

Downing THREE VCT PLC

—
Half-Yearly Report for
the six months ended
31 July 2011

SHAREHOLDER INFORMATION

Performance summary

'C' Share pool	31 Jul	31 Jan	31 Jul
	2011	2011	2010
	pence	pence	pence
Net asset value per 'C' Share	88.6	92.8	90.0
Net asset value per 'A' Share	0.1	0.1	0.1
Cumulative distributions per 'C' Share	10.0	5.0	5.0
Total return per 'C' Share and 'A' Share	<u>98.7</u>	<u>97.9</u>	<u>95.1</u>
'D' Share pool	31 Jul	31 Jan	31 Jul
	2011	2011	2010
	pence	pence	pence
Net asset value per 'D' Share	91.6	93.5	94.8
Net asset value per 'E' Share	0.1	0.1	0.1
Cumulative distributions per 'D' Share	5.0	2.5	-
Total return per 'D' Share and 'E' Share	<u>96.7</u>	<u>96.1</u>	<u>94.9</u>
Ordinary Share pool	31 Jul	31 Jan	31 Jul
	2011	2011	2010
	pence	pence	pence
Net asset value per Ordinary Share	0.1	0.1	0.1
Cumulative distributions per Ordinary Share	90.4	90.4	90.4
Total return per Ordinary Share	<u>90.5</u>	<u>90.5</u>	<u>90.5</u>

Forthcoming Dividends

		pence
'C' Shares – Interim 2011	Payable 25 November 2011	2.5
'D' Shares – Interim 2011	Payable 25 November 2011	2.5

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.capitaregistrars.com/shareholders/information).

Queries relating to dividends and requests should be directed to the Company's registrar, Capita Registrars, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open Monday to Friday 8:30am to 5:30pm), or in writing to the address on the back cover of this document.

Terminology

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

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present my report for the six months ended 31 July 2011. The Company has continued to have a high level of investment activity and has made good progress towards the VCT qualification targets for the main share pools.

'C' Share pool

Net asset value

At 31 July 2011, the NAV per 'C' Share stood at 88.6p and per 'A' Share at 0.1p, producing a combined total of 88.7p. This is a small increase of 0.8p (0.8%) since the previous year end of 31 January 2011 (after adjusting for dividends of 5.0p per 'C' Share paid during the period). Total return (NAV plus cumulative dividends paid) was 98.7p per 'C' Share and 'A' Share at 31 July 2011.

Results and dividend

The profit on ordinary activities for the 'C' Shares after taxation for the period was £53,000, relating wholly to a revenue surplus.

The Company will pay an interim dividend of 2.5p per 'C' Share, on 25 November 2011, to 'C' Shareholders on the register at 4 November 2011.

Portfolio activity

The 'C' Share pool made £1.3 million of new qualifying and part-qualifying investments during the period. Brief details of the main new qualifying investments are as follows:

Domestic Solar (ISIS) Limited

A partially qualifying investment of £500,000 was made to provide funds for the installation and operation of domestic solar rooftop arrays.

Redmed Limited

A £350,000 qualifying investment was made in a company which owns the Annexe nightclub in Lincoln city centre.

Mosaic Spa and Health Club Limited

A partially qualifying investment of £125,000 was made in this company which trades under the name "Fitness Express" and has contracts to provide management to gyms and spas for hotels, universities and corporate clients.

The share pool made a further non-qualifying property loan to Hoole Hall Country Club early in the period which was repaid (along with the existing property loan) later in the period. In total, £1.9 million of non-qualifying investments were realised (all at amounts equal to original cost) in order to provide funds for the new qualifying investments described above.

Portfolio valuation

The Board has reviewed the portfolio of investments at the period end and is satisfied that there have not been any significant departures from plan which impact on the value of the investments. Accordingly, all investments continue to be held at valuations equal to original cost.

'D' Share pool

Net asset value

At 31 July 2011, the NAV per 'D' Share stood at 91.6p and per 'E' Share at 0.1p, producing a combined total of 91.7p. This is a small increase of 0.6p (0.6%) since the previous year end of 31 January 2011 (after adjusting for dividends of 2.5p per 'D' Share paid during the period). Total return (NAV plus cumulative dividends paid) was 96.7p per 'D' Share and 'E' Share at 31 July 2011.

CHAIRMAN'S STATEMENT (continued)

'D' Share pool (continued)

Results and dividend

The profit on ordinary activities for the 'D' Shares, after taxation, for the period was £57,000, comprising a revenue gain of £190,000 and a capital loss of £133,000.

