

Downing THREE VCT PLC

—
Half-Yearly Report for
the six months ended
31 July 2013

SHAREHOLDER INFORMATION

Performance summary

'C' Share pool	31 Jul	31 Jan	31 Jul
	2013	2013	2012
	Pence	Pence	Pence
Net asset value per 'C' Share	93.1	94.7	90.8
Net asset value per 'A' Share	0.1	0.1	0.1
Cumulative distributions per 'C' Share	20.0	17.5	15.0
Total return per 'C' Share and 'A' Share	<u>113.2</u>	<u>112.3</u>	<u>105.9</u>
'D' Share pool	31 Jul	31 Jan	31 Jul
	2013	2013	2012
	Pence	Pence	Pence
Net asset value per 'D' Share	79.0	79.7	80.3
Net asset value per 'E' Share	0.1	0.1	0.1
Cumulative distributions per 'D' Share	15.0	12.5	10.0
Total return per 'D' Share and 'E' Share	<u>94.1</u>	<u>92.3</u>	<u>90.4</u>
'F' Share pool	31 Jul	31 Jan	31 Jul
	2013	2013	2012
	Pence	Pence	Pence
Net asset value per 'F' Share	83.9	88.5	94.4
Cumulative distributions per 'F' Share	7.5	5.0	-
Total return per 'F' Share	<u>91.4</u>	<u>93.5</u>	<u>94.4</u>

Forthcoming dividends

	'C' Shares	'D' Shares	'F' Shares
Interim 2013 – Payable 27 November 2013	2.5p	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.capitaregistrars.com/shareholders/information).

Queries relating to dividends and requests for mandate forms 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 the Half-Yearly Report for the six months ended 31 July 2013 and update Shareholder on developments of the three share pools, each of which are at different stages in their lives.

The 'F' Share pool has seen significant levels of investment activity throughout the period, while the 'C' Share and 'D' Share pools, which are essentially fully invested, have been focussed on their existing portfolios as they move towards their target exit dates.

Generally progress has been positive over the six months, although it has been necessary to make a small number of provisions against investments, which is a reminder of the challenging environment in which we continue to operate.

Net asset values

'C' Share pool

At 31 July 2013, the net asset value ("NAV") for a combined holding of one 'C' Share and one 'A' Share was 93.2p, an increase of 0.9p (0.9%) over the period. Total Return (NAV plus dividends paid to date) is now 113.2p for a combined holding.

'D' Share pool

At 31 July 2013, the net asset value ("NAV") for a combined holding of one 'D' Share and one 'E' Share was 79.1p, an increase of 1.8p (2.2%) over the period. Total Return (NAV plus dividends paid to date) is now 94.1p for a combined holding.

'F' Share pool

At 31 July 2013, the net asset value ("NAV") for a holding of one 'F' Share was 83.9p, a decrease of 2.1p (2.4%) over the period. Total Return (NAV plus dividends paid to date) is now 91.4p for a combined holding.

A full review for each share pool is covered in the specific Investment Manager's Reports on pages 3 to 10.

Dividends

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

'C' Shares	2.5p per share
'D' Shares	2.5p per share
'F' Shares	2.5p per share

Each of the above dividends will be paid on 27 November 2013 to Shareholders on the register at 8 November 2013.

CHAIRMAN'S STATEMENT (continued)

Share buybacks

The Company has a general policy of buying in its own shares that become available in the market for cancellation. No shares were purchased in the six month period to 31 July 2013.

The current policy is that the Company will buy 'C' Shares, 'A' Shares, 'D' Shares or 'E' Shares at approximately a 10% discount to the latest published NAV. In respect of the 'F' Shares, any such purchases will be undertaken at a price equal to the latest published NAV (i.e. at nil discount) until October 2016. All buybacks are subject to regulatory restrictions and other factors such as availability of liquid funds.

Outlook

We expect to see continued new investment activity in the 'F' Share pool over the remainder of the year as the process of building the portfolio is ongoing. The Manager reports satisfactory levels of dealflow which will provide suitable investment opportunities.

