

Downing THREE VCT plc

Half-Yearly Report
for the six months
ended 30 June 2017



CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Half-Yearly Report for the six months ended 30 June 2017. The Company has a number of share pools, each of which is in a different stage in its planned exit life. Generally progress has been satisfactory over the period, with all the mature share pools seeing an increase in their total return.

Net asset values and overview

'D' Share pool

The 'D' Share pool is now in the process of exiting from its investments.

At 30 June 2017, the net asset value ("NAV") for a combined holding of one 'D' Share and one 'E' Share was 23.8p. Total Return (NAV plus dividends paid to date) is now 103.8p for a combined holding, compared to the original cost, net of income tax relief, of 70p per share.

Total dividends of 80p per combined share have been paid to date. The Manager is optimistic that one final dividend can be paid before the end of the year to bring the share pool to a close.

'F' Share pool

The 'F' Share pool launched in 2012 and is scheduled to start exiting from investments in early 2018.

At 30 June 2017, the net asset value ("NAV") for a holding of one 'F' Share was 69.6p, an increase of 2.7p (3.9%) over the period. Total Return (NAV plus dividends paid to date) is now 97.1p for a combined holding, compared to the original cost, net of income tax relief, of 70p per share.

The Manager anticipates that the first major distribution will be paid in the first quarter of 2018.

'H' Share pool

The 'H' Share pool raised funds in 2014 and has now completed its initial investment phase. The target date to start realising investments is 2019.

At 30 June 2017, the net asset value ("NAV") for a holding of one 'H' Share was 84.6p which represents a net increase of 0.9p (1.0%) over the period after adjusting for the dividends paid out. Total Return (NAV plus dividends paid to date) is now 102.1p, compared to the initial NAV, before income tax relief, of 100.0p.

'J' Share pool

The 'J' Share pool raised funds in 2015 and is continuing to build its initial investment portfolio. The target date to start realising investments is 2020.

At 30 June 2017, the net asset value ("NAV") and total return for a holding of one 'J' Share was 95.7p which represents a net decrease of 0.1p (0.1%) over the period, compared to the initial NAV, before income tax relief, of 100.0p.

The Investment Manager's Report on pages 3 to 11 will provide more detail on each of the share pools.

Dividends

In line with the Company's stated policies, interim dividends will be paid as follows:

'F' Shares	2.5p per share
'H' Shares	2.5p per share

Each of the above dividends will be paid on 15 December 2017 to Shareholders on the register at 24 November 2017.

No interim dividend is being declared in respect of the 'D' Shares as additional dividends will be declared once further investment realisations have been completed. No dividend is being declared in respect of the 'J' Share pool as the VCT regulations effectively prohibit dividends at this early stage in the pool's life.

CHAIRMAN'S STATEMENT (continued)

Share buybacks

The Company has a general policy in the first five years after the launch of a share class, of buying in its own shares that become available in the market for cancellation. As a result, the Company will currently buy 'H' Shares and 'J' Shares that become available in the market and will, subject to liquidity and regulatory constraints, buy at prices approximately equal to net asset value i.e. with no discount.

During the period to 30 June 2017, the Company repurchased and subsequently cancelled 14,562 'J' Shares for an aggregate consideration of £13,907, being an average price of 95.5p per 'J' Share.

No share buybacks in respect of any other share classes were undertaken during the period.

Outlook

The Manager will be engaged in a number of different activities for each of the share pools over the remainder of the year. We hope to see the 'D' Share come to the end of its life with a final dividend and expect preparations for investment realisations in the 'F' Share pool to advance significantly. The 'H' Share pool is expected to have limited investment activity over the remainder of the year while the Manager focuses on the existing portfolio, but we expect to see a small number of new additions to the 'J' Share portfolio as the funds raised continue to be employed.

Shareholders may be aware of the "Patient Capital Review" currently being undertaken by the Government which is seeking to strengthen the UK as a place for growing innovative businesses. It is possible that this review could result in some changes to the VCT regulations and the associated tax reliefs. We expect that any planned changes will be announced in the Budget in November. The Board and Manager are closely monitoring developments and we will communicate with Shareholders if we believe there are any changes which could have a significant impact on Shareholders' investments.

In addition to any communications in connection with the above, I will update all Shareholders in my statement in the next Annual Report, and I also expect to write separately to 'D' Shareholders as and when there is news of a final distribution.



Michael Robinson
Chairman

28 September 2017

INVESTMENT MANAGER'S REPORT 'D' SHARE POOL

The 'D' Share pool is in the process of realising its investments in order to return funds to 'D' Shareholders. The process has continued to progress through the period and we are optimistic it will be completed in the near future.

Investment activity

During the period under review, there was one partial disposal of £245,000 in Mosaic Spa and Health Clubs Limited. This represented a gain of £68,000 against the previous carrying value. Further proceeds for this investment are expected in due course at which point the company will be fully exited from the pool.