In accordance with the policy set out in the 'D' Share prospectus, the Company will pay an interim dividend of 2.5p per 'D' Share, on 25 November 2011, to 'D' Shareholders on the register at 4 November 2011.

Portfolio activity

The Company made seven qualifying investments (of which four had non-qualifying elements) at a total cost of £2.6 million during the period. Brief details of the main new investments are as follows:

Future Biogas (Reepham Road) Limited

A partially qualifying investment of £748,000 was made to fund an anaerobic digestion plant, which will be used to generate electricity.

Gingerbread Pre-School Limited

A partially qualifying investment of £551,000 was made in the company which operates children's day nurseries.

Domestic Solar (ISIS) Limited

A partially qualifying investment of £400,000 was made to provide funds for the installation and operation of domestic solar rooftop arrays.

Alpha Schools Holdings Limited

A qualifying investment of £367,000 was made into a company that owns and operates private preparatory schools.

Green Electricity Generation Limited and Progressive Energies Limited

Two qualifying investments of £250,000 and £170,000 were made in companies which generate electricity through the installation of solar systems on domestic rooftops.

Mosaic Spa and Health Club Limited

A partially qualifying investment of £125,000 was made, alongside the 'C' Share pool as described above.

The pool also made several new non-qualifying property loans during the period and realised a number of existing non-qualifying investments to provide funds for the new qualifying investments described above.

Portfolio valuation

The Board has reviewed the investments portfolio at the period end and made one adjustment to the previous carrying values. Camandale Limited owns and operates two pubs in Kilmarnock: The Riverbank and The Monkey Bar. The Monkey Bar is trading significantly below our expectations and, as a result, a provision of £133,000 has been made against the investment. The Board is satisfied that it is appropriate to continue to hold all other investments at values equal to original cost.

Ordinary Share pool

As has been stated previously, although the Ordinary Shares are still in existence, the task of returning funds to Ordinary Shareholders is complete and no further dividends are expected to be paid on the Ordinary Shares. Steps will be taken to wind up this share class in due course.

CHAIRMAN'S STATEMENT (continued)

Share buybacks

In order to provide liquidity in the market for Shareholders who need to sell all or part of their holdings, the Company operates a share buyback policy in respect of its 'A' Shares, 'C' Shares, 'D' Shares and 'E' Shares. The current policy is to undertake share buybacks at a price equivalent to approximately a 10% discount to the latest published NAV. The Board reviews this discount level from time to time.

The Company does not intend to buy in any further Ordinary Shares for cancellation.

No share buybacks in any share class were undertaken during the period.

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 appointed PricewaterhouseCoopers 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 careful structuring of 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.

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.

Outlook

Over the remainder of the year, we expect to see further progress in building the qualifying investment portfolios for both active share pools. Trading conditions remain very testing, but the continuing failure of the banks to support small businesses provides the Company with a good pipeline of investment opportunities, of which the Company will seek to take advantage.