The Manager also has a growing investment monitoring role across all pools which is vital to ensure that investee companies stay on track and that support is provided where appropriate in order that they can ultimately deliver the expected outcomes.

Over the coming months, the Board will give consideration as to whether there might now be an opportunity to create a larger VCT by way of a merger with one or more other VCTs which could bring benefits to all Shareholders. Naturally, I will bring you news of any developments at the appropriate time.



Hugh Gillespie
Chairman

27 September 2013

INVESTMENT MANAGER’S REPORT ‘C’ SHARE POOL

Investment activity

The ‘C’ Share pool is now fully qualifying; accordingly, no new qualifying investments were made during the period.

The majority of the ‘C’ Share pool investments have performed in line with expectations over the period, with no change in valuation. There have, however, been a number of adjustments which resulted in a net valuation decrease of £48,000.

A £30,000 increase in value was recognised for Quadrate Catering Limited which owns the Marco Pierre White Steakhouse located in the iconic Cube building in Birmingham. Performance of the restaurant is ahead of projections.

A further £10,000 uplift in East Dulwich Tavern Limited was recognised at the interim to reflect that the pub continues to perform well.

A £35,000 write down in value was made to Honeycombe Pubs VCT Limited which owns a bar in Burnley, Lancashire. The bar is in the process of being sold and the reduced valuation reflects the anticipated net proceeds due to the ‘C’ Share pool on disposal.

Chapel Street Services Limited and Chapel Street Food and Beverage Limited were both written down by £24,000 at the half year point. The valuation reflects that the businesses are trading behind the original business plan.

Details of the ‘C’ Share pool portfolio and investment activity during the period are shown in the following pages.

Net asset value

At 31 July 2013, the net asset value (“NAV”) for a combined holding of one ‘C’ Share and one ‘A’ Share was 93.2p, an increase of 0.9p (0.9%) over the period. Total Return (NAV plus dividends paid to date) is now 113.2p for a combined holding.

Results and dividend

The profit on ordinary activities for the ‘C’ Shares, after taxation, for the period was £64,000, comprising a revenue profit of £113,000 and a capital loss of £49,000.

The company will pay an interim dividend of 2.5p per ‘C’ Share, on 27 November 2013, to ‘C’ Shareholders on the register at 8 November 2013.

Outlook

The decrease in the portfolio value over the past six months, albeit a small one, is disappointing, however, investment income received has ensured that NAV continued to move forward.

Overall, the ‘C’ Share portfolio has performed well to date and we believe that there is potential for further growth before we start to seek realisations in order to return funds to Shareholders in late 2014. Trading conditions do, however, remain challenging for most businesses and therefore close monitoring of all portfolio companies will remain a priority.

Downing LLP

SUMMARY OF INVESTMENT PORTFOLIO

'C' SHARE POOL

as at 31 July 2013

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Qualifying investments				
Bijou Wedding Venues Limited	815	901	-	13.4%
Atlantic Dogstar Limited	438	728	-	10.8%
Future Biogas (SF) Limited	627	703	-	10.5%
Domestic Solar Limited*	500	560	-	8.3%
Redmed Limited*	350	451	(4)	6.7%
Westow House Limited	304	418	-	6.2%
East Dulwich Tavern Limited	344	396	10	5.9%
Quadrate Spa Limited*	363	363	-	5.4%
Quadrate Catering Limited	330	359	30	5.3%
Ecosol Limited	250	212	-	3.2%
The 3D Pub Co Limited	267	187	-	2.8%
Mosaic Spa and Health Clubs Limited*	125	125	-	1.9%
Chapel Street Services Limited	50	26	(24)	0.4%
Chapel Street Food and Beverage Limited	50	26	(24)	0.4%
Non-qualifying investments				
Hoole Hall Country Club Holdings Limited	581	581	-	8.6%
The Thames Club Limited	500	500	-	7.4%
Honeycombe Pubs VCT Limited	175	52	(35)	0.8%
Vermont Developments Limited	25	25	-	0.4%
Chapel Street Hotel Limited	2	1	(1)	0.0%
	<u>6,096</u>	<u>6,614</u>	<u>(48)</u>	<u>98.4%</u>
Cash at bank and in hand		<u>105</u>		<u>1.6%</u>
Total		<u><u>6,719</u></u>		<u><u>100.0%</u></u>

