it in line with the proceeds received by the DSO D Share pool.

Green Energy Production UK Limited owns a portfolio of commercial solar panels on the rooftops of chicken sheds in Lincolnshire. The DSO D Share pool's investment in the company has now been exited. The carrying value of this investment was also adjusted at 30 September, in line with the proceeds received shortly after the half-year date.

Portfolio valuation

During the year, the carrying value of the portfolio of Venture Capital investments held by the DSO D Share pool was increased by £10,000.

As DSO D Shareholders will be aware **Pearce and Saunders Limited** has been heavily impacted by the restrictions and forced closures brought about by the coronavirus pandemic. However, as restrictions have been lifted the business has been able to trade more effectively, leading to an increase in valuation of £17,000 as at 30 September 2021.

Finally, **Pearce and Saunders DevCo Limited** was reduced in value by £3,000 as at 30 September 2021.

Dividends

As Fresh Green Power and Green Energy Production have now been exited, the DSO D Share pool is in a position to declare a 7.5p dividend to DSO D Shareholders, to be paid on 28 January 2022, to Shareholders on the register as at 7 January 2022. This takes total dividends paid to 102.0p per DSO D Share, on a net investment of 70.0p.

Outlook

The focus for the DSO D Share pool continues to be on realising the remaining investments. A further distribution will be paid once the final realisations have taken place.

Downing LLP

13 December 2021

Review of investments - DSO D Share Pool

The following investments were held at 30 September 2021:

Portfolio of investments	Cost as at 30 September 2021 £'000	Valuation as at 30 September 2021 £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
Fresh Green Power Limited	189	279	(3)	37.0%
Pearce and Saunders Limited	275	94	17	12.5%
Green Energy Production UK Limited	100	66	(1)	8.7%
Pearce and Saunders DevCo Limited*	19	16	(3)	2.1%
	583	455	10	60.3%
Cash at bank and in hand		300		39.7%
Total investments		755		100.0%

* non-qualifying investment

All Venture Capital investments are incorporated in England and Wales.

There were no investment disposals during the period.

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 this has been subject to substantial delays as a result of the coronavirus pandemic.

Net Asset Value and results

The Net Asset Value ("NAV") per DP67 Share at 30 September 2021 stood at 19.5p, an increase of 1.1p over the period. Total Return stands at 87.3p per DP67 Share, compared to initial cost to Shareholders, net of income tax relief, of 70.0p per Share. Compared to the initial NAV of 100p, we consider the Total Return of 87.3p to be underperformance against the original expectations for the DP67 Share pool.

The return on ordinary activities after taxation for the period was £114,000, comprising a revenue loss of £17,000 and a capital gain of £131,000.

As Shareholders are aware, the DP67 portfolio has a high level of exposure to the leisure and hospitality sector, which has been heavily impacted by the coronavirus pandemic. It has not been possible to seek to achieve good exit values for these businesses during a period in which they have been unable to operate at a level close to full capacity. We are encouraged by the trading that has been possible following the gradual lifting of restrictions throughout the UK, however we anticipate that it will still take some time for exits to be achieved, as a good level of post-pandemic trading activity will need to be demonstrated if the sales values achieved are to represent the best value for shareholders.

Venture Capital investments

As at 31 March 2021, the DP67 Share pool held a portfolio of five Venture Capital investments, with a total value of £2.3 million.

Portfolio activity

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

Portfolio valuation

The DP67 portfolio was increased in value by a total of £138,000 during the period. This uplift was wholly attributable to **Gatewales Limited**. The company is a corporate member in **Fenkle Street LLP** and is valued based on a discounted cash flow basis. Unwinding of the discount during the period resulted in the uplift stated.

The valuations of the remaining Venture Capital investments are unchanged from those stated in the Annual Report to 31 March 2021.

Outlook

The focus for the DP67 Share pool continues to be on realising the remaining investments. The delays in the exit processes are frustrating, however we are hopeful that these might now complete by Q4 2022. In the interim, we will continue to work with management teams in order to maximise the proceeds for the DP67 Share pool. Further dividends will be paid once the final realisations have taken place.