Hugh Gillespie
Chairman

30 September 2011

UNAUDITED SUMMARISED BALANCE SHEET

as at 31 July 2011

	31 Jul 2011			31 Jul 2010	31 Jan 2011
	'C' Shares	'D' Shares	Total (incl Ord Shares)	Total	Total
	£'000	£'000	£'000	£'000	£'000
Fixed assets					
Unquoted investments	5,804	7,965	13,774	10,120	13,222
Current assets					
Debtors	440	724	1,164	172	451
Cash at bank and in hand	194	755	949	5,853	2,593
	<u>634</u>	<u>1,479</u>	<u>2,113</u>	<u>6,025</u>	<u>3,044</u>
Creditors: amounts falling due within one year	<u>(76)</u>	<u>(277)</u>	<u>(353)</u>	<u>(174)</u>	<u>(233)</u>
Net current assets	<u>558</u>	<u>1,202</u>	<u>1,760</u>	<u>5,851</u>	<u>2,811</u>
Net assets	<u><u>6,362</u></u>	<u><u>9,167</u></u>	<u><u>15,534</u></u>	<u><u>15,971</u></u>	<u><u>16,033</u></u>
Capital and reserves					
Called up share capital	18	25	144	144	144
Capital redemption reserve	4	-	5	5	5
Special reserve	6,280	9,200	15,480	15,835	15,795
Share premium account	-	-	-	-	-
Revaluation reserve	-	(133)	(133)	-	-
Capital reserve – realised	-	-	-	-	-
Revenue reserve	<u>60</u>	<u>75</u>	<u>38</u>	<u>(13)</u>	<u>89</u>
Total equity Shareholders' funds	<u><u>6,362</u></u>	<u><u>9,167</u></u>	<u><u>15,534</u></u>	<u><u>15,971</u></u>	<u><u>16,033</u></u>
Basic and diluted net asset value per:					
Ordinary Share	-	-	0.1p	0.1p	0.1p
'C' Share	88.6p	-	-	90.1p	92.8p
'A' Share	0.1p	-	-	0.1p	0.1p
'D' Share	-	91.6p	-	94.9p	93.5p
'E' Share	-	0.1p	-	0.1p	0.1p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 July 2011			31 Jul 2010	31 Jan 2011
	'C' Shares	'D' Shares	Total (incl Ord Shares)	Total	Total
	£'000	£'000	£'000	£'000	£'000
Opening Shareholders' funds	6,668	9,360	16,033	10,478	10,478
Issue of shares	-	-	-	6,214	6,219
Share issue costs	-	-	-	(342)	(347)
Purchase of own shares	-	-	-	-	(5)
Total recognised gains/(losses) for the year	53	57	110	(20)	297
Distributions	<u>(359)</u>	<u>(250)</u>	<u>(609)</u>	<u>(359)</u>	<u>(609)</u>
Closing Shareholders' funds	<u>6,362</u>	<u>9,167</u>	<u>15,534</u>	<u>15,971</u>	<u>16,033</u>

INCOME STATEMENT

for the six months ended 31 July 2011

Company Total	Six months ended 31 Jul 2011		
	Revenue £'000	Capital £'000	Total £'000
Income	573	-	573
Net loss on investments - realised	-	-	-
- unrealised	-	(133)	(133)
	<u>573</u>	<u>(133)</u>	<u>440</u>
Investment management fees	(108)	-	(108)
Provision against loan stock interest previously recognised	-	-	-
Other expenses	(109)	-	(109)
Return on ordinary activities before taxation	<u>356</u>	<u>(133)</u>	<u>223</u>
Taxation	(113)	-	(113)
Return attributable to equity Shareholders	<u>243</u>	<u>(133)</u>	<u>110</u>
Basic and diluted return			
'C' Share	0.8p	-	0.8p
'A' Share	-	-	-
'D' Share	1.9p	(1.3p)	0.6p
'E' Share	-	-	-
'C' Shares			
Income	160	-	160
Net loss on investments - realised	-	-	-
- unrealised	-	-	-
	<u>160</u>	<u>-</u>	<u>160</u>
Investment management fees	(45)	-	(45)
Provision against loan stock interest previously recognised	-	-	-
Other expenses	(37)	-	(37)
Return on ordinary activities before taxation	<u>78</u>	<u>-</u>	<u>78</u>
Taxation	(25)	-	(25)
Return attributable to equity Shareholders	<u>53</u>	<u>-</u>	<u>53</u>
'D' Shares			
Income	413	-	413
Net loss on investments - realised	-	-	-
- unrealised	-	(133)	(133)
	<u>413</u>	<u>(133)</u>	<u>280</u>
Investment management fees	(63)	-	(63)
Provision against loan stock interest previously recognised	-	-	-
Other expenses	(72)	-	(72)
Return on ordinary activities before taxation	<u>278</u>	<u>(133)</u>	<u>145</u>
Taxation	(88)	-	(88)
Return attributable to equity Shareholders	<u>190</u>	<u>(133)</u>	<u>57</u>

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

Six months ended 31 Jul 2010			Year ended 31 Jan 2011	
Revenue £'000	Capital £'000	Total £'000		Total £'000
226	-	226		843
-	-	-		-
-	-	-		-
<u>226</u>	<u>-</u>	<u>226</u>		<u>843</u>
(104)	-	(104)		(212)
(57)	-	(57)		-
<u>(85)</u>	<u>-</u>	<u>(85)</u>		<u>(214)</u>
(20)	-	(20)		417
-	-	-		(120)
<u>(20)</u>	<u>-</u>	<u>(20)</u>		<u>297</u>
(0.9p)	-	(0.9p)		1.9p
-	-	-		-
0.4p	-	0.4p		1.7p
-	-	-		-
82	-	82		367
-	-	-		-
-	-	-		-
<u>82</u>	<u>-</u>	<u>82</u>		<u>367</u>
(46)	-	(46)		(90)
(57)	-	(57)		-
<u>(44)</u>	<u>-</u>	<u>(44)</u>		<u>(140)</u>
(65)	-	(65)		137
-	-	-		-
<u>(65)</u>	<u>-</u>	<u>(65)</u>		<u>137</u>
144	-	144		476
-	-	-		-
-	-	-		-
<u>144</u>	<u>-</u>	<u>144</u>		<u>476</u>
(58)	-	(58)		(122)
-	-	-		-
<u>(41)</u>	<u>-</u>	<u>(41)</u>		<u>(74)</u>
45	-	45		280
-	-	-		(120)
<u>45</u>	<u>-</u>	<u>45</u>		<u>160</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 31 July 2011