SUMMARY OF INVESTMENT MOVEMENTS

'C' SHARE POOL

for the six months ended 31 July 2013

Disposals	Cost £'000	Market value at 01/02/13 £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain £'000
Redmed Limited*	79	79	79	-	-

* Partially qualifying investment

INVESTMENT MANAGER'S REPORT

'D' SHARE POOL

Investment activity

The 'D' Share pool is fully qualifying therefore investment activity during the period was limited to one follow-on investment and one new investment at a total cost of £137,000, details of which are set out below.

A further investment of £95,000 was made in Future Biogas (Reepham Road) Limited, to provide liquidity for the business following higher feedstock costs.

A new investment of £42,000 was made in Kilmarnock Monkey Bar Limited after one of the two pubs owned by Camandale was transferred into the Company. The Monkey Bar is now let to a third party manager, who pays a regular rent to the company.

The majority of the 'D' Share pool investments have performed in line with expectations over the period, with no change in valuation. There have, however, been seven adjustments.

A £40,000 increase in value was recognised for Quadrate Catering Limited which owns the Marco Pierre White Steakhouse located in the iconic Cube building in Birmingham. Performance of the restaurant is ahead of projections.

Green Electricity Generation Limited and Avon Solar Energy Limited both own a portfolio of solar panels on the rooftops of domestic properties across the UK. The panels have now been generating income for over a year and have started to establish reliable track records, resulting in an uplift of £11,000 for Green Electricity Generation and £8,000 for Avon Solar.

Further increases in value were recognised for Kidspace Adventures Holdings Limited (£17,000) and Alpha Schools (Holdings) Limited (£8,000) to reflect that the businesses are performing well.

A further reduction in value was recognised in Camandale Limited of £24,000 after one of the two pubs owned by the Company was transferred into a new investment, Kilmarnock Monkey Bar Limited. The new valuation of Camandale reflects the standalone valuation of the remaining pub, The Riverbank.

A £35,000 reduction in value was recognised for Liverpool Nurseries (Holdings) Limited. This cautionary reduction in value reflects that the business is performing behind budget.

In total, the portfolio produced net unrealised capital gains of £25,000 for the six months.

Details of the 'D' Share pool portfolio and investment activity during the period are shown in the following pages.

Net asset value

At 31 July 2013, the net asset value ("NAV") for a combined holding of one 'D' Share and one 'E' Share was 79.1p, an increase of 1.8p (2.2%) over the period. Total Return (NAV plus dividends paid to date) is now 94.1p for a combined holding.

Results and dividend

The profit on ordinary activities for the 'D' Shares, after taxation, for the period was £167,000, comprising a revenue profit of £142,000 and a capital profit of £25,000.

The Company will pay an interim dividend of 2.5p per 'D' Share, on 27 November 2013, to 'D' Shareholders on the register at 8 November 2013.

Outlook

After a series of setbacks in the portfolio, the 'D' Share portfolio is now starting to show signs of growth with a number of valuation uplifts recognised for investments that are performing to plan. We are satisfied with progress to date and believe there is good potential for growth ahead of 2015, when the pool will seek to start realising its investments.