Downing LLP

13 December 2021

Review of Investments – DP67 Share Pool

The following investments were held at 30 September 2021:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Venture Capital investments				
Cadbury House Holdings Limited	1,409	791	-	38.2%
Fenkle Street LLP*	405	727	-	34.9%
Gatewales Limited**	343	747	138	25.5%
Yamuna Renewables Limited	400	-	-	0.0%
London City Shopping Centre Limited*	99	-	-	0.0%
	2,656	2,265	138	98.6%
Cash at bank and in hand		10		1.4%
Total investments		2,275		100.0%

*non-qualifying investment

**partially qualifying investment

All Venture Capital investments are incorporated in England and Wales.

There were no investment disposals during the period.

Unaudited Income Statement

for the six months ended 30 September 2021

	Six months ended 30 Sep 2021			Six months ended 30 Sep 2020			Year ended 31 Mar 2021
	Revenue	Capital	Total	Revenue	Capital	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	43	2	45	234	2	236	268
Gains on investments	-	7,244	7,244	-	762	762	4,816
	43	7,246	7,289	234	764	998	5,084
Investment management fees	(244)	(244)	(488)	(196)	(196)	(392)	(822)
Other expenses	(209)	-	(209)	105	-	105	(97)
(Loss)/profit on ordinary activities before tax	(410)	7,002	6,592	143	568	711	4,165
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	(69)
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	(410)	7,002	6,592	143	568	711	4,096
Basic and diluted return per share:							
Ventures Share	(0.5p)	4.6p	4.1p	0.4p	1.6p	2.0p	(1.8p)
Healthcare Share	(0.7p)	23.7p	23.0p	(0.1p)	(0.3p)	(0.4p)	(0.4p)
DSO D Share	(0.1p)	0.1p	0.0p	-	(1.3p)	(1.3p)	8.0p
DP67 Share	(0.2p)	1.3p	1.1p	(0.1p)	(0.3p)	(0.4p)	2.9p

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

Unaudited Income Statement (continued)

Analysed by Share pool

for the six months ended 30 September 2021

	Six months ended 30 Sep 2021			Six months ended 30 Sep 2020			Year ended 31 Mar 2021
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Ventures Share pool							
Income	35	1	36	195	2	197	232
Net gain on investments	-	2,369	2,369	-	878	878	4,067
	35	2,370	2,405	195	880	1,075	4,299
Investment management fees	(152)	(152)	(304)	(113)	(113)	(226)	(514)
Other expenses	(136)	-	(136)	90	-	90	(25)
(Loss)/profit on ordinary activities before tax	(253)	2,218	1,965	172	767	939	3,760
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	(39)
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	(253)	2,218	1,965	172	767	939	3,721

	Six months ended 30 Sep 2021			Six months ended 30 Sep 2020			Year ended 31 Mar 2021
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Healthcare Share pool							
Income	8	1	9	22	-	22	36
Net gain on investments	-	4,727	4,727	-	8	8	796
	8	4,728	4,736	22	8	30	832
Investment management fees	(82)	(82)	(164)	(72)	(72)	(144)	(268)
Other expenses	(58)	-	(58)	29	-	29	(15)
(Loss)/profit on ordinary activities before tax	(132)	4,646	4,514	(21)	(64)	(85)	549
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	(132)	4,646	4,514	(21)	(64)	(85)	549

Unaudited Income Statement (continued)

Analysed by Share pool

for the six months ended 30 September 2021

DSO D Share pool	Six months ended 30 Sep 2021			Six months ended 30 Sep 2020			Year ended 31 Mar 2021
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	-	-	-	7	-	7	-
Net gain/(loss) on investments	-	10	10	-	(97)	(97)	(106)
	-	10	10	7	(97)	(90)	(106)
Investment management fees	(3)	(3)	(6)	(4)	(4)	(8)	(12)
Other expenses	(5)	-	(5)	(6)	-	(6)	(25)
(Loss)/profit on ordinary activities before tax	(8)	7	(1)	(3)	(101)	(104)	(143)
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	(8)	7	(1)	(3)	(101)	(104)	(143)

DP67 Share pool	Six months ended 30 Sep 2021			Six months ended 30 Sep 2020			Year ended 31 Mar 2021
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	-	-	-	10	-	10	-
Net gain/(loss) on investments	-	138	138	-	(27)	(27)	59
	-	138	138	10	(27)	(17)	59
Investment management fees	(7)	(7)	(14)	(7)	(7)	(14)	(28)
Other expenses	(10)	-	(10)	(8)	-	(8)	(32)
(Loss)/profit on ordinary activities before tax	(17)	131	114	(5)	(34)	(39)	(1)
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	(30)
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	(17)	131	114	(5)	(34)	(39)	(31)