At 30 June 2017, the pool held seven investments with a valuation of £2.2 million. Three small valuation changes were made at the period end resulting in a total valuation reduction of £4,000. The carrying values adopted at the end of the period are consistent with the values at which we believe the investments can be exited.

Realisation plans

The pools most significant holding is in Gara Rock Resort Limited, formerly Aminghurst Limited. We are pleased to report that we have recently exchanged contracts for the sale of the investment and expect this transaction to complete shortly.

Of the remaining six investments Avon Solar Energy Limited and Westcountry Solar Solutions Limited are expected to exit in the next two months. Mosaic Spa and Health Clubs Limited has partially exited in the period and we are exploring options to facilitate a complete exit for the share pool. No further proceeds are expected from Quadrate Spa Limited or Future Biogas (Reepham Road) Limited.

Net asset value and results

At 30 June 2017, the net asset value ("NAV") for a combined holding of one 'D' Share and one 'E' Share was 23.8p, an increase of 0.8p (2.2%) over the period. Total Return (NAV plus dividends paid to date) is now 103.8p for a combined holding.

The profit on ordinary activities for the 'D' Shares, after taxation, for the period was £76,000, comprising a revenue loss of £22,000 and a capital profit of £98,000.

Outlook

The end of the task of realising all the share pool's investments is now in sight. The exact timing is dependent on transactions involving third parties so is somewhat uncertain, however we anticipate that the pool should be able to make one final payment before the end of the year.

Downing LLP

28 September 2017

SUMMARY OF INVESTMENT PORTFOLIO 'D' SHARE POOL

as at 30 June 2017

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
VCT qualifying and partially qualifying investments				
Avon Solar Energy Limited	210	252	12	10.3%
Westcountry Solar Solutions Limited	250	216	(34)	8.9%
Mosaic Spa and Health Clubs Limited*	325	123	-	5.0%
Quadrate Spa Limited	144	-	-	0.0%
Non-qualifying investments				
Gara Rock Resort Limited	1,322	1,322	-	54.2%
Fenkle Street LLP	122	287	18	11.8%
Future Biogas (Reepham Road) Limited	320	-	-	0.0%
	<u>2,693</u>	<u>2,200</u>	<u>(4)</u>	90.2%
Cash at bank and in hand		<u>240</u>		<u>9.8%</u>
Total		<u>2,440</u>		<u>100%</u>

* Partially qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS 'D' SHARE POOL

for the six months ended 30 June 2017

Disposals	Cost £'000	Market value at 01/01/17* £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain £'000
VCT qualifying and partially qualifying investments					
Mosaic Spa and Health Clubs Limited	196	177	245	49	68
	<u>196</u>	<u>177</u>	<u>245</u>	<u>49</u>	<u>68</u>

* Adjusted for additions in the year

INVESTMENT MANAGER'S REPORT 'F' SHARE POOL

The 'F' Share pool is fully invested in a portfolio focussed on asset backed businesses and those with predictable revenue streams. Planning has begun in respect of the process to realise investments and start returning funds to Shareholders which can commence early in 2018.

Investment activity

With the pool being fully invested, no new investments were made in the period although one follow-on investment of £194,000 was made in Goonhilly Earth Station Limited, where further funding was required.

Funds had previously been invested in two companies, Morava Limited and Brownfields Trading Limited to explore business opportunities in specific sectors. In the event both companies were unable to find suitable opportunities, the £275,000 of funds invested were returned to the Share pool.

One partial divestment took place in the period being the part repayment of a non-qualifying loan to Gara Rock Resort Limited, formerly Aminghurst Limited, which generated proceeds of £95,000.

The majority of investments remain valued at or above cost and there were several valuation movements in the period.

Merlin Renewables Limited, the anaerobic digestion plant in Norfolk continues to perform well and the valuation was increased by £67,000.

Vulcan Renewables Limited has been sold after the period and the increase in value of £66,000 reflected expected sales proceeds minus a discount for execution risk. The sale subsequently completed at a higher value than shown overleaf.

An uplift of £39,000 was recognised in the period on Fresh Green Power Limited. The domestic rooftop solar company is generating profits in line with our expectations and we are now exploring options to sell the investment.

The valuation of Lambridge Solar Limited, the owner of commercial solar arrays in Lincolnshire, has been increased by £26,000 as it continues to perform well.

Atlantic Dogstar Limited continues to perform to plan and a small valuation uplift of £7,000 has been recognised in the period.

Net asset value, results and dividend

At 30 June 2017, the net asset value ("NAV") for a holding of one 'F' Share was 69.6p, an increase of 2.7p (3.9%) over the period. Total Return (NAV plus dividends paid to date) is now 97.1p for a combined holding.

The gain on ordinary activities for the 'F' Shares, after taxation, for the period was £291,000, comprising a revenue profit of £86,000 and a capital gain of £205,000.

The Company will pay an interim dividend of 2.5p per 'F' Share, on 15 December 2017 to 'F' Shareholders on the register at 24 November 2017.