SUMMARY OF INVESTMENT PORTFOLIO 'D' SHARE POOL

as at 31 July 2013

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Qualifying investments				
Future Biogas (Reepham Road) Limited*	842	842	-	10.6%
Quadrate Spa Limited*	496	496	-	6.3%
Quadrate Catering Limited	441	481	40	6.1%
Mosaic Spa and Health Clubs Limited	475	475	-	6.0%
Domestic Solar Limited*	400	448	-	5.6%
Liverpool Nurseries (Holdings) Limited *	435	400	(35)	5.0%
Kidspace Adventures Holdings Limited*	375	392	17	4.9%
Alpha Schools (Holdings) Limited	367	389	8	4.9%
Green Electricity Generation Limited	250	269	11	3.4%
West Tower Property Limited	250	250	-	3.2%
Westcountry Solar Solutions Limited	250	250	-	3.2%
Avon Solar Energy Limited	210	218	8	2.7%
Ecosol Limited	250	212	-	2.7%
Slopingtactic Limited	196	196	-	2.5%
Progressive Energies Limited	170	170	-	2.1%
Ridgeway Pub Company Limited	131	120	-	1.5%
Camandale Limited*	516	57	(24)	0.7%
Non-qualifying investments				
Aminghurst Limited	1,650	1,650	-	20.8%
Fenkle Street LLP	122	122	-	1.5%
Commercial Street Hotel Limited	100	100	-	1.3%
Kilmarnock Monkey Bar Limited	42	42	-	0.5%
	<u>7,968</u>	<u>7,579</u>	<u>25</u>	<u>95.5%</u>
Cash at bank and in hand		<u>357</u>		<u>4.5%</u>
Total		<u>7,936</u>		<u>100.0%</u>

* Partially qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS 'D' SHARE POOL

for the six months ended 31 July 2013

Additions	£'000
Qualifying investments	
Future Biogas (Reephams Road) Limited	95
Non-qualifying investments	
Kilmarnock Monkey Bar Limited	42
Total	<u>137</u>

Disposals	Cost £'000	Market value at 01/02/13** £'000	Disposal proceeds £'000	Loss against cost £'000	Total realised gain £'000
Qualifying investments					
Camandale Limited*	45	32	32	(13)	-
Avon Solar Energy Limited	40	40	40	-	-
Liverpool Nurseries (Holdings) Limited	32	32	32	-	-
Ridgeway Pub Company Limited	6	6	6	-	-
Non-qualifying investments					
Aminghurst Limited	500	500	500	-	-
Total	<u>623</u>	<u>610</u>	<u>610</u>	<u>(13)</u>	<u>-</u>

* Partially qualifying investment

** Adjusted for purchases in the year

INVESTMENT MANAGER'S REPORT

'F' SHARE POOL

Investment activity

The 'F' Share pool made three new qualifying investments (including partially qualifying investments or investments that will become qualifying in due course) and three non-qualifying investments during the period at a total cost of £1,295,000. Details of the main new investments are set out below.

In May 2013, the 'F' Share pool invested £311,000 in Redmed Limited to allow it to complete the purchase and refurbishment of a high street bar in Lincoln city centre. The bar was refurbished and relaunched in September 2013 as Craft Bar & Kitchen.

£200,000 was invested in Pabulum Pubs Limited in April 2013 and £100,000 invested in Augusta Pub Company Limited in May 2013, both companies have purchased freehold pubs in London.

In July 2013, a £500,000 loan was made to Pub People Limited which owns and operates 50 pubs in the East Midlands. This non-qualifying investment is secured against five freehold pubs in the company's estate.

A £107,000 non-qualifying investment was made in Dominions House Limited in March 2013 in a building in Cardiff.

The majority of the 'F' Share pool investments have performed in line with expectations over the period and continued to be valued at original cost, however, there have been three adjustments.

A reduction in value was made to Southampton Hotel Developments Limited following delays to the build. As such, a precautionary £150,000 provision was made at this time.

Performance of the nightclub owned by City Falkirk Limited has unfortunately continued to operate below expectation and a further reduction in value of £95,000 has been made.

We are working closely with the club's management in order to try to bring the trading back on track, however, it is clear that the depressed economic conditions are a major contributing factor to the weak performance.

An £11,000 uplift in the value of Kidspace Adventures Holdings Limited was recognised at the interim to reflect that the business is performing well.

In total, the portfolio produced net unrealised capital losses of £234,000 for the six months.

Details of the 'F' Share pool portfolio and investment activity during the period are shown in the following pages.

Net asset value

At 31 July 2013, the net asset value ("NAV") for a holding of one 'F' Share was 84.0p, a decrease of 2.0p (2.3%) over the period. Total Return (NAV plus dividends paid to date) is now 91.5p for a combined holding.

Results and dividend

The loss on ordinary activities for the 'F' Shares, after taxation, for the period was £215,000, comprising a revenue profit of £19,000 and a capital loss of £234,000.