Unaudited Balance Sheet

as at 30 September 2021

	Note	As at 30 September 2021 £'000	As at 30 September 2020 £'000	As at 31 March 2021 £'000
Fixed assets				
Investments	10	48,900	42,281	40,743
Current assets				
Debtors		393	375	701
Cash at bank and in hand		4,964	1,309	6,986
		5,357	1,684	7,867
Creditors: amounts falling due within one year		(644)	(556)	(381)
Net current assets		4,713	1,128	7,306
Net assets		53,613	43,409	48,049
Capital and reserves				
Called up Share capital		103	100	102
Capital redemption reserve		58	58	58
Special reserve		27,547	37,377	29,417
Share premium account		20,919	18,930	20,010
Funds held in respect of Shares not yet allotted		194	68	241
Revaluation reserve		5,804	(12,610)	(1,143)
Capital reserve - realised		3,166	2,803	3,132
Revenue reserve		(4,178)	(3,317)	(3,768)
Total equity Shareholders' funds		53,613	43,409	48,049
Basic and diluted Net Asset Value per Share:				
Ventures Share		68.5p	61.2p	10.2p
Healthcare Share		88.7p	65.2p	18.4p
DSO D Share		10.2p	10.7p	67.2p
DP67 Share		19.5p	18.4p	68.5p

Unaudited Balance Sheet (continued)

Analysed by Share pool

as at 30 September 2021

	As at 30 September 2021 £'000	As at 30 September 2020 £'000	As at 31 March 2021 £'000
Ventures Share pool			
Fixed assets			
Investments	30,830	30,976	28,633
Current assets			
Debtors	198	240	464
Cash at bank and in hand	2,517	79	3,141
	2,715	319	3,605
Creditors: amounts falling due within one year	(404)	(3,070)	(238)
Net current assets	2,311	(2,751)	3,367
Net assets	33,141	28,225	32,000
Capital and reserves			
Called up share capital	60	57	59
Capital redemption reserve	58	58	58
Special reserve	18,997	26,082	20,195
Share premium account	14,551	13,180	14,009
Funds held in respect of shares not yet allotted	189	61	222
Revaluation reserve	1,237	(9,322)	(814)
Capital reserve – realised	878	426	847
Revenue reserve	(2,829)	(2,317)	(2,576)
Total equity Shareholders' funds	33,141	28,225	32,000

Unaudited Balance Sheet (continued)

Analysed by Share pool

as at 30 September 2021

	As at 30 September 2021 £'000	As at 30 September 2020 £'000	As at 31 March 2021 £'000
Healthcare Share pool			
Fixed assets			
Investments	15,350	8,806	9,538
Current assets			
Debtors	194	2,882	254
Cash at bank and in hand	2,137	890	3,491
	2,331	3,772	3,745
Creditors: amounts falling due within one year	(187)	(291)	(99)
Net current assets	2,144	3,481	3,646
Net assets	17,494	12,287	13,184
Capital and reserves			
Called up share capital	24	24	24
Special reserve	7,987	10,323	8,656
Share premium account	6,368	5,750	6,001
Funds held in respect of shares not yet allotted	5	7	19
Revaluation reserve	(4,587)	(2,640)	(161)
Capital reserve – realised	(474)	-	(84)
Revenue reserve	(1,403)	(1,177)	(1,271)
Total equity Shareholders' funds	17,494	12,287	13,184

Unaudited Balance Sheet (continued)

Analysed by Share pool

as at 30 September 2021

	As at 30 September 2021 £'000	As at 30 September 2020 £'000	As at 31 March 2021 £'000
DSO D Share pool			
Fixed assets			
Investments	455	458	445
Current assets			
Debtors	65	82	29
Cash at bank and in hand	300	312	344
	365	394	373
Creditors: amounts falling due within one year	(20)	(12)	(17)
Net current assets	345	382	356
Net assets	800	840	801
Capital and reserves			
Called up share capital	8	8	8
Special reserve	963	972	966
Revaluation reserve	(128)	(132)	(138)
Capital reserve – realised	(37)	(37)	(37)
Revenue reserve	(6)	29	2
Total equity Shareholders' funds	800	840	801