Outlook

The focus now for the 'F' Share portfolio is shifting towards planning for exits. Good progress is being made and we anticipate that the first major distribution will be paid in the first quarter of 2018.

Downing LLP

28 September 2017

SUMMARY OF INVESTMENT PORTFOLIO 'F' SHARE POOL

as at 30 June 2017

	Cost £'000	Valuation £'000	Unrealised gain in period £'000	% of portfolio by value
VCT qualifying and partially qualifying investments				
Apex Energy Limited	1,000	1,000	-	13.4%
Goonhilly Earth Station Limited	954	954	-	12.8%
Vulcan Renewables Limited	653	844	66	11.3%
Merlin Renewables Limited	500	642	67	8.6%
Lambridge Solar Limited	500	595	26	8.0%
Pearce and Saunders Limited	497	497	-	6.6%
Augusta Pub Company Limited	290	349	-	4.7%
Vectis Alpha Limited	300	300	-	4.0%
Fresh Green Power Limited	200	239	39	3.2%
Pabulum Pubs Limited	200	237	-	3.2%
Atlantic Dogstar Limited	200	234	7	3.1%
City Falkirk Limited	422	177	-	2.4%
Fubar Stirling Limited	268	169	-	2.3%
Rhodes Solutions Limited	125	125	-	1.7%
Green Energy Production UK Limited	100	100	-	1.3%
Cheers Dumbarton Limited	48	17	-	0.2%
Lochrise Limited	13	-	-	0.0%
Non-qualifying investments				
Baron House Developments Limited	481	481	-	6.4%
Gara Rock Resort Limited	163	163	-	2.2%
London City Shopping Centre Limited	66	66	-	0.9%
Pearce and Saunders DevCo Limited	46	46	-	0.6%
	<u>7,026</u>	<u>7,235</u>	<u>205</u>	<u>96.9%</u>
Cash at bank and in hand		<u>232</u>		<u>3.1%</u>
Total		<u><u>7,467</u></u>		<u><u>100.0%</u></u>

* Partially qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS 'F' SHARE POOL

as at 30 June 2017

Additions	£'000
Qualifying investments	
Goonhilly Earth Station Limited	194
Total	<u><u>194</u></u>

Disposals	Cost £'000	Market value at 01/01/17 £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain £'000
VCT qualifying and partially qualifying investments					
Brownfields Trading Limited	150	150	150	-	-
Morava Limited	125	125	125	-	-
Non-qualifying investments					
Gara Rock Resort Limited	95	95	95	-	-
	<u>370</u>	<u>370</u>	<u>370</u>	<u>-</u>	<u>-</u>

* adjusted for purchases made in the period

INVESTMENT MANAGER'S REPORT 'H' SHARE POOL

The 'H' Share pool raised funds in 2014 and has made good progress in building the initial VCT qualifying portfolio. The fund is now fully qualifying.

Investment activity

During the last six months, there were no investment additions or realisations.

The majority of investments remain valued at cost and there were two valuation movements recognised in the period generating a total gain of £61,000.

Atlantic Dogstar Limited continues to perform to plan and a small valuation uplift of £38,000 has been recognised in the period.

The Antelope Pub Limited owns a pub of the same name in Tooting which continues to trade well and ahead of budget resulting in an increase in value of £23,000 being recognised in the period.

Net asset value and results

At 30 June 2017, the net asset value per 'H' Share was 84.6p, a net increase of 0.9p (1.0%) over the period. Total Return (NAV plus dividends paid to date) is now 102.1p.

Results and dividend

The gain on ordinary activities for the 'H' Shares, after taxation, for the period was £115,000, comprising a revenue profit of £54,000 and a capital gain of £61,000.

The Company will pay an interim dividend of 2.5p per 'H' Share, on 15 December 2017 to Shareholders on the register at 24 November 2017.

Outlook

The 'H' Share pool is now fully qualifying and therefore our focus is now on close monitoring and support of the portfolio companies in order to nurture growth before the ultimate exit date.

Downing LLP

28 September 2017

SUMMARY OF INVESTMENT PORTFOLIO 'H' SHARE POOL

as at 30 June 2017

	Cost £'000	Valuation £'000	Unrealised gain in period £'000	% of portfolio by value
VCT qualifying investments				
Hermes Renewables Limited	1,500	1,500	-	13.1%
Apex Energy Limited	1,300	1,300	-	11.4%
Atlantic Dogstar Limited	1,000	1,175	38	10.3%
Zora Energy Renewables Limited	1,000	1,000	-	8.8%
Quadrate Catering Limited	850	850	-	7.4%
Ironhide Generation Limited	613	613	-	5.4%
Indigo Generation Limited	613	613	-	5.4%
Antelope Pub Limited	500	523	23	4.6%
Rockhopper Renewables Limited	492	492	-	4.3%
SF Renewables (Solar) Limited	281	281	-	2.5%
Oak Grove Renewables Limited	420	231	-	2.0%
Non-qualifying investments				
Hedderwick Limited	1,250	1,250	-	11.0%
Quadrate Spa Limited	850	850	-	7.4%
Pearce and Saunders Limited	193	193	-	1.7%
Augusta Pub Company Limited	155	155	-	1.4%
	<u>11,017</u>	<u>11,026</u>	<u>61</u>	<u>96.7%</u>
Cash at bank and in hand		<u>372</u>		<u>3.3%</u>
Total		<u><u>11,398</u></u>		<u><u>100%</u></u>

No investment movements in the period to 30 June 2017.