The company will pay an interim dividend of 2.5p per 'F' Share, on 27 November 2013, to 'F' Shareholders on the register at 8 November 2013.

Outlook

The 'F' Share portfolio is still at a relatively early stage and the initial setbacks in the portfolio are disappointing. The focus for the remainder of the year will be to identify further good quality qualifying investments to utilise remaining funds and to continue building a portfolio with good potential for growth over the next four years when the commencements of the realisations are planned.

Downing LLP

SUMMARY OF INVESTMENT PORTFOLIO 'F' SHARE POOL

as at 31 July 2013

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Qualifying investments				
Tor Solar PV Limited*	680	680	-	7.4%
Vulcan Renewables Limited	560	560	-	6.1%
Redmed Limited*	311	311	-	3.4%
Fubar Stirling Limited	268	268	-	2.9%
Kidspace Adventures Holdings Limited*	250	261	11	2.8%
City Falkirk Limited*	421	244	(95)	2.7%
Fresh Green Power Limited	200	200	-	2.2%
Pabulum Pubs Limited	200	200	-	2.2%
Augusta Pub Company Limited	100	100	-	1.1%
Green Energy Production UK Limited	100	100	-	1.1%
Cheers Dumbarton Limited	48	48	-	0.5%
Lochrise Limited	13	-	-	0.0%
Non-qualifying investments				
Aminghurst Limited	1,110	1,110	-	12.1%
Pub People Limited	500	500	-	5.4%
Baron House Developments LLP	481	481	-	5.2%
Hoole Hall Hotel Limited	265	265	-	2.9%
Retallack Limited	262	262	-	2.8%
Southampton Hotel Developments Limited	300	150	(150)	1.6%
Dominions House Limited	107	107	-	1.2%
3D Pub Co Limited	55	55	-	0.6%
	<u>6,231</u>	<u>5,902</u>	<u>(234)</u>	64.2%
Cash at bank and in hand		<u>3,293</u>		<u>35.8%</u>
Total		<u>9,195</u>		<u>100.0%</u>

* Partially qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS 'F' SHARE POOL

as at 31 July 2013

Additions	£'000
Qualifying investments	
Redmed Limited*	311
Pabulum Pubs Limited	200
Augusta Pub Company Limited	100
Non-qualifying investments	
Pub People Limited	500
Dominions House Limited	107
Retallack Limited	77
Total	<u><u>1,295</u></u>

Disposals	Cost	Market value at 01/02/13**	Disposal proceeds	Gain against cost	Total realised gain
	£'000	£'000	£'000	£'000	£'000
Non-qualifying investments					
Clareville Street LLP	500	500	500	-	-
West Tower Holdings Limited	290	290	290	-	-
Baron House Developments LLP	65	65	65	-	-
Retallack Limited	144	144	144	-	-
	<u>999</u>	<u>999</u>	<u>999</u>	<u>-</u>	<u>-</u>