Unaudited Balance Sheet (continued)

Analysed by Share pool

as at 30 September 2021

	As at 30 September 2021 £'000	As at 30 September 2020 £'000	As at 31 March 2021 £'000
DP67 Share pool			
Fixed assets			
Investments	2,265	2,041	2,127
Current assets			
Debtors	1	53	1
Cash at bank and in hand	10	28	10
	11	81	11
Creditors: amounts falling due within one year	(98)	(65)	(74)
Net current assets	(87)	16	63
Net assets	2,178	2,057	2,064
Capital and reserves			
Called up share capital	11	11	11
Special reserve	(400)	-	(400)
Revaluation reserve	108	(516)	(30)
Capital reserve – realised	2,399	2,414	2,406
Revenue reserve	60	148	77
Total equity Shareholders' funds	2,178	2,057	2,064

Statement of Changes in Equity

for the six months ended 30 September 2021

	Called up Share capital	Capital Redemption reserve	Special reserve	Share premium account	Funds held in respect of Shares not yet allotted	Revaluation Reserve (Note 9)	Capital reserve - realised	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 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)
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	-	-	(1,621)	-	(1,621)
Cancellation of shares	-	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-	-
Issue of shares	4	-	-	2,097	-	-	-	-	2,101
Share issue costs	-	-	-	(58)	-	-	-	-	(58)
At 31 March 2021	102	58	29,417	20,010	241	(1,143)	3,132	(3,768)	48,049
Total comprehensive income	-	-	-	-	-	7,203	(202)	(410)	6,591
Transfer between reserves*	-	-	(1,845)	-	-	(256)	2,101	-	-
Unallotted Shares	-	-	-	-	(47)	-	-	-	(47)
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	-	-	(1,865)	-	(1,865)
Cancellation of Shares	-	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	(25)	-	-	-	-	-	(25)
Issue of shares	1	-	-	933	-	-	-	-	934
Share issue costs	-	-	-	(24)	-	-	-	-	(24)
At 30 Sept 2021	103	58	27,547	20,919	194	5,804	3,166	(4,178)	53,613

* A transfer of (£256,000) (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 £1,845,000 (2021: £10,022,000) representing the total of: realised losses on the disposal of investments, cumulative impairment losses, capital expenses and capital dividends in the period, has been made between the Capital Reserve - realised and the Special reserve. A transfer of £nil (2021: £6,000), representing the balance on the Revenue reserve relating to previously cancelled share classes, has been made from the revenue reserve to the Special reserve.

Unaudited Statement of Cash Flows

for the six months ended 30 September 2021

	DSO D Share pool £'000	DP67 Share pool £'000	Ventures Share pool £'000	Healthcare Share pool £'000	Total £'000
Cash flows from operating activities					
(Loss)/return on ordinary activities before taxation	(1)	114	1,965	4,514	6,592
Gains on investments	(10)	(138)	(2,369)	(4,728)	(7,245)
Increase in creditors	3	24	164	88	214
(Increase)/decrease in debtors	(36)	-	269	59	357
Net cash (outflow)/inflow from operating activities	(44)	-	29	(67)	(82)
Corporation tax paid	-	-	-	-	-
Net cash generated from operating activities	(44)	-	29	(67)	(82)
Cash flow from investing activities					
Purchase of investments	-	-	(547)	(3,614)	(4,161)
Proceeds from disposal of investments	-	-	719	2,529	3,248
Net cash inflow/(outflow) from investing activities	-	-	172	(1,085)	(913)
Net cash (outflow)/inflow before financing	(44)	-	201	(1,152)	(995)
Cash flows from financing activities					
Issue of share capital	-	-	(11)	(14)	(25)
Issue of share capital	-	-	556	378	934
Cost of issue of share capital	-	-	(14)	(10)	(24)
Funds held in respect of shares not yet allotted	-	-	(33)	(14)	(47)
Equity dividends paid	-	-	(1,323)	(542)	(1,865)
Net cash outflow from financing activities	-	-	(825)	(202)	(1,027)
Net change in cash	(44)	-	(624)	(1,354)	(2,022)
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	300	10	2,517	2,137	4,964
Cash and cash equivalents comprise					
Cash at bank and in hand	300	10	2,517	2,137	4,964
Total cash and cash equivalents	300	10	2,517	2,137	4,964

Unaudited Statement of Cash Flows

for the six months ended 30 September 2020

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

Notes to the Unaudited Financial Statements

1. General Information

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

2. Basis of accounting

The unaudited half-yearly financial results cover the six months to 30 September 2021 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 March 2021, which were prepared in accordance with the Financial Reporting Standard 102 ("FRS 102") and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" issued in April 2021 ("SORP").