	Notes	Six months ended			Six months ended	Year ended
		31 Jul 2011			31 Jul 2010	31 Jan 2011
		'C' Shares £'000	'D' Shares £'000	Total (incl Ord Shares) £'000	Total £'000	Total £'000
Net cash (outflow)/inflow from operating activities	1	<u>(170)</u>	<u>(180)</u>	<u>(350)</u>	<u>(849)</u>	<u>33</u>
Taxation						
Corporation tax paid		-	-	-	-	(21)
Capital expenditure						
Purchase of investments		(1,914)	(3,407)	(5,321)	(4,274)	(9,956)
Sale of investments		<u>1,964</u>	<u>2,672</u>	<u>4,636</u>	<u>4,552</u>	<u>1,042</u>
Net cash (outflow)/inflow from capital expenditure		<u>50</u>	<u>(735)</u>	<u>(685)</u>	<u>278</u>	<u>(8,914)</u>
Equity dividends paid		(359)	(250)	(609)	(2,114)	(609)
Net cash outflow before financing		(479)	(1,165)	(1,644)	(2,685)	(9,511)
Financing						
Proceeds from share issue		-	-	-	6,785	8,696
Share issue costs		-	-	-	(373)	(342)
Purchase of own shares/loan notes		-	-	-	(20)	(5)
Net cash inflow from financing		<u>-</u>	<u>-</u>	<u>-</u>	<u>6,392</u>	<u>8,349</u>
(Decrease)/increase in cash	2	<u>(479)</u>	<u>(1,165)</u>	<u>(1,644)</u>	<u>3,707</u>	<u>(1,162)</u>

Notes to the cash flow statement:

1 Cash inflow from operating activities and returns on investments

Return on ordinary activities before taxation	78	145	223	(629)	417
Losses on investments	-	133	133	76	(341)
Increase in other debtors	(240)	(474)	(714)	(337)	(94)
Increase in other creditors	<u>(8)</u>	<u>16</u>	<u>8</u>	<u>41</u>	<u>51</u>
Net cash (outflow)/inflow from operating activities	<u>(170)</u>	<u>(180)</u>	<u>(350)</u>	<u>(849)</u>	<u>33</u>

2 Analysis of net funds

Beginning of period	673	1,920	2,593	21	3,755
Net cash (outflow)/inflow	<u>(479)</u>	<u>(1,165)</u>	<u>(1,645)</u>	<u>3,707</u>	<u>(1,162)</u>
End of period	<u>194</u>	<u>755</u>	<u>948</u>	<u>3,728</u>	<u>2,593</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 31 July 2011

'C' Share pool

	Cost	Valuation	Unrealised gain/(loss) in period	% of portfolio by value
	£'000	£'000	£'000	
Venture capital investments				
Qualifying investments				
Bijou Wedding Venues Limited*	815	815	-	13.6%
Future Biogas (SF) Limited*	727	727	-	12.1%
Domestic Solar (ISIS) Limited*	500	500	-	8.4%
Atlantic Dogstar Limited	429	429	-	7.1%
Redmed Limited	350	350	-	5.8%
East Dulwich Tavern Limited	344	344	-	5.7%
Westow House Limited	304	304	-	5.1%
Quadrate Catering Limited*	290	290	-	4.9%
The 3D Pub Co Limited	267	267	-	4.5%
Quadrate Spa Limited*	258	258	-	4.3%
Mosaic Spa and Health Club Limited*	125	125	-	2.1%
Chapel Street Services Limited	50	50	-	0.8%
Chapel Street Food and Beverage Limited	50	50	-	0.8%
Non-qualifying investments				
Hoole Hall Country Club Holdings Limited	581	581	-	9.7%
The Thames Club Limited	500	500	-	8.4%
Honeycombe Pubs VCT Limited	175	175	-	2.9%
Vermont Developments Limited	25	25	-	0.4%
Commercial Street Hotel Limited	12	12	-	0.2%
Chapel Street Hotel Limited	2	2	-	0.0%
	<u>5,804</u>	<u>5,804</u>	<u>-</u>	<u>96.8%</u>
Cash at bank and in hand		<u>193</u>		<u>3.2%</u>
'C' Share pool - Total		<u>5,997</u>		<u>100%</u>