* Partially qualifying investment

** Adjusted for purchases in the year

UNAUDITED SUMMARISED BALANCE SHEET

as at 31 July 2013

	31 Jul 2013				31 Jul 2012	31 Jan 2013
	'C' Shares £'000	'D' Shares £'000	'F' Shares £'000	Total £'000	Total (inc Ords) £'000	Total (inc Ords) £'000
Fixed assets						
Unquoted investments	6,614	7,579	5,902	20,095	18,987	20,609
Current assets						
Debtors	120	112	49	281	533	320
Cash at bank and in hand	105	357	3,216	3,678	3,682	3,781
	<u>225</u>	<u>469</u>	<u>3,265</u>	<u>3,959</u>	<u>4,215</u>	<u>4,101</u>
Creditors: amounts falling due within one year	<u>(165)</u>	<u>(158)</u>	<u>(84)</u>	<u>(407)</u>	<u>(282)</u>	<u>(363)</u>
Net current assets	<u>60</u>	<u>311</u>	<u>3,181</u>	<u>3,552</u>	<u>3,933</u>	<u>3,738</u>
Net assets	<u>6,674</u>	<u>7,890</u>	<u>9,083</u>	<u>23,647</u>	<u>22,920</u>	<u>24,347</u>
Capital and reserves						
Called up share capital	18	25	11	54	153	54
Capital redemption reserve	106	-	-	106	5	106
Special reserve	5,847	8,110	-	13,957	14,719	14,361
Share premium account	-	-	10,160	10,160	8,366	10,160
Revaluation reserve	517	(389)	(328)	(200)	(273)	44
Capital reserve – realised	53	-	(763)	(710)	48	(439)
Revenue reserve	<u>133</u>	<u>144</u>	<u>3</u>	<u>280</u>	<u>(98)</u>	<u>61</u>
Total equity shareholders' funds	<u>6,674</u>	<u>7,890</u>	<u>9,083</u>	<u>23,647</u>	<u>22,920</u>	<u>24,347</u>
Basic and diluted net asset value per:						
'C' Share	93.1p				90.8p	94.7p
'A' Share	0.1p				0.1p	0.1p
'D' Share		79.0p			80.3p	79.7p
'E' Share		0.1p			0.1p	0.1p
'F' Share			83.9p		94.4p	88.5p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 July 2013				31 Jul 2012	31 Jan 2013
	'C' Shares £'000	'D' Shares £'000	'F' Shares £'000	Total £'000	Total (inc Ords) £'000	Total (inc Ords) £'000
Opening Shareholders' funds	6,789	7,984	9,574	24,347	16,090	16,090
Issue of shares	-	-	-	-	8,862	10,763
Share issue costs	-	-	-	-	(487)	(592)
Purchase of own shares	-	(11)	-	(11)	-	(12)
Total recognised gains/(losses) for the year	64	167	(221)	10	62	626
Share capital to be issued	-	-	-	-	(1,178)	(1,178)
Dividends	(179)	(250)	(270)	(699)	(429)	(1,350)
Closing Shareholders' funds	<u>6,674</u>	<u>7,890</u>	<u>9,083</u>	<u>23,647</u>	<u>22,920</u>	<u>24,347</u>

INCOME STATEMENT

for the six months ended 31 July 2013

Company Total

	Six months ended 31 Jul 2013			Six months ended 31 Jul 2012			Year ended 31 Jan 2013
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	643	-	643	295	-	295	1,149
(Losses)/gains on investments							
- realised	-	-	-	-	(5)	(5)	-
- unrealised	-	(258)	(258)	-	44	44	175
	643	(258)	385	295	39	334	1,324
Investment management fees	(186)	-	(186)	(145)	-	(145)	(308)
Other expenses	(110)	-	(110)	(110)	-	(110)	(238)
Return/(loss) on ordinary activities before taxation	347	(258)	89	40	39	79	778
Taxation	(79)	-	(79)	(17)	-	(17)	(152)
Return/(loss) attributable to equity shareholders	268	(258)	10	23	39	62	626
Return per 'C' Share	1.6p	(0.7p)	0.9p	0.7p	1.1p	1.8p	8.2p
Return per 'A' Share	-	-	-	-	-	-	-
Return per 'D' Share	1.4p	0.2p	1.6p	(0.2p)	(0.3p)	(0.5p)	1.5p
Return per 'E' Share	-	-	-	-	-	-	-
Return per 'F' Share	0.1p	(2.2p)	(2.1p)	(0.1p)	-	(0.1p)	(1.3p)

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.

INCOME STATEMENT

for the six months ended 31 July 2013

'C' Shares

	Six months ended 31 Jul 2013			Six months ended 31 Jul 2012			Year ended 31 Jan 2013
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	220	-	220	151	-	151	537
(Losses)/gains on investments							
- realised	-	-	-	-	-	-	-
- unrealised	-	(49)	(49)	-	76	76	299
	220	(49)	171	151	76	227	836
Investment management fees	(46)	-	(46)	(44)	-	(44)	(89)
Other expenses	(31)	-	(31)	(40)	-	(40)	(75)
Return/(loss) on ordinary activities before taxation	143	(49)	94	67	76	143	672
Taxation	(30)	-	(30)	(17)	-	(17)	(87)
Return/(loss) attributable to equity shareholders	113	(49)	64	50	76	126	585