INVESTMENT MANAGER'S REPORT 'J' SHARE POOL

The fundraising for the 'J' Share pool was launched in December 2014 and raised £11 million prior to closing in 2015. The majority of these funds have now been invested and the Share pool is due to become qualifying by the end of 2017.

Investment activity

During the last six months, three new qualifying investments have been made totalling £1.3 million as we continue to build the qualifying portfolio.

The qualifying investments include a £1 million investment in Ormsborough Limited. The company owns several pubs and restaurants across Yorkshire and this investment supported their continued expansion.

£297,000 was invested into Pilgrim Trading Limited. The company acquired two sites to be converted into children's nurseries, one of which has recently been opened in Twickenham and the other is in the planning stage.

A £10,000 investment was made into Exclusive Events Venues Limited to pay a deposit to secure a site in Chester that will be used exclusively as a wedding venue. Since the period end, following a successful planning application, a further investment has been made to acquire and develop the site.

Funds were invested in Morava Limited to explore opportunities in the wood refinery sector, Brownfields Trading Limited to develop small scale waste disposal projects and Cedarville Limited to identify a wedding venue site. During the period, these funds have been returned to the Share pool to provide £3.0 million for alternative investment opportunities. There were no other disposals in the period.

One valuation adjustment was made in the period on Ormsborough Limited following good overall performance of the group which resulted in an uplift in valuation of £28,000.

Net asset value and results

At 30 June 2017, the net asset value per 'J' Share was 95.7p, a net decrease of 0.1p (0.1%) over the period.

The loss on ordinary activities for the 'J' Shares, after taxation, was £10,000 for the period, comprising a revenue loss of £32,000 and a capital gain of £22,000.

Outlook

The 'J' Share pool will become fully qualifying at the year end, therefore we will continue to seek investment opportunities and develop the current investment portfolio over the remainder of the period.

Downing LLP

28 September 2017

SUMMARY OF INVESTMENT PORTFOLIO 'J' SHARE POOL

as at 30 June 2017

	Cost £'000	Valuation £'000	Unrealised gain in period £'000	% of portfolio by value
VCT qualifying investments				
Pilgrim Trading Limited	1,297	1,297	-	12.7%
Ormsborough Limited	1,000	1,028	28	10.1%
Rhodes Solutions Limited	1,000	1,000	-	9.8%
Jito Trading Limited	1,000	1,000	-	9.8%
Vectis Alpha Limited	900	900	-	8.8%
Yamuna Renewables Limited	800	800	-	7.8%
Indigo Generation Limited	613	613	-	6.0%
Ironhide Generation Limited	613	613	-	6.0%
Rockhopper Renewables Limited	492	492	-	4.8%
Zora Energy Renewables Limited	300	300	-	2.9%
SF Renewables (Solar) Limited	281	281	-	2.8%
Oak Grove Renewables Limited	420	231	-	2.3%
Exclusive Events Venues Limited	10	10	-	0.1%
	<u>8,726</u>	<u>8,565</u>	<u>28</u>	<u>83.9%</u>
Cash at bank and in hand		<u>1,642</u>		<u>16.1%</u>
Total		<u><u>10,207</u></u>		<u><u>100%</u></u>

SUMMARY OF INVESTMENT MOVEMENTS 'J' SHARE POOL

as at 30 June 2017

Additions	£'000
Qualifying investments	
Ormsborough Limited	1,000
Pilgrim Trading Limited	297
Exclusive Events Venues Limited	10
Total	<u><u>1,307</u></u>

Disposals	Cost £'000	Market value at 01/01/17* £'000	Disposal proceeds £'000	Loss against cost £'000	Total realised loss £'000
VCT qualifying and partially qualifying investments					
Morava Limited	1,150	1,150	1,149	(1)	(1)
Cedarville Limited	1,000	1,000	995	(5)	(5)
Brownfields Trading Limited	900	900	900	-	-
	<u><u>3,050</u></u>	<u><u>3,050</u></u>	<u><u>3,044</u></u>	<u><u>(6)</u></u>	<u><u>(6)</u></u>