*Partially qualifying investment

SUMMARY OF INVESTMENT PORTFOLIO

as at 31 July 2011

'D' Share pool

	Cost	Valuation	Unrealised gain/(loss) in period	% of portfolio by value
	£'000	£'000	£'000	
Venture capital investments				
Qualifying investments				
Future Biogas (Reepham Road) Limited*	748	748	-	8.6%
Gingerbread Pre-School Limited*	551	551	-	6.3%
Quadrate Catering Limited*	436	436	-	5.0%
Domestic Solar (ISIS) Limited*	400	400	-	4.6%
Camandale Limited*	531	398	(133)	4.6%
Quadrate Spa Limited*	386	386	-	4.5%
Alpha Schools Holdings Limited	367	367	-	4.2%
Green Electricity Generation Limited	250	250	-	2.9%
Slopingtactic Limited	195	195	-	2.2%
Progressive Energies Limited	170	170	-	1.9%
Ridgeway Pub Company Limited*	137	137	-	1.6%
Mosaic Spa and Health Club Limited*	125	125	-	1.4%
Non-qualifying investments				
Aminghurst Limited	2,000	2,000	-	22.9%
Lullingstone Limited	647	647	-	7.4%
Looe Road Student Accommodation	350	350	-	4.0%
Retallack Surfpoes Limited	250	250	-	2.9%
Kirkhouse Limited	175	175	-	2.0%
Fenkle Street LLP	147	147	-	1.7%
Kidspace Adventures Limited	135	135	-	1.5%
Hoi Polloi Pub Co Limited	80	80	-	0.9%
Commercial Street Hotel Limited	18	18	-	0.2%
	<u>8,098</u>	<u>7,965</u>	<u>(133)</u>	<u>91.3%</u>
Cash at bank and in hand		<u>755</u>		<u>8.7%</u>
'D' Share pool - Total		<u>8,720</u>		<u>100%</u>

*Partially qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 31 July 2011

'C' Share pool additions

Qualifying investments	£'000
Domestic Solar (ISIS) Limited*	500
Redmed Limited	350
Atlantic Dogstar Limited	267
Mosaic Spa and Health Club Limited*	125
Future Biogas (SF) Limited*	47
Non-qualifying investments	
Hoole Hall Country Club Holdings Limited	625
Total	1,914

'C' Share pool disposals

	Cost	Market value at 01/02/11	Disposal Proceeds	Gain/ (loss) against cost	Total realised gain/ (loss)
	£'000	£'000	£'000	£'000	£'000
Non-qualifying investments					
Hoole Hall Country Club Holdings Limited	1,250	1,250	1,250	-	-
Bijou Wedding Venues Limited	400	400	400	-	-
Future Biogas (SF) Limited	250	250	250	-	-
Chapel Street Hotel (2008) LLP	63	63	63	-	-
Chapel Street Hotel Limited	1	1	1	-	-
Total	1,964	1,964	1,964	-	-

* Partially qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 31 July 2011 (continued)

'D' Share pool additions

Qualifying investments	£'000
Future Biogas (Reepham Road) Limited*	748
Gingerbread Pre-School Limited*	551
Domestic Solar (ISIS) Limited*	400
Alpha Schools Holdings Limited	367
Green Electricity Generation Limited	250
Progressive Energies Limited	170
Mosaic Spa and Health Club Limited*	125
Non-qualifying investments	
Manor Capital Limited	375
Kidspace Adventures Limited	135
Woolmer Properties Limited	93
Edison House Limited	73
Lullingstone Limited	71
Looe Road Student Accommodation	49
Total	3,407

'D' Share pool disposals

	Cost	Market value at 01/02/11	Disposal Proceeds	Gain/ (loss) against cost	Total realised gain/ (loss)
	£'000	£'000	£'000	£'000	£'000
Non-qualifying investments					
Woolmer Properties Limited	1,088	1,088	1,088	-	-
Edison House Limited	669	669	669	-	-
Fenkle Street LLP	488	488	488	-	-
Manor Capital Limited	375	375	375	-	-
Fenkle Street Developments LLP	32	32	32	-	-
Hoi Polloi Pub Co Limited	20	20	20	-	-
Total	2,672	2,672	2,672	-	-

* Partially qualifying investment

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

- The unaudited half-yearly results cover the six months to 31 July 2011 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 ("SORP") and in accordance with the accounting policies set out in the statutory accounts for the year ended 31 January 2011, which were prepared under UK Generally Accepted Accounting Practice ("UK GAAP").
- All revenue and capital items in the Income Statement derive from continuing operations.
- The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
- The comparative figures are in respect of the six-month period ended 31 July 2010 and the year ended 31 January 2011 respectively.