INCOME STATEMENT

for the six months ended 31 July 2013

'D' Shares

	Six months ended 31 Jul 2013			Six months ended 31 Jul 2012			Year ended 31 Jan 2013
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	274	-	274	85	-	85	433
Gains/(losses) on investments							
- realised	-	-	-	-	-	-	-
- unrealised	-	25	25	-	(32)	(32)	(24)
	<u>274</u>	<u>25</u>	<u>299</u>	<u>85</u>	<u>(32)</u>	<u>53</u>	<u>409</u>
Investment management fees	(54)	-	(54)	(56)	-	(56)	(110)
Other expenses	(36)	-	(36)	(48)	-	(48)	(88)
Return/(loss) on ordinary activities before taxation	<u>184</u>	<u>25</u>	<u>209</u>	<u>(19)</u>	<u>(32)</u>	<u>(51)</u>	<u>211</u>
Taxation	(42)	-	(42)	-	-	-	(60)
Return/(loss) attributable to equity shareholders	<u>142</u>	<u>25</u>	<u>167</u>	<u>(19)</u>	<u>(32)</u>	<u>(51)</u>	<u>151</u>

INCOME STATEMENT

for the six months ended 31 July 2013

'F' Shares

	Six months ended 31 Jul 2013			Six months ended 31 Jul 2012			Year ended 31 Jan 2013
	Revenue	Capital	Total	Revenue	Capital	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	149	-	149	59	-	59	179
Losses on investments							
- realised	-	-	-	-	-	-	-
- unrealised	-	(234)	(234)	-	-	-	(95)
	149	(234)	(85)	59	-	59	84
Investment management fees	(86)	-	(86)	(45)	-	(45)	(109)
Other expenses	(43)	-	(43)	(22)	-	(22)	(75)
(Loss)/return on ordinary activities before taxation	20	(234)	(214)	(8)	-	(8)	(100)
Taxation	(7)	-	(7)	-	-	-	(5)
(Loss)/return attributable to equity shareholders	13	(234)	(221)	(8)	-	(8)	(105)

UNAUDITED CASH FLOW STATEMENT

for the six months ended 31 July 2013

	Note	31 Jul 2013				31 Jul	31 Jan
		'C' Shares £'000	'D' Shares £'000	'F' Shares £'000	Total £'000	2012 Total (inc Ords) £'000	2013 Total (inc Ords) £'000
Net cash inflow from operating activities	1	170	139	42	351	145	575
Taxation							
Corporation tax paid		-	-	-	-	-	(81)
Capital expenditure							
Purchase of investments		-	(137)	(1,295)	(1,432)	(5,646)	(8,054)
Sale of investments		79	610	999	1,688	938	1,860
Net cash (outflow)/inflow from capital expenditure		79	473	(296)	256	(4,708)	(6,194)
Equity dividends paid		(179)	(250)	(270)	(699)	(429)	(1,350)
Net cash (outflow)/inflow before financing		70	362	(524)	(92)	(4,992)	(7,050)
Financing							
Proceeds from share issue		-	-	-	-	8,489	10,763
Share issue costs		-	-	-	-	(487)	(592)
Purchase of own shares		-	(11)	-	(11)	-	(12)
Net cash (outflow)/inflow from financing		-	(11)	-	(11)	8,002	10,159
(Decrease)/increase in cash	2	70	351	(524)	(103)	3,010	3,109

NOTES TO THE UNAUDITED CASH FLOW STATEMENT

for the six months ended 31 July 2013

	31 Jul 2013				31 Jul	31 Jan
	'C'	'D'	'F'	Total	2012	2013
	Shares	Shares	Shares	Total	Total	Total
	£'000	£'000	£'000	£'000	(inc Ords) £'000	(inc Ords) £'000
1 Cash inflow from operating activities and returns on investments						
Return on ordinary activities						
before taxation	94	209	(214)	89	79	778
Losses/(gains) on investments	49	(25)	234	258	(39)	(175)
Decrease/(increase) in other						
debtors	37	(22)	24	39	52	(107)
(Decrease)/increase in other						
creditors	(11)	(23)	(13)	(47)	53	47
Increase in amount due to						
subsidiary undertaking	1	-	11	12	-	32
Net cash inflow from operating						
activities	170	139	42	351	145	575
2 Analysis of net funds						
Beginning of period	35	6	3,740	3,781	672	672
Net cash (outflow)/inflow	70	351	(524)	(103)	3,010	3,109
End of period	105	357	3,216	3,678	3,682	3,781