3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.

4. The comparative figures are in respect of the six months ended 30 September 2020 and the year ended 31 March 2021 respectively.

5. Net Asset Value per share at the period end has been calculated on the number of shares in issue at the period end as follows:

Ventures Shares*	48,107,209
Healthcare Shares*	19,710,375
DSO D Shares	7,867,247
DP67 Shares	11,192,136

*Excludes Management Shares

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

Ventures Shares*	47,737,573
Healthcare Shares*	19,573,094
DSO D Shares	7,867,247
DP67 Shares	11,192,136

*Excludes Management Shares

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

8. Dividends

	Six months ended 30 September 2021			
	Pence per Share	Revenue £'000	Capital £'000	Total £'000
Ventures Shares				
Paid				
Final (year ended 31 March 2021)	2.75	-	1,323	1,323
Healthcare Shares				
Paid				
Final (year ended 31 March 2021)	2.75	-	542	542

Notes to the Unaudited Financial Statements (Continued)

9. Reserves

	30 Sep 2021 £'000	30 Sep 2020 £'000	31 Mar 2021 £'000
Capital redemption reserve	58	58	58
Special reserve	27,547	37,377	29,417
Share premium account	20,919	18,930	20,010
Revaluation reserve	5,804	(12,610)	(1,143)
Capital reserve - realised	3,166	2,803	3,132
Revenue reserve	(4,178)	(3,317)	(3,768)
Funds held in respect of shares not yet allotted	194	68	241
	53,510	43,309	47,947

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves and are reduced by revaluation losses of £11.8 million. Distributable reserves at 30 September 2021 were £14.6 million.

10. 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 (losses)/gains at 1 April 2021	(1,497)	72	548	(877)
Unrealised foreign exchange losses at 1 April 2021	-	-	(266)	(266)
Impairment losses 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	-	3,171	990	4,161
Disposals - proceeds	(397)	(2,851)	-	(3,248)
- realised gains on disposals	41	-	-	41
Unrealised foreign exchange gains	-	-	79	79
Unrealised gains in the Income Statement	209	3,764	3,151	7,124
Transfers between investment categories	-	2,833	(2,833)	-
Closing value at 30 Sept 2021	4,002	8,239	36,659	48,900
Closing cost at 30 Sept 2021	5,161	4,403	39,790	49,354
Unrealised (losses)/gains at 30 Sept 2021	(1,159)	3,836	3,313	5,990
Unrealised foreign exchange losses at 30 Sept 2021	-	-	(187)	(187)
Impairment losses at 30 Sept 2021	-	-	(6,257)	(6,257)
Closing value at 30 Sept 2021	4,002	8,239	36,659	48,900

The fair value of investments is determined using the detailed accounting policy as shown in the audited financial statements for the year ended 31 March 2021. The Company has categorised its financial instruments using the fair value hierarchy as follows:

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

Notes to the Unaudited Financial Statements (Continued)

	Level 1	Level 2	Level 3	30 Sept 2021	Level 1	Level 2	Level 3	31 Mar 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liquidity investments	4,002	-	-	4,002	4,149	-	-	4,149
Quoted equity	8,239	-	-	8,239	1,322	-	-	1,322
Unquoted loan notes	-	-	3,667	3,667	-	-	3,667	3,667
Unquoted equity	-	-	32,992	32,992	-	-	31,605	31,605
	12,241	-	36,659	48,900	5,471	-	35,272	40,743

10. Risk and uncertainties

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

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

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

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

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

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

11. Going concern

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

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

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

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

13. Copies of the Half-Yearly Report will be sent to Shareholders shortly. Further copies can be obtained from the Company's registered office or downloaded from www.downing.co.uk/d4.

Performance Incentive Arrangements

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

DSO D Shares

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

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

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

As at 30 September 2021, the estimated performance fee is 0.3p per DSO D Share.

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.

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Sir Aubrey Brocklebank (Chairman)
Christopher Allner
Steven Clarke
Lord Flight
Dr Andrew Mackintosh

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