*Adjusted for additions made in the period

UNAUDITED SUMMARISED BALANCE SHEET

as at 30 June 2017

	30 Jun 2017					30 Jun*	31 Dec*
						2016	2016
	'D'	'F'	'H'	'J'	Total	Total	Total
	Shares	Shares	Shares	Shares	£'000	£'000	£'000
Fixed assets							
Unquoted investments	2,200	7,235	11,026	8,565	29,026	32,065	30,836
Current assets							
Debtors	3	185	77	59	324	256	133
Cash at bank and in hand	240	232	372	1,642	2,486	1,573	2,337
	<u>243</u>	<u>417</u>	<u>449</u>	<u>1,701</u>	<u>2,810</u>	<u>1,829</u>	<u>2,470</u>
Creditors: amounts falling due within one year	<u>(76)</u>	<u>(122)</u>	<u>(104)</u>	<u>(10)</u>	<u>(312)</u>	<u>(437)</u>	<u>(286)</u>
Net current assets	<u>167</u>	<u>295</u>	<u>345</u>	<u>1,691</u>	<u>2,498</u>	<u>1,392</u>	<u>2,184</u>
Net assets	<u>2,367</u>	<u>7,530</u>	<u>11,371</u>	<u>10,256</u>	<u>31,524</u>	<u>33,457</u>	<u>33,020</u>
Capital and reserves							
Called up share capital	25	11	13	11	60	78	78
Capital redemption reserve	124	-	-	-	124	106	106
Special reserve	2,319	8,051	(2,353)	-	8,017	11,054	9,888
Share premium account	-	-	13,608	11,031	24,639	24,639	24,639
Revaluation reserve	(597)	269	9	(162)	(481)	(1,810)	(790)
Capital reserve – realised	-	(1,033)	-	(6)	(1,039)	(1,033)	(1,033)
Revenue reserve	<u>496</u>	<u>232</u>	<u>94</u>	<u>(618)</u>	<u>204</u>	<u>423</u>	<u>132</u>
Total equity shareholders' funds	<u>2,367</u>	<u>7,530</u>	<u>11,371</u>	<u>10,256</u>	<u>31,524</u>	<u>33,457</u>	<u>33,020</u>
Basic and diluted net asset value per:							
'D' Share	23.7p					34.7p	36.4p
'E' Share	0.1p					0.1p	0.1p
'F' Share		69.6p				69.7p	69.4p
'H' Share			84.6p			88.9p	86.2p
'J' Share				95.7p		97.7p	95.8p

* The comparative Balance Sheet at 30 June 2016 and 31 December 2016 includes the 'C' Share pool which has subsequently been cancelled.

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2017

	Called up share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Share premium reserve £'000	Revaluation reserve £'000	Capital reserve realised £'000	Revenue reserve £'000	Total £'000
At 1 January								
2016	78	106	15,749	24,639	(1,466)	(1,033)	1,350	39,423
Total comprehensive income	-	-	-	-	406	214	(333)	287
<i>Transactions with owners</i>								
Issue of new shares	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-
Transfer between reserves	-	-	(5,861)	-	270	6,476	(885)	-
Dividend paid	-	-	-	-	-	(6,690)	-	(6,690)
At 31 December 2016	78	106	9,888	24,639	(790)	(1,033)	132	33,020
Total comprehensive income	-	-	-	-	290	96	86	472
<i>Transactions with owners</i>								
Purchase of own shares	-	-	-	-	-	-	(14)	(14)
Transfer between reserves	-	-	(1,871)	-	19	1,852	-	-
Dividend paid	-	-	-	-	-	(1,954)	-	(1,954)
Cancellation of shares	(18)	18	-	-	-	-	-	-
At 30 June 2017	60	124	8,017	24,639	(481)	(1,039)	204	31,524

INCOME STATEMENT

for the six months ended 30 June 2017

Company Total

	Six months ended 30 Jun 2017			Six months ended 30 Jun 2016*			Year ended 31 Dec 2016*
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	556	34	590	435	-	435	625
Gains on investments							
- realised	-	62	62	-	110	110	174
- unrealised	-	290	290	-	47	47	406
	<u>556</u>	<u>386</u>	<u>942</u>	<u>435</u>	<u>157</u>	<u>592</u>	<u>1,205</u>
Investment management fees	(303)	-	(303)	(328)	-	(328)	(643)
Other expenses	(146)	-	(146)	(164)	-	(164)	(296)
Return/(loss) on ordinary activities before taxation	<u>107</u>	<u>386</u>	<u>493</u>	<u>(57)</u>	<u>157</u>	<u>100</u>	<u>266</u>
Tax on total comprehensive income and ordinary activities	(21)	-	(21)	17	-	17	21
Return/(loss) attributable to equity shareholders	<u>86</u>	<u>386</u>	<u>472</u>	<u>(40)</u>	<u>157</u>	<u>117</u>	<u>287</u>
Return per 'C' Share	-	-	-	(0.4p)	-	(0.4p)	(0.4p)
Return per 'A' Share	-	-	-	-	-	-	-
Return per 'D' Share	(0.2p)	1.0p	0.8p	(0.1p)	0.5p	0.4p	2.0p
Return per 'E' Share	-	-	-	-	-	-	-
Return per 'F' Share	0.8p	1.9p	2.7p	0.5p	0.2p	0.7p	2.8p
Return per 'H' Share	0.4p	0.5p	0.9p	0.3p	0.7p	1.0p	0.7p
Return per 'J' Share	(0.3p)	0.2p	(0.1p)	(0.8p)	-	(0.8p)	(2.8p)

* The comparative Income Statement as at 30 June 2016 and 31 December 2016 includes the 'C' Share pool which has subsequently been cancelled.