5. Dividends

	Date	Per share pence	Six months ended 31 July 2011			Year ended 31 Jan 2011
			Revenue £'000	Capital £'000	Total £'000	Total £'000
Paid in year						
'C' Shares						
2010 Final	30 Jul 10	5.0p	-	-	-	359
2011 Final	15 Jul 11	5.0p	144	215	359	-
			<u>144</u>	<u>215</u>	<u>359</u>	<u>359</u>
'D' Shares						
2011 Interim	26 Nov 10	2.5p	-	-	-	250
2011 Final	15 Jul 11	2.5p	150	100	250	-
			<u>150</u>	<u>100</u>	<u>250</u>	<u>250</u>

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

6. Basic and diluted return per share

	'C' Shares	'A' Shares	'D' Shares	'E' Shares
Revenue return per share based on: Net revenue after taxation (£'000)	53	-	190	-
Weighted average number of Ordinary Shares in issue	7,173,376	10,760,064	9,994,109	14,994,862
Capital return/(loss) per share based on: Net capital gain for the financial year (£'000)	-	-	(133)	-
Weighted average number of Ordinary Shares in issue	7,173,376	10,760,064	9,994,109	14,994,862

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Net asset value per share

	Shares in issue	Net asset value	
		per share	£'000
Ordinary Shares	10,064,617	0.1p	5
'C' Shares	7,713,376	88.6p	6,352
'A' Shares	10,760,064	0.1p	10
'D' Shares	9,994,109	91.6p	9,152
'E' Shares	14,994,862	0.1p	15
			<u>15,534</u>

8. Reserves

	Capital redemption reserve £'000	Special reserve £'000	Revenue reserve £'000	Capital reserve - realised £'000	Revaluation reserve £'000
At 1 February 2011	5	15,795	89	-	-
Issue of shares	-	-	-	-	-
Share issue costs	-	-	-	-	-
Net losses on investments	-	-	-	-	(133)
Expenses capitalised	-	-	-	-	-
Distributions paid	-	-	(294)	(315)	-
Transfer between reserves	-	(315)	-	315	-
Retained net revenue for the year	-	-	243	-	-
At 31 July 2011	<u>5</u>	<u>15,480</u>	<u>38</u>	<u>-</u>	<u>(133)</u>

The Special reserve, Capital reserve-realised and Revenue reserve are all distributable reserves. The Revaluation reserve includes losses of £133,000 which are included in the calculation of distributable reserves. Total distributable reserves are £15,385,000.

9. 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 January 2011 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the auditors' report on those financial statements was unqualified.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

- 10.** 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 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.
- 11.** 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 (continued)

Share Scam Warning

We have become 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 under "Existing Investments". If you have any concerns, please contact Downing on 020 7416 7780.

Share price

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).

	'C' Shares DP3C	'D' Shares DP3D	Ordinary Shares DPV3
TIDM/EPIC codes			
Latest share price (29 September 2011):	79.0p per share	82.5p per share	2.5p per share
	'A' Shares DP3A	'E' Shares DP3E	
TIDM/EPIC codes			
Latest share price (29 September 2011):	5.0p per share	0.1p per share	

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 'A' Shares, 'C' Shares, 'D' Shares and 'E' Shares 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 close 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 Registrars, 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 Planned Exit VCT 3 plc, please contact the registrar on 0871 664 0324 or visit Capita's website at www.capitaregistrars.com and click on "Shareholders".

Directors

Hugh Gillespie (Chairman)
Dennis Hale
Michael Robinson

Company Secretary and Registered Office

Grant Whitehouse
10 Lower Grosvenor Place
London SW1W 0EN

Registered No. 5334418

Investment and Administration Manager

Downing Managers 3 Limited
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www.downing.co.uk
Tel: 020 7416 7780

Registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

www.capitaregistrars.com
Tel: 0871 664 0324

(calls cost 10p per minute plus network extras,
lines open Monday to Friday 8:30am to 5:30pm)