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. The unaudited half-yearly results cover the six months to 31 July 2013 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 January 2013, which were prepared under UK Generally Accepted Accounting Practice.
2. All revenue and capital items in the Income Statement derive from continuing operations.
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 month period ended 31 July 2012 and the year ended 31 January 2013 respectively.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

5. Dividends

Paid in year	Per share pence	Six months ended 31 July 2013			Year ended 31 Jan 2013
		Revenue £'000	Capital £'000	Total £'000	Total £'000
'C' Shares					
2013 Final	2.5p	49	130	179	-
2012 Final	2.5p	-	-	-	179
2013 Interim	2.5p	-	-	-	179
		<u>49</u>	<u>130</u>	<u>179</u>	<u>358</u>
'D' Shares					
2013 Final	2.5p	-	250	250	-
2012 Final	2.5p	-	-	-	250
2013 Interim	2.5p	-	-	-	250
		<u>-</u>	<u>250</u>	<u>250</u>	<u>500</u>
'F' Shares					
2013 Final	2.5p	-	270	270	-
2013 Interim	5.0p	-	-	-	492
		<u>-</u>	<u>270</u>	<u>270</u>	<u>492</u>

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

6. Basic and diluted return per share

	Weighted average number of shares in issue	Revenue return per share based on net revenue after taxation (£'000)	Capital return/(loss) per share based on net capital gain for the financial year (£'000)
'C' Shares	7,158,326	113	(49)
'A' Shares	10,750,064	-	-
'D' Shares	9,991,126	142	25
'E' Shares	14,994,862	-	-
'F' Shares	10,821,660	13	(234)

7. Net asset value per share

	Shares in issue	Net asset value	
		per share	£'000
'C' Shares	7,158,326	93.1p	6,663
'A' Shares	10,750,064	0.1p	11
'D' Shares	9,979,109	79.0p	7,875
'E' Shares	14,994,862	0.1p	15
'F' Shares	10,821,660	83.9p	9,083
			<u>23,647</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

8. Reserves

	Capital redemption reserve £'000	Share premium reserve £'000	Special reserve £'000	Revenue reserve £'000	Capital reserve - realised £'000	Revaluation reserve £'000
At 1 February 2013	106	10,160	14,361	61	(439)	44
Repurchase of own shares	-	-	(11)	-	-	-
Net loss on investments	-	-	-	-	-	(258)
Dividends paid	-	-	-	(49)	(650)	-
Transfer between reserves	-	-	(393)	-	379	14
Retained revenue	-	-	-	268	-	-
At 31 July 2013	106	10,160	13,957	280	(710)	(200)

The Special reserve, Capital reserve - realised and Revenue reserve are all distributable reserves. The Revaluation reserve includes losses of £1,171,000 which are included in the calculation of distributable reserves. Total distributable reserves are £12,356,000 (£13,188,000 at 31 January 2013).

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

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 2013 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.
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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

11. 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.

12. 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.

13. 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 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).

	‘C’ Shares DP3C	‘D’ Shares DP3D	‘F’ Shares DP3F
TIDM/EPIC codes			
Latest share price (per share) (27 September 2013):	83.5p	70.5p	85.0p

	‘A’ Shares DP3A	‘E’ Shares DP3E
TIDM/EPIC codes		
Latest share price (per share) (27 September 2013):	5.025p	0.1p

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 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 and employees”.

Directors

Hugh Gillespie (Chairman)
Dennis Hale
Michael Robinson

Company Secretary and Registered Office

Grant Whitehouse
10 Lower Grosvenor Place
London SW1W 0EN

Registered No. 5334413

Investment and Administration Manager

Downing Managers 3 Limited
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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)