INCOME STATEMENT

for the six months ended 30 June 2017

'D' Shares	Six months ended 30 Jun 2017			Six months ended 30 Jun 2016			Year ended 31 Dec 2016
	Revenue	Capital	Total	Revenue	Capital	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	9	-	43	19	-	19	123
Gains/(losses) on investments							
- realised	-	68	68	-	109	109	168
- unrealised	-	(4)	(4)	-	(58)	(58)	28
	9	98	107	19	51	70	319
Investment management fees	(19)	-	(19)	(27)	-	(27)	(52)
Other expenses	(17)	-	(17)	(16)	-	(16)	(31)
(Loss)/return on ordinary activities before taxation	(27)	98	71	(24)	51	27	236
Tax on total comprehensive income and ordinary activities	5	-	5	11	-	11	(30)
(Loss)/return attributable to equity shareholders	(22)	98	76	(13)	51	38	206

INCOME STATEMENT

for the six months ended 30 June 2017

'F' Shares	Six months ended 30 Jun 2017			Six months ended 30 Jun 2016			Year ended 31 Dec 2016
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	222	-	222	171	-	171	99
Losses on investments							
- realised	-	-	-	-	-	-	5
- unrealised	-	205	205	-	18	18	410
	222	205	427	171	18	189	514
Investment management fees	(68)	-	(68)	(69)	-	(69)	(136)
Other expenses	(47)	-	(47)	(36)	-	(36)	(73)
Return on ordinary activities before taxation	107	205	312	66	18	84	305
Tax on total comprehensive income and ordinary activities	(21)	-	(21)	(13)	-	(13)	3
Return attributable to equity shareholders	86	205	291	53	18	71	308

INCOME STATEMENT

for the six months ended 30 June 2017

'H' Shares	Six months ended 30 Jun 2017			Six months ended 30 Jun 2016			Year ended 31 Dec 2016
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	226	-	226	202	-	202	355
Gains on investments							
- realised	-	-	-	-	-	-	-
- unrealised	-	61	61	-	88	88	53
	226	61	287	202	88	290	408
Investment management fees	(116)	-	(116)	(120)	-	(120)	(239)
Other expenses	(43)	-	(43)	(32)	-	(32)	(61)
Return on ordinary activities before taxation	67	61	128	50	88	138	108
Taxation on total comprehensive income and ordinary activities	(13)	-	(13)	(10)	-	(10)	(11)
Return attributable to equity shareholders	54	61	115	40	88	128	97

INCOME STATEMENT

for the six months ended 30 June 2017

'J' Shares	Six months ended 30 Jun 2017			Six months ended 30 Jun 2016			Year ended 31 Dec 2016
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	99	-	99	37	-	37	42
(Losses)/gains on investments							
- realised	-	(6)	(6)	-	-	-	-
- unrealised	-	28	28	-	-	-	(84)
	99	22	121	37	-	37	(42)
Investment management fees	(100)	-	(100)	(104)	-	(104)	(208)
Other expenses	(39)	-	(39)	(45)	-	(45)	(96)
Loss on ordinary activities before taxation	(40)	22	(18)	(112)	-	(112)	(346)
Tax on total comprehensive income and ordinary activities	8	-	8	22	-	22	52
Loss/gain attributable to equity shareholders	(32)	22	(10)	(90)	-	(90)	(294)

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 June 2017

	Note	30 Jun 2017				30 Jun	31 Dec	
		'D'	'F'	'H'	'J'	2016	2016	
		Shares £'000	Shares £'000	Shares £'000	Shares £'000	Total £'000	Total £'000	
Net cash (outflow)/inflow from operating activities	1	3	(30)	99	(113)	(41)	278	(3)
Cash flows from investing activities								
Purchase of investments		-	(194)	-	(1,307)	(1,501)	(13,650)	(14,950)
Sale of investments		245	370	-	3,044	3,659	4,450	7,401
Net cash inflow/(outflow) from investing activities		<u>245</u>	<u>176</u>	<u>-</u>	<u>1,737</u>	<u>2,158</u>	<u>(9,200)</u>	<u>(7,549)</u>
Net cash inflow/(outflow) before financing activities		248	146	99	1,624	2,117	(8,922)	(7,552)
Cash flows from financing activities								
Purchase of own shares		-	-	-	(14)	(14)	-	-
Equity dividends paid		(1,347)	(271)	(336)	-	(1,954)	(6,083)	(6,690)
Net cash (outflow)/inflow from financing		<u>(1,347)</u>	<u>(271)</u>	<u>(336)</u>	<u>(14)</u>	<u>(1,968)</u>	<u>(6,083)</u>	<u>(6,690)</u>
Increase/(decrease) in cash	2	<u>(1,099)</u>	<u>(125)</u>	<u>(237)</u>	<u>1,610</u>	<u>149</u>	<u>(15,005)</u>	<u>(14,242)</u>

NOTES TO THE UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 June 2017

	30 Jun 2017					30 Jun	31 Dec
						2016	2016
	'D'	'F'	'H'	'J'	Total	Total	Total
	Shares	Shares	Shares	Shares	£'000	£'000	£'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 Cash inflow from operating activities and returns on investments							
Return/(loss) on ordinary activities before taxation	71	312	128	(18)	493	100	266
Corporation tax paid	-	-	-	-	-	12	(171)
Losses/(gains) on investments	(64)	(205)	(61)	(22)	(352)	(157)	(580)
Decrease/(increase) in other debtors	-	(160)	28	(59)	(191)	375	498
(Decrease)/increase in other creditors	(4)	23	4	(14)	9	(52)	(16)
Net cash inflow/(outflow) from operating activities	3	(30)	99	(113)	(41)	278	(3)
2 Analysis of net funds							
Beginning of period	1,339	357	609	32	2,337	16,578	16,579
Net cash (outflow)/inflow	(1,099)	(125)	(237)	1,610	149	(15,005)	(14,242)
End of period	240	232	372	1,642	2,486	1,573	2,337

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. General information

Downing THREE 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. Accounting policies - Basis of accounting

The unaudited half-yearly results cover the six months to 30 June 2017 and have been prepared in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” revised January 2009 and in accordance with the accounting policies set out in the statutory accounts for the year ended 31 December 2016, which were prepared 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”).

3. All revenue and capital items in the Income Statement derive from continuing operations.

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

5. The comparative figures are in respect of the six month period ended 30 June 2016 and the year ended 31 December 2016 respectively.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

6. Dividends

Paid in period	Per share pence	Six months ended 30 June 2017			Year ended 31 Dec 2016
		Revenue £'000	Capital £'000	Total £'000	Total £'000
'C' Shares					
Special 'C' 2016	30.5p	-	-	-	2,184
Special 'A' 2016	14.8p	-	-	-	1,596
		-	-	-	3,780
'D' Shares					
Y/E Dec 2016 Final	13.5p	-	1,347	1,347	-
Y/E Dec 2015 Final	17.0p	-	-	-	1,697
		-	1,347	1,347	1,697
'F' Shares					
Y/E Dec 2016 Final	2.5p	-	271	271	-
Y/E Dec 2015 Final	2.5p	-	-	-	271
Y/E Dec 2015 Interim	2.5p	-	-	-	270
		-	271	271	541
'H' Shares					
Y/E Dec 2016 Final	2.5p	-	336	336	-
Y/E Dec 2015 Final	2.5p	-	-	-	336
Y/E Dec 2015 Interim	2.5p	-	-	-	336
		-	336	336	672

No dividends have been paid or declared in respect of the 'E' Shares or 'J' Shares.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Basic and diluted return per share

	Weighted average number of shares in issue	Revenue (loss)/return		Capital return	
		£'000	Per share	£'000	Per share
'D' Shares	9,979,109	(22)	(0.2p)	98	1.0p
'E' Shares	14,994,862	-	-	-	-
'F' Shares	10,821,660	86	0.8p	205	1.9p
'H' Shares	13,446,972	54	0.4p	61	0.5p
'J' Shares	10,718,653	<u>(32)</u>	<u>(0.3p)</u>	<u>22</u>	<u>0.2p</u>
		<u>86</u>		<u>386</u>	

8. Net asset value per share

	Shares in issue	Net asset value	
		£'000	Per Share
'D' Shares	9,979,109	2,352	23.7p
'E' Shares	14,994,862	15	0.1p
'F' Shares	10,821,660	7,530	69.6p
'H' Shares	13,446,972	11,371	84.6p
'J' Shares	10,718,815	<u>10,256</u>	<u>95.7p</u>
		<u>31,524</u>	

9. Reserves

	Period ended	Year ended
	30 June 2017 £'000	31 Dec 2016 £'000
Capital redemption reserve	124	106
Special reserve	8,017	9,888
Share premium reserve	24,639	24,639
Revaluation reserve	(481)	(790)
Capital reserve-realised	(1,039)	(1,033)
Revenue reserve	<u>204</u>	<u>132</u>
	<u>31,464</u>	<u>32,942</u>

The Special reserve, Capital reserve - realised and Revenue reserve are all distributable reserves. The Revaluation reserve includes losses of £1,570,000 which are included in the calculation of distributable reserves. Total distributable reserves are £5,612,000 (31 Dec 2016: £7,407,000).

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

10. The fair value of investments is determined using the detailed accounting policy set out in the statutory accounts for the year ended 31 December 2016.

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

- Level a Reflects financial instruments quoted in an active market;
 Level b Reflects financial instruments that have prices that are observable either directly or indirectly; and
 Level c
- i) Reflects financial instruments that use valuation techniques that are based on observable market data.
 - ii) Reflects financial instruments that use valuation techniques that are not based on observable market data (unquoted equity investments and loan note investments).

	Level a	Level b	Level c (ii)	Period ended 30 June 2017	Level a	Level b	Level c (ii)	Year ended 31 Dec 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan notes	-	-	5,794	5,794	-	-	6,201	6,201
Unquoted equity	-	-	23,232	23,232	-	-	24,635	24,635
	-	-	29,026	29,026	-	-	30,836	30,836

11. The unaudited condensed 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. The figures for the year ended 31 December 2016 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Auditor's report on those financial statements was unqualified.
12. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have 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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

13. Risks and uncertainties

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

The Board 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; and
- (ii) 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 has also reappointed Philip Hare & Associates LLP to provide regular reviews and advice in this area. 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. 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. The Board is satisfied that these approaches provide satisfactory management of the key risks.

14. 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.

15. Copies of the unaudited half-yearly report will be sent to Shareholders shortly. Further copies can be obtained from the Company's registered office or will be available for download from www.downing.co.uk.

SHAREHOLDER INFORMATION

Performance summary

	30 Jun 2017	31 Dec 2016	30 Jun 2016
	Pence	Pence	Pence
'D' Share pool			
Net asset value per 'D' Share	23.7	36.4	34.7
Net asset value per 'E' Share	0.1	0.1	0.1
Cumulative distributions per 'D' Share	80.0	66.5	66.5
Total return per 'D' Share and 'E' Share	<u>103.8</u>	<u>103.0</u>	<u>101.3</u>
'F' Share pool			
Net asset value per 'F' Share	69.6	69.4	69.7
Cumulative distributions per 'F' Share	27.5	25.0	22.5
Total return per 'F' Share	<u>97.1</u>	<u>94.4</u>	<u>92.2</u>
'H' Share pool			
Net asset value per 'H' Share	84.6	86.2	88.9
Cumulative distributions per 'H' Share	17.5	15.0	12.5
Total return per 'H' Share	<u>102.1</u>	<u>101.2</u>	<u>101.4</u>
'J' Share pool			
Net asset value per 'J' Share	<u>95.7</u>	<u>95.8</u>	<u>97.7</u>

SHAREHOLDER INFORMATION (continued)

Forthcoming dividends

	'F' Shares	'H' Shares
Interim 2016 – Payable 15 December 2017	2.5p	2.5p

Dividends

Dividends are paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose (forms can be downloaded from www.capitaassetservices.com/shareholders/information).

Queries relating to dividends and requests for mandate forms should be directed to the Company's registrar, Capita Asset Services, whose details are on the back cover of this document.

Terminology

Throughout this report, the term "D' Share(s)" has been used to refer to the pool of assets allocated to the 'D' Shares and 'E' Shares combined.

Share scam warning

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

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

SHAREHOLDER INFORMATION (continued)

Shareholder Communications

Shareholders now have the opportunity to be notified when financial reports are available to view on Downing's website by letter or by email; alternatively you can elect to receive full hard copies via post. By default notifications will be communicated by letter. If you wish to change your communications election at any time, please contact the registrar, Capita Asset Services, whose details are on the back cover of this document.

Share prices

The Company's share prices can be found on various financial websites. The share prices are also available on Downing's website (www.downing.co.uk).

	'D' Shares	'F' Shares	'H' Shares	'J' Shares
TIDM/EPIC codes	DP3D	DP3F	DP3H	DP3J
Latest share price (per share) (27 September 2017):	10.5p	45.0p	76.0p	100.0p

	'E' Shares
TIDM/EPIC codes	DP3E
Latest share price (per share) (27 September 2017):	10.0p

Trading shares

Any Shareholders who are considering selling some or all of their shares should ensure they are fully aware of any tax consequences. If you are in any doubt, please contact your financial adviser.

The Company operates a policy of buying its shares in for cancellation as they become available. The Company is, however, unable to buy back shares direct from Shareholders, so you will need to use a stockbroker to sell your shares. Downing is able to provide details of closed periods (when the Company is prohibited from buying in shares) and details of the price at which the Company has bought in shares. Contact details are shown on the back cover of this document.

Notification of change of address

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

Other information for Shareholders

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

www.downing.co.uk

If you have any queries regarding your shareholding in Downing THREE VCT plc, please contact the registrar on 0871 664 0324 or visit Capita's website at www.capitaassetservices.com and click on "Products and Services" and then "Shareholders".

Directors

Michael Robinson (Chairman)
Roger Jeynes
Dennis Hale

Company Secretary and Registered Office

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

Registered No. 5334413

Investment and Administration Manager

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

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

Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

www.capitaassetservices.com
Tel: 0871 664 0324
(calls cost 10p per minute plus network extras,
lines open Monday to Friday 8:30am to 5:30pm)



Ergon House
Horseferry Road
London SW1P 2AL

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



This document has
been printed on
100% recycled paper